

**Microfinance Credit and Financial Performance of Small and Medium Scale Enterprise
in Oyo State, Nigeria**

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Certification

This Thesis entitled “Microfinance Credit and Financial Performance of Small and Medium Scale Enterprises in Oyo State” was carried out by **Mojisola Oladunni JACOB-UDEME** with **Matric No. LCU/PG/002089** in the Department of Management and Accounting, Faculty of Management and Social Sciences, Lead City University Ibadan, Nigeria under my supervision.

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Dedication

This thesis is dedicated to God Almighty and my Husband Dr. Udeme Samuel Jacob and to my late mum Janet Foluke Akinyemi you will forever be in heart

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I thank God Almighty, Jesus Christ the only begotten son and Holy Spirit, the third of the trinity for His infinity love, kindness over my life from the inception and to the conclusion of this programme. I SAY THANK YOU LORD.

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ABSTRACT

The impact of microfinance credit on the financial performance of small and medium scale Enterprises in Oyo state Nigeria was the focus of this study. It examines the impact of microfinance credit and financial performance of small and medium scale enterprise, ascertain the extent to which customers has benefited in the microfinance activities and the relationship between small and medium scale enterprise in the study area. This was done with the view of providing information on the effectiveness of microfinance credit and performance of small and medium scale enterprise. This study was a survey research design of correlational type. Two hundred and fifteen Small and Medium Scale enterprise owner who are clients of microfinance were selected using convenient sampling techniques as respondents. Primary data were collected using questionnaires over a space of two months from the participants thus giving a rich pooled primary data analysis. The reliability of the scale and its components were established by test-retest and Cronbach reliability score of 0.78. Data collected were analysed using descriptive (frequency count and percentage) and inferential (Multivariate Tests, estimated means and multivariate analysis) statistics. The result show that 81 (37.7%) of the population are B.Ed/B.Sc/HND holders, while 55 (25/6%) are SSCE holders, 37 (17.2%) possess NCE/ND certificate, 29(13.5%) have postgraduate degrees and 13 (6.0%) of the population have Trade certificates. The inferential analysis revealed that impact of gender $F_{(1,214)}= 3.227$, age $F_{(5,214)}= 4.04$, marital status $F_{(3,214)}= 3.41$, educational background $F_{(4,214)}=20.64$ and business type $F_{(4,214)}= 3,65$ on accessibility and Constrain to microfinance credit were significant where $p < 05$. Based on the finding conclusion was reached and some recommendations made. Recommendation includes credit facilities to small and medium enterprises should be provided using minimal interest rate and collateral. In addition, microfinance banks should be less aggressive in pursue.

Keywords: Microfinance, credit, financial Performance, small and medium scale, enterprise

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Chapter One

Introduction

1.1 Background to the Study

Globally, small, and medium-sized enterprises contribute significantly to social, economic, and political development. In developing countries, small and medium enterprises (SMEs) are crucial to economic growth, productivity, and innovation. Therefore, most countries have implemented a wide range of SME support programmes to encourage the sector's growth, transform economies and create substantial employment opportunities. In both urban and rural areas, small and medium enterprises have a significant impact on job creation, income generation, and economic growth¹. Poor people generally lack access to essential services such as credit facilities and shelter due to insufficient. Most work low-paying jobs and have difficulty supporting the education of their children². An author reported that despite the perceived achievements of microfinance banks and the implementation of supply-based policies, there are still "important" gaps for these institutions to fill in Nigeria³.

Due to limited access to finance, SMEs remain unable to reach their full potential regardless of their critical role in the economy and increased government support. World Bank reports that small firms have more difficulty obtaining traditional financing than large ones⁴. In addition, they are less likely to obtain external financing because of a lack of collateral and poor credit history. Microfinance institutions predominantly provide microcredit to microenterprises, while banks service medium and large enterprises. Currently, Nigeria's small and medium enterprises do not enjoy credit from the commercial banking sector due to stringent conditions and the inability to meet excessive collateral requirements. MFIs can only meet a small proportion of the loan demand from small and mid-sized enterprises due to limited liquidity, restrictive loan ceilings, and collateral requirements.

