

Chapter One

Introduction

1.1 Background to the Study

Financial inclusion is a state where individuals and businesses have access to useful and affordable financial products and services that meet their needs and delivered in a sustainable and responsible way i.e. payments, transactions, investments, credit, borrowing, savings, and insurance.

The road maps of actions defined and agreed either at the level of a whole nation or sub national levels which they use to attain the financial inclusion objectives are known as financial inclusion strategies. For strategies to be successful, they should coordinate efforts with the main stakeholders, define responsibilities and state a clear planning of resources by, e.g. targets highlighting.

Strategies can encourage efficient and effective procedures aimed at achieving notable development in financial inclusion, this is usually prepared alongside the private sector in order to establish and achieve shared, achievable goals for financial inclusion.

A very comprehensive approach to financial inclusion addresses at least three parameters to financial inclusion and they are access to financial services and products; usage of financial services and products; and quality of financial services and products.

In most developing economies, one of the most identified biggest problems faced by the SMEs is accessing finance, i.e. one of the parameters of financial inclusion. It has been established to be a

serious challenge the SMEs is faced with. The SMEs ability to be competitively sustainable is influenced by their finance access and is dependent on bank and business support services, access to financial information, and collateral requirements of the financial sector. The ability of the MSMEs to fulfill their roles as platforms that support food security and sources of jobs and wealth creation, as well as organizations that reduce poverty, has been challenged consistently even though the number of the SMEs has continued to grow in the past few years.

The Small and Medium Enterprises are extremely important to most economies, especially those in emerging nations. SMEs comprise majorly of enterprises globally and engage in an important role in creating employment and expanding the economy globally. They account for more than 50% of all jobs globally and roughly 90% of all enterprises. In emerging economies, the percentage of formal SMEs in the GDP can reach up to 40%; however, the numbers are substantially greater when SMEs in the informal sector are added. It is projected that 600 million jobs will be required by 2030 to accommodate the expanding global workforce, making SMEs expansion a top focus for many nations the world over. In emerging markets, the SMEs represent seven out of every ten formal jobs created. Accessing finance was a major barrier to the expansion of SMEs, and it is also the second-most-mentioned challenge to SMEs' expansion in developing markets and emerging nations¹.

The World Bank estimated that the Small and Medium-Sized Enterprises represent roughly 90% of all enterprises and exceeding 50% of all jobs globally. In emerging economies, the GDP contribution from formal MSMEs might reach 40%. Over 90% of businesses the world over are small and medium-sized businesses, which employ over 50% of the formal labour force globally and over 63% in low- and middle-income countries (LMICs)².

SMEs rely on finances from internal sources or money from family and friends in starting and initially take-off with their businesses because they are not likely to get bank loans like large companies. According to the International Finance Corporation, 65 Million businesses or 40% of the micro, small, and medium-sized enterprises in not too developed nations have a financial need gap of \$5.2 Trillion unmet annually or 1.4 times the level of MSME lending now available globally. According to some statistics, the largest portion of the global finance gap (46%) is accounted for by East Asia and the Pacific, followed by Latin America and the Caribbean (23%), Europe and Central Asia is at (15%). Region to region differs greatly in the gap level, nonetheless the biggest percentage of the financial gap when in comparison to likely demand is found in Latin America and the Caribbean, followed by the Middle East and North Africa with 87% and 88% respectively. A little over half of legally recognized SMEs found accessing formal loans difficult. When micro and informal businesses are factored in, the financial gap becomes even more³.

In Nigeria, the roles of the SMEs in achieving sustainable economic growth cannot be overemphasized. SMEs activities are continually the foundation and building blocks of any meaningful and sustainable economic growth. SMEs are in the fore front to attain industrial and economic growth and it is because of their enormous potentials in aiding diversification and expansion of industrial production. It has been highlighted that the SMEs are capable of assisting in bringing about a positive economic turnaround and complementing the efforts of existing large-scale industries for a sustainable economy⁴. The recognition of the important roles played by the SMEs as catalysts and engines propelling growth has necessitated greater focus and targeted education on ways and approaches to building and sustaining a very vibrant private sector, where the small and medium-sized enterprises dominate. Their economic contributions

appear evident in the assemblage of inactive financial resources, the protection of foreign exchange, the usage of local raw materials, specialized suppliers to companies that are large which add varieties and choices for consumers, checking monopolistic tendencies, providing sources of innovation, a breeding ground for new industries, and, most importantly, the creation of jobs⁵.

Small and Medium Enterprises dominate the Sub-Saharan Africa's economies. Moreover, the large rate of unemployment and economic recession in many nations has directed the attention of the nations to developing the informal sector. The informal sector is essential for the economic growth of the nation and it is a key factor to be recognized by a national government for survival and sustainable economy because many individuals who are unemployed want to engage in one activities or the other for survival and maintenance of good health. Informal sector is a key phenomenon in low income and emerging economies of the world⁶:

Financing is an important tool for growth and it is required throughout the firm's lifecycle. The accessibility of funds has been highlighted as a central point in the improvements, growth and accomplishments of the SMEs. However, the SMEs usually face obstacles in raising the necessary funding; they consistently report higher financing hindrances than large enterprises. Though through expanded access, the SMEs are able to adopt new financial services and products from formal institutions. Actions to expand financial access can first identify potential barriers faced by institutions then implement measures to address these barriers.

The most well-known external source of funding for the SMEs who are heavily dependent on conventional debt to meet their start-up financial and investment needs is bank credit/lending. Due to the repercussion of the financial crisis of 2007-2008, most SMEs experienced banks'

strict credit constraints and this highlighted the vulnerability of the SMEs to fluctuating conditions in bank lending. In order to enable the SMEs and business innovators to continually contribute to economic activities, growth and employment, it is crucial to expand the range of financial instruments available to them⁷.

SMEs in Nigeria have contributed 48% of the country's gross domestic product during the past five years (GDP). These statistics demonstrated the crucial roles that the nation's retail sector played. Recent data provided by the National SMEs collaborative survey 2020 in Nigeria recorded the number of the Micro, Small and Medium Enterprises as 39,654,385, with total employment put at 59,647,954 (76.5 per cent of the labour force) contributing 46.31 per cent to GDP and 6.21% to exports⁸.

The SMEs account for the highest portion of businesses globally; hence, they are the driving force for the world financial system and the stepping stone to industrialization, both for the developed and developing nations. Industries that are small are about 88% of the small-scale industries and 12% are viewed as the medium industries in Malaysia. Since SMEs account for almost 97% of the economy in Nigeria, they have a significant impact on economic activities through creation of jobs, reduction of poverty, and the preservation of foreign exchange⁹. Nigeria's MSMEs about 50% contributions is to the country's GDP and employment accounts for at least 80% in the country¹⁰.

In Nigeria the SMEs are major sources of employment creation as they contribute immensely to the nation's Gross Domestic Product and they constitute about 92% of businesses in Nigeria¹¹. Also, the SMEs play a crucial part in enhancing economic activities and sustaining livelihoods in developing countries. Likewise, several researchers have argued in their studies that if all

stakeholders are to show serious commitment to the growth of the SMEs sector, the economy will undoubtedly witness meaningful transformation and prosperity.

SMEs require a great deal of financial and non-financial assistance if the Nigerian economy is to keep growing. It is crucial to continue investing in them to maximize their potential and capacity because they are major drivers of sustainable growth in many nations on the African continent.

The strategic importance of the SMEs in propelling economic growth has been hampered by non-availability and non-access to adequate finance. Financial access make possible the day to day livelihood and helps people and organisations plan for everything including short to long term goals.

Despite governmental actions aimed at ensuring financial access and credit by the SMEs in Nigeria, they still find it very difficult to finance their business programs due to some constraints. These challenges faced by the SMEs are directly linked to the nation's economic variables as well as the difficulties that collectively characterize the national economy. The Association of Nigerian Development Institutions in year 2018 listed one major reason why the SMEs are still under performing contrary to expectation as lack of access to credit financing with the source of credit remaining the major factor hindering their contributions to economic activities in Nigeria.

Majority of the SMEs in Nigeria are faced with a major obstacle of non-availability of credit which consistently hinders the small scale businesses considerably. The aforementioned gaps exposed lack of adequate attention not given to SMEs financing, it therefore becomes imperative, that more researches be conducted to identify and suggest possible and/or workable solutions to tackle the challenge the SMEs are faced with regarding accessing financing/credit facilities which is direr especially during economic crisis whenever the country undergo it¹².

Financial inclusion is a situation where there is productive access to an extensive variety of financial services for everybody including the SMEs and clearly that is currently not our experience.

1.2 Statement of the Problem

Small and Medium Enterprises activities is a key factor that can solve economic problems facing any country. SMEs are scattered everywhere across the geo-political regions, cities, and towns in Nigeria, there are hundreds of thousands of them and most have the potentials to grow into full-fledged production, manufacturing, or service enterprises that if properly funded and managed would have a significant impact on the macroeconomic activities. Ironically, what you see in Nigeria is that most of these SMEs are managed and funded solely by the owners or their families, and in some cases, they receive assistance from friends and close associates. This route does not however give the SMEs the required funding size needed to drive them to the next level. Evidently, the growth of the sector in Nigeria is constrained by the dearth of adequate funding and this adversely affects them.

Due to the inadequacy of finance and/or the absence of access to sustainable financing, the nation's SMEs activities are dwarfed; either they completely collapse or remain in the infant stage for many years. It is common knowledge that sufficient capital required to stay in and expand business is frequently unavailable to the small and medium enterprises forcing them to close their doors. Affirmatively, banks find it challenging to cover the high costs of credit associated with lending to this sector because of the weak capital base, poor financial records, poor performance, and market competition of the SMEs.

In year 2020 PwC released a report in Nigeria that identified getting financing, discovering customers, and infrastructural shortages as the most critical challenges facing the SMEs. This is not healthy for national economic growth as the optimal performance of the SMEs contributes positively to the overall wellbeing of a nation. The Nigerian experience is worth examining deeply because studies show that approximately 96% of the nation's businesses are SMEs, compared to 53% in the USA and 65% in Europe. Notably, SMEs contribute significantly to GDP across the world, for instance it is 40% in Asian countries and 50% in Europe or America but in Nigeria, due to myriad of problems, contributions by the SMEs is on a downward slope which continues to fall short of expectations.

The second parameter of financial inclusion is usage level of financial products and services and it referred to the regularity and frequency of the adoption of these products and services. A comprehensive policy ensures not only the embracing of financial services and products, but equally the ability of the SMEs to take the most benefits from them.

Unarguably, the third parameter relates to the extent to which the SMEs can benefit from financial services/products. Financial inclusion efforts should promote financial literacy among the SMEs. It is safe to say that Informed and financially educated SMEs will benefit more from financial service and enhance their performance e.g. Through a wholesome knowledge of what types of financial product best suits their individual business needs, and thereby more accurately assessing risks linked to the service/product chosen by them. The thoughts expressed in these last two paragraphs are obviously lacking from the realities of the Small and Medium Enterprises in Ibadan, Oyo State, hence why this study is needed.

1.3 Aim and Objectives of the Study

The aim of the study is to investigate Financial Inclusion and performance of the SMEs in Ibadan, Oyo State. The other specific objectives are to:

- i. Determine the impact of the financial service access level on performance of the SMEs
- ii. Examine the impact of the financial service usage level on performance of the SMEs
- iii. Ascertain the impact of the quality of financial services on performance of the SMEs

1.4 Research Questions

Given the foregoing research objectives, the aims of the study was to answer the following questions:

- i. Does the impact of the financial service access level enhance performance of the SMEs?
- ii. Does the financial service usage level have any impact on performance of the SMEs?
- iii. In what ways does quality of financial services affect performance of the SMEs?

1.5 Hypotheses

Ho1: The impact of the financial service access level does not enhance performance of the SMEs

Ho2: The financial service usage level does not have impact on performance of the SMEs

Ho3: Quality of financial services does not affect performance of the SMEs

1.6 Significance of the Study

The study's results would be useful to policymakers at all the tiers of government by helping them have the right focus on financial inclusion for the SMEs as far as access, usage and quality of financial services are concerned. The study would help bring more clarity to what is known about the funding requirement necessary to enhance the SMEs performance at the financial service usage level, financial service access level and quality of financial services and shed light on important issues that could help SMEs and policymakers develop a more comprehensive

understanding of why some countries and regions tend to have viable SMEs than others with a view to taking a cue from them. Also, the study's results would help policymakers make plans to help the small and medium businesses in the country start new businesses when the SMEs financial inclusion is fully explored and given the necessary attention it deserves.

For potential or existing SMEs, the outcome of this study may spur their interest in receiving guidance on how they can improve their performance through access to financing. Moreover, for active SMEs, this study would help shape their perceptions of the fundamental role their financial inclusion plays in ensuring the SMEs' performance level needed to drive their entrepreneurial ventures.

In addition, this study would serve as a reference point for future researchers who may want to carry out a study in this area. This research is likely to be handy to academic students and researchers interested in pursuing further research in this area. The research will help them understand parameters of financial inclusion one of which is access to adequate financing by the SMEs and its motivating impact on their performance.

Finally, it is hoped that the findings of this study will provide important quantitative and qualitative information and also contribute to the existing body of empirical literature from the perspective of a developing economy.

1.7 Scope of the Study

The study examined financial inclusion by examining some of its parameters e.g. financial service usage level, financial service access level and quality of financial service on performance

of the SMEs. However, it was limited in scope to the employees of the selected Small and Medium Enterprises at the Ibadan Metropolis of Oyo State. The total number of registered SMEs owners selected for this study was one hundred and sixty-three (163) from the Ibadan Southwest Local Government Area of Oyo State even though a sample size was scientifically determined to be 116 using Taro Yamane formula for sample size determination. In view of this, the unit of analysis comprised employees of the selected SMEs domiciled at the aforementioned area who were engaged in business centres, grocery stores and fashion houses.

Three variables each were developed under the objectives, research questions & hypotheses to measure financial inclusion and SMEs' performance.

1.8 Limitation of the Study

The main constraint experienced by the researcher was lack of time because a lot of time was required to complete the research. Also, reaching out to the respondents was quite challenging because of the terrain and literacy level, 31% of the respondents had no formal education. Thus, the participants been a special population, Special arrangement had to be made before one could reach those who participated and this took a considerable amount of time.

Another limitation of the study was finance. The study of this nature required much money for it to be effectively conducted. Financial constraint necessitated the extension of the time spent but notwithstanding the researcher responded quickly at ensuring that the study was conducted in a timely fashion.

The scope of this study was limited to only one Local Government in Oyo State and to the employees who engaged in business centres, grocery stores and fashion houses which may impede the generalization of the result when considering other local government areas and other

SMEs sub-sectors that could have been covered. This was a great challenge as the researcher could not obtain sufficient information that should have facilitated robust outcomes for the study; it may in turn affect generalization of the outcome of the research.

Some respondents' apathy due to their initial reluctance to respond quickly to the questionnaire was another limitation. In spite of guaranteed assurances for their anonymity, their business orientation nonetheless contributed to their apathy in that they thought the study was meant to expose their business practices and lead them to a compromised position, that the end result may not do them any good if information about them was divulged, this led to a few of the respondents returning the survey instrument without having fully answered all the questions.

1.9 Operational Definition of Terms

The Micro, Small and Medium Enterprises (MSMEs): The MSMEs stand for Micro, Small and Medium Enterprise. They are businesses in the manufacturing industry, the wholesale industry, the retail industry and the service industry with investments in plants, machineries or equipment that does not exceed a certain- threshold.

Small and Medium Enterprises (SMEs): Businesses with a total investment (excluding costs of land but including capital) of up #750,000 and paid employment of up to 50 employees.

Funds: This refers to available and/or accessible funding to the SMEs for their growth.

Performance: The execution or accomplishment of work, acts, feats, etc. Again, Performance is a measurement of the extent to which an organization is using its assets from its principal business model in generating its revenue. On the other hand, the modern literature defined performance as the result of the activities of any organization or investment measured over a

period of time. Performance can be explained also as the realization of specific business goals measured against established costs, standards, and completeness.

Access: Permission, Liberty, or Ability to enter, Approach.

Financial Inclusion: It is a situation where there is productive access to an extensive variety of financial services for everybody. In the Nigerian context, it recorded indisputable favourable results leading to the mass on boarding of the citizens to the banking sector, continuously, it's been making progress. Continuing with this trend, Nigeria's strategy could methodically grasp on the ever changing developing digital instruments, adoption of digital financial services, especially digital money but is still not up to peer nations and scaling this may need upgrading automated financial education, improving automated infrastructures and advancing development and standardised practices of fintech firms.

Endnotes

O.H. Ovedje, *Adequacy of Funding and Growth of Small and Medium Enterprises (SMEs) in Nigeria.*2021

- 2 Available online:<https://www.vanguardngr.com/2022/10/the-impact-of-digitalization-to-sme-financing-in-africa>
- 3 World Bank Report. *Small and Medium Enterprises (SMEs) Finance. Improving SMEs' access to finance and finding innovative solutions to unlock sources of capital.*2022.
- 4 R.O. Owenvbiugie & V.I. Igbinedion, *Role of finance on the growth of small and medium scale enterprises in Edo State of Nigeria.* **Journal of Educational and Social Research**, 5(1), 2015, 241248.
- 5 G.E. Oyedokun, *Research methodology for social and management scientists*, Oxford Publishers, Lagos. 2020, 1-350
- 6 K.F. Akeju, *Informal sector and tax compliance - the role of associational membership in South West, Nigeria.* **International Journal of Applied Economics, Finance and Accounting**, 3(1), 2018, 1-9.
- 7 W.A. Abbasi, Z.Wang, & D.A. Abbasi, *Potential sources of financing for small and medium enterprises (SMEs) and role of government in supporting SMEs.* **Journal of Small Business and Entrepreneurship Development**, 5(2), 2017, 39-47.
- 8 C.Olayinka, *Funding SMEs as inclusive economic growth strategy.* *The Guardian Newspaper.* 2022. Accessed at: <https://guardian.ng/business-services/funding-smes-as-inclusive-economic-growth-strategy/>
- 9 M.A. Ikon & A.C. Chukwu, *Small and medium scale enterprises and industrial growth in Nigeria.* **International Journal of Small Business and Entrepreneurship Research**, 6(6), 2018, 1-13
- 10 SMEDAN. *SMES survey.* 2021
- 11 N.P. Ifeakachukwu & O.I. Olasunkanmi, *The impact of banks loan to SMEs on manufacturing output in Nigeria.* **Journal of Social and Development Sciences**, 4(5), 2013, 212-217.
- 12 J.K. Ogunyemi, A.P. Mufutau, & J.A. Adewole, *Credit Risk Management and Entrepreneurship Development in Nigeria: A Case Study of Small and Medium Scale Industries in Ondo State.* **International Journal of Small and Medium Enterprises.** 3(1), 2020, 18-24.

Do Not Copy, Lead City University, Nigeria

Chapter Two

Literature Review

2.1 Conceptual Review

2.1.1 Financial Inclusion

Most recently, a growing number of countries have introduced financial inclusion strategies. These strategies are often part of broader financial development strategies, and they may involve various types of government agencies and sometimes other stakeholders. It was estimated by the World Bank Global Financial Inclusion and Consumer Protection 2017 Survey that a quarter of countries have developed such strategies in recent years, and another quarter is preparing new ones.

Certain national financial sector master plans have been found overall to contribute significantly to greater financial sector escalation, involvement and maturity. Experience shows that key factors for success included adequate coordination across government agencies, efforts by the leading governmental agency e.g. the central bank to consult with the private sector, and reforms on regulations to promote better information sharing, contract enforcement, and bankruptcy schemes.

Across many countries, a range of policies and reforms have already been implemented to support the SMEs financial inclusion. They included straight interferences to strengthen bank credits, e.g. through state-owned banks for SMEs, credit guaranteed schemes, and interest rate rules.

The Small and medium-sized enterprises (SMEs) financial inclusion is at the core of the economic diversification and growth challenges that many countries are facing. In many places,

the SMEs share of firms is important, and many countries fall behind when accessing finance is considered.

Generally, all over the world the share of firms and employments represented by the SMEs is important. The SMEs represent about 96% of all registered businesses and employ about half of the total labour force, but on the other hand, the concentration of credit has been rising but the share for the SMEs has been decreasing globally.

Evidence of the appreciable gains specifically from the SMEs financial inclusion abound. Estimates of gains in employment and labour productivity growth is clear and by deliberately relaxing some key constraints to the SMEs access to financing, it could yield long-term cumulative measurable growth benefits.

It has been stated that improving the SMEs financial inclusion can enlarge economic growth, creation of job, poverty alleviation and the success of budgetary and financial strategy can support their financial stability also.

Financial inclusion on a higher level can support financial stability provided there is a strong risk management and financial supervision put in place by the government. Sustainable granting of credits to the SMEs can contribute to financial stability because it allows banks to diversify properly their credit portfolios and risk exposures. However, the SME credit line is still a very risky asset class, if it grows too quickly, it may lead to a build-up of unsound credit exposure. Managing this policy trade-off therefore requires proper institutional safeguards, including sound financial supervisory frameworks/models, to ensure strong credit discipline and risk management standards.

Sound financial governmental and supervisory frameworks can help enhance the SMEs financial inclusion. As noted earlier, such frameworks are critical in order to monitor and address potential emerging risks and to support financial deepening and inclusion programs. Moreover, financial supervisory capacity effectively contributes to the SMEs financial inclusion.

In addition, financial inclusion and anti-money laundering and combating the financing of terrorism (AML/CFT) can be mutually supportive because usage of approved financial services improves the traceability of financial transactions.

Further, the Capital markets can play a prominent role in serving the peculiar financial desires of the SMEs. The market can play the role directly or indirectly by helping in channelling funding to intermediaries that have solved/managed the microeconomic challenges of lending to the small businesses. Such intermediaries include banks, which raise funds in capital markets and the level of intervention may be at various stages of the SMEs life cycle e.g. start-up, growth, maturity, decline and succession. As the SMEs grow and set up a performance track record, credits from bank loans or asset-based financing may become increasingly available, and loans securitization may also help mobilize new lending. The established SMEs can issue debt and equity through over-the-counter or exchange markets.

Increased market competition and diversification could also play an important role in promoting the SMEs financial inclusion and productivity. Among key features of an economy that promotes a conducive environment for the SMEs financial inclusion are adequate infrastructure, competition and economic diversification. Conversely, economies with large informal sectors tend to face tighter constraints on the SMEs access to approved financial services.

Notably, when there is absence of healthy rivalry among banks, it decreases access to funding for the SMEs. It has been established that bank competition has a helpful effect on the SMEs accessing finance.

Institutional factors are also essential for the SMEs financial inclusion. Looking at a broad range of related variables shows that several of them play an important role in facilitating or constraining the SMEs access to credits and productive potentials.

Nations have often relied on direct public intervention to boost the SMEs financial inclusion; it ranges from targeted lending to the SMEs by the state-owned banks to the SMEs credit guarantees and to interest rate regulations.

The State-owned banks responsible for supporting the SMEs financial inclusion must continue to play a well-coordinated role, and they should be exposed to a strong oversight.

Moreover, a good replacement of the traditional bank lending to the SMEs is Fintech and there are new electronic platforms which have emerged that have led to a scaling up of crowdfunding, peer-to-peer lending, and other modern channels.

Combinations of government and country-specific factors have played a part in the broadening of fintech. Fintech development has been boosted through government measures ranging from funding support to the establishment of attractive regulatory and legal frameworks for incubators and accelerators and for foreign investors, this is in addition to the availability of private capital.

Globally, it is well noted that the SMEs financial inclusion can guarantee the financial sector soundness. Financial sector stability can improve financial inclusion by engendering trust in the financial eco system.

2.1.1.2 Financial Inclusion Blueprints and Accountable Finance

Financial inclusion blueprint meant to deepen financial inclusion can aim to bring initiatives from different sources together e.g. the state-run, monetary, non-monetary institutions and other relevant stakeholders without losing its focus on integrity, financial stability and market conditions. These strategies can be broad in scope which includes the private and public sector action plans. The strategies can either be a stand-alone or a component of broader financial sector development strategies. They can have a focal point on particular areas where the government need to initiate urgent action e.g. SMEs finance.

A vital reasoning is that limited perspectives, such as policies centering only on direct public funding are rare to give huge benefits. Preferably, significant, prudent, and unceasing SMEs funding access demands a comprehensive outlook which includes the key elements already identified e.g. from macro-economic to regulatory and legal aspects.

A good financial inclusion master plan should have 6 characteristics, namely:

- i. Stock-taking: data and analysis;
- ii. Targets and objectives;
- iii. Strategy-building or revision;
- iv. Public sector actions: policies, regulation, and financial infrastructure;
- v. Private sector actions;
- vi. Progress monitoring¹²⁹.

Financial inclusion blue prints for the SMEs should encourage consumer protection, it should raise financial consumer consciousness and competence, at this level, they are assumed to be the

pillars of and can be regarded as components of a responsible strategy introduced to ensure performance of the SMEs. When these are in place, there can be strong positive impact and lower risks at different levels but conversely, the positive effect of having financial inclusion can be reduced substantially.

Policies on financial inclusion would be better off with more rigorous impact evaluations that assess the intervention cost-effectiveness. However, the evaluations are required to understand the influence that deepened financial inclusion has on the user's outcomes, e.g. business performance or human capital investments. In this regard, the SMEs finance policies may provide resources for both the policymakers and regulators alike.

An empowering domain with regard to regulations and policies is necessary to aid the expansion of financial inclusion. In order to ensure consumer protection and market stability, the government must ensure that the financial institutions are subjected to sound and apt prudential regulations, hence, varied objectives must be balanced; this gives a good environment for financial inclusion to thrive. There is no gainsaying that government plays a critical role in establishing an innovative financial inclusion model/framework while also stimulating greater competition which is under pinned by appropriate regulation and supervision. Moreover, one major challenge facing governments is that regulations must be up to date on one hand and at the same time flexible on the other to adapt to the ever increasing complex financial inclusion technologies.

2.1.1.3 Financial Inclusion Measurement Parameters

- i. Financial Service Access Level;
- ii. Financial Service Usage Level;
- iii. Quality of Financial Services.

i. Financial Service Access Level

This is the capacity possessed by the financial institutions in providing financial products and services associated to the market, regulatory and technology systems. When the likely barriers that financial institutions face are identified when products and services are provided, then access is being examined, Financial Service Access level parameter shows the depth of financial services outreach e.g. penetration of point of sale. Primarily, people must be able to access financial services before they can use them, it must be noted that having access does not however mean usage. More importantly, not everyone who doesn't use financial services can be viewed as excluded and equally not everyone with access is automatically deemed has been financially included.

ii. Financial Service Usage Level

This can best be described as the manner in which customers use financial services and it is measured by the frequency and duration of the product or service over a period of time. E.g. number of digital payments recorded on a monthly basis. Financial Service Usage level parameter can use demand side information which incorporates financial services information from even the informal providers.

iii. Quality of Financial Services

This speaks to the capability of the financial product/service to fit the needs of the users. Quality of Financial Services level parameter reflects the extent to which the product/service meets the user's needs. Quality level can be measured by for example product-fit, affordability, convenience, safety, transparency, fair treatment, consumers' protection, financial education/literacy etc. Hence, Quality of Financial Services level parameter can be developed

with information gotten from both the demand and supply-side surveys. To measure quality level however, these surveys must embody more complex information, e.g. detailed product characteristics, contract terms, consumers' awareness etc.

2.1.2 The Small and Medium Enterprises

Owing to the present rate of unemployment and poverty level in Nigeria, small businesses have become the source of livelihood to Millions of Nigerians. It is estimated that about 60% of all the business established in Nigeria is on small scale level.

The world over, the concept of small business does not have an acceptable or uniform definition just like some other social science subjects, its definition differs from each national boundary to another, however, the following is instructive:

A business is viewed small if it is singly owned, handled, financed, has less than 100 employees and may have proportionally tiny influence in its industry. Also, the Federal Ministry of Commerce and Industry of Nigeria definition for small scale business is a one with capital investment that is not more than seven hundred and fifty thousand naira (#750,000)¹. Small and Medium Enterprises (SMEs) are businesses with an asset base between five and five-hundred Million Naira and a staff strength between 11-300 people. Small Scale industry, nonetheless, comprise business activities of the stay-at-home parents who gives day care facilities for infants whose parents are away, manufactory labourers who do after hours' dispatches, delivery men and even owners of fast-food restaurants etc².

The World Trade Organization defined SMEs as businesses whose personnel number falls below certain limits and the abbreviation SMEs is used by the World Bank, European Union and World Trade Organization. The above definition is subject to the Section 7 of the Micro, Small and Medium Enterprises Growth Act of 2006.

In Nigeria, SMEs have different definition depending on who is involved but generally, SMEs are considered as businesses that maintain revenues, assets or a number of employees below a certain threshold - the micro enterprises have an employment number that is less than 10, that of small enterprises is between 10 and 49 while medium enterprises have an amount of 50 to 199³. In terms of assets, micro enterprises usually have assets of less than 5 Million Naira while small enterprises have assets within 5 to 50 Million Naira and the assets of medium enterprises is usually within 50 to less than 500 Million Naira assets. According to the Financial System Strategy 2020, SMEs are broadly defined as businesses with turnover of less than 100M per annum and less than 300 employees.

Businesses can be categorized either as small, medium or large scale, it depends on the measurement used for its size. Hence, what is termed small from one person's viewpoint may be considered a large enterprise in another person's perspective. In most cases, the figure of employees in the firm's payroll is sometimes the most generally used criterion. Other criteria that serve as indices to measure a small, large and medium business are sales, turnover, investment and paid-up capital⁴.

In developing nations like Nigeria, there is no precise definition that characterizes a small-scale from a medium-scale enterprise. In the Central Bank of Nigeria Monetary Policy Circular Number 22, small-scale enterprises are viewed as entities with yearly sales not more than #500,000. More so, the Federal Government of Nigeria in its fiscal policy guidelines described small scale enterprises for the purposes of deposit money bank (DMBs) loans as enterprises with yearly sales not above #500,000 and for merchant bank loans as enterprises with capital investments exceeding #2M (excluding costs of land) or a maximum of #5 Million Naira. Similarly, the National Economic Reconstruction Fund (NERFUND) fixed the ceiling for small-

scale enterprises at #10M Naira. In reality, the SMEs remain a fundamental sector in any economy given the belief that they have been broadly acknowledged as critical mechanisms for the growth of an economy as they possess great potentials for employment generation, enhancement of local technologies, output diversification, growth of local entrepreneurship and advancing consolidation with large scale industries⁵. It is safe to say that for an economy to live up to expectation, achieve sustainable growth and better their performance, activities of the small and medium scale enterprises should therefore not be undermined. From the above, it had been established that there are various ways to define the SMEs from nation to nation and even inside sectors in a nation, however, the yardsticks used commonly in the definition of the SMEs include figure of employee, revenue or non-current assets.

The SMEs refer to enterprises with a total investment (eliminating costs of land but adding capital) of up to #750,000, and paid employment of up to 50 employees⁶. This concept corresponds with the Small and Medium Enterprises Agency of Nigeria's opinion. SMEs categorization is usually based on some vital criteria: first, small-scale enterprises are entities with 10-forty-nine personnel, with yearly sales of 5-forty-nine million naira. On the other hand, medium scale enterprises have 50-199 personnel with yearly sales of 50-499 million naira.

The SMEs are organizations with not more than 5 personnel; with capital of not less than #5,000,000; this is the characterization of the SMEs based on the frameworks of the Federal Ministry of Commerce, SMEDAN, CBN⁷. Extant literature suggested that definitions of the SMEs differed across national boundaries and were based on dynamics such as the country's level of business activities, economic growth, size of the SMEs and particularly, the challenges faced by the SMEs. The SMEs can be characterized in terms of capital outlay, employee

numbers, turnover, and fixed capital investment, availability of plant and machinery, market share and growth rate.