SMEs have evolved from small businesses that supplied goods and services to international and intercontinental conglomerates. Despite their vital role in every country's economic growth and development, SMEs lack a universal definition. Countries, agencies, and institutions have defined SMEs differently to suit their concepts and operations. Authorities and scholars define SMEs based on business size, capital assets, working capital, number of employees and turnover. Among these definitions (World Bank, International Monetary Fund (IMF), African Development Bank (AFDB), Asian Development Bank, European Union (EU) and many others), the most widely used in the European Union definition⁵. The EU defines SMEs in terms of employee size, turnover and total balance sheet⁶.

The contribution of small and medium-sized enterprises (SMEs) to the development of many African countries has been increasingly recognized because of their ability to drive the African continent to developed status. According to an author, small and medium enterprises (SMEs) have seen exponential growth in the number and size of jobs generated by the sector over the past few years⁷. So, while waiting for jobs in the public or private sectors, young graduates start their businesses. Over the last decade, the Ethiopian economy has grown increasingly dependent on SMEs. The contribution of SMEs to the country's socio-economic development is enormous, particularly in the transition to an industrial society, since they create employment opportunities and contribute a lot to its socio-economic development. In the development of large and medium enterprises, SMEs act as a steppingstone. SMEs are one of the governments' strategic directions during the implementation period focusing on promoting the development and competitiveness of SMEs.

According to a researcher, "SME is an engine of social and economic development in Africa". Ghana's SMEs account for 70 % of its GDP and 92 % of its businesses. "SMEs constitute 91 per cent of formal businesses in South Africa and 70 per cent of manufacturing in Nigeria"⁸. The engines of the economy can also serve as a stimulus for diversification in other sectors.

Innovative technology can help SMEs enter foreign markets both regionally and globally. SMEs can make a significant contribution to improved living conditions and improved economies in many countries in sub-Saharan Africa and the entire continent of Africa⁹. An author argues that the promotion of small enterprises in developing countries is justified in their abilities to foster economic growth, alleviate poverty and generate employment¹⁰.

Poor people have difficulty getting credit from conventional financial institutions because of financial barriers in the credit market^{11,12}. Consequently, microfinance has been proven to improve the well-being of families by making credit accessible for productive purposes. According to Magnus empowerment is an antidote to poverty¹³. It is further postulated that the rapid expansion of small enterprises directly contributed to economic growth¹⁴. Micro finance is perceived as the provision of financial and non-financial services by micro finance institutions (MFIs) to low-income groups without tangible collateral but whose activities are linked to income generating ventures¹⁵.

According to the World Bank, Nigeria's small enterprises contribute to economic growth, create jobs, generate income, and serve as a source of livelihood for the poor¹⁶. While its roles are growing, the primary obstacle to its rapid development is the lack of debt and equity financing¹⁷. It is further noted that small firms rely proportionally more on non-bank sources of financing such as internal funds (savings, retained earnings, family network) and the informal sector (money lender), because of their inability to produce the collateral requested by commercial banks. This further is supported by the finding that the microfinance industry in Nigeria is a major backbone in the sustenance and survival of small enterprises¹⁸. It is also pointed out that the predominant credit facility available to small and medium scale business in Nigeria is bank overdraft, and short-term loans -asset based loans¹⁹.

They avoided doing business with the poor and the micro-enterprises because the associated cost and risks are relatively high²⁰. The federal and state governments have recognized that

for sustainable growth and development, the empowerment of the people financially is vital. They can be achieved by adopting a growth strategy and the latent entrepreneurial capabilities of a large segment of the people in a sufficiently stimulated and sustained way. The resulting effect is that a positive effect will be felt throughout the economy. To give effect of these aspirations various policies have been instituted over time by the federal government to improve rural and urban enterprise production capabilities²¹.