In Nigeria, dynamics such as asset base (excluding costs of land), number of personnel and annual turnover are employed to characterize the SMEs. Because of this study, therefore, the SMEs were perceived as having the characterization identified by SMEDAN and the CBN.

Interestingly, due to the expanding figure of the SMEs in Nigeria, the desire for reconciliation of their programmes, and policies emerged as fundamental which led the way to creation of SMEDAN in 2004 and government's sole aim for its establishment was to regulate the SMEs activities.

There exists no universal acceptability of principles in social science disciplines and as such the term small and medium-business enterprises mean several things in several scholarly studies among researchers and academia but globally, there is something very similar to the notion of small-scale industry in the academic literatures and still, it changes from nation to nation, from scholar to scholar, and its definition still means different things to different segments and sectors within a nation. Needless to say that the SMEs are organizations that use a few specialists and do not have a high volume of offers.

Recently nonetheless, small business projects became a catalyst for the national economy and industrial advancement in both the developing nations as well as the developed ones, and it is playing a prominent role in job creation, facilitating the recovery of a nation's economy and its overall progress⁸. What can be expressed as the SMEs in the developed nation can be regarded as a major enterprise in the developing nation, making use of such variables as a means of stable investment and job creation. In the light of this, the meaning of the SMEs is evidently changing

over time in both the less-developed and developed nations. Certainly, in the under developed nations when measurements of appropriate parameter switches in the production process, what was later known as the SMEs could be seen as a large enterprise⁹.

In Nigeria, the SMEs sector like in other economies of the world remains the engine room, backbone and the driving force with which the economy is sustained and remains the vital propeller of dynamic growth which leads to sustainable economy. The Small-scale enterprises have made significant contributions to economic growth in Nigeria and in other less developed nations of the world. The predominance of the small-scale businesses in Nigeria is because they need little resources as a capital base for its formation. The SMEs are found in someone's home, compound or in front of a business or construction site in Nigeria. The study according to the Federal Office of Statistics in Nigeria disclosed that ninety-seven percent of the business ventures located in Nigeria are small scale enterprises and these ninety-seven percent of the business ventures in the country employs less than 100 employees each. Consequently, 50% of people employed and fifty percent of the industrial outputs are manufactured by the SMEs sector¹⁰.

As earlier stated, several definitions or scope for determining what a small business enterprise is exist in Nigeria. The federal republic of Nigeria Small and Medium Industries Enterprises Investment Scheme (SMIEIS) defined the term Small and Medium Enterprises as that enterprise with #200M (€425,531) as the highest assets base without working capital and land which can only employ between ten-three hundred employees as its maximum staff strength. Similarly, the Federal Ministry of Commerce and Industry in Nigeria views the SMEs as a business enterprise with an investment totality of around #750,000 (€1,595) without the cost or value of land and comprising a working capital and with the capacity to pay wages to at least 50 employees¹¹.

The Small and medium-sized enterprises are increasingly seen as the engine room of the economic growth of any nation and are considered to be an acceptable means of promoting socio-economic growth in Nigeria. Hence, it is asserted further that the SMEs in Nigeria are labour intensive and capital saving business ventures with the potential to drive the economy to the needed economic growth, making people self-confident and generating billions of new jobs locally and globally¹².

The National Council on Industries (NCI) defined the SMEs in Nigeria as small-scale industry with total capital employed of over #1.5M (€3,191) but not more than #50M (€106,382) including working capital but excluding cost of land and of a labour size of 11-100 workers. However, it therefore means that many industries in the country shouldn't be referred to as SMEs rather micro businesses (MSMEs) because they never possess equity capital of #1.5M (€3,191) or have a labour force of 11-100 employees, hence, the notion MSMEs which stand for micro, small and medium enterprise.

In this study therefore, the SMEs is a conceptual framework to cover both MSMEs and any other type of businesses or entrepreneur initiatives in the Nigerian context.

There are classifications of the SMEs by types of business ventures which can be established in every heterogeneous group. This comprise a large array of businesses from village craftsmen, small appliance stores, cafeterias and tech companies - with a broad range of complexity and expertise, working in divergent businesses and social environments. Such SMEs usually work in the informal sector of the economy, primarily employing wage earners and engaging more completely in organized markets. The SMEs form a wide number of companies in the industrial, agri-business, manufacturing and service sectors¹³.

The SMEs include a range of companies including craftsmen, small-scale foundries, transportation companies, full-sale & retail companies, hotels & restaurants, cyber cafes and tech companies operating in a business environment that differs in complexity and skills. The SMEs are usually categorized by the number of workers, total assets size, and/or turnover. SMEs are broadly defined as businesses with sales of less than #100M per annum and/ or less than 300 employees¹⁴.

From all the aforementioned analysis of scholarly literature on the concept of the small and medium-scale enterprises, it is observed that small business ventures is pivotal to a dynamic, effective and efficient socio-economic growth in Nigeria and most countries across the world.

2.1.2.1 Dynamism of Competitive Blueprint of the SMEs in Nigeria

Competitive strategy simply means the game plan that a management of an organization embraces to compete successfully in their chosen market. It includes market and environmental analysis, consumer buying behaviors, competitive activities, market intermediation and competencies. These competitive strategies are economic approaches used by the company as instruments for achieving or improving advantage competitively and greater efficiency in their business environment. The goal of the competitive strategy is therefore to devise creative ways or means of gaining market and industry dominance by meeting the needs and desires of consumers and reacting to the sensitive needs of stakeholders¹⁵.

In Nigeria, the current high mortality figure of the small and medium-sized companies is unfortunate and is a threat to the broadening of the whole economy. It reflected extreme financial strain on the nation's economy and a waste of valuable resources¹⁶. To thrive in unfavorable environment like Nigeria, a competitive strategy to be implemented should take benefit of its strengths to maximize resources while avoiding or curtailing its weaknesses. In other words, a

critical analysis of the strengths, weaknesses, opportunities and threats of the socio-political and economic environment should be looked into ahead of time. Structural changes could occur in a business without initial innovations and could be articulated by the organization's expansion strategy, preference for cash selling policy, innovation strategy and shift in production processes, local sourcing or use of alternative materials, backward integration and fusion. Any entrepreneur wishing to enhance its performance in the Nigerian market must therefore employ competitive strategies to find business opportunities, be innovative, imaginative, brave, risk-taking and responsive to changes in the competitive socio-economic market environment.

2.1.2.2 Significance of the Small and Medium Enterprises Sector Performance in the Nigerian Economy

The SMEs operating in Nigeria are not shielded or immune from the typical problems and constraints of the SMEs in other emerging or developed economies. Nearly all nations help her SMEs generally due to the inherent crucial roles played by them in economic growth and the assistance is usually in the form of facilities and supportive services than on protection and subsidies. Other services provided by some governments include commercial finance, venture capital, information training and retraining, research and development (R&D) support, infrastructure and tax incentives. Some of these facilities are provided through local authorities and industry associations at times with the involvement of non-governmental organisations (NGOs).

In recognition of the crucial roles played by the SMEs with respect to employment creation, innovation, poverty alleviation, wealth creation which engenders economic growth, successive governments in Nigeria had various initiatives aimed at promoting the course of the SMEs in the country. The most substantial among the divergent inducement bundles that happened with

almost each change in government authority was the spotlight on strengthening the financial opportunities for the SMEs. Some support institutions and opportunities designed by the national government to enable the SMEs have funding access over the last 50 years included:

- i. Small Scale Industries Credit Scheme (SSICS) 1971
- ii. Nigerian Bank for Commerce and Industries (NBCI) 1973
- iii. Nigerian Industrial Development Bank (NIDB) 1964
- iv. SMEs Apex Unit of Central Bank (1989)
- v. National Economic Reconstruction Fund (NERFUND) 1989
- vi. The African Development Bank/ Export Stimulation Loan (ADB/ESL) 1989
- vii. Nigerian Export/Import Bank (NEXIM)
- viii. National Directorate of Employment (NDE)
- ix. Industrial Development Co-ordinating Centre (IDDC)
- x. Community Banks
- xi. People's Bank
- xii. Family Economic Advancement Program
- xiii. SMEs Schemes created by State Ministry of Industry
- xiv. Small and Medium Industries Equity Investment Scheme
- xv. Bank of Industry (BOI)
- xvi. Small and Medium Enterprises Development Agency of Nigeria (SMEDAN)

xvii. Credit Guarantee Scheme for SMEs

Unfortunately, most of these well-intentioned institutions listed above designed to provide succor to the SMEs notwithstanding the sub-sector is yet to find its bearing in the murky waters of the Nigeria's business environment. This represented the government's recent introduction of the last three support schemes i.e. BOI, SMEDAN and the Credit Guarantee Scheme, discussions on these have reached an advanced stage and the Bankers Committee's decision to institutionalize SMIEIS has been applauded. It is expected that the Credit Guarantee Scheme would enhance and facilitate easy access to credits by the SMEs while SMIEIS would boost access to equity financing and SMEDAN would provide other much needed non-financial support and leverage for the SMEs to perform optimally.

2.1.2.3 Challenges of the Small and Medium Enterprises in Nigeria

Despite all of the efforts and support from successive administrations and governments, the SMEs have not had the anticipated influence on the nation's economy neither has their performance been optimal; this calls for concern. This position supported the concept that the SMEs still face basic concerns or challenges that, up until now, have obviously not been addressed adequately to have brought the expected result.

An examination of the literature indicated a variety of large, fundamental, and far-reaching difficulties, including:

1. Lack of adequate and effective infrastructure drives up operating expenses since the SMEs may be compelled to use private service providers for services like road, water, energy, transit, communication, etc.
2. Intending SMEs are discouraged while efforts of the existing ones are stifled because

of bureaucratic bottlenecks and inefficiency in the administration of incentives and support facilities provided by the government.

3. Lack of easy access to funding and credit can be attributed to banks' reluctance to grant them credit due to, among other things, poor and insufficient business proposal documentation, a lack of suitable and adequate collateral, high administrative and management costs for small loans, and high lending rates.
4. Discrimination on the part of banks that are wary of the risk involved in lending to the SMEs, particularly start-ups.
5. Packaging suitable business ideas at a high expense.
6. Unfair competition brought on by import levies that occasionally favour imported finished but sub-standard goods.
7. Non-availability of needed technology and almost non-existent research and development.
8. Significant reliance on imported raw resources, which comes with a high cost of foreign exchange and occasional scarcity which may drive up prices.
9. Fragile demand for products coming from small and decreasing consumer buying power occasioned by the absence of support for locally produced goods by the general-public.
10. Unjust trade practices characterised by importation and dumping of cheap and sub-standard goods by unethical businessmen. The effects of globalization and trade deregulation, made it tough for the SMEs to take part even in home markets, are currently making ditching the SMEs performance.
11. Weakness in management, marketing, information usage, processing, and retrieval,

personnel management, accounting records and processing, etc. caused by inadequate skills set apparent in the majority of the SMEs occasioned by weak educational and technical expertise of the SME promoters' and their staff.

12. Numerous, frequent and arbitrary requests from regulatory organizations for payment of fees, levies and taxes, increases corporate costs and deter entrepreneurship. Due to standardized and gazetted tax system which would have allowed producers to account for recognized and authorised due levies and taxes have been circumvented.
13. Extensive sharp practices and intimidation of the SMEs by some government MDAs over unofficial charges and levies which eats deep into their small profit margins.
14. Absence of long-term finance to fund capital assets and equipment even under project finance for the SMEs.
15. The absence of technological and scientific knowledge and technical know-how, i.e. the prevalence of poor intellectual capital resources which sometimes manifest as:
 - i. Lack of expensive, frequently imported equipment that would need to be installed and maintained by expatriates at significant expenses (capital flight);
 - ii. Lack of process technology, design, patents, etc., this may involve payment of royalties, technology transfer fees, etc. and heavy capital outlay;
 - iii. Lack of technical skills and know-how with regard to technological advances;
 - iv. Inability to meet stringent international quality control standards, a subtle trade barrier set up by some developed countries in the guise of environmental or health standards. A relevant example is the impending ban of marine foods, vegetables, fruits and other agricultural products from Africa into the markets in the United States of America.

- v. The inability to penetrate and compete favourably in export markets either because of poor products quality, ignorance of export market strategies and networks or lack of appropriate mechanism and technology to process, preserve and package the products for export.
 - vi. Lack of appropriate initiative and administrative framework to support and sustain the SMEs' performance which to a large extent is also a reflection of poor technological capability or intellectual resources.
16. Absence of suitable and requisite entrepreneurial and managerial skills which may manifest as absence of strategic plans, business plans, succession plans, appropriate organisational set-up, unambiguous operational approach, etc. exhibited by many initiators and owners of the SMEs in Nigeria. As fallout of this, some SME promoters may purchase obsolete and inefficient equipment because of ignorance thereby setting the stage ab-initio for lower level productivity as well as substandard products quality with dire repercussions on product output, market penetration and acceptance.
17. Lack of suitable training and leadership development. In spite of the fact that training institutions abound in Nigeria, they rarely address the relevant needs of the SMEs especially in the areas of Accounting, Marketing, Information Technology, Technological processes and development, International trade, Administration and overall management of the Small and Medium Enterprises. Essentially, often times, the SMEs are left on their own to eke out success amidst the avalanche of operational difficulties and shortcomings inherent in Nigeria which consistently emanate from institutions created to facilitate the performance and continuity of the SMEs.

2.1.2.4 Prospects of the Small and Medium Enterprises in Nigeria

Despite the great depth, breadth, and severity of the SMEs' concerns, it is only right and fair to recognise that succeeding administrations did not stand by and just let the SMEs wallow in their difficult issues. Both the limitations and challenges in their operating environment as well as employment and ultimately the SMEs contributions to economic growth potentials are fully understood by the governments. These factors explain why governments have built a number of support organizations and relief programs over the past 50 years that are specifically designed to provide aid and succour to minimize the challenges that the SMEs normally experience. The government created assistance through organizations, agencies and departments and specialized banks, created to concentrate on funding the SMEs, all with the goal of turning the fortunes of the SMEs in the right direction.

It is important to highlight that some government policies that supported the creation and performance of the institutions that promote the SMEs performance had not been wholly successful and fruitful. All evidence point to both faulty conception and conceptualization of the policies or a lack of a sincere and religious application of them. Our investigations also revealed that one of the reasons why the policies were not effective could be explained by the fact that the operators, managers or proprietors of the SMEs were neither consulted nor involved in the formulations of the policies, which were expected to solve their challenges; hence, there were apparent misplacements of priorities and emphasis, needless to say that all the stakeholders in the SMEs sector should be involved in policy formulations and implementation for them to be productive and yield anticipated results.

It is comforting to affirm that governments at local, state and federal levels are not relenting neither relinquishing their bid to recondition and energise the fortunes of the SMEs in order to

allow them play the anticipated role for Nigeria's economic growth, this is evidenced by the government's recent establishment of and the mandate given to the Bank of Industry (BOI) and the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN), the facilitation of the Bankers' Committee's institutionalisation of the Small and Medium Industries Equity Investment Scheme (SMIEIS), the federal government's drive and focus on realizing the objective of NEPAD, the government's endorsement and support of multilateral agencies and loans and the government's backing of international development finance facilities e.g. the European Investment Bank facilities and the likes. Other indications relate to the government's programs directed at poverty alleviation and providing succour to employees whose jobs could be affected by the current government reforms and also the proposed establishment of a Credit Guarantee Scheme for loans to the SMEs.

Given the crucial role the SMEs take part in the industrial growth and economic development of Nigeria, the various governments in Nigeria cannot afford to relax in their efforts towards making the SMEs sector very vibrant, productive and performance driven.

Aside from the governments' concerted and relentless efforts towards revamping and sustaining the vibrancy and top notch performance of this all-important sector, the private sector, professional groups and associations are also not relenting in their own vital contributions to the development of the sector.

The capital market driven by the Nigerian Stock Exchange (NSE) and Securities and Exchange Commission (SEC) have not only being expanding its facilities but also working to make it cost effective for the SMEs to access funding from the market. Professional groups and associations like the various Chambers of Commerce, Nigerian Association of Small and Medium Enterprises (NASME), Nigerian Association of Small Scale Industries (NASSI) and the likes

are vigorously pursuing, pushing and lobbying the governments for improved welfare and a better and more enabling operating environment for the SMEs to bolster their performance.

Given the current awareness of the investing public and the depth of the capital market in the country, it is expected that many SMEs would approach the capital market to raise funds. In the same vein, a great rekindling of intentions targeting the establishment of venture capital companies essentially targeting the SMEs development is happening. Even some banks are exploring this option towards finding a secured window through which they would invest the SMIEIS funds which they have reserved since the start of the scheme, access to all these can affirmatively enhance the SMEs performance .

The on-going reforms being undertaken by government's Ministries, Departments, Agencies and Parastatals have been noted to render quite handful employees jobless. Certainly one sector which many of the affected persons may want to venture into would be the SMEs. Thus, this scenario would make it compelling for the government not to ignore one of the most important sectors of the Nigerian economy.

The current thrust on commercialisation and privatisation of government-owned companies has opened up new vista for the SMEs and entrepreneurs. The effect of globalisation has also had salutary impact on the sector. The deregulation of trade through WTO agreements has provided awareness through which the SMEs could access international markets. The African Growth and Opportunities Act (AGOA) which favours and gives incentives to exporters from African countries to the United States of America represent another opportunity. Similarly, NEPAD has provided other growth opportunities for the Nigerian SMEs. It is arguable to say that it may now appear that the SMEs in Nigeria have better and much improved operational environment.

The national government had been consistently making overtures to developed countries to come and invest in Nigeria. Attempts in this direction include personal visitations by the president(s), trade missions, trade fairs, exhibitions and other promotional and showcasing activities. The intensified activities of the Nigerian Export Promotion Council (NEPC) and the Nigerian Investment Promotion Council (NIPC) underscore government efforts in this direction.

In the same token, on account of its huge economic and investment opportunities, Nigeria has attracted so many foreign trade delegations and missions. In November 2004, a high-powered trade delegation from Thailand's Department of Export Promotion was in Nigeria to strengthen bilateral trade relationships between Nigeria and Thailand. Aside from meeting with some SME operators in Lagos, the delegation led by Charoon Lewechalermvong, a director in the department, also met with leaders of the National Association of Chambers of Commerce, Industry, Mines and Agriculture (NACCIMA) and representatives of Lagos, Kaduna and Enugu Chambers of Commerce¹⁷.

The focal point for the World Bank's IFC emphasizes on the SMEs has remained high in its priority. The same can be said for many other international agencies like the United Nations Industrial Development Organisation (UNIDO), the United Kingdom's Department for International Development (DFID), the United States Agency for International Development (USAID), and the World Bank's International Development Agency (IDA).

In February 2015, the Institute of Directors (IOD) president, Ms. Bennedikter Molokwu confirmed that the Blair Commission for Africa is to assist the SMEs in Nigeria by creating access to loans and a structure for on-lending through banks. She remarked that it was a well-known fact that the African economy is government-driven though the SMEs are the veritable engines of development in the developed economies. Molokwu stated that the SMEs are the

largest employer of labour providing livelihood for over eighty percent of the work force in Africa especially women and the youth. She noted that statistics have it that only about ten percent of the SMEs in Nigeria are involved in manufacturing and others are in agriculture, services and commerce. This reality mainly informed the February 2005 moderation of the SMIEIS fund that was no longer limited in scope.

The IOD president on the SMEs challenges in Nigeria said unfortunately, the SMEs in the past have been harassed by some inhibitions which tend to make their growth perpetually stunted by infrastructural decay, insecurity of lives and property, lack of research and development and also superb entrepreneurship, variety of taxation, absence of reliable and current technology, difficulties in building coalitions and business linkages among others¹⁸.

Similarly, during the commissioning of the headquarters of the Small and Medium Enterprises Development Agency of Nigeria on March 1, 2005, President Olusegun Obasanjo charged the Central Bank of Nigeria (CBN) to ensure the realization of the primary objective of the Small and Medium Industries Equity Investment Scheme (SMIEIS) which was expected to complement the development efforts of the financial institutions like the Bank of Industry (BOI), the Nigeria Agricultural Cooperative and Rural Development Bank (NACRDB), which provide a medium to long-term financial resources to enterprises in Nigeria. He also noted that the on-going reform of commercial banks by the CBN is expected to boost the flow of funds at competitive interest rates to businesses including the SMEs.

The president reminded Nigerians that his administration has made the evolution of the SMEs a primary focus of its reform programme as stipulated in the National Economic Empowerment and Development Strategy (NEEDS) stressing that "our primary aim is to allow greater access to income-generating opportunities for our people and strengthen their ability to acknowledge

these opportunities” adding that "our economic history and experiences of other countries show us the immense potentials of the SMEs to reduce poverty, wealth creation, employment generation and job creation. Unfortunately, these were largely neglected for many years prior to our coming into office in 1999”. Chief Obasanjo also admitted that the rising hostility in the operating environment which includes deterioration of infrastructures previously made many companies to fold up while other operators moved their business activities to the informal sector or even outside the country. He also confirmed that the SMEs in Nigeria lack access to business information, markets, finance and even production technology.

President Obasanjo however expressed optimism for the future of the SMEs as his administration had instituted a comprehensive economic package of reforms which have started yielding good results. These were evident in the remarkable improvement in the legal and regulatory environment, especially as regards company registration, taxation, and state of infrastructure (telecommunication in particular).

In furtherance to its efforts towards making the SMEs sector more vibrant, the government through SMEDAN recently called on the G8 nations to assist in providing an enabling environment for the small businesses to perform optimally in Nigeria. In a paper titled "Developing Africa's SMEs Potential: How G8 Can Do More To Help Africa" at a one-day workshop jointly organised by the African Business Roundtable (ABR) and the Tony Blair-driven Commission for Africa in Lagos, the Director-General of SMEDAN, Mrs. Modupe Adelaja pointed out that "an improvement in power supply, for example, would have more impact than a concessionary interest rate practise". She also sought support from the G8 nations for current attempts by stakeholders to streamline and simplify procedures for business registration and taxation at the three tiers of government adding that these would encourage the

SMEs. She charged the developed countries of the world to support the SMEs development initiatives on the African continent adding that translating the SMEs potentials in Africa to productive employment, income generation and wealth creation represent the greatest challenge confronting the continent's economies.

The government of Israel in a similar move has pledged to assist the SMEDAN in the area of capacity building for staff and entrepreneurs. Mr. Israel Stolor, the second secretary of the Embassy of Israel in a meeting with officials of SMEDAN in Abuja confirmed this. He disclosed that Israel would be ready to facilitate the training of Nigerians on the small and medium enterprises both in Nigeria and in Israel stressing the significance of knowledge sharing in economic development.

From the current focus and thrust of SMEDAN, one can confidently affirm that the future of the SMEs in Nigeria is bright and hopeful¹⁹.

2.1.2.5 Importance of the Small and Medium Enterprises

The SMEs are key components in the advancement and lubrication of any economy. Majority of new jobs in the OECD region are created by the SMEs which also play a significant role in economic growth. The SMEs constitute more than 95% of OECD businesses and in most nations; they represent 60% - 70% of employments (OECD, 2005).

The SMEs importance in any economy is rising as more functions are outsourced and larger companies reduce their workforces. Additionally, the competition brought on by emergence and extinction, entry and exit of smaller enterprises has a notable influence on their productivity/performance and by extension, on economic growth. This process is crucial to the competitive process and structural change, involves significant rates of job turnover and labour

market turbulence. For the records, only a small portion of small start-ups remain in business over five years and even fewer become a fraction of the core of high-performing companies that propel industrial innovation and performance.

In an effort to maximize the contributions that these businesses can make to growth both for themselves and the economy, governments must change/adjust the frameworks, conditions and regulations that have an effect on the establishment and performance of the SMEs. Because of their ability to increase economic output and improve human welfare, the SMEs in Nigeria have been regarded as being essential to the nation's economic survival; notwithstanding, the SMEs in Nigeria are still plagued with a variety of issues some of which are inadequate Loan facilities with insufficient capital and limited accessibility to foreign markets- and these are the hallmark of lack of access to finance. I.e. one of the parameters of financial inclusion. The SMEs are typically seen as big credit risks by financial institutions, it was known that long-term institutional lending was not available to them. 75.7% of survey participants financed their firms mostly with their own money²⁰.

The main obstacle to the SMEs' ability to perform optimally and guarantee economic growth however, has been highlighted as a lack of access to relatively inexpensive and efficient sources of credit. There is a general worry that the banking system should ordinarily be the primary financier of the SMEs but that at the moment and from all indications is not supporting new economic initiatives enough especially the optimal performance and expansion of the SMEs activities.

It should be highlighted that commercial and previous merchant banks who maintained liquidity levels above those required by law have demonstrated hesitation in supporting the SMEs²¹. Micro Finance Institutions (MFIs) have grown significantly in a number of nations, although

their credit is still only a fraction of what is required for many medium-sized projects. Additionally, the high administrative costs relative to the SMEs scope of operations is another reason why the interest rate on micro credits is so high and most times unbearable.

Financial inadequateness has been cited in several studies as the main roadblock to the optimal performance of the SMEs in developing nations like Nigeria. It was noted that the growth of the SMEs in Nigeria has always been plagued by a lack of access to institutional funding. Over the years, researchers have put up a lot of study on the issue of SMEs finances. According to their results, the cost of capital, risk, unfavourable loan terms from banks and a lack of equity capital are the topmost four issues that keep coming up when it comes to funding the SMEs.

Overtime, governments have implemented a variety of policies and programmes inclined to subsidizing the SMEs activities. However, it is concerning to see that the SMEs are currently still lacking adequate funding access and that finance issues keep coming up every time. According to Asaolu et al. (2005), the financial difficulties the SMEs face restrict their potential to mature and enhance their performance. This is a major concern in Nigeria where the informal sector, mostly constitute the SMEs and performing an important role in the growth of the country's economy.

Regarding the non-availability of funds, there are concerns about the ability of the SMEs to enhance their performance and contribute maximally to the nation's economic growth. The researcher has therefore developed some study objectives based on the phenomena in order to provide remedies and make policy suggestions based on the research. In this light, it is important to consider how financial inclusion can precipitate the SMEs performance.

A wholesome and strong SMEs sector is a sine qua non for all-embracing and socially continuous growth and one foremost attribute of a prosperous economy is a thriving status for the SMEs which can guarantee their performance also. Going forward, the production and functions of the SMEs are duty-bound to be bigger and more prevalent with an undeniable influence on the developing world trade order if their financial inclusion through access, usage and quality levels of finance is taken care of and is never again a constraint.

The SMEs usually have motivation and they establish an important mainstay of the nation's economic system. The metamorphosis of this sector leads to alleviation of poverty, employment creation, multiplication of potential entrepreneurs and also it offers linkages to growth of large industries. The SMEs are still an omen of change and a hub or economic stimulants in industrialized societies as they are in the developing world²².

2.1.2.6 Small and Medium Enterprises in Nigeria

In both the developed and developing nations, the small and medium enterprises (SMEs) are a very vital component of the economy. The International Finance Corporation (IFC) revealed that approximately ninety six percent of businesses in Nigeria were SMEs. About ninety percent of the manufacturing/industrial sectors are SMEs regarding the figure of enterprises in Nigeria. More worrisome is the fact that while the SMEs constitute a significant portion of the enterprises in Nigeria, their contribution to the Nigerian gross domestic product (GDP) is less than optimal²³.

The SMEs are distributed by clusters within geo-political areas in Nigeria. For instance, we have clusters of the SMEs at Aba, Abia state in the east for the leather work, automobile industries at Nnewi in Anambra state in the east, ICT hub in Lagos state in the South-west, tie and dye in Abeokuta and Oshogbo in Ogun and Osun states, in the south-west, Kano leather work in Kano state in the north, among others. The bulk of the SMEs are within the eastern, western and

northern regions as identified above. A survey by the National Bureau of Statistics (NBS) indicated that Anambra state in the east recorded the highest number of the SMEs in Nigeria particularly in the automobile sector compared to other parts/regions of Nigeria²⁴

Given the fundamental role of the SMEs in the Nigerian economy, various government regimes since independence have focused on diverse programmes aimed at energising their growth and performance. It resulted in spending a significant amount of funds with the primary goal of developing the sector. Notwithstanding the considerable funds spent on augmenting the SMEs activities, it has not yielded a substantial boost as the SMEs still do not contribute maximally to Nigeria's GDP. Most Nigerian SMEs are vulnerable and only a few strive to survive due to numerous challenges such as difficulties in accessing credits from banks and other financial institutions, severe economic conditions resulting from unsteady government policies, inadequate infrastructural facilities, exceedingly rising operating costs, lack of sustainable government assistance for the SMEs among others²⁵.

Banks and other financial institutions which are key players in the financial system of every economy has the potential to meet with the credit needs of the SMEs; however, there is still a huge gap between funds supply from these institutions and the needs of the SMEs.

The efficiency recorded in performing these roles by bank and other financial institutions, particularly intermediation between surplus and deficit units of the economy depended largely on the level of growth of the financial system²⁶.

From the fore-going, a trend of inadequate access, usage and quality funding as the fundamental challenges and parameters of financial inclusion which are not met and that hinders SMEs'

performance in Nigeria is clearly seen, consequently, the need for this study to assess financial inclusion and the performance of the SMEs, this premises was actively pursued.

Table 2.1: Classification of the Small and Medium Enterprises in Nigeria

Size/Category	Employment	Asset (#M)Excluding land & building
Micro Enterprise	Less than 10	Less than 5
Small Enterprise	10-49	5 to not up to 50
Medium Enterprise	50-199	50 to less than 500

Source:²⁷

In Nigeria today, empirical report shows that an estimate of about 70% of the industrial employment is held by the SMEs and about 48% of the Gross Domestic Product is generated by the SMEs. Furthermore, the Financial Sector Surveillance (FSS)-International Monetary Fund stated that approximately 96% of the Nigerian businesses are SMEs compared to 53% in the United States of America and 65% in Europe. In addition, SMEs represent about 48% of the national GDP and 84% of the total employment in the country²⁸. The Nigerian Bureau of Statistics says SMEs in Nigeria for the past 5 years represent about fifty percent of the industrial jobs and close to ninety percent of the manufacturing jobs²⁹.

2.1.2.7 Peculiarities of the Small and Medium Enterprises in Nigeria

In this contemporary era, the increasing popularity of the small scale businesses in Nigeria is associated or characterized by a high level of unemployment that pervades the country occasioned by the yearly and soaring influx of graduates from different higher institutions of tertiary institutions without corresponding good fortune in the employment market, hence,

inevitably, the nation has moved towards the era whereby graduates are advised or encouraged to get themselves prepared to take up a business for a livelihood.

The country is steadily metamorphosing into the phase where an average graduate from any tertiary institution will have no option than to engage in one small business or the other for survival. The small businesses are typically run by its owners and close relatives which have made the small scale enterprise more of a sole proprietorship and partnership in its ownership structure. In other words, the structure of the small and medium scale enterprises is associated with that of a sole proprietorship and partnership enterprises³⁰.

The financial structure or funding sources of the SMEs in the Nigeria context are majorly from the savings of the owners, borrowings from relatives, friends and at other times from the banks. Sometimes, government makes soft loans available to the small businesses as a means to encourage the sector³¹. Sometimes these soft loans meant to enhance the performance and growth of the SMEs are diverted by corrupt government officials, thereby denying the SMEs operators access to the much needed funds and which result in their inability to grow their businesses.

The pioneers of the SMEs most often play the dual role of business owners and are obligated for the planning, directing, coordinating and guiding the formation of the business chain values. More so, in Nigeria, other features that characterized the small-scale enterprises are the challenges experienced in raising capital for the business venture. To raise fund to initiate the SMEs in a less developed nation like Nigeria is quite a herculean task which characterized the business environment³².