Most empirical studies have analysed the correlation between microcredit and small and medium scale enterprise²². The outcomes of these studies have shown that microcredit is a strategy for poverty reduction^{23'24'25}. The evidence attached to microcredits in reducing poverty prompted the Nigerian government to introduce microfinance institutions in 2005²⁶. This allows many of the poor informal workers to have access to microcredit to fortify their business, increase income and reduce poverty. Microfinance banking came into being in the year 2005 with the launching of the microfinance policy by the Central Bank of Nigerian²⁷. The policy was influenced by the globally acclaimed impact of microfinance in helping the economically active poor exit the poverty threshold, thus leading to improvement in small and medium scale enterprises.

Hence, microfinance banking was introduced with the expectation that it would help reduce poverty in the country over time. As stated in section 4:2:1 of the microfinance policy, the policy target includes “covering the majority of the poor” but economically active population by 2020, thereby creating millions of jobs and reducing poverty²⁸. The word "micro" literally means small, and finance also mean investment or support. Therefore, microfinance can be defined literally as small investment or support. Microfinance can be defined as the practice of offering small, collateral-free loans to clients who otherwise would not have access to the capital necessary to begin small businesses or other income-generating activities. An author noted that increased access to credit reduces poverty²⁹. A study reports that the poorest people

worldwide live in regions without access to health services, primary education, and microfinance³⁰.

There have been savings and credit groups for centuries; microfinance banks are not a new concept. There are numerous saving clubs and burial societies located all over the world, including "Susus" in Ghana, Chit funds in India, "Landas" in Mexico, "Ajo" in Indonesia, "Esusu" in Nigeria, "Cheelu" in Sri Lanka, Tontines in West Africa, and Pasanaku in Bolivia, among others³¹. Microfinance aims to provide financial services to the poor, whom conventional financial institutions do not serve. The lack of an income sufficient to meet their material needs is a sign that people live in poverty, as is their inability to participate in activities that are accepted as part of daily life. One of the challenges of microfinancing in Nigeria is how microfinance institutions (MFI) can reach a more significant number of small-scale businesses.

Several empirical evidence, have shown that microfinance is an essential tool for poverty eradication and socio-economic development in many developing countries across the globe^{32'33'34'35'36 and37}. Even the study in Bangladesh found that the poor and landless members of Grameen banks have an average household of 43 percent higher than the normal landowners³⁸. Moreover, given the experience of micro-finance credit in Nigeria that had not been entirely successful from the formal model approach as observed by an author, this current study deems it necessary to empirically investigate this relationship between the modern microfinance banks and their ability to effectively reduce the level of poverty in the country using Nigerian Microfinance banks'-related variables³⁹.

It is necessary to conduct the study; despite numerous microfinance banks in Nigeria and several policy initiatives aimed at reducing poverty, poverty still lingers within Nigerian communities. Consequently, it is unclear whether microfinance credits will improve the financial management of SMEs in Nigeria. The existing microfinance banks in Nigeria serve

less than 1million people out of 40million potential people who need the services⁴⁰. Also, the aggregate microcredit facilities in Nigeria account for about 0.2 percent of GDP (Gross Domestic Product) and less than one percent of total credit to the economy⁴¹. The effect is not appropriately addressed this situation would further accelerate poverty, slow down growth, and development of small and medium scale enterprises in the country.

An author observed that microfinance banks have not been able to adequately address the gap in terms of credits, savings and other financial services required by the poor⁴². Due to inconsistencies in these reports, the study seeks to address the following questions.

1.2 Statement of the Problem

Small and medium scale enterprises (SMEs) have been considered the bulwark for technological advancement and employment generation in Nigeria. On the other hand, the sector has had its fair share of neglect with simultaneous revolting impacts on the economy. SMEs face different problems: inadequate equity capital, poor management practices, high rate of enterprise mortality, low level of entrepreneurial skills, and shortages of skilled human resources. Other problems include lack of access to a source of finance and inadequate personal savings attributable to the level of poverty and low return on investment, poor infrastructural facilities, and lack of access to information, to mention but a few.

However, there is much debate as to whether microfinance can successfully reduce poverty levels. Performance of small and medium scale enterprise usually is hampered by their ability to access credit, according to empirical evidence⁴⁰. In addition, a comprehensive and rigorous study in this domain is necessary due to the insufficient empirical research and mixed results present in this domain ⁴².

The lack of commercial microfinance institutions also contributes to small business owners borrowing from informal lenders, even when it is less expensive. Despite providing a vital

source of financing to small businesses, informal money lenders charge very high-interest rates. In addition to assisting SMEs in growing, credit also alleviates poverty, diversifies livelihoods, and improves small businesses' skills. However, most SME owners in Oyo state rely on informal sources of credit. Due to the problem of SMEs owners not being able to access credit, it is necessary to examine why they do not apply for credit from formal institutions and determine their preferences and perceptions regarding credit to improve their access. Thus, this thesis focused on investigating plausible relationships between microfinance credit and financial performance of small and medium scale enterprises in Oyo state.

1.3 Aim and Objectives of the Study

The general objective of the study is to determine the impact of microfinance on financial performance of small and medium Scale Enterprise in Oyo State. The specific objectives are to:

- i. determine the extent to which financial status and management records influence credit financing of small and medium scale enterprises.
- ii. establish the extent to which size of business influence credit financing of small and medium scale enterprises in Oyo state
- iii. investigate the extent to which collateral measures influence credit financing of small and medium scale enterprises in Oyo state
- iv. ascertain the extent to which management skills influence credit financing of small and medium scale enterprises in Oyo state.

1.4 Research Questions

The following research question are intended to be answer in this study research Question

1. How do financial status and management records influence credit financing of small and medium scale enterprises in Oyo state?
2. To what extent does the size of the business influence credit financing of small and medium scale enterprises in Oyo state.
3. In which way do collateral measures influence on credit financing of small and medium scale enterprises in Oyo state.
4. How can managerial skills influence credit on financing of small and medium scale enterprises in Oyo state?

1.5 Hypotheses of the Study

- Ho1 Financial status and management record does not influence credit financing of small and medium scale enterprises in Oyo state.
- Ho2 Size of the business play no role in influencing of small and medium scale enterprises in Oyo state.
- Ho3 Collateral measures have no effect on influencing credit of small and medium scale enterprise in Oyo state.
- Ho4 Managerial skills does not have influence on credit financing of small and medium scale enterprises.

1.6 Significance of the Study

It is the recent call to consider microfinance provision and evaluation from the client's perspective and vantage point that this study intends to contribute to the body of literature. This work is remarkable because it revolves around three recent debates that the researcher considers essential to advancing the discourse on microfinance and SMEs' financial performance. According to recent microfinance literature, the industry has been plagued by client indebtedness. In addition to increasing empirical evidence that microfinance does not positively impact SMEs' financial performance and the need to focus on inclusive finance. Further, the perceived positive impacts of microfinance have not been realised. Microfinance's anticipated positive impact on the financial performance of SMEs is in doubt in robust randomised control trials (RCTs).

There is a need for empirical studies that examine the qualities and features of microfinance credit that have both advantages and disadvantages. The findings can be considered when promoting microfinance credit in Oyo state. This study's focus is on inclusive finance. These works highlight the diverse financial service needs of the poor and the diverse circumstances in which they live and work. The book also sheds light on the diverse range of financial institutions in developing countries that serve the poor. Despite their convenience and flexibility, informal financial service providers can be highly insecure and unreliable. Furthermore, different types of financial services are required for different borrowers in addition to the institutional dimension.