In their quest to establish a successful small scale business, raising external funds by the SMEs is

quite difficult and frustrating from the financial institutions especially from retail and commercial banks. Even in case of an agreement by the banks to provide funds or loans to finance business enterprises, the collateral conditions required are always challenging to meet by the entrepreneurs. This informs the switch of the owners of small businesses to other informal financial institution to raising fund for their businesses. In Nigeria, close to 80% of the small ventures are failing/do not perform optimally because of inadequate funding with other associated challenges³³. Hence, irrespective of the zeal and competences they may possess, the small business initiatives are most times established in a constrained sector, especially when the result of financial incapacity, human resource incapacities and harsh operating environment are considered.

2.1.2.8 Sources of Capital for the Small and Medium Enterprises in Nigeria

A small business who is probable to be successful, should have strong and sure financial sources open to it when providing initial funding which is added to funds saved by the business owner and these creditors' funds is summed up to augment the other sources. Creditors' funds are accessed from loans from the bank, export credit, friends and relative, credit union loans and mutual union loans etc. It is interesting to know that funds from all sources are being used in the initial stage and also in the subsequent day-to-day funding of the business operations. The following are some of the sources of capital for the SMEs in the Nigeria context:

- i. **Personal Saving:** SMEs initial capitals are mostly from the savings the SMEs operators have. Many scholars have supported this view point that to begin an SME operation in Nigeria, personal savings of the founder constitutes a primary equity capital source. Broom says borrowing venture capital is difficult but also quite risky in the quest to establish a firm. He opined that the business venture owner should fund the two thirds of

the initial capital needed; however, starting small business should not be financed by borrowing even when personal resources are inadequate. It is a herculean task to borrow to finance entrepreneurship in Nigeria as the credit facilities are not accessible or the interest rates are over bloated with overarching collateral. 75.7% of the respondents says they relied mostly on own funds to finance their businesses³⁴.

- ii. Relations and Associates:** Monetary gifts and borrowing from relations and associates are most commonly used to increase the initial business owners' equity capital. This is generally a Nigeria's business practice and may sometimes be appropriate; this is done with the understanding that others and the family owned it. Please note that family and business relationships are good and that funds mustn't be mixed if the most desirable outcome is desired. Loans from friends, family members, relations and associates continue to nurture a highly intimate relationship which may interfere with freedom and business.
- iii. Commercial Banks:** Commercial banks represent the principal source of debt capital to the SMEs and other business ventures in Nigeria although they appear to restrict their borrowing for the demands of working capital but initial capital still get funds from it. Commercial banks have changed drastically from simply providing capitals intentionally for raking interest on the loans to a more appropriate socio-economic position of boosting the SMEs innovative performance. Sometimes, a loan whose repayment is done on installment is given not exceeding a certain number of months. Such a loan may be reimbursed on a monthly or quarterly basis but the maximum maturity may be restricted to just one year and an overdraft granted for a period exceeding one year. Given banks recent interest in small company's funds requests, ironically, the SMEs banking issues

have not changed still, the major challenge is meeting the banks' requirements. The bank takes into account the method and period for repaying the principal sum plus interest, however, some small ventures are so incapacitated, they won't begin paying interest not to think of the principal when it is due. Although, theoretically a Nigerian commercial bank serves as a financial institution which is established to avail the SMEs opportunity through financial assistance in form of loans to expand their business, yet, in reality the situation is different as the SMEs are denied accessibility to financial assistance due to exorbitant interest rate and unreasonable collateral demand³⁵.

iv. Credit Unions: These are a grouping of people sometimes bound by immaterial connection/ things; they may hold same allegiance to a boss, same faith, same politics, corresponding occupation, trade, hobby or the same kind of fortune or misfortune. Credit unions are mutual societies that facilitate savings and loans at favorable terms of lending. They also provide members with financial advice. A credit union's primary aim is to educate people or entrepreneurs about thrift. Customers save with the credit union for specific reasons such as having access to loans for investment without stringent collateral. In Nigeria in recent time, the liberal credit union lending practices is also gaining membership. Credit unions get most of their money from members' savings. Credit unions are therefore a major source of funds for the small businesses, especially in rural areas in Nigeria³⁶.

v. Other Origins of Funds: A large amount of small businessmen still make use of some local sources alongside the aforementioned origins of funds for their initial capital outlays, these include:

Borrowings from “osusu” which means a party of individuals who plan to make

daily/weekly/monthly contributions. Members take turns benefiting from these contributions. Although, some of the money obtained from the “osusu” is used for small business operations yet it serves a good match for entrepreneurs to get capital to finance their business ventures. This method of financing the SMEs initiatives is common within the hinterland in Nigeria.

2.1.3 Government Institutional Initiatives established to enhance the Small and Medium Enterprises Performance

While over 37M MSMEs contribute about 50% of Nigeria’s GDP, only around 5% of these MSMEs are opportune to have access to bank credit. In the words of Nwosu and Ochu (2017) who came to a conclusion that the SMEs in Nigeria shall continue to underperform prior to the government developing policies, regulations and legal frameworks crucial to the progress of innovative financial institutions in addition to promoting committed lending technologies effective of reducing bureaucratic costs related with credit application. Addressing the aspirations of the small and informal businesses is an important duty for policy creators and development practitioners³⁷.

To conquer a few of the challenges of the SMEs financing, some institution have been preemptive in complimenting the performance of the SMEs for their role in ensuring a steady economic growth. Some of these institutions are listed below:

2.1.3.1 Development Bank of Nigeria (DBN)

DBN is essential to the small businesses because Nigeria depends on the optimal performance of the SMEs for economic growth and creation of jobs; it had proven to be the largest employers of labour in the country. This financial institution was established by the Nigerian government in partnership with some global development partners to assist the Micro, Small and Medium Scale

Enterprises in matters related to finance and credit guarantees with the main objective of relieving the monetary impediments faced by the MSMEs Entrepreneurial start-ups in Nigeria³⁸.

Loans from DBN are not given directly to the MSMEs rather via commercial banks, micro finance banks and other financial institutions known as Participating Financial Institutions. The PFIs then offer the loans to borrowers who are their account holders. The interest rates, collateral requirements and payback period are supposedly moderate after risk assessment.

2.1.3.2 CBN Micro, Small and Medium Enterprises Development Fund

The CBN MSMEs development fund is a special intervention fund dispensed by the CBN to encourage the MSMEs with loan facilities in Nigeria. The CBN MSMEs development fund is a nine percent single digit interest rate facility obtainable by the MSMEs owned by Nigerians through participating financial institutions like Fidelity Bank and other commercial and microfinance banks. The fund that is accessible is from #5M to #50M with repayment period of between one-three years.

The availability of this fund has boosted the financial services access and has helped to improve the productivity and output of the SMEs as seen in areas of job creation. Eligible Sectors like Manufacturing, Agricultural, Healthcare and other commercial services are encouraged to benefit from this opportunity in accessing the funds³⁹.

2.1.3.3 Bank of Industry (BOI)

BOI is said to be the oldest and biggest development finance establishment presently operating in Nigeria, Ministry of finance Incorporation owned it, Central Bank of Nigeria and other Private shareholders with 0.01% shares. The Bank of Industry was formed with the main focus of offering credit to the industrial sector. Beneficiaries of BOI offers include the SMEs and large

firms (excluding cottage industries); old or new firms looking for expansion, Credit deserving promoters and respectable borrowers with no record of unpaid debts⁴⁰.

The Bank of Industry Limited in Nigeria was founded in October 2001 by the administration of President Olusegun Obasanjo. The bank was formerly known as Nigerian Industrial Growth Bank Limited, which was established to absorb the mandate of the Nigerian Bank of Commerce and Industry. It is the oldest, largest, and most competitive institution in Nigeria for industrial finance. The Nigerian Industrial Growth Bank Limited was established in 1964 to address the issue of long-term financing for Nigeria's manufacturing and service industries. The Bank started in 1964 with \$2M authorized share capital. BOI devotes 85% of the Bank's resources to the SMEs and 15% to large companies. BOI partners with and encourages State governments in establishing Industrial Parks to help locate entrepreneurs in their areas and help them reduce operating costs. The Bank also provides funding to companies that add value to local raw materials by creating supply chains, create employment and have export potentials⁴⁷.

2.1.3.4 Small and Medium Industries Equity Investment Scheme (SMIEIS)

The SMIEIS is a scheme established in year 2000 by the Banker's Committee to provide the SMEs loans in Nigeria. It entailed each bank setting aside 10% of its Profit-After Tax for equity investment in the SMEs on a yearly basis⁴¹. These banks are requested to recognize, mentor and look after enterprises to be financed under the scheme to warrant the success of the program. Among the targeted activities included under the scheme are Agro-allied, information technology, telecommunications, manufacturing, education establishments, solid minerals, services, tourism and leisure and construction. The scheme was intended to assist economic growth through enhanced SMEs funding. By August 2002, 77 banks had invested #1.692Billion in the SMEs out of the N11.572Billion. Despite the strict measures introduced by the CBN, the financial

institutions are still unable to address the required SMEs credit, savings and other financial gaps⁴².

Successive Nigerian governments have made consistent efforts in ensuring the SMEs grow and boost their performance. Despite these efforts, the anticipated results in solving the challenges faced by the SMEs continue to persist. Some of the efforts engineered by the government to drive SMEs performance which can aid economic growth in Nigeria are as follows⁴⁵.

The national government of Nigeria approved the creation of SMIEIS to support the small and medium enterprises. The Bankers Committee approved the scheme, which required that 10% of their after-tax income be set aside for investment in the growth of the SMEs as well as enhance their optimal performance. Nevertheless, in Nigeria, this scheme introduced by the national government has not attracted the anticipated patronage among the SMEs who remain the targeted community for the fund. This is illustrated by the relatively small percentage drawing from the large pool of the investment. The loss was as a result of lack of national coverage. Just twenty-eight billion Naira (#28B) (€59,574,468) was accessed as of 2009, representing (67%) of the #42 billion (€89,361,702) set aside under the scheme⁴⁶. In Nigeria, the fund is under-utilized because accessing the fund remains a herculean task as government agencies often times display nonchalant attitudes in given the fund to rightful business owners with genuine business plans.

2.1.3.5 Nigerian Agricultural Cooperative and Rural Development Bank

They involve a mix of three Financial Growth Institutions set up by the national government to provide for the needs of the SMEs in Nigeria. They include: Nigerian Agricultural Cooperative Bank (NACB) and the Economic Growth Plan for the People and the Family (FEAP). In 2000, these financial institutions were merged to form Nigerian Agricultural Cooperative and Rural Development Bank (NACRDB). The consolidated financial institutions started off with a #1

billion authorized capital in 2021. The combined financial institutions were located in rural areas to equip the rural farmers, cooperative societies and the SMEs with convenient access to credit financing facilities and agricultural inputs. However, the biggest issue with NACRDB was its limitation to its targeted groups; over 80% of its targeted population does not have access to its services⁴⁸.

2.1.3.6 Microfinance Banks

The national government in 2015, the directed the Central Bank of Nigeria to launch Nigeria's Microfinance Regulatory and Supervisory System but it was revised in 2020. The purpose of the system was to strengthen the financial capacity of community banks which has been renamed microfinance banks and meeting their clear requirements to resolve the urban bias problems and connect the SMEs with affordable financial services, nonetheless, in Nigeria, the urban bias issue/disputes has not been resolved effectively as huge segments of the targeted SMEs are disproportionately poor in rural areas and do not have access to microfinance services.

2.1.3.7 The National Directorate of Employment

This initiative was approved legally by the NDE Act, CAP 250 of the Federal Republic of Nigeria Law (formally Decree No 34 of 1989), the Directorate is responsible for developing and implementing programs to tackle mass unemployment in the country. The NDE services include, among others, training in the growth of technical skills, career counseling and work relations, entrepreneurship training and formation. The NDE's key challenge in Nigeria is its inability to provide post-training services for job formation because of absence of commitment by successive federal and state governments.

2.1.3.8 Small and Medium Enterprises Development Agency of Nigeria (SMEDAN)

The SMEDAN creation was under the 2003 Act. SMEDAN has a mandate to promote, track and

organize the growth of the micro, small and medium-sized enterprises (MSMEs) in Nigeria through the implementation and articulation of policies, initiatives, instruments and support services for the growth of the SMEs sector with innovative performance. Nevertheless, SMEDAN has not had any notable effect on the targeted population because of absence of awareness and enlightenment campaigns⁴⁹.

2.1.3.9 Entrepreneurship Growth Centres (EDCs)

The formation of the entrepreneurship growth centres was intended to provide institutional support for the growth of and enhanced performance of the SMEs in Nigeria. In addition, growth centres for entrepreneurship have been established in tertiary institutions in Nigeria, and entrepreneurship is a compulsory course of study in Nigerian tertiary institutions. Nevertheless, the efficacy of these academic programs is restricted by the disconnections encountered between the schools and the industrial sector, responsible for providing the students with realistic training and experience⁵⁰

2.1.4 Significant Contributions of the Small and Medium Enterprises in Nigeria

The SMEs perform a key part as a fertile ground for the manifestation of entrepreneurial initiatives and as such have remained a vital source of solution to addressing the issues of poverty, opportunities for creating employment, innovation, entrepreneurship and a ground for advancement of the economy on the long-run. The provision of job opportunities for the teeming unemployed youths and also a platform for entrepreneurial initiatives for individuals interested in business is their cardinal role. In Nigeria, if the small businesses are properly harnessed, they can be profitable and can drive their own growth as well as the economic growth. The positive impact and influence of the small and medium-sized businesses that will have an obvious positive effect on the new world trade order is greatly expected. To this end, the SMEs need to

understand the enormous responsibilities they shoulder, availability/non availability of resources, discern how to utilize them efficiently, and leverage on them to their business advantage. Nonetheless, the SMEs cannot compete with its product on the global market by just observing price and slicing it, rather their competition must be based on knowledge and value added⁴³. The optimal performance of the SMEs remains an essential factor for most economic growth prospect and is of particular importance that must be monitored.

The Small and medium-scale enterprises performance and growth has been of important interest to investors, businessmen, non-governmental organizations, governments and its agencies, among others⁴⁴. Small industries operate small development cycle and so give quick return on investment, hence they facilitate a balanced industrial growth in such a way that small-scale businesses in the rural areas and other areas can be established easily. In this respect, they offer an effective means to reduce rural-urban migration and its consequent urban congestion, unemployment and other social vices. Small businesses also act as a training school for indigenous entrepreneurs and offer a significant number of staff the chance to acquire skills, thus, they have contributed significantly to promoting socio-economic expansion in Nigeria.

It therefore highlights an urgent obligation for the governments to change policies and structural environments that can have a negative effect on the SMEs performance so as to maximize their contribution to economic growth. In Nigeria, the role of the small and medium-sized enterprises has been identified as the key support of the economy due to their ability to increase economic production and boost human well-being (Okwu, 2015). Few contributions and opportunities from the SMEs in Nigeria are mentioned below:

- i. SMEs promote alleviation of poverty and engineers wealth creation
- ii. SMEs innovation mitigates rural-urban migration

- iii. SMEs generates employment opportunities
- iv. SMEs promotes local entrepreneurship and indigenous technology growth
- v. SMEs aids export promotion
- vi. SMEs promote redistribution of income

2.1.5 Challenges Facing the SMEs which hinder their Performance

Despite the determination of successive governments who had been in power in Nigeria to continuously sustain the growth and optimal performance of the small businesses, the anticipated effect and outcome of advancing the nation's economic growth has not been felt substantially, it therefore highlights the fact that the basic challenges of the small business sector in the country is far from been resolved or have not been adequately addressed⁵¹.

Literatures reviews showed a plethora of immense, far-reaching and profound challenges, listed below:

1. Inadequate, insufficient and absence of infrastructural amenities tend to raise operating costs of the SMEs as they become the sole supplier of such public utilities like power, road, water, transport, communication, etc. by themselves for sustenance of their businesses.
2. Government's inefficient policies and procedural bottlenecks which sometimes is the hallmark in the management and maintenance of public services deter some prospective SMEs while the current ones in existence are made unproductive.
3. Inadequate financing access that is attributed to banks' inability to give credit to the SMEs initiatives can give rise to insufficient and incomplete business plans, inadequate and inappropriate collateral security request, operationally high loan, administrative costs and high interest rates⁵².

4. Bank discrimination that promotes the risk of not providing finance to the small enterprises in particular.
5. High costs for packaging appropriate market plans
6. Unwholesome rivalry resulting from import tariffs that benefit finished products imported into the country.

In a broad term, the SMEs in Nigeria are inundated with several challenges that have hindered their activities, by extension their performance and delay/halt the making of substantial contribution to economic progress in the nation. This study therefore gives a detailed account of the challenges as follows:

1. Financial Inadequacy

Nigeria's budgetary allocations set aside to assist the SMEs performance which stimulates economic growth are quite low. Funds earmarked for the small and medium-sized enterprises are too small for proper planning of the SMEs take off; the situation of the SMEs therefore remains a matter of great concern. Insufficient financing of the small and medium-sized enterprises occasioned by underfunding and institutional inequality worsen the matter and a key factor working against successful SMEs activities planning and implementation⁵³.

2. Deficiency in Infrastructure

The SMEs are working with many obstacles that hinder their performance and their successful impact on national growth achievable through entrepreneurial push. Among the notable challenges are the basic ICT infrastructures of almost all sub-Saharan African countries which are grossly inadequate. This is as a result of a shortage of electricity to power ICT equipment, inadequate telecommunications infrastructure and overall insufficient funds. Nigeria spends less than 12% of its annual budget on the SMEs. The devastating impacts of sub-standard

infrastructural amenities such as epileptic electricity supply, poor road network conditions and insufficient water availability for emerging businesses are unimaginable. A large number of the citizens in Nigeria live below the poverty line, and as such, average middle-income SMEs are unable to afford basic technology and communication gadgets⁵⁴. A large amount of money is spent on running generating sets to power equipment for goods production and services in Nigeria.

3. Insecurity and Environmental Factors

Another restriction on the Nigeria's SMEs performance relates to environmental concerns. Many SMEs in Nigeria and in Lagos State in particular face many environmental challenges. Multiple taxation regime imposed by environmental and allied agencies is making it impossible for the SMEs to perform and run smoothly and this trend affects the small entrepreneurial companies⁵⁵. The increasing cost of adding brand names, legal and technical fees, company permits and licenses raises the SMEs startup costs greatly and a disincentive to them.

The persistent cases of kidnapping and the rebellion in the most parts of Nigeria e.g. by Boko Haram's sect, IPOB, Yoruba Nation agitator, unknown gunmen killings and other insurgent groups have hindered the SMEs performance including economic growth in Nigeria thereby creating unhealthy and unsafe climate for the SME to operate. The World Bank Business Report in 2011 reported that 178 economies was studied, Nigeria was ranked 108 on the basis of a friendly business environment. Providing an environment conducive to the SMEs optimal performance will certainly advance Nigeria's economic growth⁵⁶.

4. Deficiency in the Managerial Skills and Innovation

Effective managerial skills are needed to run a competitive SME. In Nigeria, many SMEs lack

the required blueprints and skills to run a business successfully. The managerial skills and talents required for the planning, organization, management and control of both human and material resources are essential components for the effective management of a trading outfit but due to its small size and limited available resources, the SMEs are not able to hire and retain highly skilled staff. Innovation is important to the SMEs' strategy and a central factor for their competitive performance. The SMEs are expected to incorporate creativity in their company so as to create viable market solutions for growth and optimal performance⁵⁷.

5. Volatile Political and Religious Settings

The political dispensation in Nigeria since independence does not allow the SMEs to perform favorably/optimally. The slow pace in the execution of budgets at both the state and federal levels is a remarkable example of the reason things don't add up. Party quarrels and discord take months and years to resolve. In Nigeria, unfriendly policies, laws and delays in effecting the national budgets halt proper planning for the SMEs. Nigeria's political atmosphere does not favour the SMEs at all. The gradual transfer of influence from one administration to another in Nigeria's political space has also militated against the performance of the SMEs.

Also, the SMEs have been negatively affected by the continuing religious/political/economic chaos in the nation. Small enterprises don't have the resources to give graft to the military and police officials to guide their business efforts. The much of deaths in the course of religious crises are victims of small businesses⁵⁸.

6. Corrupt Leadership

Corruption has continued to pose a serious threat to the survival of the SMEs in the country as Nigeria's economy is marred by corruption in every area. Transparency International 2019

Corruption Perception Index report ranked Nigeria amongst the world's most corrupt countries (Transparency International, 2019). Corrupt activities seem to permeate all levels of business and public life in Nigeria, from high-ranking officials who receive financial inducements to disburse government approved funds to the micro, small and medium-sized enterprises, to office assistants who report files missing if they do not have tips⁵⁹. Nigeria's high cost of doing business imposes an economic dimension to the challenges faced by the SMEs. Today, Nigeria's poverty rate has led to the death of few of the small and medium-sized enterprises because people can no longer manage to buy the SMEs products/services.

2.1.6 The Small and Medium Enterprises Performance

Firm performance has received considerable attention as a substantial academic subject for investigating the SMEs in the financial and management literatures in the past few years. Researchers and academicians have chosen different approaches to the exploration of the issue. Performance and success have been defined in various ways in the literatures, and in any business, the parties involved always desire good performance in their business⁶⁰.

Performance is a measurement of how adequately an organization can use its assets from its principal model of business to generate revenue. Modern literature defines performance as the end product of the activities of a company or investment over a given period. Another Performance definition is the achievement of specific business goals standardized against familiar quality levels, completeness and cost. The SMEs performance indicated that performance is so common in research about the SMEs management that its structure and definition is rarely explicitly justified. Instead, its appropriateness in no matter what form is unquestionably assumed⁶¹. The key performance indicators are a collection of quantitative computations which a business uses to evaluate or juxtapose performance as it relates to

operational and strategic goals. KPIs are the best performance computation benchmarks that can be used to monitor progress towards your business objectives. Pursuing applicable KPIs helps in decision making, enabling to set strategic goals and allowing business progress evaluation in real-time.

2.1.7 The Role of the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN)

As earlier positioned, the SMEDAN is the key agency that is responsible for the administration of the SMEs operations and activities in the nation. The agency was set up to augment, monitor and coordinate the MSMEs growth. This implied that SMEDAN is involved in the growth and promotion of the micro, small and medium enterprises and entrepreneurs in Nigeria. One of the fundamental drives of SMEDAN has been to ensure that the SMEs have adequate access to economic or financial resources like capital, technology and entrepreneurial skill required for their growth and sustainability⁶².

The SMEs can get funding through SMEDAN by means of schemes and programmes put in place by the government. These schemes and programmes piloted by SMEDAN are intended to enhance and foster the SMEs optimal performance which is in the shape of soft loans, grants and equity financing. Again, SMEDAN doesn't grant loans to the SMEs but facilitates loan access for the SMEs from her collaborative financial institutions and other schemes. There are numerous functions SMEDAN carries out as a representative of the SMEs in ensuring that the SMEs align with the conditions stipulated by banks and other financial institutions⁶³.

SMEDAN functions have aligned conditions among the SMEs to ensure that they obtain funding from schemes and programmes, banks and other financial institutions. The SMEs must have an active bank account with a registered bank, must have submitted a request for a loan showing

how much is required and the purpose and must submit documents like business plan, feasibility studies, company information and financial data. SMEDAN set up Credit Information Portal aimed at facilitating quick access to funding by the SMEs and its likes. The initiative was designed to make information sourcing easy regarding availability of credit facilities. More so, the portal gives a pool of information that assists the SMEs operators to make informed decisions in obtaining loans and credits through financial intermediaries within their location of operations in Nigeria.

2.1.8 Obstacles to the Small and Medium Enterprises Financing in Nigeria

The problem of access, usage and quality level of finance has hindered the SMEs' performance and contribution to economic growth as it has affected their productivity and ancillary functions. The frequently mentioned grounds for the incapacity of the SMEs to connect with the aspirations of government in hastening creation of job, enlarging the production of goods and services, assisting technology transfer, generating more opportunities for innovators and, especially, deepening the local content element of the huge intercontinental companies in Nigeria was caused by absence of financial inclusion typified by lack of access to credit facilities⁶⁴.

Scarcity of capital for the SMEs particularly their incapacity to raise external finance was why they are considered by creditors and investors as high-risk debtors because of insufficient assets and paltry capitalisation, susceptibility to market fluctuations and high mortality rates. The presence of data asymmetry arising from the SMEs' lack of books of accounts and records, inadequate business plans or financial statements makes it hard for investors and creditors to assess the credit needs of potential SMEs' proposal. Other points are high administrative or transaction costs of lending or investing small amount. They asserted that the collective effects of these factors make the SMEs financing an unsuccessful and unprofitable enterprise⁶⁵.

Some of the assertions above were not substantiated; they attributed small business lack of success to inappropriate book and record keeping, lack of infrastructure, corruption, lack of management experience, inadequate training and insufficient financing. Others are small demand for products and services, taking too much money for private use and absence of market research⁶⁶. It is obvious that when the SMEs are incapacitated by lack of adequate financing, a lot of issues will arise that will reduce their performance such as: bad customer relationship, inability to meet customers' needs, inability to retain employees, inability to nurture an effective brand, inability to fully exploit profitable investment opportunities etc.

2.1.9 Aggregate Funding by the Deposit Money Banks (DMBs) to the SMEs

In Nigeria, the funding of the SMEs has been a hot topic for debate as availability of fund is a significant source of growth to businesses of all sorts. The SMEs performance had failed to bring the much expected desired results. One major reason was that the connection with adequate funding which ought to augment/sustain the performance and growth of the SMEs was lacking. The informal sector where the SMEs are a subset of was not disposed to adequate funding⁶⁷. Note worthily, the issue of inadequate funding is not peculiar to Nigeria only; it is common even in the developed nations. Interestingly, the data from the CBN statistical bulletin provided some insightful revelations of the trends of funding particularly by the Deposit Money Banks (DMBs) in Nigeria from 2010 - 2019:

Table 2.2: Aggregate Funding by the Deposit Money Banks (DMBs) to the SMEs in Nigeria

Period	DMBs Loans to SMEs (#'Million)	DMBs Total Credit (#'Million)	DMBs Loans to SMEs as Percentage of Total Credit (%)
2010	12,550.30	9,198,173.06	0.14

2011	15,611.70	9,614,445.80	0.16
2012	13,863.46	10,440,956.33	0.13
2013	15,353.04	11,543,649.93	0.13
2014	16,069.27	13,179,598.11	0.12
2015	12,949.48	13,568,543.70	0.10
2016	10,747.89	16,500,150.26	0.07
2017	10,747.89	16,193,858.35	0.07
2018	44,822.84	15,438,603.87	0.29
2019	123,932.10	17,436,986.42	0.71

Source:²

In agreement with the CBN Statistical Bulletin on the SME financing, it was observed that deposit money banks (DMBs) funding had an irregular trend and had decreased over the years. To illustrate, total credit of DMBs was at #12.5M level in year 2010, it rose to #15.6M in year 2011 and dropped to #13.8M in 2012. It was observed that the funds granted to the SMEs declined drastically especially from years 2015-2017 while the DMBs funding for the economy continued an upward increase, but unfortunately total credit to the SMEs continued a downward reduction. The decrease was noticeable from 0.16 per cent 2011, year on year; it was reducing slowly before it nosedived to 0.07 for both years 2016-2017. However, funding for the SMEs as a percentage to total credits of the DMBs later increased from 0.07 in both years 2016-2017 to 0.29% in year 2018 and 0.71% in year 2019. Stemming from above, the contributions of the DMBs with regards to credits to the SMEs performance and growth had been inconsistent, unsteady and low⁶⁸.

The above CBN statistics demonstrated that the Nigerian financial framework was well capitalized and dynamic but her contributions to the SMEs were weak. The trends in Nigeria for the SMEs performance found that under the Nigerian Content Act of 2010, diverse opportunities contributing to competitive advantages were only reserved for the Nigerian enterprises. The study underscored the demand for access to financing for the SMEs to grow their capital base. Despite the predominant figures and significance of the SMEs in creation of job, there has always been inadequate funding from financial institutions, governmental and non-governmental agencies⁶⁹. It implied that the major gap in the Nigeria's entrepreneurship drive to enhancing performance is the lack of fund for the SMEs.

Table 2.3: Sources of Funding the SMEs in Nigeria Compared to Some African Countries

Percentage of short term financing from: (%)	Nigeria	South Africa	Kenya
Internal funds/retained earnings	70	66	73
Borrowed through financial intermediaries e.g. bank & financial institution	1	17	7
Purchases on credit from suppliers & advances from customers	25	12	17
Borrowed from family, friends and other informal sources	4	1	3
Issued new equity/debt	-	1	-

Source:⁷⁰

From Table 2.3, it appeared the SMEs in Nigeria relied heavily on internal funds/retained earnings when in comparison with other sources of funds. The SMEs in Nigeria had less external borrowed funds from deposit money banks and other financial institutions compared to African countries like Kenya and South Africa. The SMEs sometimes relied on overdrafts to finance

long-term investments and they use collateral fully. Again, access to overdrafts was tremendously circumscribed. About 70% of the SMEs utilized deposit money banks' overdrafts while 30% tended to rely on owners' funds to finance activities⁷¹.

2.1.10 Some Ratios used in Measuring the Financial Performance of the SMEs

Key Performance Indicators can still be called financial performance indicators. They are quantitative measures used to regulate, monitor and estimate economic health of any business. The SMEs uses money to acquire physical materials so as to take benefit of business profitable chances and thereby boost their performance. When computing financial performance, some evaluative ratios widely used in arriving at the business's overall performance are:

- i. Gross Profit Margin
- ii. Working Capital adequacy
- iii. Current ratio
- iv. Inventory Turnover Ratio
- v. Leverage
- vi. Return on Assets
- vii. Return on Equity

The ratios mentioned above help in providing information about the level of expenses, sales, cash flow and profit in order to help the SMEs optimize its financial goals and objectives. Access, usage and quality level of finance which are financial inclusion parameters will not only ensure that the SMEs grab profitable ventures, it will make them liquid, solvent and make their business practices robust, enabling them to perform efficiently.

2.1.11 Some Financing Options for the SMEs

To assess financial inclusion through its parameters of access, usage and quality level, and performance of the SMEs, some fundamental sources of funding for the SMEs were identified and discussed in this study. They included Internal Funds, Venture Capitals, Trade Credits, the Business Angels, Bank Overdraft, and Crowd Funding.

1. Internal Funds

This is a very good origin of finance coming from the personal saving of the owner of the Small business and from, family, friends, relations and associates. The SMEs initial capitals are mostly from the savings the SMEs operators have. Many have supported this view point that to start an SME operation in Nigeria, personal savings of the founder constitutes a primary equity capital origin. Moreover, monetary gifts and borrowing from family, friends, relations and associates are most commonly used to supplement the initial business owners' equity capital. Generally, this is a business practice that is common in Nigeria and it is widely used even though the amount of finance that can be raised through this method is so limited but there is a constant worry that It was always a major challenge to borrow to finance a business venture in Nigeria as the credit facilities are either not accessible or the interest rates are over bloated.

2. Venture Capital

Venture capital is another means of funding the SMEs in both the developed and developing nations across the world. The term venture capital encompassed the provision of investment finance to the SMEs in the form of equity or quasi-equity instruments not traded on the Nigerian Stock Exchange⁷². Besides, venture capital is viewed as risk capitals which focus on high growth enterprises in early stages of growth. The stages of venture capital are basically in two categories

which is seed capitals and start-up/early stage capitals. In reality, venture capitalists provide funds for expansion and growth, buyout etc. for the SMEs. Venture capital affects SMEs performance for those operating in regular business, for venture capital financing may not be possible. Venture capitalists don't want to remain invested in the long term, so they want business proposals that must guarantee their exit after a number of years. Through venture capital, however, the SMEs contribute more to society in the areas of taxes to government, provision of corporate social responsibility, staff welfare and job creation. The small and medium enterprises equity investment scheme (SMEEIS) which is essentially a pool for venture capital has not done enough in terms of providing equity funds for the SMEs⁷³.

Venture capitalists are financial mediators and a source of non-banking financing to the SMEs. A Venture capitalist is an investor who invests by providing capital and support for the SMEs business expansion which may not have access to equity markets. Venture capitals are one kind of funding where funds obtained from investors were redeployed by investing in high-risk enterprises which generally were start-up enterprises. Venture capital is relatively widespread for small and young SMEs in developed financial markets⁷⁴. Moreover, venture capital is not merely an alternative option for the SMEs financing, it assists the SMEs to solve many funding problems which militate against them.

Worthy of mention is the fact that venture capital is linked with high uncertainty, it is always expecting high return on investment portfolio, and thus in order to attract venture capital funding, the SMEs has to have business ideas that may create the high returns the venture capitalist is seeking. Venture capital makes investment for profit uncertain for the SMEs; thus, venture capital may not be the most adequate form of funding the SMEs. Prior studies used venture capital in their investigations to assess its impact on the SMEs performance⁷⁵.

3. Trade Credit

In SMEs funding, trade credit is a major funds raising method. Trade credit occurs when the SMEs purchase goods and services by means of deferred payment to their suppliers. Trade credit is a short-term credit and payment is usually due in thirty to ninety days. If money is not paid within the specified time frame, interest charges are imposed.

It is observed that funding the SMEs via trade credit is a universal practice other than conventional bank lending. It is one of the most externally significant methods of funding the SMEs in most developed and developing countries⁷⁶. Trade credit is an impulsive type of SMEs funding and it arises directly from ordinary transactions of the business. Commonly, the price of trade credit is embedded in the cost of goods sold on credit which incidentally makes it an expensive funding approach for the SMEs. However, the period of trade credit is limited especially if the suppliers are larger companies and have identified the SMEs as potentially risky, so the ability to extend the credit period may be limited. In a situation where the SMEs are more open to risks, creditors may be reluctant to further elongate credit period. Although trade credit has few demerits, it is still a fundamental source of funding for start-up SMEs⁷⁷.

4. Business Angels

A business angel is another origin of financing in promoting the SMEs performance in both developed and developing nations. Business angels are high net worth individuals who are willing to take the risk to invest in start-up SMEs without having any personal ties to the owners of those SMEs⁷⁸. Business angels plays a dynamic part in the SMEs funding by providing small amounts of loans to them, particularly in their early stages of growth, incidentally, the people known as business angels are not common and quite often, are particular about what they are

prepared to invest in, however, if they become interested, they can be very useful to the SMEs as they are likely to have many useful contacts because they themselves often have great business acumen.

Global statistics showed that business angels offered almost similar amounts of funding offered by financial institutions to finance the activities/operations of the SMEs, hence, business angels assist the SMEs to have access to increase flow of finance by contributing directly to their performance. Importantly and as earlier mentioned, there are some drawbacks associated with business angels, some are that the SMEs may take a long-time to find suitable business angels and some business angles can deceitfully result into a state when the SMEs owners have to give up some of their shares. In literatures, there is scanty empirical study that analysed business angels' impact on the SMEs performance in Nigeria. A noticeable study considered whether business angels were potential means of financing for the SMEs and their performance in other parts of the country⁷⁹.

5. Bank Overdraft

In literatures, another method of funding the SMEs is through bank overdraft. A bank overdraft is a means of funding the SMEs where the enterprise receives or draws more than what it has in its accounts with a financial institution but does not give up possession, title or profits, and is bound to pay back the overdrawn amount with interest at a specified period. This kind of funding emanates with strict conditions and is secured by collateral from the business owner who risks his personal wealth as a guarantee that such an overdraft would be repaid.

This form of funding is not commonplace in the usual operations of the SMEs but it could be particularly serious on account of new SMEs that depend on intangibles in their enterprise plan.

The SMEs' reliance on bank overdrafts place huge costs on them and can lead to financial distress. A great deal of research has been done on the SMEs financing through bank overdrafts and documented evidence showed that bank overdrafts are the major external source of funding for the SMEs in both developed and growing economies⁸⁰. When compared to alternative finance options, a bank overdraft is thought to be more expensive, yet it offers the SMEs a significant return on investment. From careful observation, raising medium-term finance to finance operations is very hard for the SMEs because financial institutions are very conservative, this may force them to be financing medium-term and potentially long-term assets with short-term finance through an overdraft, this definitely reverses the SMEs positive performance and a poor matching, which is less than ideal.

6. Crowdfunding

It involves raising finance over the internet from a huge number of people (i.e. the crowd) to fund a venture. It is a relatively new concept but has grown rapidly with billions of dollars raised worldwide through crowdfunding, with over 500 crowdfunding platforms and over 400 crowdfunding campaigns launched on a daily basis. Finance raised through crowdfunding can be invested in the debt or equity of the business seeking the funding. Crowdfunding are done on 'keep it all basis' where funds raised are kept by the recipient, others are done on an 'all or nothing basis' where the recipient receives the funds only if the total required for the particular project is raised within a given time frame, a proportion of the amount raised is usually taken by the crowdfunding platform. Important features of crowdfunding is the possibility for online interaction within the crowd just as in a real physical crowd, therefore, keen supporters of any business idea will very often encourage others to get on board and it lets people search for and invest in projects/ideas they have interest in which can make the investors prepared for bigger

risks and accept lower returns than usual. Crowdfunding has the capability of been beneficial to the SMEs by allowing them connect and plea with investors directly, with those who don't mind taking the risk inherent in financing the new technologies and innovations the SMEs are superb at producing. On the contrary, you may receive no funding at all if you don't meet your goal, again, many reward based fundraisers are met with great interest but small amount donation may be because the investor is not getting any equity, likewise, some reward based fundraisers crowdfunding websites have significant fees.

In 2022, the crowdfunding global market size was put at \$1.67 billion and it is anticipated to grow at a Compound Annual Growth Rate of 16.7% from the year 2023 – 2030 due to the increasing popularity of its activities on many social media platforms. Crowdfunding activities in Nigeria are controlled by the Securities and Exchange Commission. It issued draft regulations in May 2020 and has through its Rules on Crowdfunding on 21 January, 2021 published revised rules controlling the use of crowdfunding in Nigeria. Under the guidelines, all the SMEs registered as companies who have been in business for at least two years with operating track record are fit to raise funding via a crowdfunding gateway already enrolled by the SEC.

2.1.12 Deposit Money Banks and Types of SMEs Financing

The most economical source of borrowed capital available to the SMEs is from money deposit banks⁸¹. It is therefore clear that the money deposit banks form the largest means of financing for the SMEs. Owing to the kind of funds available to them, money deposit banks concentrate in short-term loans and working capital funds in form of overdrafts. Loans could be granted after the bank requests for a well-prepared business proposal to satisfy them as to the financial demands from the business and how the loans can be serviced and paid back if approved. The aim of the loan request determines the kind of loan that will be granted. Sometimes, the loan

request can be a credit risk or the amount of fund applied for could surpass the amount that the bank manager considers unreasonable without asking for collateral, in any of this identified cases, collateral may be required before the loan request is approved. Money deposit banks specialise in granting short-term loans, it is as a result that most money deposit banks' deposit are subject to withdrawal on demand by the customers and therefore could be risky to give out loans on a permanent financing basis.

Interest rate level in the nation is determined by the Central Bank and money deposit banks' used it as a basis to decide the interest rates on their loans. However, in 2007, the Central Bank's controls on interest rate were removed by the federal government in accordance with emphasis on deregulation of the economy⁸². It is obvious that commercial loans, equipment financing and leasing are the most commonly supported loan requests. Short-term seasonal needs that mature between 90 and 180 days and without collateral are also common. Term loans are usually paid within five years and are secured. The principal amount is paid in instalments and the business must abide by certain specified conditions entered into in the loan agreement. With equipment financing and leasing, deposit money banks give loans using equipment as collateral and can arrange for the SMEs to lease equipment for negotiated periods of time since bank loans can either be for short, medium or long terms.

Banks use character, capacity, capital, condition and collateral as criteria in evaluating requests for loans. Character is connected with reputation which is a sum of personal attributes revealed indirectly. A borrower's reputation is the opinion held by others about him. His business conduct, for example, briefs on commitments and speculative tendencies are altogether showed by his character. To banks, character implies the capacity of a borrower to evaluate the advantages of

his business and to guarantee reimbursement of his loans. Character is accordingly essential in the assessment of the credit value of business and people⁸³.

Capacity implies the capability of a borrower to repay his financial commitments when they are due. The borrower notwithstanding being skilled should likewise be eager to balance his/her liabilities. The client's total assets guarantees the bank that the borrower will probably meet his commitments and borrowers ought to have solid capital base to allow banks recover their advances from them. There may be a few factors which the SMEs have no control over which may restrain the bank from giving him bank credits. New SMEs must give security on bank advances while old timers with high credit standing may not really secure loans. Collateral required may sometimes be property, extra security and attractive securities among others. There is a greater risk in expanding businesses; hence long-term loans have to be protected by directly pledging assets.

In Nigeria, Money deposit banks could not significantly contribute to the performance of the SMEs because of the low rate of returns of entrepreneurial activities. The cash holdings of the money deposit banks are mostly made up of demand deposits. These deposits are liabilities to the banks and are payable on demand⁸⁴. Thus, short term loans, cash and advances are the major consumers of the funds held by the money deposit bank in Nigeria. Many projects, which include enterprises such as footwear, printing and publishing, soap, oils, detergents, flour milling and bakeries, are financed by money deposit banks.

Banks in Nigeria hardly fund projects in need of medium and long-term credits due to the fact that current deposits form their main funding source. This is confirmed in the study done by the Manufacturers' Association of Nigeria (MAN) in a survey aimed at determining funding requirement for the manufacturing sector and existing constraints in accessing bank credits. It

disclosed that the kind of banks operation in Nigeria favours short-term credit financing against medium to long-term financing⁸⁵.

2.1.13 Global Financial Crisis and its negative Impacts on SMEs performance in Nigeria

International Monetary Fund (2019) observed that financial crises have common elements that come in many forms. IMF however identified the following phenomena as common elements;

- i. Substantial negative alterations in credit volume and asset prices;
- ii. Huge disturbances in financial intermediation, and the supply of external financing to various sectors in the economy; humongous balance sheet challenges of households, firms, financial intermediaries and sovereigns; and
- iii. Large-scale government support (in the form of liquidity support, bailouts and recapitalization).

It is tough to characterize a financial crisis with a single indicator or variables as the event is multidimensional in nature while identifying their deeper causes of few factors driving the crises remain a challenge. Several theories were developed by scholars with respect to the reasons of financial crisis across the globe. Yet, by not arriving at the exact causes, they were left with the fundamental factors such as macro-economic imbalance, internal and external shocks as part of the reasons. Sometimes, it could be caused by irrational factors such as unexpected runs on banks, corruption and spill-over among monetary markets, restrictions to arbitrage throughout distress times, development of asset busts, credit crunches, fire-sales and different aspects associated with monetary turmoil⁸⁶.

Today, according to research, a diversity of circumstances which involved financial institutions' assets losing a substantial portion of their value is called a financial chaos, financial crises cause

a loss of paper wealth as a direct result; but, if a recession or depression occurs as a result, this may have an indirect effect on the economy and by extension on the performance of the SMEs.

Banks and other financial institutions are the established institutions where credit facilities are to be sought by the SMEs in financing their businesses across the world. Failure in their responsibilities due to some constraints such as government policies and market crashing because of a financial crisis has caused them not to discharge their responsibilities fully. Today, according to research, a number of situations which involved financial institutions' assets losing a substantial part of their value is linked to a financial crisis that can be national, continental and/or global and ultimately have a direct and a significant impact on the SMEs funding access (Alexander 2017). The crunch in the US sub-prime mortgage market in year 2008 was the major factor that triggered the credit crunch which led to the global financial crisis that spread over many nations of the world which was deepened in few nations. The effects of the financial crisis with respect to the economy of Nigeria was packed with great consequences as measured on the capital market, the banking segment, the foreign exchange section, the balance of payment and the real sector.

The outcome of the monetary crisis that began within the USA on the housing markets was wide-ranging and were internally and outwardly induced (Nijathaworn, 2010). The initial monetary crisis had affected mostly America and Europe. However, due to the connectivity of the national economy conjointly called the "contagion effect", most economies were affected. During the middle of 2007 was when Nigeria began to experience the implications of the financial crisis with the major effects recorded on the stock market prices. In 2009, the new phase began because of the collapse of the Lehman Brothers which later spread over the economic segments of the advanced and emerging economies across the world and expectedly Nigeria fell a victim.

Considering the mono status of the economy of Nigeria which relies mainly on crude oil export, the foreign exchange market was affected by the financial crisis which later resulted to foreigners with investments repatriating their capital and dividends by disinvesting it which later created pressure on the foreign currencies. The consequence of this affected the Nigerian foreign reserves as it was depleted and various segment of the economy suffered. Firstly, there was a ceaseless drop in the share index and the volume of the securities traded in the Nigerian stock market⁸⁷. Secondly, the banking sub-sector was impacted by a credit contraction as most foreign banks reduced their credit lines, exchange rate exposure, and the continuous decline in the NSE eroded their profitability. Thirdly, the fall was experienced within the revenue receipts by the 3 tiers of government leading up to a contraction within the financial sector. In the course of tightening in the fiscal sector of the economy, it resulted into the crowding-out of the entire private sector credit that later affected the real sector and the SMEs sector, thus the SMEs performance was sub-optimal.

2.1.13.1 Financial Access sustainability of the SMEs in Nigeria

Finance is widely accepted as the lifeblood and an important resource needed for the day to day operation of any business activities in any organisation irrespective of whether it is a small or large conglomerate, basically no business organisation can live with the absence of finance. The need for finance varies from time to time and from one form to another, either at the beginning stage, growth or expansion stage, or even beyond, irrespective of the size of a business - whether micro, small, medium or large. Easy access to credit has been identified as a major factor for the creation, survival and growth of the Small and Medium Scale Enterprises, globally. International Finance Corporation observed from Enterprise surveys conducted by the World Bank that the SMEs face more severe financing constraints than large firms⁸⁸. Access to fund by the SMEs are

limited and usually not attractive to large investors except for the new trend of some commercial banks establishing SMEs units, usually the SMEs do not have specialized institutions focused on their peculiar financial needs. Commercial banks lend to the SMEs at similar rates that they do give to large corporations, and sometimes even at higher rates due to issues of risk⁸⁹.

Several studies have concluded that global crises have direct impact on banks which has further constrained the accessibility of credit to the SMEs, as banks prefer to lend to large enterprises than small and medium. An assessment of the association that exists between the SMEs and the Nigerian financial system showed clearly the existence of an apathy that is directed towards the small businesses by the financial method and resentment on the part of the SMEs towards the financial system.

Despite the numerous moves by the governments to pursue developmental programs e.g. the 1970 Mandatory Credit Guideline, the 1971 Small Scale Industries Credit Guarantee Scheme; the 1973 Agricultural Credit Guarantee Scheme, Nigeria Agriculture and Co-operative Bank, the Nigerian Bank for Commerce and Industry; the 1977 Rural Banking Scheme, the 1988 African Development Bank - Export Stimulation Loan Scheme (ADB-ESL), the 1989 Peoples Bank, the 1992 National Economic Reconstruction Fund, the 1992 Small and Medium Scale Enterprises Loan Scheme, the 1997 Family Economic Advancement Program; the 2001 duo of the Bank of Industry and Small and Medium Enterprises Equity Investment Scheme (SMEEIS') in 2001 which is aimed at solving the SMEs finance gap problem, under which ten percent of the profit after tax of Banks is reserved for SMEs financing⁹⁰. These aforementioned schemes have unfortunately not had any observable impact on the SMEs financing. This may be due to the poor managerial ability or due to small entrepreneurial expertise; the SMEs in the country were not capable to utterly take advantage of the schemes.

Creating an entrepreneurial initiative is on one hand, but tapping into the vital funding to cause such projects to come into existence is another. A great deal of new entrepreneurial proposals has died simply because the conceivers couldn't finance them adequately and the banks which could have been their last resort also didn't help as there is no guaranteed investment in Finance⁹¹.

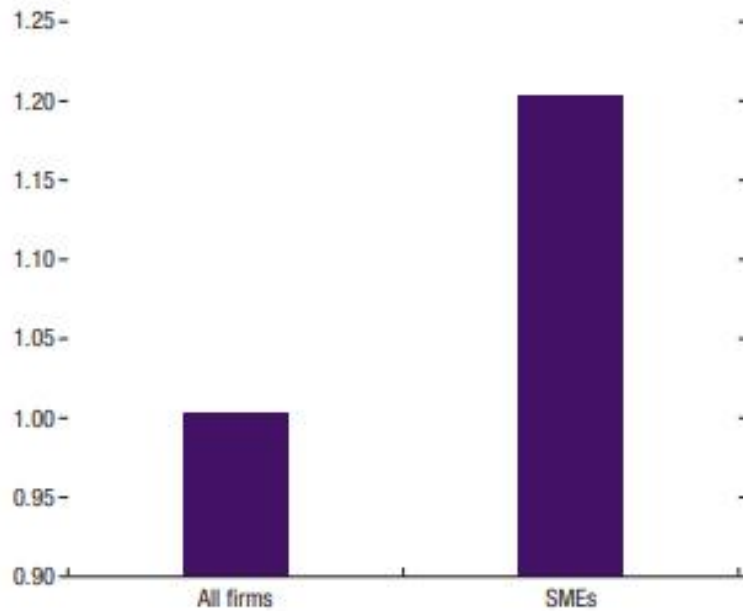


Figure 2.1: Employment Growth Gains from Reaching Average Credit Bureau Coverage of Emerging Market and Developing Economies

Sources: World Bank Enterprise Surveys and Doing Business Indicators; IMF staff estimates

2.1.14 Better Credit Information

For the SMEs to access formal finance with special arrangement for decreased guarantee requirements and reduced borrowing rates, updated credit information is a critical aspect and must be easily accessible. Credit information quality and accessibility, especially from the SMEs can have a notable useful impact on employment, growth, and financial inclusion and their performance. The increase in employment would be 1% point for all businesses and 1.2% points for the SMEs if credit bureau coverage reached the Emerging Market and Developing Economy

(EMDE) average in the Middle East/North Africa (MENA) and Common Country Analysis (CCA) nations. Additionally, country-specific study indicated that these gains possibly can be greater in regions with less extensive credit registry coverage. Better credit information could help ease these restrictions and open up access to finance for the SMEs in nations with high collateral requirements, including Tunisia, Armenia, and Azerbaijan, where the average collateral requirement can be as high as 250% of the loan value. The Kyrgyz Republic has very significant barriers to credit monitoring, which are linked to very high interest rate margins of around 20%.

2.1.15 Financial Regulations and the SMEs Financial Inclusion

Sound financial regulatory and supervisory frameworks can help enhance the SMEs financial inclusion. Such frameworks are essential for supporting financial deepening and inclusion programs, monitoring and addressing potential hazards development. Some data showed that financial supervisory competence, particularly in the MENA region (Middle East & North Africa), effectively added to the SMEs' financial inclusion. Financial inclusion and Anti-Money Laundering/Combating Financing Terrorism frameworks can also work together to prevent money laundering and stop the funding of terrorism, in part because using formal financial services makes it easier to track down financial activities⁹². Financial deepening and inclusion programs/frameworks must be fully domesticated to meet local challenges which will definitely encourage the performance of the SMEs.

In many climes, key prerequisites for the SMEs financial inclusion include legal and institutional frameworks relating to property rights, contract enforcement, and bankruptcy regimes. Contract restrictions, Legal and institutional frameworks pertaining to property rights, contract enforcement, and bankruptcy regimes are important requirements for the SMEs financial

inclusion. Simply put, restrictions on contract enforcement, property rights, and registration, and high starting costs and a deficient insolvency law, all have a detrimental impact on the financial inclusion of the SMEs. However, today's cadastral systems and robust property rights actually enable improved asset alienability, making it simpler to transfer, sell, and use assets as collateral, which make it simpler to securing financing by the SMEs.

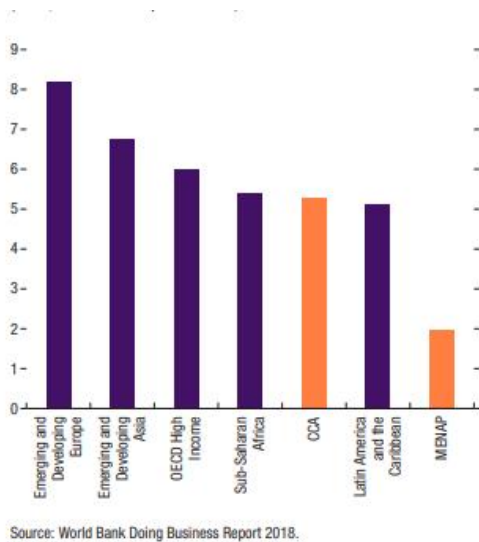


Figure 2.2 Strength of Legal Rights Index

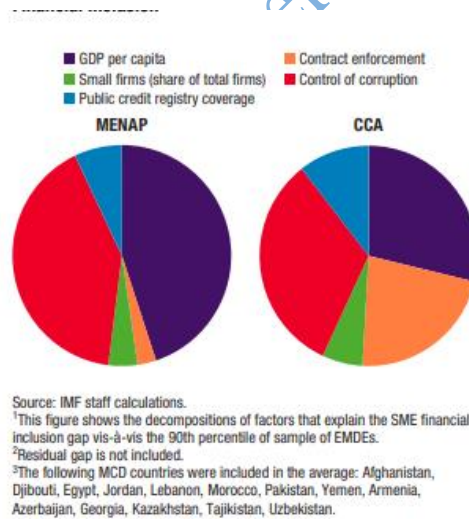


Figure 2.3. Menap and CCA: Key Priorities to Boost SME Financial Inclusion

2.2 Theoretical Framework

The theoretical review was anchored on four theories, namely Financial Literacy Theory of Financial Inclusion, Traditional Theory, Organizational Learning and The Pecking Order Theories. The theories are discussed below.

2.2.1 Financial Inclusion Theories

Financial inclusion is the supplying of and accesses to financial services for all parts of the populace especially the impoverished and the other precluded segments of the society (Ozili, 2018).

It is a fact that governments all over the world are making great efforts to achieve high level of financial inclusion e.g. operation of bank account with minimum documents, the use of final notices in ensuring the citizens get a bank identification number, granting free insurance policies, granting free credit cards, using mobile technology as a platform to access finance, adopting a first-hand government to person (G2P) settlement method, mortgage enrolment in the absence of making compulsory equity down payment.

The capacity to accessing a business account is the initial footstep in the direction of expansive financial inclusion since it permits people to save funds, transfer and take remittances. The business account facilitates means to other financial services.

It has been widely agreed that the financial inclusion policies and programs used in some countries have been largely successful, but notwithstanding this, there are concerns that risk may be spread to the poor and the vulnerable, so much that the high-end consumer numbers benefitting from financial inclusion may go up to the detriment of the earlier group. Another concern is, is it appropriate for financial inclusion to just focus on those excluded from the

formal financial sector or on others who are distant in using the formal financial products more frequently?

Financial Inclusion Policies can be developed to encourage competition in the formal financial services delivery. Governments can consider granting subsidies to the providers of the financial services in order to offer to the masses but especially to the excluded population, the most fundamental financial services at a small price or free-of-charge. Governments can establish communication channels that allow citizens express their minds about whether financial services have been offered to them at a cheap price, without discrimination and fairly too, it can be a feedback mechanism. As a suggestion, digital finance and financial innovations can be used to achieve financial inclusion in such a way that reduces risks to the poor and the vulnerable.

Identification of an Appropriate Financial Inclusion Theory for this Study

You can quickly know a good financial inclusion theory for providing a logical system of ideas in explaining financial inclusion objectives, processes and outcomes.

It has been argued that theories can be used to provide reasonable explanations for financial inclusion objectives, processes and outcomes. Indeed, Policymakers and government agencies can use these theories to justify the various strategies adopted in achieving financial inclusion in their nations.

Do we really need theory/theories? The answer is in the affirmative, Yes we do. A theory of financial inclusion is desirable in realizing effective union between set objectives and measured outcomes.

Financial inclusion theories give a platform which set out principles whereon the operation of financial inclusion is premised; also it will facilitate detection of abnormal/varied patterns, if any,

observed in real life experiences which may precipitate further research and can improve our appreciation of why deviations exist in practice. It could be an indication that the theory for explaining a financial inclusion problem may be different from the theory for its solution. Again, the principles of identifying beneficiaries of financial inclusion can be different from those for the funding and delivery of financial inclusion.

Over the years, many financial inclusion principles helpful to the academics, practitioners, policy makers and others have been presented. The theories are broadly categorized into three, namely:

- i. Financial inclusion beneficiaries theories;
- ii. financial inclusion funding theories;
- iii. financial inclusion delivery theories.

Because of this study, the third category-theories of financial inclusion delivery has been singled out for more discussions due to its relevance to this research and are as detailed below:

Financial Inclusion Delivery Theories

There are many ideologies regarding who should deliver formal financial services to the populace. Some say the government can make it available to the people (Aggarwal and Klapper, 2013; Staschen and Nelson, 2013; Chibba, 2009). Some maintain that private corporations, like banks and financial technology undertaken should deliver formal financial services more efficiently to the people (Gaborand Brooks, 2017; Ozili, 2018). Another suggestion is that the delivery could be through collaboration between the public and private sectors (Arun and Kamath, 2015; Pearce, 2011).

These positions above therefore need an underlying mind-set to establish why the identified

agents are necessary in the delivery of the formal financial services. Some theories based on the financial inclusion delivery are provided below:

- i. Community echelon;
- ii. Public service;
- iii. Special agent;
- iv. Collaborative intervention;
- v. Financial literacy.

Financial Literacy Theory

Theory No (v) shall still be discussed further because of its relevance to the study and it is as presented here-under:

The Financial Literacy Theory states that financial literacy will increase people's willingness to join the formal financial sector. The theory argued that financial inclusion can be achieved through education that increases the financial literacy of the populace. It opined that when people become financially educated, they will seek formal financial services wherever they can find it. Simply explained, financial literacy or education is the custody of knowledge and skills which allow people take intelligent resolutions on their monies.

The advantages of the financial literacy theory are:

- a. People can be made aware of the formal financial services that are available through financial literacy;
- b. When they become aware, that knowledge can improve their welfare, they can then join the formal financial sector by owning/opening an account;

- c. When financial literacy is increased, they can take advantage of other benefits in the formal financial sector such as investment and mortgage products;
- d. Financial education helps people distinguish between their wants and needs, thereby helping them to set priorities, helping them manage a budget, teaching them to save to be capable of paying bills as and when due, and also to having adequate plan for retirement;
- e. People can become self-sufficient in themselves and have stability in their personal finance through financial literacy;
- f. Some administration with limited public funds/limited tax revenues to sponsor financial inclusion programs can use financial education as a national strategy for financial inclusion because it is assumed that it is cheaper to educate the population about financial management and the benefits of using these services.

The under listed is a major disadvantage of the financial literacy theory:

It addresses the ‘willingness’ not the ‘capacity’ to join the formal financial sector. It is generally assumed that financial literacy through education allows improved willingness of people and encourage them to join the formal financial sector but it does not improve their ‘capacity’ to join the formal financial sector, in this context, capacity is measured as having money that is available to perform any financial transactions. It therefore follows that people who don’t have money do not earnestly take part in the formal financial sector although they are financially educated.

2.2.2 Theory of Constraints (TOC)

TOC is a management philosophy that was developed by Eliyahu M. Goldratt and it refers to a process that tries to identify the principal bottleneck factor-that is, the constraint affecting the growth of an entity and methodically improves the bottleneck till it's never again a limiting factor⁹³. It suggested that organizations could realize their aims by identifying and leveraging on the constraints in a system. TOC assumes that each complicated structure of operations including SMEs processes comprises of various combined operations, and one can become a limitation on the whole system.

The major objective of Theory of constraints states that the output of a system is arrived at by one constraint or bottleneck, hence to boost the production capacity of the system, one must equally maximise the throughput at the bottleneck. It is noteworthy that constraints speed up development in shaping the process adopted to make products.

Theory of Constraints has three principles as listed below:

- i. Convergence
- ii. Consistency
- iii. Respect

In applying TOC, the following are the steps:

- i. Identifying the constraints;
- ii. Exploiting the constraints;
- iii. Subordinating everything else to the constraint;
- iv. Elevating the constraint; and
- v. Avoid inactivity but replicate the process by finding the next constraint.

TOC improves capacity by optimizing the constraint, this in turn ensures more products are produced, profit is increased and lead time reduces.

Three important key indices in Theory of constraints are:

- i. Throughput
- ii. Operational expenses
- iii. Inventory

Also, all projects must deliberately manage four basic constraints namely scope, schedule, budget and quality.

Theory of constraints is relevant to this research in that when its five steps identified above are applied/used by the SMEs especially on the inadequacy of finance which has been touted as the most difficult challenge for an average SME in Nigeria, it enables them put their focus on the constraint limiting their performance and growth and then systematically improve the constraint until it is no longer a bottleneck. Moreover, when considering SMEs performance, the limiting factor is inadequate funding provided by financial and other institutions⁹⁴.

The limitation of Theory of constraints as an improvement methodology lies in addressing management theories as a secondary issue.

2.2.3 Organizational Learning Theory

Following the popularization of the learning organization concept by Senge in 1990, the function of organizational learning in achieving competitive advantage and superior performance is meant to know the speed with which an organization learns⁹⁵. Organizational learning theory focuses on how a company builds its knowledge base over time and develops it in order to achieve superior

results, such as new product development, high customer retention, SMEs optimal performance, wealth creation, cost cutting and more.

Organizational Learning Types

Single loop learning- Is the process of making adjustments to correct a mistake or a problem. Its target is always on doing things right and causality observed is not addressed;

Double loop learning; This identifies and understands causality and takes action in fixing the identified problem;

Deutero learning - It describes the situation where proto-learning processes occur. Proto-learning refers to deliberate or explicit learning.

The main purpose of learning in organization is to gain knowledge related to its functions and applying the knowledge in adjusting to a constantly changing environment thereby increasing its efficiency and productivity.

Many perspectives are under this theory including organizational learning, a knowledge-based approach and knowledge management. Organizational learning processes include key elements that promotes understanding production procedures that entail finding statistics, digesting, growing, and generating new information about processes, products, and services⁹⁶

. Important elements of organizational learning:

- i People
- ii. Structure
- iii. Technology

iv. External environment

Organizations need capable individuals to learn and interpret new information and technological changes from the external environment⁹⁷. The members of an organization should be capable in processing information effectively and also be creative because the main focus of organizational learning theory is on creation of knowledge and the usage of that knowledge within the organization.

Organizational learning theory posits that organizations learn and adapt over time in response to their environment. This theory has been used to explain how the SMEs finance themselves. Frequently, SMEs characterization means being nimble and adaptable, able to quickly change their business models in response to market volatility. This flexibility is thought to be due in part to the fact that SMEs are often smaller and have less bureaucracy than larger organizations. As a result, they can make decisions and implement changes more quickly. The organizational learning theory also posits that SMEs are able to learn from their environment and adapt their business models accordingly. This theory explains how SMEs source for finance and therefore increase performance by taking advantage of and processing financial information to their advantage, which gives them competitive edge.