It is pertinent to the call for a client-focused approach to evaluating and delivering microfinance that the discourse dimension fits in with the earlier debates. The poor have diverse needs, and not all products/features will benefit them equally. Moreover, improving products and services that meet the needs of the poor requires understanding how they are

currently exposed to the products and identifying the features and characteristics that produce good and bad effects. Ultimately, it suggests that financial products and institutions should mature in ways that accommodate the diversity of consumers; leveraging financial institutions to improve the financial inclusion of the poor is critical.

1.7 Scope of the Study

The focus of the research may constitute strength to the study, this, as well as its restriction to only two town in Oyo state, limits the generalizability of the results. It is worth noting that this research only applies to microfinance clients who are represented by a community practice and have an implicit or explicit sense of mutual liability. The perspective of clients who were able to live without this social collateral because they were perceived to be less vulnerable is not included in the analysis.

1.8 Limitation of the Study

The study's main limitation was that it was conducted to determine the financial performance of SMEs in Oyo State, Nigeria, using selected respondents. It was impossible to capture the views of all SMEs in Oyo State. Furthermore, some SME owners opposed participation in a study involving a university student since they did not see any benefit. For this study, the researcher chose to interview any SME owners found at the business premises so that further probing could be done if necessary.

1.9 Operational Definition of Terms

Terms were operationally defined as used in the study:

Collateral: Assets that a lender accepts as security for a loan which may take the form of real estate or other kinds of assets, depending on the purpose of the loan.

Enterprise: This is another word for profit making business or business while people who have entrepreneurial success are often referred to as enterprising

Microfinance: This refers to small-scale financial services, basically credit and savings that are provided to people who operate small enterprises or microenterprises

Management Skills: This involves planning, implementing and monitoring the day-to-day operations of the small business.

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Endnotes

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Chapter Two

Literature Review

2.1 Conceptual Issues

2.1.1 Concept of Microfinance

“Microfinance refers to an array of financial services, including loans, savings, and insurance, available to poor entrepreneurs and small business owners who have no collateral and wouldn't otherwise qualify for a standard bank loan”. Microfinance refers to financial services for people with low incomes or without access to traditional banking. The concept of microfinance is based on the belief that low-income earners can become financially independent if given credit access. According to the Canadian International Development Agency (CIDA), "microfinance is the provision of financial services to low-income families and poor microenterprises, most of whom cannot access formal financial institutions¹. Microcredit is part of Microfinance and is a continuation of small loans to poor entrepreneurs to qualify for traditional bank loans. Microcredit is especially useful in developing countries where it helps poor people to start and operate their businesses, allowing them to provide for themselves and their families².

Microfinance provides various financial services, including deposits, credits, and payment options for low-income households and their microenterprises³. Microfinance explores many fields and intersects with issues of economic globalization and capitalism, poverty reduction strategies, and women's empowerment. Over the past few decades, its credibility has grown, and its international recognition as a tool to address SMEs' financial performance and

socioeconomic vulnerability. Microfinance services are divided into five different categories according to an author⁴:

1. Micro-credit: especially a reliable source of working capital, dispersed against 'collateral substitutes' such as standing in the community, group guarantees or compulsory savings.
2. Deposit services: designed to offer poor households alternative savings options to the hoarding of cash or other stores of value.
3. Insurance products: including insurance against loan default due to misadventure, illness, death, natural disasters, or unanticipated economic crisis, plus anticipated life-cycle related savings goals to prepare for weddings, funerals, or other socio-economic obligations.