SMEs often start out by using personal savings and/or loans from family and friends to finance their business. As they grow and their business model evolves, they may seek out other financing methods such as venture capital, trade credit, business angels, bank loans/overdrafts, crowd funding etc. Over time though, as they learn more about their industry and the market, they may develop new and more efficient ways of doing business leading to a necessity for diverse kinds of

financing. Organizational learning theory provides a structure for appreciating how SMEs finance themselves over time having evolved due to getting the right information.

Organizational learning has as its biggest advantage the capacity to enable employees' challenge the way things are done, think critically and ensures that the team is not stuck in routine or traditional methods of doing things.

This theory is good at explaining how SMEs adapt their business models in line with timely financial information in response to volatility in the market and their environment.

However, three major limitations to learning in organization have been identified as follows:

- i. Absence of measurable and clear goals on applying learning to enhance performance;
- ii. Inadequate incentives for employees to engage in organizational learning;
- iii. Uncertainty on the ultimate productive procedures.

2.2.4 The Pecking Order Theory

This theory was propagated by Stewart Myers and Nicholas Majluf (1984)⁹⁸ states that firms finance their needs in a hierarchical order, first by using internally available funds, followed by debt and finally external equity. This practice is more common in Small Firms and indicates the adverse connection between profitability and external borrowing by small firms. The report by South African reserve bank (2004) says "This hypothesis implies that there exists a negative relationship between profitability and external borrowing by small firms. In other words, assuming a zero growth, firms with high profitability would generate surpassing internal liquidity which reduces borrowing. It may then be hypothesized that older firms would make less use of external finance and instead would rely on retained funds".⁹⁹

This theory is a theory of corporate capital structure that submits that organizations will prefer to use internal funds that is retained earnings before using external funds e.g. debt or equity. The theory argues that firms have a hierarchy of financing options and they will choose the option that is least costly. The theory is based on the idea that firms are risk-averse and prefer to minimize their costs of capital¹⁰⁰.

This theory recommends that organizations will prefer to finance themselves with internal sources of funds before turning to external sources. Internal sources of funds such as retained earnings are typically cheaper and easier to obtain than external sources, such as debt or equity. The theory says that organizations will use debt to finance investments when they cannot finance them with internal funds but will only do so if they believe that the investment will generate sufficient returns to pay for debt expenses. Logically, it follows that a highly profitable business whether small or big which generate high earnings will most likely use less debt capital relative to non-profitable ones.

The Pecking Order Theory has important implications for small and medium-sized enterprises. First, it suggests that they can focus on generating internal funds through profits and equity injections to finance their performance and growth.

Second, it suggests that SMEs should only turn to external financing sources such as debt when they are confident that the investment will be successful and generate sufficient returns to at least cover debt expenses. This is particularly important for SMEs as they typically have little means in sourcing financing externally, hence justifiably will face higher costs when they do turn to these sources.

This is an economic theory suggesting that organizations will finance their investments in order from the least cost to the most expensive. The theory is premised on organizations being risk-averse and will therefore prefer to use cheaper forms of financing such as debt rather than more expensive forms of financing such as equity. The theory has explained a variety of phenomena, including the commonness of debt financing because it is cheaper, the order in which firms invest in new projects, also, methods organizations use to structure their capital.

Practical application of this theory is very difficult and it is a major limitation of the theory.

2.3 Review of Empirical Studies

The trend of financial inclusion in Sub-Saharan Africa from 2005-2015. Across the whole area altogether, it was discovered that financial inclusion got bigger unwaveringly in the last decade, the high growth happened after the Maya Declaration of year 2011 and most of the countries that have made this commitment are Sub-Saharan. The Maya Declaration was followed closely by the issuance of financial inclusion Strategies across the area that helped in the achievement of greater Index of Financial Inclusion (IFI). However, expansion declined in the later years during the years 2014-2015. Nevertheless, this conclusion was in agreement with Andrianaivo and Yartey (2010), they maintained that financial deepness has enlarged in Africa ultimately, this opposed that of Yorulmaz (2013) who outlined the decreasing level of financial inclusion over time in Turkey¹⁰¹.

A study establishing the effects of financial assistance on SMEs performance across three states in the Federal Republic of Nigeria. Survey and semi-structured interview methods were employed and three hundred and sixty questionnaires were sent to SMEs owners/managers. Descriptive and multiple regression outcomes revealed that while financial assistance had a

significant impact on SMEs performance, those supports were inadequate and were faced by stringent, unrealistic bureaucratic details¹⁰².

The relationship between bank financing and SMEs growth in Nigeria from 1998-2017 using data of deposit money bank loans to average lending rates, inflation rates and the GDP. Descriptive, correlation, regression and Granger causality tests were employed and the study established that deposit money bank loans to SMEs had a negative and an insignificant impact on the GDP. Aside that average deposit money bank lending rates to SMEs had a negative and an insignificant effect on the GDP, no causal connection existed among deposit money bank loans to average lending rates to SMEs, inflation rate and GDP in Nigeria¹⁰³.

The contributions of financial institutions in financing SMEs investment scheme in Nigeria by means of a regression estimation technique. The study found that considering the volume of funds dedicated to the operation of SMEs investment schemes, if adequately managed, could serve as basic incentive for SMEs performance and the growth of the economy.

SMEs and the industrial growth of Onitsha Metropolis by means of a cluster-lead approach¹⁰⁴. A questionnaire based on a 5-point Likert scale was the major instrument for data collection. The Pearson Product Moment Correlation Coefficient statistics showed that government policies, support and institutional knowledge transfer to SMEs clusters was positively related with the SMEs industrial growth in the Onitsha Metropolis¹⁰⁵.

Another study did an investigation into the role of financial institutions in financing Small and Medium Scale Enterprises in Zaria Local Government Area of Kaduna State¹⁰⁶. Using multivariate Logit regressions to analyse a cross sectional data sample across 40 enterprises, and testing the hypothesis using the log-likelihood statistics, the study rejected the null hypothesis

that the total amount generated by financial institutions and disbursed to SMEs is not positively correlated with the growth of the SMEs sector.

It was ascertained in a research that economic growth spurred by SMEs optimal performance cannot be achieved without setting up well - focused programmes for employment creating opportunities, generate income and reduce poverty, achievable by availability of credit facilities to the SMEs.

A study showed that boardroom politics, loan repayment records, competition, interest rates, value of fixed assets and bureaucratic procedures are some of the significant factors that underscore the capability of potential entrepreneurs in getting loans from financial institutions. It concluded with the recommendations that establishment of functional micro insurance schemes, granting loans to well established firms, elimination of all structural and institutional bottlenecks and adoption of the capacity to pay criteria in the disbursement of loans are necessary conditions to ensure vibrant SMEs whose performance create progress in the country.

SMEs financing and economic growth in Nigeria using loans to SMEs, loan interests, inflation rates and exchange rates; implication on SMEs and economic growth from 1992-2014. The ordinary least square results showed that loans to SMEs had an affirmative positive effect on economic growth while exchange rate had a negative impact on economic growth in Nigeria¹⁰⁷.

Secondary data of SMEs contribution to export, employment, credits and money supply was employed to investigate their effects on industrial growth in Nigeria during the period 2002-2016. The regression result disclosed that manufacturing SMEs output had a statistical notable effect on industrial growth. It implied that manufacturing SMEs were viable in advancing industrial growth via their inputs into the economy¹⁰⁸.

The impact of the Nigerian financial markets on SMEs using selected SMEs in Gusau, Zamfara State. Two hundred and fifty owners of SMEs at some strategic locations in Zamfara State and the data obtained from administered questionnaires were analysed via frequency counts, simple percentages and t-test statistical tools. The study established a productive and remarkable relation connecting financial markets and the SMEs in Gusau Metropolis, Zamfara State¹⁰⁹.

The nexus between bank loans as evaluated by loan access, debt funding and performance of SMEs business expansions and outputs in Lagos State, Nigeria. The descriptive survey design was adopted and a structured questionnaire was administered to three hundred and seventy-two respondents who were chief executives of SMEs. The correlation result revealed that access to loan and debt financing were positively linked with business expansion and outputs from SMEs in Nigeria¹¹⁰.

The effect of SMEs financing on business growth in Keffi and Maraba Metropolis¹¹¹. Bank credits to SMEs, interest rates and GDP data were obtained from the CBN Statistical Bulletin. The outcomes of the t-test showed that bank credits to SMEs had an insignificant impact on the growth of the Nigerian economy while interest rates charged on SMEs credits had no impact on the business growth of SMEs in Nigeria. Moreover, accessing financing was a sine qua non for the successful growth and optimal performance of the SMEs via loans and advances.

The potential sources of financing and the role of government support for SMEs in Nigeria. The descriptive results revealed that SMEs financing had not got the expected support from the government, hence, the Nigerian government did not play a fundamental role in providing the funding needed for SMEs growth¹¹².

The challenges and potentials linked with SMEs growth in Delta State. The descriptive survey design and t-test statistical technique were employed in ascertaining the extent to which the challenges of SMEs affected the performance and growth of the SMEs. The findings indicated that the problems the SMEs faced had a significant effect on their performance and growth¹¹³.

The effect of capital management on the growth of the SMEs in Enugu State. The study used descriptive survey design and a sixty-nine respondents sample was selected. The data were analysed using one sample Kolmogorov Smirnov statistic (K-S) and the findings indicated that the bulk of the SMEs had inadequate employees to boost their performance, thus, inadequate employees reduced the capability of SMEs to break-even in the Nigerian economy¹¹⁴.

The part of the SMEs in the achievement of economic growth using a linear regression model and granger causality test was investigated by a study. The Johansen 2 likelihood ratio test statistics, the trace and maximal eigen value co-integration test statistics revealed two co-integrating equations or vectors among the variables of interest. The co-integrating regression result indicated that the SMEs are crucial in attaining unceasing economic growth as they manifest helpful effect on the economy. This implies a boost of the economy for every rise in the operations and their activities. The granger causality test revealed a unidirectional causal relationship between the SMEs and economic growth, running from the former to the latter. In improving economic activities, SMEs in Nigeria should be able to access enough, well-coordinated finance with a rational interest rate, as absence of sufficient funding has continued as a major obstacle to their successful operations. Again, authority ought to provide essential amenities and stimulus e.g. regular electricity, motor able roads and tax holidays. These would greatly enhance and encourage the performance of the SMEs and position them to play their all-important part in the achievement of continual economic growth in Nigeria¹¹⁵.

The impact of the small and medium sized enterprises (SMEs) on the growth of the Nigerian economy 1986-2014. The study which is an ex-post-facto research employed data generated from Central Bank of Nigeria's statistical bulletin and ordinary least square (OLS) method of estimation for data analysis. Outcome of the augmented dickey fuller (ADF) test revealed that all the variables were integrated of the same order one I (1) while the Johansen co-integration test showed that there exist a long run relationship between SMEs performance, Oil revenue (OILR), Inflation (INFRT) and economic growth in Nigeria. The short run dynamic model outcome as shown by the coefficient of error correction term (ECT) revealed that the speed of adjustment from short run disequilibrium to long run equilibrium is about 42.83% while the OLS multiple regression analysis showed that the SMEs, OILR, INFRT had useful and remarkable effect on the growth of the national economy in the short term but in the long term, it revealed that the SMEs had helpful but inconsequential effect on the growth of the national economy. The research proposed that strategies that will jack up the sector allocated budget could be embraced by what is achievable in the agriculture sector. Banks can expand concessional low interest rate and credit grants to the SMEs sector because it has the ability to invigorate and propel the economy in the long run¹¹⁶.

The "Determinants of the Development of the Small and Medium Scale Enterprises in Nigeria". The work used the ordinary least squares method within the framework of multiple regression models to examine the various factors that determined the growth of small and medium scale enterprises (SMEs) in Nigeria between 1980 and 2013. Results from the study suggest that credit facilities, interest rate as well as inflation rate were key determinants of the growth and survival of SMEs in Nigeria. It was advocated that the authority through the CBN should relax the restrictive regulations and operations which discourage borrowings and promote intervention

programmes through which adequate funds will be easily accessible to prospective investors, especially the SMEs¹¹⁷.

The review on the relationship between the SMEs financing and Nigeria's economic growth using the Autoregressive Distributed lag (ARDL) Model approach to Co-integration, Error Correction Model and Standard Pair-Wise Granger Causality Test¹¹⁸. The results displayed that the data were stationary at first difference, while a long run relationship exist among the variables under study. With regard to the direction of influence, the outcome revealed the important unidirectional causalities between GDP per-capita and bank of agriculture credits to SMEs, bank of industry credits to SMEs, micro- finance bank credits to SMEs and commercial bank loans to SMEs to domestic product per capita. The study concluded that increase in the credits by the Nigerian bank of agriculture and the loans by commercial banks in Nigeria to SMEs will enlarge and grow the level of the GDP per capita in the country, the study advocated that the financial/credit institutions should increase and mobilize more funds through effective windows of financial intermediation and enhance a better policy that will make the SMEs have easy access to credit facilities.

The impact of financing the small scale enterprises on economic growth in Nigeria using a quarterly time series data from 1992 to 2009 which applied econometric estimation techniques. The results showed that loans to the small scale entrepreneurs had helpful effect on economic performance but interest rate revealed negative effect on economic performance, the writers gathered that the challenges facing the SMEs in Nigeria was lack of managerial know how and accessing capital or finance.

A review on the impact of the SMEs on economic growth by assessing the financing options available to SMEs in Nigeria concluded that the government can focus more on promoting the

SMEs by giving more microfinance banks opportunity to operate freely and give loans to the SMEs while strengthening capacity and sensitization programmes for all registered SMEs should be established by government to enlighten them on the benefits of good risk management and insurance of their businesses¹¹⁹.

The relationship between the small and medium sized enterprises financing and performance of whole and retail businesses in Nigeria in a time series data from 1992 to 2013 using OLS. Their empirical result showed the SMEs activities to be helpful and considerable in relation to economic performance, a causal significant link exists between the SMEs activities and the performance of the economy and that the SMEs have grown at the same level of unemployment in Nigeria, meaning they have grown rapidly. The authors concluded that the SMEs can play a major role in getting some levels of economic growth in Nigeria.

The performances of the SMEs in fostering economic growth using granger causality and regression method. The analysis disclosed unimportant relationship between the SMEs and economic growth; it was therefore recommended that smooth access to relatively low interest rate loans will increase the optimal performance of the SMEs towards economic developments¹²⁰.

Financing choices accessible to the SMEs and its contribution to economic growth through investment level in Nigeria. In the analysis, the spearman correlation test was employed; the outcome revealed strong and productive connection between the SMEs activities and economic growth¹²¹.

The study of a significant positive relationship between performance implementation on corporate business survival. This finding disagreed with the reality that impact of financing the SMEs on economic growth in Nigeria was negative.

The impact of financing the SMEs on economic development in Nigeria engaged many econometric tools such as OLS, walt hypothesis test, heteroscedasticity, Philip perron, Co integration and granger causality test were used in the analysis; the result revealed strong and positive demand following relationship between the SMEs activities/performance and economic development¹²².

A quarterly study of time series of data from 1992 to 2009 examined how financing small business ventures in Nigeria affects economic growth. The research combined a number of econometric estimating methods. The results revealed that loan to SMEs had a helpful effect on the economic performance while interest rate had an adverse effect on economic growth, however, another conclusion that the study came to was that managerial capacity is the biggest or worst issue facing the SMEs in Nigeria and that having access to capital or financing is important but not sufficient for effective entrepreneurial development¹²³.

Specific financing options available to the SMEs in Nigeria and contribution to economic growth via investment level. The Spearman's Rho correlation test was done to learn about the relationship between them. The report explained a remarkable Rho value of 0.643 at 10%. This showed an important useful relationship between the SMEs financing and economic growth via investment level in Nigeria¹²⁴.

SMEs Performance-Financial Innovation and Challenges. The study was to point to the origins of SMEs financing and explain the principles about funding problems with the aim to explore the ingenious methods to enhance funding through crowdfunding and necessity to provide a regulatory environment encouraging it for the optimal performance and growth of the SMEs. Likewise, it is an essential strategy that would assist entrepreneurs to remain much motivated towards promoting their line of work. It shall give confidence to people in becoming

accomplished entrepreneurs. It offered important information and methods that would help entrepreneurs on how crowdfunding can serve as a financing method and its helpful effect on the SMEs performance.

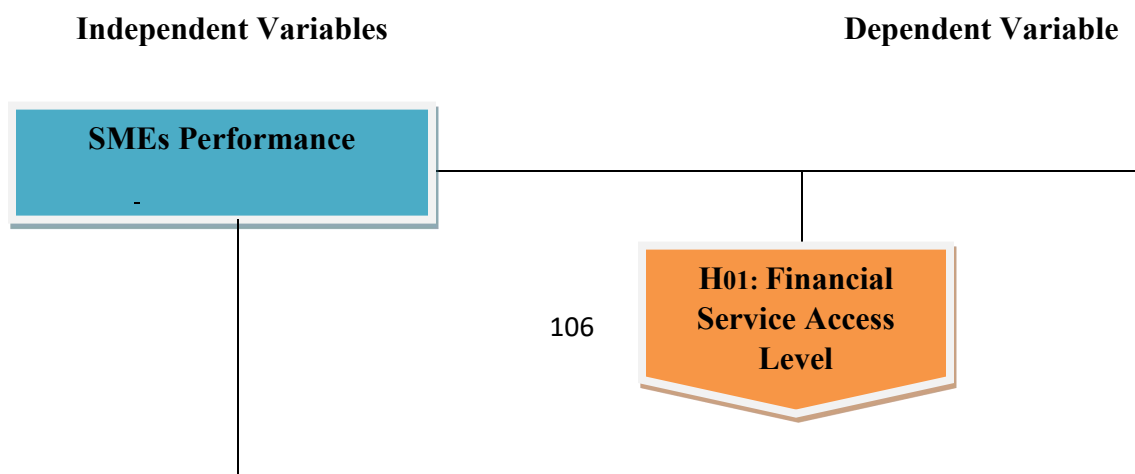
The challenges of SMEs in funding new or existing businesses in Gombe State. SMEs were randomly drawn from three (3) Local Government Areas namely, Akko, Dukku and Gombe. The chi-square result showed insignificant difference in the difficulty SMEs faced when accessing finance from diverse means. More so, there was an important difference on awareness level of microfinance institutions by SMEs¹²⁵.

In concluding, examining the model analysis is apt as the word “environment” in management does not necessarily mean physical surroundings but is used to describe all those influences that bear upon corporate organisations as it affect decision making in totality. This environment is a complex, multi-focus, dynamic, having a far reaching effect on such organisation. In banking business, the environment constraint the lending policy, the loan facility that is made available to the lender. Regarding banks in Nigeria, the lending ability of the banks is constrained by a decline in foreign reserves that led to the financial crisis. As a means to liberalise the system, the government made policies that eased funds sourcing for certain parts of the economy. On some occasions, government gave support by directing the banks to allocate a certain percentage of their loan-able fund to the SMEs. In summary, the quantity and amount of loan-able funds available are directly dictated by the operating environment which is largely regulated by the government¹²⁶.

As earlier clearly stated, government support may be directed to the SMEs through the SMEDAN by giving technical advices and training them. Accessing fund will enable the SMEs perform their role of generating employment, production of goods and services, generating the

needed foreign exchange for the nation and as well as pay taxes and excise duties on exported goods. All these will lead to economic growth for the country¹²⁷. Unhindered financing access through venture capital, business angel, trade credit, granting of bank overdraft, crowdfunding etc. are important channels to ascertaining the SMEs are afloat and ensure their optimal performance.

2.4 Conceptual Framework



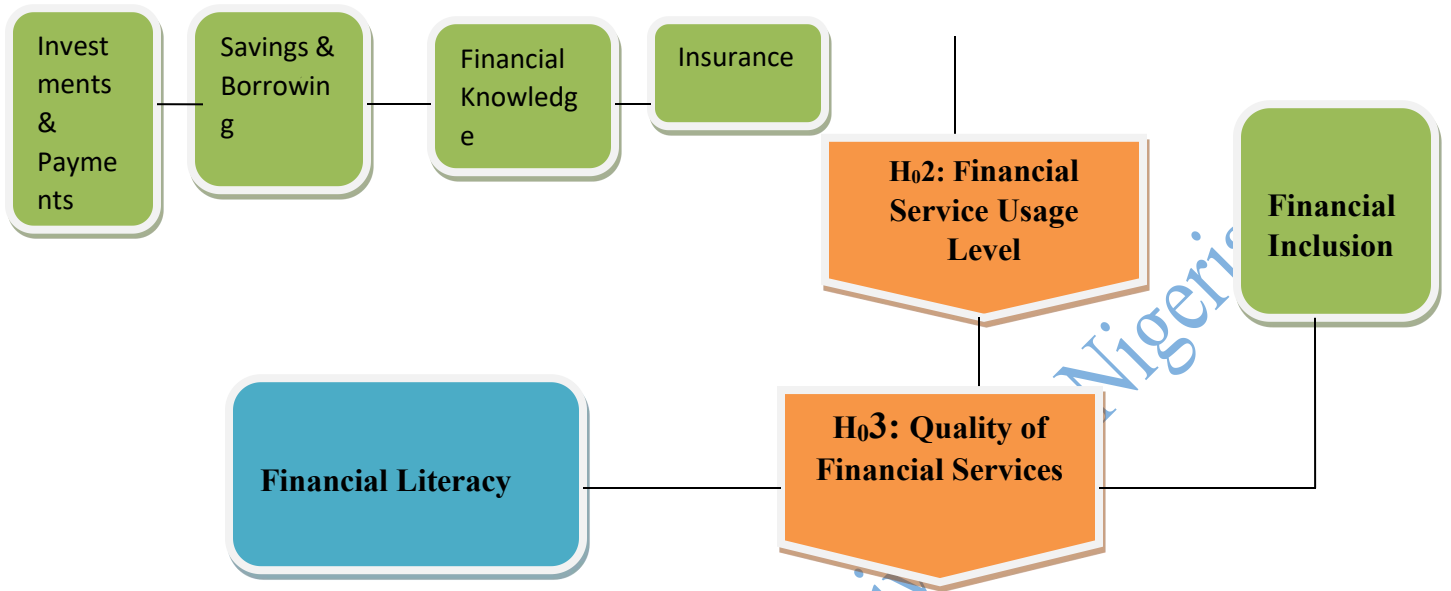


Figure 2.4: Conceptual Framework
 Source: Researcher's Model (2023)

The independent variables examined the performance of the SMEs through the eyes of financial literacy sub divided into Investments and payments, savings and borrowings, financial knowledge and insurance while the dependent variable was the SMEs Financial Inclusion viewed through the three hypotheses. Therefore, the conceptual model buttressed or captured appropriately the link between the dependent variable and the independent variables as earlier itemised.

2.5 Summary of Gaps in Literature

A study showed access as the foremost dimension for measuring financial inclusion. The methodology constructed has three dimensions namely; access, usage, and quality/barriers. It was thought to be free of researcher's bias and used intuitive means of allocating weight to each

dimension. This stance also overcame the shortcomings of Sarma (2008), Arora (2010), Sarma (2010), Sarma (2012) and Amidžić et al. (2014). Notably, other methodologies used in measuring financial inclusion included Principal Component Analysis (PCA). This was used by Cámara and Tuesta (2014) in a research done for 82 countries. However, the indicators included cost factor, which has been empirically and theoretically proven to form part of the determinants (Allen et al., 2012; McKinnon, 1973; Sarma and Pais, 2011; Shaw, 1973). A major drawback was that it was for a single period, and does not allow for comparison over time¹⁰¹.

The "Determinants of the Development of the Small and Medium Scale Enterprises in Nigeria". The work used the ordinary least squares method within the framework of multiple regression models to examine the various factors that determined the growth of the SMEs in Nigeria between 1980 and 2013. Results suggested that credit facilities, interest rate and inflation rate were key indices of the growth and survival of SMEs in Nigeria. It was advocated that the government through the CBN should relax the restrictive regulations and operations which discourage borrowings and promote intervention programmes through which adequate funds will be easily accessible to prospective investors, especially the SMEs¹¹⁷.

A review on the impact of the small and medium enterprises on economic growth by assessing the financing options available to the SMEs in Nigeria concluded that the government can focus more on promoting SMEs by giving more microfinance banks opportunity to operate freely and give loans to the SMEs while building capacity and sensitization programmes for all registered SMEs should be set up by government to enlighten them on the benefits of good risk management and insurance of their businesses¹¹⁹.

The study of a significant positive relationship between performance implementation on corporate business survival. This finding disagreed with the fact that in Nigeria, the effect of funding the SMEs on economic growth was negative.

The impact of financing the SMEs on economic development in Nigeria engaged many econometric tools such as OLS, walt hypothesis test, heteroscedasticity, Philip perron, Co integration and granger causality test were used in the analysis; the result revealed strong and positive demand following relationship between the SMEs activities/performance and economic development¹²².

The review on the relationship between the SMEs financing and Nigeria's economic growth using the Autoregressive Distributed lag (ARDL) Model approach to Co-integration, Error Correction Model and Standard Pair-Wise Granger Causality Test¹¹⁸. The results displayed that the data were stationary at first difference, while a long run relationship exist among the variables under study. With regard to the direction of influence, the outcome revealed the important unidirectional causalities between GDP per-capita and bank of agriculture credits to SMEs, bank of industry credits to SMEs, micro- finance bank credits to SMEs and commercial bank loans to SMEs to domestic product per capita. The study concluded that increase in the credits by the Nigerian bank of agriculture and the loans by commercial banks in Nigeria to SMEs will enlarge and grow the level of the GDP per capita in the country, the study advocated that the financial/credit institutions should increase and mobilize more funds through effective windows of financial intermediation and enhance a better policy that will make the SMEs have easy access to credit facilities.

Specific financing options available to the SMEs in Nigeria and contribution to economic growth via investment level. The Spearman's Rho correlation test was done to learn about the

relationship between them. The report explained a remarkable Rho value of 0.643 at 10%. This showed important useful relationship between the SMEs financing and economic growth via investment level in Nigeria¹²⁴.

The Pearson Product Moment Correlation Coefficient statistics showed that government policies, support and institutional knowledge transfer to SMEs clusters was positively related with the SMEs industrial growth in the Onitsha Metropolis¹⁰⁵.

The performances of the SMEs in fostering economic growth using granger causality and regression method. The analysis disclosed unimportant relationship between the SMEs and economic growth; it was therefore recommended that smooth access to relatively low interest rate loans will increase the optimal performance of the SMEs towards economic developments¹²⁰.

It was ascertained in a research that economic growth spurred by SMEs optimal performance cannot be achieved without setting up well - focused programmes for employment creating opportunities, generate income and reduce poverty, achievable by availability of credit facilities to the SMEs.

The part of the SMEs in the achievement of economic growth using a linear regression model and granger causality test was investigated by a study. The Johansen 2 likelihood ratio test statistics, the trace and maximal eigen value co-integration test statistics revealed two co-integrating equations or vectors among the variables of interest. The co-integrating regression result indicated that the SMEs are crucial in attaining unceasing economic growth as they manifest helpful effect on the economy. This implies a boost of the economy for every rise in the operations and their activities. The granger causality test revealed a unidirectional causal relationship between the SMEs and economic growth, running from the former to the latter. In

improving economic activities, SMEs in Nigeria should be able to access enough, well-coordinated finance with a rational interest rate, as absence of sufficient funding has continued as a major obstacle to their successful operations. Again, authority ought to provide essential amenities and stimulus e.g. regular electricity, motor able roads and tax holidays. These would greatly enhance and encourage the performance of the SMEs and position them to play their all-important part in the achievement of continual economic growth in Nigeria¹¹⁵.

The effect of SMEs financing on business growth in Keffi and Maraba Metropolis¹¹¹. Bank credits to SMEs, interest rates and GDP data were obtained from the CBN Statistical Bulletin. The outcomes of the t-test showed that bank credits to SMEs had an insignificant impact on the growth of the Nigerian economy while interest rates charged on SMEs credits had no impact on the business growth of SMEs in Nigeria. Moreover, accessing financing was a sine qua non for the successful growth and optimal performance of the SMEs via loans and advances.

SMEs Performance-Financial Innovation and Challenges. The study was to point to the origins of SMEs financing and explain the principles about funding problems with the aim to explore the ingenious methods to enhance funding through crowdfunding and necessity to provide a regulatory environment encouraging it for the optimal performance and growth of the SMEs. Likewise, it is an essential strategy that would assist entrepreneurs to remain much motivated towards promoting their line of work. It shall give confidence to people in becoming accomplished entrepreneurs. It offered important information and methods that would help entrepreneurs on how crowdfunding can serve as a financing method and its helpful effect on the SMEs performance.

The result of another study confirmed that enough finance especially venture capital, trade credit and business angels except bank overdraft positively and considerably led to the growth of SMEs in Nigeria¹²⁸

Do Not Copy, Lead City University, Nigeria

Endnotes

- ¹ T. S. Hatten. *Small business management: entrepreneurship and beyond*. SouthWesternCengage Learning, USA. 2021

- 2 Central Bank of Nigeria (C.B.N). *SME Finance*. 2018. Available at: <http://www.cenbank.org/Devfin/smefinance.asp> (Accessed on 16/10/2022).
- 3 F.Gallouj, K.Weber, M.Stare, & L.Rubalcaba. *The futures of the service economy in Europe: A foresight analysis*. **Technological Forecasting and Social Change**, 94, 2016, 80–96.
- 4 H.Saleem, L.Yongjun, A.Zulqurnain, M.Aqsa, & S.M. Muhammad. *An Empirical Investigation on How Big Data Analytics Influence China SMEs Performance: Do Product and Process Innovation Matter? Asia Pacific Business Review*, 2020, 1–26.
- 5 Central Bank of Nigeria (C.B.N). *SME Finance*. 2018. Available at: <https://www.cenbank.org/Devfin/smefinance.asp> (Accessed on 16/10/2022).
- 6 Handbook of the Federal Ministry of Commerce and Industry, 2015.
- 7 H.Meressa. *Growth of micro and small scale enterprises and its driving factors: empirical evidence from entrepreneurs in emerging region of Ethiopia*. **Journal of Innovation and Entrepreneurship**, 9(1), 2020
- 8 J. G. Khan & R.S. Dalu. *Role of small & medium enterprises in industrial development of Vidarbha Region*. **International Journal of Engineering Technology, Management and Applied Sciences**, 3(7), 2015, 109-121
- 9 Haseski & Ilic. *An Investigation of the Data Collection Instruments Developed to Measure Computational Thinking*. **Informatics in Education**, 18(2), 2019, 297–319.
- 10 N.Lucky. *An Investigation of Small and Medium Scale Enterprises (SMEs) of Agro-Allied and Livestock Business on Nigerian Economy: A Case Study of Selected Smes in Ikorodu Local Government Area of Lagos State*. School of Business, National College of Ireland. 2020
- 11 L.I. Okafor, T.A. Onifade, & A.D. Ogbechi. *Analytical review of small and medium scale enterprises in Nigeria*, **International Journal of Small Business and Entrepreneurship Research**, 6(2), 2018, 32-46
- 12 O.Abeh. *Entrepreneurship as key to socio-economic development: A study of selected small and medium scale enterprises in Delta State*. **Journal of Education and Society**, 7(1), 2017, 90-102.

- 13 C.Blossom, N.Aslam, & A. A. Said. *Challenges and barriers encountered by the SMEs owners in Muscat*, **International Journal of Small Business and Entrepreneurship Research**, 2(3), 2014, 1-13
- 14 B. Oyelaran-Oyeyinka. *International Conference SME: Issues, Challenges and Prospects Financial System Strategy*. 2020
- 15 P.Uchegbulam, S.Akinyele, & A.Ibidunni. *Competitive strategy and performance of selected SMEs in Nigeria, Social and Economic Models for Development Track, International Conference on African Development Issues*, 2(15), 2015, 44-56
- 16 A.S. Ibidunni & O.M. Ogundana. *Antecedents of business level strategies in Nigeria agro-based firms*, **Journal of Competitiveness**, 6(3), 2014, 63-76.
- 17 N.O. Okonkwo & C.P. Obidike. *Small and medium scale enterprises financing in Nigeria: Problems and prospects*. **International Journal of Innovative Social Sciences & Humanities Research** 4(1), 2016, 77-86.
- 18 V.I. Marshall. *The impact of financial institutions financing on small and medium scale enterprises in Nigeria. MSc Dissertation Submitted to the Institute of Graduate Studies and Research, Eastern Mediterranean University, Gazimağusa, North Cyprus*, 2014, 1-59
- 19 T.C. Eze & C.S. Okpala. *Quantitative analysis of the impact of small and medium scale enterprises on the growth of Nigerian economy: (1993-2011)*. **International Journal of Development and Emerging Economics**, 3(1), 2015, 26-38.
- 20 J.N. Taiwo & T.O. Falohun. *SMES Financing and its Effects on Nigerian Economic Growth*. **European Journal of Business, Economics and Accountancy**. 4(4), 2016, 37-54
- 21 A.M. Safiriyu & B.O. Njogo. *Impact of Small and Medium Scale Enterprises in the Generation of Employment in Lagos State*. **Kuwait Chapter of Arabian Journal of Business and Management Review**, 1(11), 2012, 107-151
- 22 F.O. Peter, O.Adegbuyi, M.A. Olokundun, A.O. Peter, A.B. Amaihian, & S.A. Ibidunni. *Government financial support and financial performance of SMEs*. **Academy of Strategic Management Journal**, 17(3), 2018, 1-10ss

- 23 D.S. Wang. *Association between technological innovation and firm performance in small and medium-sized enterprises: the moderating effect of environmental factors*, **International Journal of Innovation Science**, 11(2), 2019, 227-240.
- 24 National Bureau of Statistics. *National survey of micro, small and medium enterprises (MSMEs)*. SMEDAN and National Bureau of Statistics Publication, 2017, 1-167
- 25 J.N. Taiwo, T.O. Falohun, & M.E. Agwu. *SMEs financing and its effects on Nigerian economic growth*. **European Journal of Business, Economics and Accountancy**, 4(4), 2016, 39-54.
- 26 W.A. Abbasi, Z.Wang, & D.A. Abbasi. *Potential sources of financing for small and medium enterprises (SMEs) and role of government in supporting SMEs*. **Journal of Small Business and Entrepreneurship Development**, 5(2), 2017, 39-47.
- 27 National Bureau of Statistics. *National survey of micro, small and medium enterprises (MSMEs)*. SMEDAN and National Bureau of Statistics Publication, 2017, 1-167
- 28 FSS. *International conference on SME: Issues, challenges and prospects*. 2020
- 29 M.G. Gulani & A.Usman. *Financing small and medium scale enterprises (SMEs): A challenge for entrepreneurial development in Gombe State*. **Asian Journal of Business and Management Sciences**, 2(9), 2018, 17-23
- 30 S.Akhamiokhor & A.Adanikin. *Entrepreneurial Strategies and Small and Medium Scale Enterprises (SMEs) Development in Ogun State, Nigeria*, **International and Public Affairs**, 1(1), 2017, 34-38
- 31 O.G. Makinde. *Strategic planning and SME performance: A study of selected SMEs in Lagos State, Nigeria*. Unpublished PhD Thesis of Babcock University, Ilishan Remo, Ogun State. 2015
- 32 L.I. Okafor, T.A. Onifade, & A.D. Ogbechi. *Analytical review of small and medium scale enterprises in Nigeria*, **International Journal of Small Business and Entrepreneurship Research**, 6(2), 2018, 32-46
- 33 A.J. Adebisi, H.A. Banjo, & O.R. Oko-Oza. *Performance of small and medium enterprises in Lagos State: The Implications of Finance*, **Acta Universitatis Danubius**, 13(5), 2017

- 34 G.O. Evbuomwan, A.E. Ikpi, V.O. Okoruwa, & V.O. Akinyosoye. *Preferences of Micro, Small and Medium Scale Enterprises to Financial Products in Nigeria*. **Journal of Agricultural Economics and Development**, 1(4), 2012, 80-98.
- 35 Haseski & Ilic. *An Investigation of the Data Collection Instruments Developed to Measure Computational Thinking*. **Informatics in Education**, 18(2), 2019, 297–319.
- 36 G.Jelilov & K.A. Bahago. *Agro-Allied industry and its relevance on economic performance: Evidence from Nigeria*, **Nile Journal of Business and Economics**, 6(1), 2017, 25-32
- 37 S.Peer, P.A. Oya, & H. Martin. *Closing the Credit Gap for Formal and Informal Micro, Small, and Medium Enterprises*. International Finance Corporation. 2121 Pennsylvania Avenue, N.W. Washington, D.C. 2013, 20433
- 38 A.B. Mfon. *How to Get a Loan from the Development Bank of Nigeria*. 2018. Available at: <https://www.makemoney.ng/howto-get-a-loan-from-the-development-bank-of-nigeria/>
- 39 Fidelity Bank. *CBN MSME Development Fund*. 2019. Available at: <https://sme.fidelitybank.ng/products/cbn-smedevelopment-fund/>.
- 40 BOI. *Who can BOI assist?* 2019. Available at: <http://boinigeria.com/>
- 41 L.O. Obokoh, E.A. Anthony, & A.G. Geoff. *Financial schemes to boost small and medium sized enterprises. Sources of finance by the Nigerian government: a commentary*. **Banks and Bank Systems**, 10(3), 2015, 49-60.
- 42 V.Onehi. *Sources of funds for SMEs in Nigeria*. *Daily trust Newspaper Publication of Jan 9, 2019*. Available at: <https://www.dailytrust.com.ng/sources-of-funds-for-smes-in-nigeria.html>.
- 43 O.G. Makinde. *Strategic planning and SME performance: A study of selected SMEs in Lagos State, Nigeria*. Unpublished PhD Thesis of Babcock University, Ilishan Remo, Ogun State. 2015
- 44 A.T. Okwu. *Business environment and the potentials of small and medium enterprises in Nigeria*. **Preliminary Communication Paper**. UDC 658.56. 2015

- 45 U.C. Anochie, D.K. Ude, V.O. Egbo. *Entrepreneurship and socio-economic development: The case of Nigeria*. **International Journal of Management Sciences**, 6(7), 2015, 346-365.
- 46 Central Bank of Nigeria. *Contribution of the agricultural sector to Nigeria's Gross Domestic Product, GDP*. 2019. Available at: www.vanguardngr.com
- 47 I.N. Sama'ila & H.M. Tahir. *The role of bank of industry (BOI) in the development of small and medium scale enterprises (SMEs) in Bauchi Metropolis*, **Research Journal of Finance and Accounting**, 6(2), 2015, 118-123
- 48 P.Uchegbulam, S.Akinyele, & A.Ibidunni. *Competitive strategy and performance of selected SMEs in Nigeria, Social and Economic Models for Development Track, International Conference on African Development Issues*, 2(15), 2015, 44-56
- 49 World Bank. *The World Bank. Climate Change Knowledge Portal*. 2018. Available at: http://sdwebx.worldbank.org/climateportal/index.cfm?page=downscaled_data_download&menu=historical.
- 50 N.P. Ololube, O.A. Uriah, & U.J. Dudafa. *The role of university management in sustainable national development through innovation and entrepreneurial nosiness*. **International Journal of Educational Foundations and Management**, 2(1), 2014, 13-24.
- 51 S.Opoku-Mensah & H.Agbekporu. *Determinants of access to credit by agribusiness operators in Kumasi Metropolis, Ghana*, **Journal of Experimental Agriculture International**, 6(5), 2015, 333-346
- 52 H.O. Audu & I.J. Okpe. *Women in Small Scale Enterprises and Poverty Reduction in Dekina Local Government Area of Kogi State: A Logistic Regression Approach*, **Journal of Economics and Finance**, 9(6), 2018, 82-92
- 53 M.O. Agwu & C.I. Emeti. *Issues, challenges and prospects of small and medium scale enterprises (SMEs) in Port-Harcourt City, Nigeria*. **European Journal of Sustainable Development**, 3(1), 2022, 101-114
- 54 E.O. Oraka, A.Ocholi, & P.I. Ate. *Social impact of agro-allied industries on the rural dwellers in Benue state, Nigeria*. *J. Agribus, Rural Dev.*, 1(43), 2017, 157-162.

- 55 O.H. Abimbola & G.M. Agboola. *Environmental factors and entrepreneurship development in Nigeria*, **Journal of Sustainable Development in Africa**, 13(4), 2011, 166-176
- 56 A.T. Okwu. *Business environment and the potentials of small and medium enterprises in Nigeria*. **Preliminary Communication Paper**. UDC 658(56), 2015
- 57 O.Omorogiuwa, J.Zivkovic & F.Ademoh. *The role of agriculture in the economic development of Nigeria*, **European Scientific Journal**, 10, 2014, 133-147
- 58 O.Abeh. *Entrepreneurship as key to socio-economic development: A study of selected small and medium scale enterprises in Delta State*. **Journal of Education and Society**, 7(1), 2017, 90-102
- 59 U.C. Anochie, D.K. Ude, V.O. Egbo. *Entrepreneurship and socio-economic development: The case of Nigeria*. **International Journal of Management Sciences**, 6(7), 2015, 346-365
- 60 Y.Yang, C. Xuezheng, G.Jing, & F.Hamido. *Alleviating financing constraints of SMEs through supply chain*. **Sustainability**, 11, 2019, 1-19.
- 61 H.Usman, S.Isah, & A.I.Tanko. *The role financial institutions in financing small and medium enterprises in Nigeria*. **International Journal of Economics and Business Management**, 4(4), 2018, 82-90
- 62 F.O. Peter, O.Adegbuyi, M.A. Olokundun, A.O. Peter, A.B. Amaihian, & S.A. Ibidunni. *Government financial support and financial performance of SMEs*. **Academy of Strategic Management Journal**, 17(3), 2018, 1-10
- 63 V.Nwokocha. *The influence of location decisions on the performance of women-owned small and medium scale enterprises in Nigeria*. **SAGE Open**, 12(4), 2022.
- 64 M.Osemeke & O.S. Edobor. *Small and medium scale enterprises (SMEs) financing and economic growth in Nigeria*. **Ambit Journal of Business and Finance Management Research**, 4(2), 2019, 99-115
- 65 Z.C.T. Oaya & C.J.I. Mambula. *The impact of SMEs financing on business growth in Nigeria: A study of Keffi and Mararaba metropolis*. **International Journal of Innovation and Economic Development**, 3(2), 2017, 44-55.

- 66 I.Ilegbinosa & E.Jumbo. *Small and medium scale enterprises and economic growth in Nigeria: 1975-2012*. **International Journal of Business and Management**, 10(3), 2015, 203-216.
- 67 A.A. Eniola & H.Entebang. *SME firm performance-financial innovation and challenges*. *Procedia - Social and Behavioral Sciences*, 195, 2015, 334-342
- 68 O.H. Ovedje. *Adequacy of Funding and Growth of Small and Medium Enterprises (SMEs) in Nigeria*. *Igbinedion University, Okada, Edo State*. 2021
- 69 J.E. Ogbuabor, V.A. Malaolu, & T.I. Elias. *Small Scale enterprises, poverty alleviation and job creation in Nigeria: Lessons from burnt bricklayers in Benue State*. **Journal of Economics and Sustainable Development**, 4(18), 2013
- 70 National Bureau of Statistics, World Bank and International Monetary Fund. 2020
- 71 USAID. *Micro, small and medium enterprises financial services demand survey Nigeria*. USAID Publications. 2019
- 72 W.A. Abbasi, Z.Wang, & D.A .Abbasi. *Potential sources of financing for small and medium enterprises (SMEs) and role of government in supporting SMEs*. **Journal of Small Business and Entrepreneurship Development**, 5(2), 2017, 39-47.
- 73 E.C. Gbandi & G. Amissah. *Financing options for small and medium enterprises (SMEs) in Nigeria*. **European Scientific Journal January**, 10(1), 2014, 327-340.
- 74 W.A. Abbasi, Z.Wang, & D.A. Abbasi. *Potential sources of financing for small and medium enterprises (SMEs) and role of government in supporting SMEs*. **Journal of Small Business and Entrepreneurship Development**, 5(2), 2017, 39-47.
- 75 E.N. Maduagwu, E.M. Dapper, & E.I. Nlamedim. *Human capital management and the growth of small and medium scale enterprises in Emene, Enugu State*. **Journal of Business Management**, 3(2), 2017, 13-25.
- 76 E.C. Gbandi & G. Amissah. *Financing options for small and medium enterprises (SMEs) in Nigeria*. **European Scientific Journal January**, 10(1), 2014, 327-340.
- 77 CBN *Guidelines for SME credit guarantee*. Abuja: Development Finance Department, Central Bank of Nigeria. 2018

- 78 J.Sohl. *The changing nature of the angel market. The handbook of research on venture capital*, 2, 2012, 17-41
- 79 D.Mondal & A.Shrivastava. *Angel funds: The new type of alternative investment fund in India. IUP Law Review*, 6(4), 2016
- 80 D.Vera & K.Onji. *Changes in the banking system and small business lending. Small Business Economics*, 34(3), 2010, 293-308.
- 81 M.O. Oke, & O.A. Aluko. *Impact of commercial banks on small and medium enterprises financing in Nigeria. Journal of Business and Management*, 17(4), 2015, 23-26.
- 82 S.A. Adelekan, B.U. Eze, & S.A. Majekodunmi. *Bank Loans and Small Medium Enterprises' (SMES) Performance in Lagos, Nigeria. Ilorin Journal of Human Resource Management*. 3(1), 2019, 52-61
- 83 A.Musah. *Benefits and challenges of bookkeeping and accounting practices of SMEs and its effect on Growth and Performance in Ghana. Journal of Accounting-Business & Management*, 24(2), 2017, 16-36.
- 84 A.Musah, E. D. Gakpetor, & P.Pomaa. *Financial management practices, firm growth and profitability of small and medium scale enterprises (SMEs). Financial Management*, 10(3), 2018, 25-37.
- 85 Small and Medium Enterprises Development Agency of Nigeria (SMEDAN). *National policy on micro, small and medium enterprises. Abuja: Federal Republic of Nigeria. 2017*
- 86 M.Margaret. *Factors Influencing Small and Medium Size Enterprises Access to Financing: A Case of Kiambu County, Kenya. Unpublished Thesis, United States International University, Africa, 2017*
- 87 E.A. Eric. *Challenges Faced by SMEs when Accessing Fund from Financial Institutions in Ghana. Unpublished Thesis of the Business Economics and tourism, Vaasan Ammattikorkeakoulu University of Applied Sciences, International Business. 2016*
- 88 IFC. *Inclusive Business Models. Guide to the Inclusive Business Models in IFC Portfolio. Client Case Studies. IFC, Washington, DC. 2011*

- 89 M.I. Oloye, E.D. Obadiaru, A.Bamigbola. **International Educative Research Foundation** 3 (9), 2015, 85-87.
- 90 S.I. Owualah & E.Ohazebere. *The Impact of Financial Crisis on Small and Medium Scale Enterprises Access to Credit in Nigeria*. **Research Journal of Finance and Accounting**, 10(1), 2019, 35-46
- 91 H.A. Ibrahim & M.Y. Muhammad M. Y. *Analysis of Constraints to Credit Access for SMEs in Sokoto Metropolis*. **Asian Journal of Economic Modelling**, 5(2), 2017, 187 – 174.
- 92 T. Lyman & W. Noor. *AML/CFT and Financial Inclusion: New opportunities emerge from recent FATF Action*. CGAP. 2014.
- 93 M.A. Ikon & A.C. Chukwu. *Small and medium scale enterprises and industrial growth in Nigeria*. **International Journal of Small Business and Entrepreneurship Research**, 6(6), 2018, 1-13
- 94 S.Bakhtiari, R.Breunig, L.Magnani, & J.Zhang. *Financial constraints and small and medium enterprises, A review*. **Discussion Paper Series**, 12936, 2020, 1-38
- 95 J.Stewart. *Managing Change through Training and Development*’, London: Kogan Page. 1996
- 96 S.Verdonschot. *Method for identifying learning processes in innovation processes*’, Proceedings of the Sixth international conference on HRD research and practice across Europe, Leeds, England. 2005
- 97 N.Birdthistle & P.Fleming. *Creating a learning organisation within the family business: an Irish perspective*’. **Journal of European Industrial Training**, 29(9), 2005, 730-750.
- 98 S.C. Myers & N.S. Majluf. *Corporate Financing and Investment*. Scientific Research Publishing. 1984. From: <https://scirp.org/referncespapers>
- 99 The World Bank Report. *The Role of Non-Bank financial intermediaries both Financial Intermediaries; Policy research working paper*. 1998
- 100 T.Olutunla & G.T. Obamuyi. *An empirical analysis of factors associated with the profitability of Small and medium enterprises in Nigeria*. **African Journal of Business Management**, 2(1), 2008, 195-200.

- 01 Biliqees Abdulmumin, Fatima Oyebola, Etudaiye-Muhtar, Ola Ridwan Sakariyahu. *An Investigation into the level of Financial Inclusion in Sub-saharan Africa*. **Article**, January 2023. 48 & 54.
- 102 H.Usman, S.Isah, & A.I. Tanko. *The role financial institutions in financing small and medium enterprises in Nigeria*. **International Journal of Economics and Business Management**, 4(4), 2018, 82-90.
- 03 C.O. Olaoye, A.Q. Adedeji, & R.A. Ayeni-Agbaje. *Commercial bank lending to small and medium scale enterprises and Nigeria economy*. **Journal of Accounting, Business and Finance Research**, 4(2), 2018, 49-55
- 04 H.Usman, S.Isah, & A.I. Tanko. *The role financial institutions in financing small and medium enterprises in Nigeria*. **International Journal of Economics and Business Management**, 4(4), 2018, 82-90
- 05 F.Onwuchekwa, E.Emele, & J.Onwuchekwa. *Small and medium scale enterprises (SMES) and industrial development of Onitsha metropolis: A cluster leads approach*. **International Journal of Economics and Business Management**, 3(10), 2017, 64-77.
- 06 Y.Yahaya. *Financing, small and medium-scale enterprises for sustainable growth and development in Nigeria: A case study of Zada, Kaduna State*. **Journal of Economics and Sustainable Development**, 6(14), 2015, 137-146.S
- 07 M.Osemeke & O.S. Edobor. *Small and medium scale enterprises (SMEs) financing and economic growth in Nigeria*. **Ambit Journal of Business and Finance Management Research**, 4(2), 2019, 99-115
- 08 M.A. Ikon & A.C. Chukwu. *Small and medium scale enterprises and industrial growth in Nigeria*. **International Journal of Small Business and Entrepreneurship Research**, 6(6), 2018, 1-13
- 09 B.V.Olawale, A.S.Idowu, N.J. Akudo, & A.Yahaya. *Impact of Nigeria financial market on small and medium scale enterprises (SMEs) in Nigeria: A survey of some SMEs in Gusau metropolis*. **International Journal of Economics and Financial Management**, 4(4), 2019, 53-61
- 10 E.Adelekan & Majekodunmi, A. *Access to loan and debt financing were positively linked with business expansion and outputs of SMEs in Nigeria*.2019

- 11 Z.C.T. Oaya & C.J.I. Mambula. *The impact of SMEs financing on business growth in Nigeria: A study of Keffi and Mararaba metropolis*. **International Journal of Innovation and Economic Development**, 3(2), 2017, 44-55.
- 12 W.A. Abbasi, Z.Wang, & D.A. Abbasi. *Potential sources of financing for small and medium enterprises (SMEs) and role of government in supporting SMEs*. **Journal of Small Business and Entrepreneurship Development**, 5(2), 2017, 39-47.
- 13 A.Ossai, *The problems and prospects of small and medium scale enterprises (SMEs) growth and development in Nigeria: A study of selected SMEs in Delta State*. **International Journal of Scientific Research in Education**, 10(3), 2017, 15-27.
- 14 E.N. Maduagwu, E.M. Dapper, & E.I. Nlemedim. *Human capital management and the growth of small and medium scale enterprises in Emene, Enugu State*. **Journal of Business Management**, 3(2), 2017, 13-25.
- 115 G.O. Eigbiremolen & F.I. Igberaese. *Small and Medium Enterprises Financing and Economic Growth in Nigeria: An Econometric Analysis*. **Journal of Economics and Sustainable Development**. 4(19), 2020, 52 – 71
- 116 B.Umar & H.M. Tahir. *The role of trade openness and oil price on exchange rate: ARDL bound testing evidence from Nigeria*. **Journal of Economics and Sustainable Development**, 7(16), 2016, 153-161.
- 117 B.A. Okuneye & M.S. Ogunmuyiwa. *Determinants of the development of small and medium scale enterprises in Nigeria*. **European Journal of Business and Management**, 8(29), 2016, 72-76.
- 118 M.Anokwuru & C.Wike. *Small and Medium Enterprises Financing and Economic Development in Nigeria*. **International Journal of Innovative Finance and Economics Research**, 9(4), 2021, 153-160
- 119 E.E.M. Micah, V.Kassah, & A.A. Ruth. *Conceptualizing Small and Medium Scale Enterprises; Its Implications to the Economic Growth of Nigeria, 1999-2016*. **International Journal of Managerial Studies and Research**, 5(8), 2017, 58-76
- 120 M.G. Gulani & A.Usman. *Financing small and medium scale enterprises (SMEs): A challenge for entrepreneurial development in Gombe State*. **Asian Journal of Business and Management Sciences**, 2(9), 2018, 17-23
- 121 E.N. Maduagwu, E.M. Dapper, & E.I. Nlemedim. *Human capital management and the growth of small and medium scale enterprises in Emene, Enugu State*. **Journal of Business Management**, 3(2), 2017, 13-25.

- 122 O.Egbeonu. *SME, financing and economic development in Nigeria*. **International journal of advanced academic research/social and management sciences**. 12(5), 2016, 2488-9849
- 123 S.Bakhtiari, R.Breunig, L.Magnani, & J.Zhang. *Financial constraints and small and medium enterprises, A review*. **Discussion Paper Series**. 12936. 2020, 1-38
- 124 A. Oreoluwa. *Project finance for small and medium scale enterprises SMES in Nigeria*. 2011
- 25 M.G. Gulani & A.Usman. *Financing small and medium scale enterprises (SMEs): A challenge for entrepreneurial development in Gombe State*. **Asian Journal of Business and Management Sciences**, 2(9), 2018, 17-23
- 26 H.Usman, S.Isah, & A.I. Tanko. *The role financial institutions in financing small and medium enterprises in Nigeria*. **International Journal of Economics and Business Management**, 4(4), 2018, 82-90
- 127 F.Onwuchekwa, E.Emele, & J.Onwuchekwa. *Small and medium scale enterprises (SMES) and industrial development of Onitsha metropolis: A cluster lead approach*. **International Journal of Economics and Business Management**, 3(10).
- 128 N.P. Nwakoby, A.A. Kalu, & R.A. Ezejiofor. *SMEs financing and economic development: Nigerian government incentives (1999-2015)*. **Scholars Journal of Economics, Business and Management**, 4(8B), 2017, 548-554.
- 129 The World Bank – **Financial Inclusion Strategies Reference Framework June 2012**, Page 11. Online version available at: www.worldbank.org/financialinclusion.

Chapter Three

Methodology

This chapter discussed the research methodology which integrated the various techniques explored in accomplishing the research objectives. It looked at things like the design, the population, the size of the sample, the sampling method, the sources of data, the sample frame, the research tool, and data analysis.

3.1 Research Design

This are decisions made ahead of time that made up the overall plan. These decisions outline the techniques and steps for gathering and analysing the necessary information. This helped the researcher formulated the sort of data collected for the study¹. The main types of research designs are exploratory, explanatory, descriptive, and cross-sectional. This project adopted a quantitative survey technique because it is more explanatory and related directly to the SMEs that were selected for the research. Furthermore, because the goal was to study the relationship between the independent and dependent variables, this method extracted data from SMEs owners which examined the extent to which Financial Inclusion aided their performance.

3.2 Population of the Study

It was observed in 2016 by Hamed that population is a full set of cases from which a sample is taken. Population is a group of people who are subject to a piece of research. A population is a group of people who are being studied. The target population for this research was made up of business centres, grocery stores and fashion houses in the Ibadan Southwest Local Government Area in the Ibadan Metropolis of Oyo State. The State had a total of 1,864,954 SMEs.²

3.3 Sample and Sampling Techniques

The study population consisted of owners/managers of selected SMEs in the Ibadan Southwest Local Government Area that was registered with SMEDAN in the State who have business centres, grocery stores and fashion houses. The reason for choosing the owners/managers of the SMEs is because they are the major decision makers in the SMEs operational activities involved in the day to day running which ultimately determines their overall performance. The total number of registered SMEs owners/managers selected was one hundred and sixty three (163) from the Ibadan Southwest Local Government Area even though the size of the sample was scientifically determined to be 116 using Taro Yamane formula for sample size determination.

The random sampling method was adopted ensuring the respondents in the population of study had an equal opportunity of selection. The researcher's choice was as a result of the corporation of the targeted SMEs to provide information regarding the research variables even though some had their fears in divulging their business information. Moreover, the researcher's choice for the area was because it is a hub of the SMEs activities within Ibadan city which was the capital of the Old Western Region and the largest city in Sub-Sahara Africa with largely SMEs dominated activities

Sampling is a means of selecting a subset of units of the population. This research work adopted both probability and non-probability sampling methods. Probability sampling ensured that each segment of the population had the same likelihood of being chosen from the sample frame³. Furthermore, types of probability sampling techniques include random, cluster, stratified sampling, etc. Particularly for this project, random sampling was adopted to guarantee that all the respondents had an equal chance of being selected in order to get varied views from them.

Non-probability sampling however is a type of sampling technique where the samples were gathered in a process that did not give all the respondents in the population an equal likelihood of

selection; the non-probability sampling technique adopted was Purposive. The Purposive sampling technique was adopted in selecting the business centres, grocery stores, and fashion houses in the Ibadan Southwest Local Government Area of Oyo State and using the verdict of these selected (SMEs), they met the specific purpose of the research work.

This was determined via the number of business centres, grocery stores, and fashion houses in the selected Local Government. This study depended on reports from respondents who were primarily operating in the study area.

3.4 Description of the Research Instrument

A questionnaire was designed to obtain relevant data from the participants titled Financial Inclusion and Performance of the Small and Medium Enterprises Questionnaire (FIPSMEQ). The questionnaire consisted of 2 sections; socio-demographic data and practice of ownership evaluation information respectively. They were described as follows:

Section A: Socio-Demographic Data

This section contained items that measured relevant socio-demographic characteristics and socio-economic status of respondents. These included sex, marital status, age, education level, location, sector, and engaged employees' number.

Section B: Practice of Ownership Evaluation

This collected information from the respondents on Financial Inclusion and performance of the small and medium enterprises. The questionnaire was designed using 5-point Likert scale of Strongly Agree (5), Agree (4), Undecided (3), Disagree (2) and Strongly Disagree (1). Also, the questions in the questionnaire were precise but they retained important information, this was to reduce fatigue to the lowest level for the participants.

3.5 Validity of Research Instrument

The instrument was subjected to face and content validity because of its kind. The supervisor ascertained the fitness and usability before using it for data collection. The variance observed from the sample attested to the instrument's usability. Reliability co-efficient of 0.867 was administered on the participants for data collection.

3.6 Reliability of the Research Instrument

Reliability requires the consistency and dependability of testing the instrument(s) used during the data collection process which can produce similar results in another sense. A research's validity means ensuring that the findings matched well and appeared as it should be⁴. Reliability is the consistency level of a research instrument. It referred to the degree to which an independent administration of a similar instrument produced similar results under comparable circumstances⁵.

The instrument dependability was established using the test-retest technique by administering the instrument to twenty (20) respondents who were not among the study sample within a two days interval. Then, a relationship co-efficient between the two responses obtained at different times was computed. Cronbach's Alpha co-efficient was used through SPSS and results were displayed in below in 3.1.

Table 3.1: Summary of Cronbach's Alpha Test Results

S/No.	Variables	No of Units	Reliability
1.	Sensing Financial Service Access level for the SMEs	3	0.752
2.	Financial Service Usage & quality level	3	0.824
3.	SMEs Performance	4	0.802
	All Variables	10	0.867

Source: Author's Computation 2023

3.7 Data Collection

The technique of data collection may be defined as an important component in researches. In addition, various aspects which included research problems, research tools dependability and budgets are the basis for the embracing of an appropriate data collection process⁶.

In research, scholars have established three major data collection methods. First, is the primary data collection that included the researcher collecting data directly from the field with or without the help of a research assistant. Second, is the secondary method of collecting data that involved gathering data from earlier works. Third, there are classes of secondary data including secondary documentary data, secondary survey data and multiple sources. The third is the mixed method including both primary and secondary data collection mechanisms for information sourcing, for example, a researcher using questionnaires and unstructured interview or documentary to gather information for a particular study.

Data obtained was the foundation of the research done by obtaining necessary facts and information vital for the meaningful achievement of the questionnaire objectives. The basic origin of data collection was the primary source. A primary source of data is information obtained from its origin and which has never been utilized or coded in any form. The primary source through a survey by questionnaire was adopted for this work. The questionnaire was designed in a way that gave the respondents the independence of expressing themselves. The survey questions were self-administered to the targeted population by the researcher and were collected after one week. One hundred and sixty three (163) copies of the survey questions was distributed to the selected registered SMEs owners/managers but only 116 business owners was scientifically relevant using Taro Yamane's 1967 formula for sample size as expressed below:

Taro Yamane's (1967) formula for sample size determination.

The total registered SMEs population in Ibadan Southwest Local Government Area was 163 and the size of the sample was determined as detailed below;

$$n = N / (1 + N (e)^2)$$

Where:

n – Signifies the size sample

N – Signifies the population under study

e – Signifies the margin error

$$n = 163 / (1 + 163(0.05)^2)$$

$$n = 163 / (1 + 163(0.0025))$$

$$n = 163 / (1 + 0.4075)$$

$$n = 163 / 1.4075$$

$$n = 115.808$$

$$n = 116$$

3.8 Data Analysis

When data collection was concluded, the test scores were coded and scored. Statistical Package for Social Sciences (SPSS) software programme was used. Frequency distribution tables and t-test of independent measures was used to analyse the data. Social demographic data was presented using frequency counts and percentage; t-test answered the research questions. SPSS analysis was very useful for rapid and accurate execution of some inferential statistics⁷. The two statistical tools of data analysis deployed on data derived from the field were simple percentage and the Pearson correlation. The simple percentage which is a Descriptive tool for statistics was for initial analysis, while the regression analysis was employed in testing the hypotheses generated.

Do Not Copy, Lead City University, Nigeria

Endnotes

- 1 M.A. Bostley. *Basics of Research Design - A Guide to selecting appropriate research design*. **International Journal of Contemporary Applied Researches**, 6(5), 2019, 76-89
- 2 *SMEDAN and National Bureau of Statistics Collaborative Survey: Selected Findings*. 2013
- 3 H.Taherdoost. *Sampling Methods in Research Methodology; How to Choose a Sampling Technique for Research*. **International Journal of Academic Research in Management**, 5(2), 2016
- 4 M.Saunders, P.Lewis & A.Thornhill. *Research Methods for business students (4th ed.)*, Harlow: Prentice Hall. 2009
- 5 D.Polit & B.Hungler. *Nursing research: Principle and method, (6th edition.)*. Philadelphia: Lippincott Company. 1999
- 6 Haseski & Ilic. *An Investigation of the Data Collection Instruments Developed to Measure Computational Thinking*. **Informatics in Education**, 18(2), 2019, 297–319.
- 7 J.Collis & R.Hussey. *Business Research: A Practical Guide for Undergraduate and Postgraduate Students. 4th Edition*. Macmillan International Higher Education. 4th Publisher: Palgrave Macmillan. 2014.

Chapter Four

Results and Discussion of Findings

The collected data results were discussed in this chapter. The study looked at Financial Inclusion and Performance of the SMEs using some small businesses resident in Ibadan Southwest Local Government Area of Oyo State. The researcher was interested in the sample size as a component of the population. To gather information from the chosen 163 SMEs who were registered business owners/managers in the Ibadan Metropolis, a questionnaire was sent to each of them, however, as stated earlier, scientifically, only 116 respondents were analysed. Ibadan Southwest in the Ibadan Metropolis was chosen as a sample location for all the registered SMEs in Oyo State due to the fact that it's a hub of SMEs activities and had an average capital ratio.

Three research questions and three hypotheses were developed, each of which was assessed using the Z-Test at the 0.05 level of significance. A summarized table of the results was compiled. The respondents' demographic data was examined further using frequency and percentage distribution. A Descriptive tool and statistical technique was conducted using the simple percentage in the initial analysis, while the regression analysis was utilized for the generated hypotheses.

4.1 Demographic Data Analysis

Table 4.1: Demographic Variables of Respondents

Variables	Description	Frequency N=116	Percent (%)
Gender: Sex	Male	39	33.6
	Female	77	66.4
	Total	116	100
Marital Status	Single	35	30.3
	Married	74	63.7

	Others	7	6.0
	Total	116	100
Age	18-37yrs	60	51.7
	38-57yrs	51	44.0
	58-77yrs	5	4.3
	78yrs-above	-	-
	Total	116	100
Education Level	No Formal Education	36	31.0
	Primary Education	25	21.6
	Secondary Education	33	28.5
	Tertiary Education	22	18.9
	Total	116	100
How long has your enterprise being operating?	0-5yrs	80	68.9
	6-10yrs	30	25.9
	11-15yrs	4	3.5
	16-20yrs	2	1.7
	21yr and above	-	-
	Total	116	100
Number of Employees	Less than 10	65	56.0
	10-49	45	38.8
	50-199	6	5.2
	200 -300	-	-
	Total	116	100
Capital Sources	Personal Savings	71	61.2
	Crowd Funding		-
	Loans/Bank overdraft	2	1.7

Family Sources	8	6.9
Cooperative/Esusu	10	8.6
Grants	0	0.0
Venture Capital	5	4.3
Trade Credit	18	15.6
Business Angels	2	1.7
Total	116	100

Source: Field Survey 2023

4.1.1 Data Analysis & Interpretation

The table above revealed gender participation. The findings established that the male respondents had 39 (33.6%) of the total participants while the female respondents had 77 (66.4%). It therefore followed that there were more female respondents who participated than their male counterparts.

The table revealed marital status of participants. The findings established that single respondents was 35 (30.3%), while married respondents was 74 (63.7%) and others like divorced, separated, widowed had 7 (6.0%) . It showed there were more married respondents that participated than all the other groups put together.

The table above recorded the age brackets in a chronological order. The findings showcased that between ages 18-37 years had 60 (51.7%), ages between 38-57 had 51 (44.0%); ages between 58-77 had 5 (4.3%) and finally, ages 78 and above had 0 (0.0%) among the respondents. It was obvious from the study that ages between 18-37 years had the highest ranking of (51.7%) among the respondents and this is understandable, this lend credence that globally, youthful population should be in the fore front of innovations and entrepreneurship while the old represented by the

age bracket 78 years and above was not represented at all, probably because at that age bracket, they must have retired either from formal employment or from the informal sector businesses which most SMEs represented.

The table showcased respondents' qualifications in the distribution. Respondents with no formal education had 36 (31.0%), respondents who had primary education had 25 (21.6%); while respondents with Secondary education had 33 (28.5%) and finally, tertiary education had 22 (18.9%). Expectedly, respondents with no formal education had 36 (31.0%), thus, they had the highest ranking among the respondents. This result confirmed the general belief in Africa that an average household engages in one small business or the other for sustenance with or without having acquired formal education. Respondents with tertiary education's 18,9% confirmed that most higher institutions of learning in Nigeria had introduced entrepreneurship studies in their curriculum to prepare graduates for sustainable livelihood after schooling and also to stem the tide of widespread unemployment which is a worrying trend for most graduates, the authority and the society at large due to the absence of formal employment job opportunities.

The table revealed the time frame the respondents in the distribution have been operating their business enterprises. Findings revealed that respondents with 0-5 years had 80 (68.9 %) which was the highest score showing that there were many young entrepreneurs engaging in small businesses not minding the toughness of the operating environment. 6-10 years had 30 (25.9%), respondents with 11-15 years had 4 (3.5%), while respondents with 16-20 years had 2 (1.7%) of total responses and finally, respondents with 21 years and above had 0 (0%) in the distribution.

The table showed Employees numbers engaged by the respondents. Findings showcased that respondents who employed not up to 10 had 65 (56.0%) of the total respondents, 10-49 employees had 45 (38.8%), 50-199 employees had 6 (5.2%) and finally, 200-300 employees had

0 (0.0%). The study showed that respondents who engaged not up to 10 employees had the highest ranking among the respondents of 65 (56.0%) and that is natural because the SMEs would naturally not overstretch their meagre resources by being overburdened with humongous wage bills; hence the trend recorded here followed sound logic and substantiated the fact that indeed, the SMEs account for almost 97% of the national economy.

A particular source of capital in the distribution confirmed an age long belief as recorded in the table above. Findings showcased that personal savings had 71 (61.2%). This outlook supported the age long culture stating SMEs practically start their businesses with their personal savings before other sources of finance are accessed.

Crowdfunding is an innovative source of finance which provides an avenue for the SMEs/Start-Ups to raise funds literally from the crowd (populace) by using the internet as the platform. Interestingly, no responses came from the respondents because it is a new phenomenon which is still growing in popularity in Nigeria even though the first noteworthy instance of crowdfunding happened in 1997 when supporters of the British rock band Marillion raked \$60,000 donations via the internet to guarantee a whole USA tour, subsequently, this method was used to finance their studio albums. Moreover, China, USA and UK are the three dominant countries on the world's crowdfunding market but the USA & UK have shown impressive growth rates at 42.4% and 30.7% respectively while the Chinese funding volume has dropped by as much as 39.9%.

Loans/bank overdraft had 2 (1.7%), family sources had 8 (6.9%), cooperative/esusu had 10 (8.6%), grants 0 (0%), venture capital 5 (4.3%), trade credit 18 (15.6%), business angel 2 (1.7%) respectively. Trade credit appeared popular among the respondents also and this could be because most SMEs are credit worthy and must have gained the respect of their creditors taking advantage of their goodwill to get goods on credit, payments must be done later on agreed terms.

4.2 Presentation of Data

4.2.1 Test of Research Questions and Hypotheses

Question 1: Does the impact of the financial service access level enhance performance of the SMEs?

Hypotheses 1: The impact of the financial service access level does not enhance performance of the SMEs

Table 4.2: Financial Service Access level indicators of Financial Inclusion engender SMEs Performance

S/No.	Items	Mean	Std Dev.
1.	Commercial banks branches number within 1,000 kilometre radius that the SMEs can access	2.657	1.446
2.	Commercial banks branches number serving the SMEs in 100,000 adults	2.694	1.435
3.	Number of ATMs serving the SMEs in 100,000 adults	2.612	1.386
4.	Number of access points at a national level serving the SMEs in 10,000 adults and divided by types & relevant administrative units	3.000	1.402
5.	SMEs numbers borrowing from commercial banks per 1,000 adults	2.793	1.210
Aggregate Mean/Standard Deviation		2.751	1.376

Source: Field Survey 2023

All five indicators in Table 4.2 above scored more than the 2.50 cutoff point of the mean. It was implied that the five criteria with scores over the cutoff means that the effect of the financial service access level enhanced performance of the SMEs. Overall, the grand mean (2.751) was over the mean cutoff limit, which showed that the selected SMEs agreed with the alternative hypothesis.

Research Question 2: Does the financial service usage level have any impact on the performance of the SMEs?

Hypotheses 2: The financial service usage level does not have impact on the performance of the SMEs

Table 4.3: Financial Service Usage level indicators of Financial Inclusion impact SMEs Performance.

S/No.	Items	Mean	Std Dev.
1.	Number of the SMEs in the adult population using financial services and products whether it is formal or informal	2.960	1.373
2.	Number of the SMEs in the adult population using formal financial products and formally served	2.520	1.423
3.	Number of the SMEs in the population that are banked who are using commercial bank services and products	2.504	1.421
4.	Number of the SMEs in the population informally served who use informal products	2.556	1.475
5.	Number of the SMEs in the population excluded who aren't	2.737	1.275

using any formal or informal product

Aggregate Mean/Standard Deviation	2.655	1.393
--	--------------	--------------

Source: Field Survey 2023

In Table 4.3 above, all five indicators scored more than the 2.50 cut-off point of the mean. It was inferred that the five items with scores over the cut-off mark were key indicators affirming that Financial Service Usage level indicators of Financial Inclusion impact SMEs Performance. Overall, the grand mean (2.655) which were more than the mean cutoff was a sign that the chosen SMEs agreed with the alternative hypothesis.

Research Question 3: In what ways does quality of financial services affect performance of the SMEs?

Hypotheses 3: Quality of financial services does not affect performance of the SMEs

Table 4.4: Quality of financial services affected performance of the SMEs

S/No.	Items	Mean	Std Dev.
1.	In measuring affordability- what was the Percentage of the SMEs who reported that the fees/charges for financial transactions were expensive	2.861	1.388
2.	Transparency- what was the Percentage of the SMEs who believed they received sufficient information when loan application processes started when using financial services.	2.742	1.356
3.	Convenience measured in the Average time the SMEs spent queuing at branches of financial institutions/banks/non-	2.558	1.442

banking agents

- | | | | |
|----|--|-------|-------|
| 4. | Fair treatment uses Percentage of the SMEs who felt mistreated by the staff/agent of financial institutions & intermediaries | 2.590 | 1.470 |
| 5. | Financial Education uses Percentage of the SMEs who regularly prepare a budget/financial accounts | 2.986 | 1.302 |

Aggregate Mean/Standard Deviation	2.747	1.392
--	--------------	--------------

Source: Field Survey 2023

The outcome revealed that all five items used scored higher than the median cut-off point of 2.50. It implied that each of the five criteria was a reliable signal for evaluating the extent to which indicators of Quality of financial services affected performance of the SMEs.

Overall, the grand mean (2.747), which was more than the mean cutoff, was a useful sign that the chosen SMEs agreed with the alternative hypothesis.

4.2.2 Summary of Test of Research Questions and Hypotheses

Question 1: Does the impact of the financial service access level enhance performance of the SMEs?

Ho1: The impact of the financial service access level does not enhance performance of the SMEs

Table 4.5: Effect of Financial Service Access level of Financial Inclusion on SMEs Performance

Methods of evaluation	Model fit		Standard Coefficients	P-Value	F-test (p)	Sig.
	R	Adj. R ²				

Economic growth			-0.141	.027		
SMEs Performance	0.281	0.079	0.207	.008	4.619	0.001
Financial Service Access Level			0.196	.002		

Source: Field Survey 2023

The above result was presented in Regression analysis performed on the data obtained. Table 4.5 showed a strong relationship between financial service access level and performance of the SMEs $F_{(3,263)}=4.62$; $p<0.05$). Additionally, multiple regression adjusted ($R^2=0.08$) and a multiple coefficient ($R=0.28$) were both in 4.5 above. This suggested that while 8.0% of the variation was explained by having financial service access enhanced SMEs performance, the other 92.0% may have been caused by residuals from other models.

Table 4.5 also showed how financial service access sub-variables affected economic growth and SMEs performance positively. On economic growth and SMEs performance, the level of economic growth was ($\beta=-0.14$; $p<0.05$), SMEs Performance was ($\beta = 0.21$; $p<0.05$), and financial service access level ($\beta=0.20$; $p<0.05$) were significant. Table 4.5 further showed that these statistics strongly predicted SMEs performance.

The f-ratio showed a strong correlation between financial service access level and SMEs performance ($f_{sal}=4.52$ Prob $f=0.0344$). Additionally, the t-value ($t=2.13$; $p\text{-value}=0.034$) demonstrated that financial service access level favourably impacted the SMEs' performance.

It followed therefore that there were positive impacts of financial service access level on SMEs performance, therefore, the Alternative hypothesis was valid.

Research Question 2: Does the financial service usage level have any impact on the performance of the SMEs?

H₀₂: The financial service usage level does not have impact on the performance of the SMEs

Table 4.6: Effect of Financial Service Usage Level of Financial Inclusion on SMEs Performance.

Methods of evaluation	Model fit		Standard Coefficients	P-Value	F-test (p)	Sig.
	R	Adj. R ²				
SMEs performance	.534	.272	.158	.006	21.558	0.000
Excluded SMEs			.304	.000		
SMEs number using financial services			.394	.000		

Source: Field Survey 2023

Table 4.6 displayed the outcome of the regression analysis that was performed on the data obtained. Table 4.6 showed that there was a significant relationship between SMEs number using financial services and SMEs performance ($F_{(2, 264)}=21.56$; $p<0.05$). According to Table 4.6, it showed the multiple coefficient ($R=0.534$) and multiple regression adjusted ($R^2=0.272$), SMEs number using financial services and its impact on SMEs performance accounted for 27.0% of the variation reflected in above metrics with the remaining 73.0% possibly attributable to residuals and other factors.

In Table 4.6, the impact of each sub-variable was further demonstrated when we looked at the effects of SMEs performance ($\beta=0.16$; $p<0.05$), excluded SMEs ($\beta=0.304$; $p<0.05$) and number of the SMEs using financial services ($\beta=0.394$; $p<0.05$), at these levels, the effects of Financial Service Usage Level of Financial Inclusion on SMEs Performance were all shown to be

significant and positive. Table 4.6 also showed that the number of the SMEs using financial services enhanced their performance through standards Coefficients of ($\beta=0.20$) which was followed by excluded SMEs ($\beta=0.30$) and number of the SMEs using financial services at ($\beta=0.394$).

The f-ratio revealed also that ($f_{sul}=0.08$; Prob $f=0.7759$) and the t-value ($t= -0.28$; $p\text{-value}=0.776$) and both had impact on the performance of the SMEs. The implication of the foregoing was that the alternative hypothesis was valid.

Research Question 3: In what ways does quality of financial services affect performance of the SMEs?

Ho3: Quality of financial services does not affect performance of the SMEs

Table 4.7: Effect of Quality of financial services on performance of the SMEs

Methods of evaluation	Model fit		Standard Coefficients	P-Value	F-test (p)	Sig.
	R	Adj. R ²				
Affordable	.513	.245	.269	.000	15.117	0.000
Transparent			-.180	.003		
Convenient			.281	.000		
Consumer protection			.206	.001		
Financial education			.200	.001		

Source: Field Survey, 2023

Table 4.7 represented the outcome of the analysis of the regression analysis performed. Effect of quality of financial services was noticeable according to the Table above ($F_{(3,263)}=15.11$; $p<0.05$). Multiple regression adjusted ($R^2=0.25$) and multiple coefficients ($R=0.513$) were found. This

suggested that the effects of quality of financial services accounted for 24.5% of the variation in these variables, with the remaining 75.5% possibly attributable to residuals and other factors.

Table 4.7 showed that the effects of quality of financial services were statistically significant: affordable ($\beta=0.27$; $p<0.05$), transparent ($\beta=-0.18$; $p<0.05$), convenient ($\beta=0.28$; $p<0.05$), consumer protection ($\beta=0.21$; $p<0.05$) and financial education ($\beta=0.20$; $p<0.05$). According to Table 4.7, the metric that best described the effect of quality of financial services on performance of the SMEs was measured using convenient ($\beta=0.28$), affordable ($\beta=0.27$), consumer protection ($\beta=0.21$), financial education ($\beta=0.20$) and transparent ($\beta=-0.18$).

Also, the f-ratio ($qfs=3.98$ Prob $f=0.468$) and the t-value ($t=2.00$; $pvalue=0.047$) showed the effects of the quality of financial services. Owing to the analysis above, the alternative hypothesis was justified.

4.3 Discussion of Findings

Three research questions and three hypotheses were tested to evaluate financial inclusion and performance of the Small and Medium Enterprises with reference to the chosen SMEs in the Ibadan Southwest Local Government Area of Oyo.

Some sources of finance namely: Internal sources, venture capital, trade credit, business angels, bank overdraft and crowdfunding were discussed.

Three Parameters of financial inclusion vide access, usage and quality of these sources which can spur performance of the SMEs were also discussed.

The questionnaire sent to these SMEs operators served as the study's major data source, 116 questionnaires was scientifically determined and retrieved from the 163 registered SMEs located in the Ibadan Southwest Local Government Area of Oyo State, Nigeria.

4.3.1 Summary Table of Findings

S/No	Hypotheses	Methodology	Findings
1	The impact of the financial service access level does not enhance performance of the SMEs	Model fit, Standard Coefficients, P-value & F-test (p)	<p>Table 4.5 showed a strong relationship between financial service access level and performance of the SMEs $F_{(3,263)}=4.62$; $p<0.05$). Additionally, multiple regression adjusted ($R^2=0.08$) and a multiple coefficient ($R=0.28$) were both shown.</p> <p>Table 4.5 also showed how financial service access sub-variables affected economic growth and SMEs performance positively. On economic growth and SMEs performance, the level of economic growth was ($\beta=-0.14$; $p<0.05$), SMEs Performance was ($\beta = 0.21$; $p<0.05$), and financial service access level ($\beta=0.20$; $p<0.05$) and these were significant. Table 4.5 further showed that these statistics strongly predicted SMEs performance.</p> <p>The f-ratio showed a strong correlation between financial service access level and SMEs performance ($f_{sal}=4.52$ Prob $f=0.0344$). Additionally, the t-value ($t=2.13$; $p\text{-value}=0.034$) demonstrated that financial service access level favourably impacted the SMEs' performance. The Alternative hypothesis was valid.</p>

2	The financial service usage level does not have impact on the performance of the SMEs	Model fit, Standard Coefficients, P-Value, F-test (p)	<p>The table 4.6 showed that there was a significant relationship between SMEs number using financial services and SMEs performance ($F_{(2,264)}=21.56$; $p<0.05$). According to Table 4.6, it showed the multiple coefficient ($R=0.534$) and multiple regression adjusted ($R^2=0.272$).</p> <p>In Table 4.6, the impact of each sub-variable was further demonstrated when we looked at the effects of SMEs performance ($\beta=0.16$; $p<0.05$), excluded SMEs ($\beta=0.304$; $p<0.05$) and SMEs number using financial services ($\beta=0.394$; $p<0.05$), at these levels, the effects of Financial Service Usage Level of Financial Inclusion on SMEs Performance were all shown to be significant. Table 4.6 also showed that SMEs number using financial services enhanced their performance through standards Coefficients of ($\beta=0.20$) which was followed by excluded SMEs ($\beta=0.30$) and number of the SMEs using financial services at ($\beta=0.394$).</p> <p>The f-ratio revealed that ($f_{sul}=0.08$; Prob $f=0.7759$) and the t-value ($t= -0.28$; $p\text{-value}=0.776$) both had impact on the performance of the SMEs. The implication of the foregoing was that alternative hypothesis was valid.</p>
---	---	---	--

3	Quality of financial services does not affect performance of the SMEs	of Model fit, Standard Coefficients, P-Value, F-test (p)	<p>Effect of quality of financial services was noticeable in the Table above ($F_{(3,263)}=15.11$; $p<0.05$). Multiple regression adjusted ($R^2=0.25$) and multiple coefficients ($R=0.513$) were found. Quality was measured using Affordable ($\beta=0.27$; $p<0.05$), transparent ($\beta=-0.18$; $p<0.05$), convenient ($\beta=0.28$; $p<0.05$), consumer protection ($\beta=0.21$; $p<0.05$) and financial education ($\beta=0.20$; $p<0.05$).</p> <p>Also, the f-ratio ($qfs=3.98$ Prob $f=0.468$) and the t-value ($t=2.00$; $pvalue=0.047$) showed the effects of the quality of financial services. Owing to the analysis above, the alternative hypothesis was justified.</p>
---	---	--	--

Source: Field Survey 2023

Do Not Copy, Lead City University, Nigeria

Endnotes

- G.O. Eigbiremolen & F.I. Igberaese. *Small and Medium Enterprises Financing and Economic Growth in Nigeria: An Econometric Analysis*. **Journal of Economics and Sustainable Development**. 4(19), 2020, 52 – 71
- ² B.Umar & H.M. Tahir. *The role of trade openness and oil price on exchange rate: ARDL bound testing evidence from Nigeria*. **Journal of Economics and Sustainable Development**, 7(16), 2016, 153-161
- ³ B.A. Okuneye & M.S.Ogunmuyiwa. *Determinants of the development of small and medium scale enterprises in Nigeria*. **European Journal of Business and Management**, 8(29), 2016, 72-76.
- ⁴ E.C. Gbandi & G.Amissah. *Financing options for small and medium enterprises (SMEs) in Nigeria*. **European Scientific Journal January**, 10, 2014, 327-340.
- ⁵ M.Anokwuru & C.Wike. *Small and Medium Enterprises Financing and Economic Development in Nigeria*. **International Journal of Innovative Finance and Economics Research**, 9(4), 2021, 153-160
- ⁶ E.E.M. Micah, V.Kassah, & A.A. Ruth. *Conceptualizing Small and Medium Scale Enterprises; Its Implications to the Economic Growth of Nigeria, 1999-2016*. **International Journal of Managerial Studies and Research**, 5(8), 2017, 58-76
- ⁷ M.G. Gulani & A.Usman. *Financing small and medium scale enterprises (SMEs): A challenge for entrepreneurial development in Gombe State*. **Asian Journal of Business and Management Sciences**, 2(9), 2018, 17-23
- ⁸ E.N. Maduagwu, E.M. Dapper, & E.I. Nlemedim. *Human capital management and the growth of small and medium scale enterprises in Emene, Enugu State*. **Journal of Business Management**, 3(2), 2017, 13-25.
- ⁹ O.Egbeonu. *SME, financing and economic development in Nigeria*. **International journal of advanced academic research/social and management sciences**. 12(5), 2016, 2488-9849
- ¹⁰ Bakhtiari, R.Breunig, L.Magnani, & J. Zhang. *Financial constraints and small and medium enterprises, A review*. **Discussion Paper Series**. 12936. 2020, 1-38
- ¹¹ A.Oreoluwa. *Project finance for small and medium scale enterprises SMES in Nigeria*. 2011
- ¹² A.A. Eniola & H. Entebang. *SME firm performance-financial innovation and challenges*. **Procedia - Social and Behavioural Sciences**, 195, 2015, 334-342

- 13 H.Usman, S.Isah, & A.I. Tanko. *The role financial institutions in financing small and medium enterprises in Nigeria*. **International Journal of Economics and Business Management**, 4(4), 2018, 82-90
- 14 F.Onwuchekwa, E.Emele, & J. Onwuchekwa. *Small and medium scale enterprises (SMES) and industrial development of Onitsha metropolis: A cluster lead approach*. **International Journal of Economics and Business Management**, 3(10), 2017, 64-77.
- 15 Y.Yahaya. *Financing, small and medium-scale enterprises for sustainable growth and development in Nigeria: A case study of Zada, Kaduna State*. **Journal of Economics and Sustainable Development**, 6(14), 2015, 137-146.
- 16 M.Osemeke & O.S. Edobor. *Small and medium scale enterprises (SMES) financing and economic growth in Nigeria*. **Ambit Journal of Business and Finance Management Research**, 4(2), 2019, 99-115
- 17 M.A. Ikon & A.C. Chukwu. *Small and medium scale enterprises and industrial growth in Nigeria*. **International Journal of Small Business and Entrepreneurship Research**, 6(6), 2018, 1-13
- 18 B.V. Olawale, A.S. Idowu, N.J. Akudo, & A.Yahaya. *Impact of Nigeria financial market on small and medium scale enterprises (SMES) in Nigeria: A survey of some SMEs in Gusau metropolis*. **International Journal of Economics and Financial Management**, 4(4), 2019, 53-61
- 19 Adelekan, Eze & Majekodunmi. *Access to loan and debt financing were positively linked with business expansion and outputs of SMEs in Nigeria*. 2019
- 20 Z.C.T. Oaya & C.J.I. Mambula. *The impact of SMEs financing on business growth in Nigeria: A study of Keffi and Mararaba metropolis*. **International Journal of Innovation and Economic Development**, 3(2), 2017, 44-55.
- 21 Ibil Abbasi, Wang & Abbasi. 2017
- 22 Adegbeni, B.O, Onakoya, Ismail O.Fasanya, Hadiza D. Abduirahman. *Small and medium scale financing and economic growth in Nigeria*. **European journal of business and management** 5(4), 2013
- 23 M.Anokwuru & C.Wike. *Small and Medium Enterprises Financing and Economic Development in Nigeria*. **International Journal of Innovative Finance and Economics Research** 9(4), 2021, 153-160
- 24 Z.C.T. Oaya & C.J.I. Mambula. *The impact of SMEs financing on business growth in Nigeria: A study of Keffi and Mararaba metropolis*. **International Journal of Innovation and Economic Development**, 3(2), 2017, 44-55.

- ²⁵ N.P. Nwakoby, A.A. Kalu, & R.A. Ezejiolor. *SMEs financing and economic development: Nigerian government incentives (1999-2015)*. **Scholars Journal of Economics, Business and Management**, 4(8B), 2017, 548-554.

Do Not Copy, Lead City University, Nigeria

Chapter Five

Conclusion

This section presented the summary, conclusion and recommendations based on the outcomes of the research.

5.1 Summary of Findings

The chosen SMEs were in the Ibadan Southwest Local Government Area of Oyo State, Nigeria, this study dealt with Financial Inclusion and Performance of the SMEs. There were five (5) chapters- Chapter one covered-The background, the statement of the problem, the aim and objectives, the research questions and hypotheses, the significance and scope, limitation and Operational Definition of Terms.

Chapter two featured-The conceptual review, theoretical framework, review of empirical studies, theoretical framework and summary of gaps in literature.

Chapter three covered research design, population, sample and sampling techniques, research instrument description, reliability of the research instrument, data collection and analysis.

While chapter four dealt with demographic data analysis, data presentation and findings discussion.

Finally, chapter five focused on summary of findings, conclusion, recommendations, contribution to knowledge and suggested areas for further research.

The research utilised a survey research design and a sample size of 116 respondents scientifically determined from the 163 registered SMEs at the Ibadan Southwest Local Government Area of Oyo State. The study's generated data were displayed, analysed, and tested against the

hypotheses. The conclusions and suggestions were inferred from the outcomes of the hypotheses tested. Gender participation reported the male was 39 (33.6%) while the female counterpart had 77 (66.4%) making it to rank more than the males. The marital status was single 35 (30.3%), married had 74 (63.7%) and others with 7 (6.0%), married obviously ranked higher than the other respondents. The age ranges between 18-37 years had 60 (51.7%), ages between 38-57 years had 51 (44.0%) and these two categories had the highest rankings among the respondents.

The respondents level of qualifications in the distribution with the no formal education section having 36 (31.0%) as the highest ranking among the respondents

The length of time the respondents have being in operation, 6-10 years 30 (25.9%) had the highest ranking among the respondents. The finding revealed further the employees' number engaged by the respondents, not up to 10 employees had 65 (56.0%) and that was the highest ranking among the respondents. The findings revealed the origins of capital of the respondents with personal savings having 71 (61.2%), this was the highest ranking among the respondents.

5.2 Conclusion

The performance of the selected SMEs in the Ibadan Southwest Local Government Area of Oyo State was influenced positively using financial inclusion parameters of financial service access, usage and quality as measurement.

The SMEs play a critical role in driving economic growth and creating jobs on a global scale. The problem of slow economic growth in emerging nations like Nigeria has been thought to be solved by the establishment of the SMEs. Non-availability of financial resources has been highlighted to be the major cause of non-performance of the SMEs in Nigeria, despite their huge

potentials to stimulate unceasing economic growth when their performance is harnessed optimally.

The national authority cannot overlook the significance of the SMEs. It had been stated that a pillar of the nation's economic growth is the unhindered performance of the SMEs. SMEs are what are causing the nation's industrial development and progress. Hence, it becomes a sector to be concentrated on, protected, and nurtured by making their financial inclusion a priority especially by making financing more readily available to them at a cheap interest rate as they depend on funding for development and survival. In encouraging their performance, more emphasis needs to be placed on the innovative and the entrepreneurship drive of the SMEs in particularly Ibadan, Oyo State and by extension in Nigeria.

SMEs play crucial part in the process of industrialization and economic growth, there is undisputed evidence of SMEs great contribution to employment generation, income generation, wealth creation, alleviation of poverty and catalysing economic growth sustainably, their wellbeing must be focused on. SMEs are very important to the development of the nation as they use local raw materials and technology, thereby assisting in the achievement of the goal of self-reliance and alleviation of poverty.

Evidence of the appreciable gains specifically from the SMEs financial inclusion abound. Estimates of gains in employment and labour productivity growth is clear and by deliberately relaxing some key constraints to the SMEs access to financing, it could yield long-term cumulative measurable growth benefits.

In improving the socioeconomic development of Nigeria such as eradicating poverty, creating jobs, advancing human development and enhancing social welfare for the people, government

should formulate financial inclusion methods aimed at facilitating the SMEs performance. The government must pay close attention to the small and medium-sized enterprises sector and not disregard them.

Financial inclusion was found to be connected with financial stability, financial literacy, financial capability, market conducts and financial integrity of the SMEs, therefore, any strategies implemented by the authority must target these objectives minding if the strategy of financial inclusion designed was meant to be a part of a comprehensive financial sector or a standalone strategy.

Financial inclusion blue prints for the SMEs should encourage consumer protection, it should raise financial consumer consciousness and competence, at this level, they are assumed to be the pillars of and can be regarded as components of a responsible strategy introduced to ensure performance of the SMEs.

5.3 Recommendations

The under listed recommendations are made emanating as the findings:

- i. The capacity to accessing a business account is the initial footstep in the direction of expansive financial inclusion since it permits people to save funds, transfer and take remittances. The business account facilitates means to other financial services, the SMEs should be encouraged to get on board en-mass, this will ensure their financial inclusion that can be measured using financial service access, usage and quality level which will in turn engender their performance.
- ii. Nigeria's strategy for financial inclusion could methodically grasp on the ever changing developing digital instruments, adoption of digital financial services, especially digital money but is still not up to peer nations and scaling this may need

- upgrading automated financial education, improving automated infrastructures and advancing development and standardised practices of fintech firms, this shall enhance the quality of financial services available to the SMEs and can aid their performance.
- iii. It has been stated that improving the SMEs financial inclusion can enlarge economic growth, innovation, creation of job, poverty alleviation, wealth creation and the success of targeted budgetary and financial strategy can support their financial stability also.
 - iv. Government and financial institutions should create a comprehensive strategy to manage the wealth creating SMEs programs they have started and those programs started should be properly funded on a sustainable manner to ensure SMEs have a pool of resources they can use for developmental purposes.
 - v. Since internal funds, venture capital, trade credit, business angels and crowdfunding have been determined to influence the SMEs access, usage and quality of finance, managers of the SMEs should employ them more frequently.
 - vi. A vital reasoning is that limited perspectives of financial inclusion, such as policies centering only on direct public funding are rare to give huge benefits. Preferably, significant, prudent, and unceasing SMEs funding access demands a comprehensive outlook which includes the key elements already identified e.g. from macro-economic to regulatory and legal aspects.

5.4 Contributions to Knowledge

The contributions to the body of knowledge are:

1. It exposed a connection between financial service access, usage and quality levels and performance of the SMEs.

2. The study showed that bank overdrafts even though popular as a source of financing, but extremely expensive because of huge borrowing cost, however, the small funding features of internal funds, venture capitals, trade credit, business angels and crowdfunding may have favorably help SMEs performance.
3. Another addition to the body of knowledge was by confirming that the SMEs can perform creditably well when they can get cheap finance via the identified sources.

5.5 Suggested Areas for Further Research

The following suggestions for further studies are as listed below:

This study can be repeated in more Local Government Areas in Oyo and other states and in other geopolitical regions of Nigeria and not just limited to the employees who engaged in business centres, grocery stores and fashion houses in the Ibadan Southwest Local Government Area of Oyo State.

Other variables that weren't considered in this research such as SMEs in many other specific sub-sectors e.g. in the Service industry could be included in the study.

Bibliography

Conference Proceedings

- Eniola, A.A. & Entebang, H. *SME firm performance-financial innovation and challenges. Procedia - Social and Behavioral Sciences*, 195, 2015, 334-342.
- Verdonschot, S. *Method for identifying learning processes in innovation processes, Proceedings of the Sixth international conference on HRD research and practice across Europe*, Leeds, England, 2005

Journals

- Abbasi, W.A., Wang, Z. & Abbasi, D.A. *Potential sources of financing for small and medium enterprises (SMEs) and role of government in supporting SMEs. Journal of Small Business and Entrepreneurship Development*, 5(2), 2017, 39-47.
- Abeh, O. *Entrepreneurship as key to socio-economic development: A study of selected small and medium scale enterprises in Delta State. Journal of Education and Society*, 7(1), 2017, 90-102.
- Abereijo & Fayomi, *Innovative Approach to SME Financing in Nigeria: A Review of Small and Medium Industries Equity Investment Scheme (SMIEIS), J. Soc. Sci.*, 11(3), 2005, 219-227.
- Abimbola, O. H. & Agboola, G. M. *Environmental factors and entrepreneurship development in Nigeria, Journal of Sustainable Development in Africa*, 13(4), 2011, 166-176.
- Adebiyi, A. J., Banjo, H. A. & Oko-Oza, O. R. *Performance of small and medium enterprises in Lagos State: The Implications of Finance, Acta Universitatis Danubius*, 13(5), 2017.
- Adegbemi, B.O, Onakoya, I. O., Fasanya, H. D. A. *Small and medium scale financing and economic growth in Nigeria. European journal of business and management* 5(4), 2013
- Adelekan, S.A., Eze, B.U. & Majekodunmi, S.A. *Bank Loans and Small Medium Enterprises' (SMES) Performance in Lagos, Nigeria. Ilorin Journal of Human Resource Management*. 3(1), 2019, 52-61.
- Agwu, M.O. & Emeti, C.I. *Issues, challenges and prospects of small and medium scale enterprises (SMEs) in Port-Harcourt City, Nigeria. European Journal of Sustainable Development*, 3(1), 2022, 101-114
- Akeju, K.F. *Informal sector and tax compliance: the role of associational membership in South West, Nigeria. International Journal of Applied Economics, Finance and Accounting*, 3(1), 2018, 1-9.
- Akhamiokhor, S. & Adanikin, A. *Entrepreneurial Strategies and Small and Medium Scale Enterprises (SMEs) Development in Ogun State, Nigeria, International and Public Affairs*, 1(1), 2017, 34-38.

- Anochie, U. C., Ude, D. K., & Egbo, V. O. *Entrepreneurship and socio-economic development: The case of Nigeria*. **International Journal of Management Sciences**, 6(7), 2015, 346-365.
- Anokwuru, M. & Wike, C. *Small and Medium Enterprises Financing and Economic Development in Nigeria*. **International Journal of Innovative Finance and Economics Research**, 9(4), 2021, 153-160.
- Audu, H. O. & Okpe, I. J. *Women in Small Scale Enterprises and Poverty Reduction in Dekina Local Government Area of Kogi State: A Logistic Regression Approach*. **Journal of Economics and Finance**, 9(6), 2018, 82-92.
- Bakhtiari, S., Breunig, R., Magnani, L. & Zhang, J. *Financial constraints and small and medium enterprises: A review*. **Discussion Paper Series**, 12936, 2020, 1-38.
- Birdthistle, N. & Fleming, P. *Creating a learning organisation within the family business: an Irish perspective*, **Journal of European Industrial Training**, 29(9), 2005, 730-750.
- Blossom, C., Aslam, N. & Said A. A. *Challenges and barriers encountered by the SMEs owners in Muscat*, **International Journal of Small Business and Entrepreneurship Research**, 2(3), 2014, 1-13.
- Bostley, M.A. *Basics of Research Design: A Guide to selecting appropriate research design*. **International Journal of Contemporary Applied Researches**. 6(5), 2019, 76-89.
- Egbeonu, O. *SME, financing and economic development in Nigeria*. **International journal of advanced academic research/social and management sciences**. 12(5), 2016, 2488-9849.
- Eigbiremolen, G.O. & Igberaese, F.I. *Small and Medium Enterprises Financing and Economic Growth in Nigeria: An Econometric Analysis*. **Journal of Economics and Sustainable Development**. 4(19), 2020, 52 – 71.
- Evbuomwan G. O., Ikpi A. E., Okoruwa V. O. & Akinyosoye V. O. *Preferences of Micro, Small and Medium Scale Enterprises to Financial Products in Nigeria*. **Journal of Agricultural Economics and Development**, 1(4), 2012, 80-98.
- Eze, T.C. & Okpala, C.S. *Quantitative analysis of the impact of small and medium scale enterprises on the growth of Nigerian economy: (1993-2011)*. **International Journal of Development and Emerging Economics**, 3(1), 2015, 26-38.
- Gallouj, F., Weber, K., Stare, M. & Rubalcaba, L. *The futures of the service economy in Europe: A foresight analysis*. **Technological Forecasting and Social Change**, 94, 2016, 80–96.
- Gbandi, E. C. & Amisah, G. *Financing options for small and medium enterprises (SMEs) in Nigeria*. **European Scientific Journal** January, 10, 2014, 327-340.
- Gulani, M.G. & Usman, A. *Financing small and medium scale enterprises (SMEs): A challenge for entrepreneurial development in Gombe State*. **Asian Journal of Business and Management Sciences**, 2(9), 2018, 17-23.

- Haseski, H. I. & Ilic, U. *An Investigation of the Data Collection Instruments Developed to Measure Computational Thinking*. **Informatics in Education**, 18(2), 2019, 297–319.
- Hasnah, H., Saniza, B. S., Jayaraman, K., & Ishak, I. *Factors Influencing Small Medium Enterprises (SMEs) in Obtaining Loan*. **International Journal of Business and Social Science**, 4(15), 2013, 182 – 195.
- Ibrahim, H. A. & Muhammad, M. Y. *Analysis of Constraints to Credit Access for SMEs in Sokoto Metropolis*. **Asian Journal of Economic Modelling**, 5(2), 2017, 187 – 174.
- Ifeakachukwu, N. P. & Olasunkanmi, O. I. *The impact of banks loan to SMEs on manufacturing output in Nigeria*. **Journal of Social and Development Sciences**, 4(5), 2013.
- Ikon, M.A. & Chukwu, A.C. *Small and medium scale enterprises and industrial growth in Nigeria*. **International Journal of Small Business and Entrepreneurship Research**, 6(6), 2018, 1-13.
- Ilegbinosa, I. & Jumbo, E. *Small and medium scale enterprises and economic growth in Nigeria: 1975-2012*. **International Journal of Business and Management**, 10(3), 2015, 203-216.
- Jelilov, G. & Bahago, K. A. *Agro-Allied industry and its relevance on economic performance: Evidence from Nigeria*, **Nile Journal of Business and Economics**, 6 (1), 2017, 25-32.
- Khan, J. G. & Dalu, R. S. *Role of small & meditim enterprises in industrial development of Vidarbha Region*. **International Journal of Engineering Technology, Management and Applied Sciences**, 3 (7), 2015, 109-121.
- Ibidunni, A. S. & Ogundana, O. M. *Antecedents of business level strategies in Nigeria agro-based firms*, **Journal of Competitiveness**, 6(3), 2014, 63-76.
- Lyman, T. & Noor, W. *AML/CFT and Financial Inclusion: New opportunities emerge from recent FATF Action*. CGAP. 2014.
- Maduagwu E.N., Dapper E.M. & Nlemedim E. I. *Human capital management and the growth of small and medium scale enterprises in Emene, Enugu State*. **Journal of Business Management**, 3(2), 2017, 13-25.
- Meressa, H. *Growth of micro and small scale enterprises and its driving factors: empirical evidence from entrepreneurs in emerging region of Ethiopia*. **Journal of Innovation and Entrepreneurship**, 9(1), 2020
- Micah, E.E.M., Kassah, V. & Ruth, A.A. *Conceptualizing Small and Medium Scale Enterprises; Its Implications to the Economic Growth of Nigeria, 1999-2016*. **International Journal of Managerial Studies and Research**, 5(8), 2017, 58-76.
- Mondal, D. & Shrivastava, A. *Angel funds: The new type of alternative investment fund in India*. **IUP Law Review**, 6(4), 2016
- Musah, A. *Benefits and challenges of bookkeeping and accounting practices of SMEs and its effect on Growth and Performance in Ghana*. **JABM Journal of Accounting-Business & Management**, 24(2), 2017, 16-36.

- Musah, A., Gakpetor, E. D., & Pomaa, P. *Financial management practices, firm growth and profitability of small and medium scale enterprises (SMEs)*. **Financial Management**, 10(3), 2018, 25-37.
- Nwakoby, N.P., Kalu, A.A. & Ezejiofor, R.A. *SMEs financing and economic development: Nigerian government incentives (1999-2015)*. **Scholars Journal of Economics, Business and Management**, 4(8B), 2017, 548-554.
- Nwokocha, V. *The influence of location decisions on the performance of women-owned small and medium scale enterprises in Nigeria*. **SAGE Open**, 12(4), 2022.
- Nwokocha, V. & Madu, I.A. *Strategic alliance and its influence on the performance of small- and medium-scale enterprises in Enugu State, Nigeria*. **Global Journal of Emerging Market Economies**, 12(1), 2020
- Oaya, Z.C.T. & Mambula, C.J.I. *The impact of SMEs financing on business growth in Nigeria: A study of Keffi and Mararaba metropolis*. **International Journal of Innovation and Economic Development**, 3(2), 2017, 44-55.
- Obokoh, L. O., Anthony, E. A., & Geoff, A. G. *Financial schemes to boost small and medium sized enterprises. Sources of finance by the Nigerian government: a commentary*. **Banks and Bank Systems**, 10(3), 2015, 49-60.
- Ogbuabor, J.E., Malaolu, V.A. & Elias, T.I. *Small Scale enterprises, poverty alleviation and job creation in Nigeria: Lessons from burnt bricklayers in Benue State*. **Journal of Economics and Sustainable Development**, 4(18), 2013
- Ogunyemi, J.K., Mufutau, A.P. & Adewole, J.A. *Credit Risk Management and Entrepreneurship Development in Nigeria: A Case Study of Small and Medium Scale Industries in Ondo State*. **International Journal of Small and Medium Enterprises** 3(1), 2020, 18-24.
- Okafor L. I., Onifade, T. A. & Ogbечи, A. D. *Analytical review of small and medium scale enterprises in Nigeria*, **International Journal of Small Business and Entrepreneurship Research**,6(2), 2018, 32-46.
- Oke, M. O. & Aluko, O. A. *Impact of commercial banks on small and medium enterprises financing in Nigeria*. **IOSR Journal of Business and Management**, 17(4), 2015, 23-26.
- Okonkwo, N.O. & Obidike, C.P. *Small and medium scale enterprises financing in Nigeria: Problems and prospects*. **International Journal of Innovative Social Sciences & Humanities Research**,4(1), 2016, 77-86.
- Okuneye, B.A. & Ogunmuyiwa, M.S. *Determinants of the development of small and medium scale enterprises in Nigeria*. **European Journal of Business and Management**, 8(29), 2016, 72-76.
- Olaoye, C.O., Adedeji, A.Q. & Ayeni-Agbaje, R.A. *Commercial bank lending to small and medium scale enterprises and Nigeria economy*. **Journal of Accounting, Business and Finance Research**, 4(2), 2018, 49-55.

- Olawale, B.V., Idowu, A.S., Akudo, N.J. & Yahaya, A. *Impact of Nigeria financial market on small and medium scale enterprises (SMEs) in Nigeria: A survey of some SMEs in Gusau metropolis*. **International Journal of Economics and Financial Management**, 4(4), 2019, 53-61.
- Ololube, N. P., Uriah, O. A. & Dudafa, U. J. *The role of university management in sustainable national development through innovation and entrepreneurial nosiness*. **International Journal of Educational Foundations and Management**, 2(1), 2014, 13-24.
- Oloye, M.I., Obadiaru, E. D., Bamigbola, A. *Effects of the global financial crisis on bank credit to SME's: The Nigerian Experience*. **International Educative Research Foundation**, 3(7), 2015, 76-87.
- Olutunla G.T & Obamuyi T. *An empirical analysis of factors associated with the profitability of Small and medium enterprises in Nigeria*. **African Journal of Business Management**. 2(11), 2008, 195-200
- Omorogiuwa, O., Zivkovic, J. & Ademoh, F. *The role of agriculture in the economic development of Nigeria*, **European Scientific Journal**, 10, 2014, 133-147
- Onwuchekwa, F., Emele, E. & Onwuchekwa, J. *Small and medium scale enterprises (SMES) and industrial development of Onitsha metropolis: A cluster lead approach*. **International Journal of Economics and Business Management**, 3(10), 2017, 64-77.
- Onwuchekwa, F., Emele, E. & Onwuchekwa, J. *Small and medium scale enterprises (SMES) and industrial development of Onitsha metropolis: A cluster lead approach*. **International Journal of Economics and Business Management**, 3(10), 2017, 64-77.
- Opoku-Mensah, S. & Agbekpornu, H. *Determinants of access to credit by agribusiness operators in Kumasi Metropolis, Ghana*. **Journal of Experimental Agriculture International**, 6(5), 2015, 333-346.
- Oraka, E. O., Ocholi, A. & Ate, P.I. *Social impact of agro-allied industries on the rural dwellers in Benue state, Nigeria*. **J. Agribus. Rural Dev.**, 1(43), 2017, 157-162.
- Osemeke, M. & Edobor, O.S. *Small and medium scale enterprises (SMEs) financing and economic growth in Nigeria*. **Ambit Journal of Business and Finance Management Research**, 4(2), 2019, 99-115.
- Ossai, A. *The problems and prospects of small and medium scale enterprises (SMEs) growth and development in Nigeria: A study of selected SMEs in Delta State*. **International Journal of Scientific Research in Education**, 10(3), 2017, 15-27.
- Owenvbiugie, R.O. & Igbinedion, V.I. *Role of finance on the growth of small and medium scale enterprises in Edo State of Nigeria*. **Journal of Educational and Social Research**, 5(1), 2015, 241248.
- Owualah, S.I. & Ohazebere E. *The Impact of Financial Crisis on Small and Medium Scale Enterprises Access to Credit in Nigeria*. **Research Journal of Finance and Accounting**. 10(1), 2019, 35-46.

- Peter, F.O., Adegbuyi, O., Olokundun, M.A., Peter, A.O., Amaihian, A.B. &Ibidunni, S.A. *Government financial support and financial performance of SMEs. Academy of Strategic Management Journal*, 17(3), 2018, 1-10.
- Safiriyu, A.M. &Njogo, B.O. *Impact of Small and Medium Scale Enterprises in the Generation of Employment in Lagos State. Kuwait Chapter of Arabian Journal of Business and Management Review*, 1(11), 2012, 107-151.
- Saleem, H., Yongjun, L., Zulqurnain, A., Aqsa, M.& Muhammad, S. M.*An Empirical Investigation on How Big Data Analytics Influence China SMEs Performance: Do Product and Process Innovation Matter? Asia Pacific Business Review*, 2020, 1–26.
- Sama'ila, I. N. & Tahir, H. M. *The role of bank of industry (BOI) in the development of small and medium scale enterprises (SMEs) in Bauchi Metropolis, Research Journal of Finance and Accounting*, 6(2), 2015, 118-123.
- Taherdoost, H. *Sampling Methods in Research Methodology; How to Choose a Sampling Technique for Research. International Journal of Academic Research in Management*, 5(2), 2016
- Taiwo, J.N.,Falohun, T.O. &Agwu M.E. *SMEs financing and its effects on Nigerian Economic Growth. European Journal of Business, Economics and Accountancy*, 4(4), 2016, 37-54.
- Uchegbulam, P., Akinyele, S. &Ibidunni, A. *Competitive strategy and performance of selected SMEs in Nigeria, Social and Economic Models for Development Track, International Conference on African Development Issues. CIJ-ICA DI*, 2(15), 2015, 44-56.
- Umar, B. & Tahir, H.M. *The role of trade openness and oil price on exchange rate: ARDL bound testing evidence from Nigeria. Journal of Economics and Sustainable Development*, 7(16), 2016, 153-161.
- Usman, H., Isah, S. & Tanko, A.I. *The role financial institutions in financing small and medium enterprises in Nigeria. IIARD International Journal of Economics and Business Management*, 4(4),2018, 82-90.
- Vera, D. & Onji, K. *Changes in the banking system and small business lending. Small Business Economics*, 34(3), 2010, 293-308.
- Wang, D.S. *Association between technological innovation and firm performance in small and medium-sized enterprises: the moderating effect of environmental factors, International Journal of Innovation Science*, 11(2), 2019, 227-240.
- Yahaya, Y. *Financing, small and medium-scale enterprises for sustainable growth and development in Nigeria: A case study of Zada, Kaduna State. Journal of Economics and Sustainable Development*, 6(14), 2015, 137-146.
- Yang, Y., Xuezheng, C., Jing, G. & Hamido, F. *Alleviating financing constraints of smes through supply chain. Sustainability*, 11, 2019, 1-19.

Periodical Articles

- Biliquees Abdulmumin, Fatima Oyebola, Etudaiye-Muhtar, Ola Ridwan Sakariyahu. *An Investigation into the level of Financial Inclusion in Sub-Saharan Africa*. Article, January 2023. 48 & 54.
- CBN. *Guidelines for SME credit guarantee*. Abuja: Development Finance Department, Central Bank of Nigeria.2018
- Handbook of Federal Ministry of Commerce and Industry in Nigeria*, 2015
- FSS. *International conference on SME: Issues, challenges and prospects*.2020
- IFC. *Inclusive Business Models. Guide to the Inclusive Business Models in IFC Portfolio. Client Case Studies*. IFC, Washington, DC.2011
- National Bureau of Statistics, *World Bank and International Monetary Fund*. 2020
- National Bureau of Statistics. *National survey of micro, small and medium enterprises (MSMEs)*. SMEDAN and National Bureau of Statistics Publication, 2017, 1-167
- Oyelaran-Oyeyinka, B. *FSS. International Conference on SME: Issues, Challenges and Prospects Financial System Strategy*. 2020
- SMEDAN and National Bureau of Statistics Collaborative Survey. *Selected Findings*. 2013
- SMEDAN. *National policy on micro, small and medium enterprises*. Abuja: Federal Republic of Nigeria. 2017
- SMEDAN.*SMES survey*. 2021
- The World Bank Report. *The Role of Non-Bank financial intermediaries both Financial Intermediaries; Policy research working paper1892*. 2016
- USAID. *Micro, small and medium enterprises financial services demand survey Nigeria*. USAID Publications.2019
- World Bank Report. *Small and Medium Enterprises (SMEs) Finance. Improving SMEs' access to finance and finding innovative solutions to unlock sources of capital*.2022

Textbooks

- Collis, J. & Hussey, R. *Business Research: A Practical Guide for Undergraduate and Postgraduate Students*. 4th Edition. Macmillan International Higher Education.4th Publisher: Palgrave Macmillan. 2014
- Hatten, T. S. *Small business management: entrepreneurship and beyond*. South Western Cengage Learning, USA. 2021
- Lucky, N. *An Investigation of Small and Medium Scale Enterprises (SMEs) of Agro-Allied and Livestock Business on Nigerian Economy: A Case Study of Selected Smes in Ikorodu Local Government Area of Lagos State*. School of Business, National College of Ireland.2020

- Okwu, A. T. *Business environment and the potentials of small and medium enterprises in Nigeria. Preliminary Communication Paper.* UDC 658.56.2015
- Ovedje, O.H. *Adequacy of Funding and Growth of Small and Medium Enterprises (SMEs) in Nigeria.* Igbinedion University, Okada, Edo State.2021
- Oyedokun, G.E. *Research methodology for social and management scientists*, Oxford Publishers, Lagos. 2020, 1-350
- Peer, S., Oya P. A. & Martin, H. *Closing the Credit Gap for Formal and Informal Micro, Small, and Medium Enterprises. International Finance Corporation.* 2121 Pennsylvania Avenue, N.W. Washington, D.C. 20433.2013
- Polit, D. & Hungler, B. *Nursing research: Principle and method, (6th edition).* Philadelphia: Lippincott Company.1999
- Saunders, M., Lewis, P. & Thornhill, A. *Research Methods for business students (4th ed.),* Harlow: Prentice Hall.2009
- Sohl, J. *The changing nature of the angel market. The handbook of research on venture capital,* 2,2012, 17-41
- Stewart, J. *Managing Change through Training and Development*, London: Kogan Page. 1996

Theses/Dissertations

- Eric, E. A. *Challenges Faced by SMEs when Accessing Fund from Financial Institutions in Ghana. Unpublished Thesis of the Business Economics and tourism, Vaasan Ammatikorkeakoulu University of Applied Sciences, International Business.*2016
- Makinde, O. G. *Strategic planning and SME performance: A study of selected SMEs in Lagos State, Nigeria. Unpublished PhD Thesis of Babcock University, Ilishan Remo, Ogun State.*2015
- Margaret, M. *Factors Influencing Small and Medium Size Enterprises Access to Financing: A Case of Kiambu County, Kenya. Unpublished Thesis, United States International University, Africa.*2017
- Marshall, V.I. *The impact of financial institutions financing on small and medium scale enterprises in Nigeria. M.Sc Dissertation Submitted to the Institute of Graduate Studies and Research, Eastern Mediterranean University, Gazimağusa, North Cyprus,* 2014

Websites

- BOI. *Who can BOI assist?* 2019. Available at: <http://boinigeria.com/>
- Central Bank of Nigeria. *Contribution of the agricultural sector to Nigeria's Gross Domestic Product, GDP.* 2019. Retrieved from: www.vanguardngr.com
- Central Bank of Nigeria. *SME Finance.* 2018. Available online: <http://www.cenbank.org/Devfin/smefinance.asp>
- Central Bank of Nigeria. *SME Finance.*2018. Available online: <http://www.cenbank.org/Devfin/smefinance.asp>

- Fidelity Bank. CBN MSME Development Fund.2019. Available at:
<https://sme.fidelitybank.ng/products/cbn-smedevelopment-fund/>
- Frimpong, C. Y. *SMEs as an Engine of Social and Economic Development in Africa*.2013.
Retrieved from: <http://www.modernghana.com>
<https://doi.org/10.1186/s13731-020-00121-9>
<https://www.vanguardngr.com/2022/10/the-impact-of-digitalization-to-sme-financing-in-africa/>
- Mfon, A. B. *How to Get a Loan from the Development Bank of Nigeria*. 2018. Available at:
<https://www.makemoney.ng/howto-get-a-loan-from-the-development-bank-of-nigeria/>
- Myers, S.C. & Majluf, N.S. *Corporate Financing and Investment*. Scientific Research Publishing. 1984
- Olayinka, C. *Funding SMEs as inclusive economic growth strategy*. *The Guardian Newspaper*.2022. Available at: <https://guardian.ng/business-services/funding-smes-as-inclusive-economic-growth-strategy/>
- Onehi V. Sources of funds for SMEs in Nigeria. Daily trust Newspaper Publication of Jan 9, 2019. Available at:<https://www.dailytrust.com.ng/sources-of-funds-for-smes-in-nigeria.html>
- World Bank. *The World Bank. Climate Change Knowledge Portal* 2018. Available at:
http://sdwebx.worldbank.org/climateportal/index.cfm?page=downscaled_data_download&menu=historical
- The World Bank – Financial Inclusion Strategies Reference Framework June 2012, Page 11.
Online version available at: www.worldbank.org/financialinclusion

Appendix

MSc. Finance Programme
Department of Management and Accounting,
Faculty of Management and Social Sciences
Lead City University, Ibadan
Research Questionnaire on
Financial Inclusion and Performance of the Small and Medium Enterprises
Questionnaire In the Ibadan Southwest Local Government Area, Oyo State, Nigeria.
(FIPSMEQ)

Section A: Demographic Information

Please, indicate by a tick (✓), your response to each of the following questions.

1. Gender: Sex: Male Female
2. Marital Status: Single Married Others
3. Age: 18-37yrs 38-57yrs 58-77yrs 78yrs-above
4. Education Level: No Formal Education Primary Education Secondary Education Tertiary Education
5. Location of the SME: Urban Area Rural Area
6. How long has your enterprise being operating? 0-5yrs 6-10yrs 11-15yrs 16-20yrs 21yr and above
7. Sector: Agriculture Manufacturing Construction Wholesale and Retail Transportation and Food Information & Communication Real Estate Activities Administration Services Education Human and Social Work Art, Entertainment and Creation Others- Please specify
8. Number of Employees: Not up to 10 10-49 50-199 200 -300
9. Capital origins: Personal Savings Loans/Bank overdraft Family Source Cooperative/Esusu Grants Venture Capital Trade Credit Business Angel Internal sources Crowdfunding
10. Do you work in a business centre Grocery stores Fashion houses
11. How long have you worked in anyone among the three sectors mentioned in 10 above: Less than 5years 5-10years Above 10years

Please tick as many options as relevant to you.

Section B: Practice of Ownership Evaluation

Please indicate by a tick (√) in the appropriate box, Key: Strongly Agree (5), Agree (4), Undecided (3), Disagree (2) and Strongly Disagree (1)

S/no	Financial Service Access Level Measurement	1	2	3	4	5
1.	There are many numbers of commercial banks branches within 1,000 kilometre radius that the SMEs can access					
2.	There are many numbers of commercial banks branches serving the SMEs in 100,000 adults					
3.	Numbers of ATMs serving the SMEs in 100,000 adults are many					
4.	Numbers of access points at a national level serving the SMEs in 10,000 adults and divided by types & relevant administrative units are many					
5.	There are many numbers of the SMEs borrowing from commercial banks per 1,000 adults					
	Financial Service Usage Level Measurement	1	2	3	4	5
6.	SMEs numbers in the adult population using financial services and products whether it is formal or informal are many					
7.	SMEs numbers in the adult population using formal financial products and formally served are many					
8.	SMEs numbers in the population that are banked who are using					

	commercial bank services and products are many					
9.	SMEs numbers in the population who are informally served who use informal products are many					
10.	The numbers of the SMEs in the population excluded without using any formal or informal product are many					
	Financial Service Quality Level Measurement	1	2	3	4	5
11.	In measuring affordability-the Percentage of the SMEs who reported that the fees/charges for financial transactions was expensive were much					
12.	Transparency-the Percentage of the SMEs who believed they received sufficient information at the beginning of the loan application processes when using financial services was not much.					
13.	Convenience manifest in the average time the SMEs spent queuing at branches of financial institutions/banks/non-banking agents					
14.	Percentage of the SMEs who felt mistreated by the staff/agent of financial institutions & intermediaries can be used to measure Fair treatment					
15.	Percentage of the SMEs who regularly prepare a budget/financial accounts can be used to measure Financial Education					
	SMEs Performance	1	2	3	4	5
16.	SMEs have performed continually because finance cost is not too					

	high					
17.	The performance of the SMEs largely depends on financial service access, usage and quality					
18.	The type of finance available to the SMEs can affect the performance of the SMEs					
19.	When the SMEs obtained finance through Internal fund, venture capital, Trade Credit, Business Angel, Crowdfunding, it enhanced their performance					
20.	The functioning of the SMEs is quite not supported by bank overdraft with respect to finance due to its high cost					
21.	Generally, the SMEs need Government support and a working environment to access funding and thereby ensure their performance					
	Financial Literacy Measurement	1	2	3	4	5
22.	Investments & Payments-The numbers of SMEs who used a cell phone to make bills payment, send or receive money within the last one year are not many					
23.	Savings-The number of the SMEs who saved money within the last one year using a formal financial institution are not many					
24.	Borrowing-The numbers of the SMEs who borrowed money within the last one year either from informal sources such as family and friends of formal are not many					
25.	Financial Knowledge-The numbers of the SMEs who were able to make the right financial decisions are not many					
26.	Insurance-The number of the SMEs who purchased health insurance personally are not many					

Source: Field Survey 2023

Bio-data

A. Personal Data

Full Name: Abosede Adebola Amoo
Date of Birth: 03/12/1972
Place of Birth: Ilaro, Ogun State
Marital Status Married
Religion: Christianity
Nationality: Nigerian
State of Origin: Oyo
Email: adebolaamoo2020@gmail.com
Phone No: 08034303104
Address: Board of Internal Revenue, Room 6, Revenue House, Agodi Secretariat, Ibadan.
Next of Kin: Sunday Olusegun Amoo
House No 4, Abamba, Off Aboke Road, Arapaja Area, Odo-Ona Kekere, Ibadan.

B. Educational Background with Dates

i. Primary Education

1978-1983-United African Methodist Church Primary School (UAMC), Ilaro, Ogun State

Primary School Leaving Certificate

ii. Secondary Education

1983-1988- Anglican Grammar School, Ilaro

WASC

iii. Tertiary Education

1989-1991-Federal Polytechnic, Ilaro

Ordinary National Diploma in Accountancy

1992-1994- The Polytechnic Ibadan

Higher National Diploma in Accountancy

2003-2006- Oxford Brookes University, United Kingdom

BSc. in Accounting

2021-2023- Lead City University, Ibadan

MSc. Finance (in view)

C. Professional Qualifications obtained with Dates

- | | | |
|------|--|------|
| i. | Associate, the Institute of Chartered Accountants of Nigeria (ICAN) | 2008 |
| ii. | Associate, the Association of Chartered Certified Accountants (ACCA UK), | 2008 |
| iii. | Association of Chartered Certified Accountants (ACCA UK) | 2014 |
| iv. | Fellow, Institute of Chartered Accountants of Nigeria (ICAN) | 2018 |

D. Working Experience and Positions Held

- | | | |
|------|---|-----------------|
| i. | Oyo State Government | 2000- Till date |
| ii. | Director Finance& Accounts at Several MDAs | 2000-2010 |
| iii. | Director Final Accounts at the Office of the Accountant-General | 2010-2019 |
| iv. | Director Informal Sector at the Board of Internal Revenue | 2020- 2021 |
| v. | Director Audit, Investigation & Compliance at the Board of Internal Revenue | 2021-Till Date |

- E. Mr. Adebowale Olufemi Awakan 08079994656
Executive Chairman, OYSIRS, Secretariat, Ibadan.

Signature

Date

University Compliance Certificate

This is to certify that the thesis by **Abosede Adebola Amoo** in the Department of Management and Accounting, Faculty of Management and Social Sciences, Lead City University, Ibadan is in full compliance with the approved University Format and Style.

Signature

Date

Do Not Copy, Lead City University, Nigeria