It is anticipated that innovative financial services, particularly credit and savings, will break the vicious cycle of poverty. According to a researcher, a vicious circle can be established: "low income, credit, investment, more income, more credit, more investment, and more income"^{4,5}. Financial inclusion and access to microfinance are closely related and interdependent. People with access to microfinance credit can take advantage of different financial products at affordable prices. A microfinance institution enrolls individuals and groups in formal financial institutions and includes sectors and segments of the population within them⁶. MFIs are classified as formal, semiformal, and informal⁷. As a result of learning five key lessons, MFIs succeed where modern banks have failed⁸:

1. Considering collateral substitutes as appropriate criteria for choosing clients
2. Using self-interest to manage risk and ensure on-time repayment
3. Minimizing interest payments on small loans
4. Relying on peer pressure and social networks to enforce contractual obligations

5. Focusing on the poor while targeting the well-motivated can be achieved by segmenting the market

Considering these lessons and practices, MFIs realized that banking with the poor is an attractive business model, but only if costs are contained, and risks are managed. This involves treating clients as active partners in the enterprise. According to some reports, commercial lenders usually deal primarily with large-scale farmers in rural areas. An author pointed out that commercial banks have not offered microloans due to the high risks and low returns associated with microloans: high operating costs compared to the small returns. The everyday operations of small businesses are often considered risky and uncreditworthy. Financial institutions may not be able to serve informal businesses because poor entrepreneurs have few assets that can serve as collateral⁹.

Access to finance has numerous benefits. Nevertheless, less than half of developing country households have access to financial services, compared to over 70 percent in the developed world¹⁰. The growth of the economy and the reduction of poverty can essentially be put down to greater financial strength, according to a growing body of economic literature¹¹. Microfinance is increasingly recognized as an effective instrument for business expansion. Several studies have found that microfinance can grow the business tremendously if it strengthens resilience, diversifies income-earning opportunities, and improves the living conditions of the poor¹². Research has shown that microfinance is a powerful and effective tool for business expansion¹³. Microfinance has recently gained prominence on the microfinance agenda for its impact on SMEs¹⁴.

2.1.2 Historical Development of Microfinance

Muhammad Yunus, an economist in Bangladesh in the early 1970s, is more closely associated with microfinance than anyone else. During a famine, he promoted microfinance in the nation and made small loans to low-income families in nearby towns to break down the poverty cycle. It proved to be a great success. The quality of life of the borrowers has significantly improved after Yunus receives a timely return. Muhammad Yunus presented the Grameen model. On the base of this model, he established a Grameen Bank. Only households with at least half an acre of land have received loans from the bank to focus on the most vulnerable. Banks maintained high reimbursement rates and began to expand their operations in other regions of the country. Having been founded less than ten years prior, the bank is now independent of the government, founders, and advertising fees and has a return of 98 percent.

In the year 2006, Yunus received the Nobel Peace Prize. The success of the Grameen Bank has not gone unnoticed. Almost every region of the world copied the model. Between 1997 and 2002, the total number of MFIs increased from 618 to 2572. There were 65 million customers of the agencies in 1997, but 13.5 million in 1997, with a growth rate of 35% each year. As a result of the influx of money, even the Grameen Bank extended loans for about 750 million of dollars in the last two years¹⁵.

2.1.3 Concept of Microfinance Credit

Without access to banking and related services, microfinance credit provides financial services to entrepreneurs and small businesses. Relationship-based banking for entrepreneurs and small businesses, as well as group-based models, in which several entrepreneurs join together to apply for loans and other financial services as a group, are the two most common ways to provide these financial services to our clients¹⁶. Growing economies can be fueled by

microfinance credit. In addition to supporting and enhancing economic activity, banks and lending institutions offer services to invest and save assets and resources. Microfinance institutions play an essential role in developing communities by providing businesses access to credit and financial services that generate income. Within any society, microcredit financial services provide a means for people and businesses to continuously obtain credit and manage available assets.¹⁷.

Moreover, rural communities in developing countries tend to suffer from asymmetric information problems (both before and after lending), a high-risk environment and high transaction costs. In credit-strapped regions, households rely on informal lenders, such as landlords, small business owners, and local traders who have more information about borrowers and accept collateral goods or services that a bank would not. These banks are known for charging high-interest rates and not serving all potential borrowers¹⁸. Group-lending schemes are typical in most microfinance programs, including peer selection, public repayments, and joint liability. Joint liability is a feature of group lending schemes, but it also applies to any mechanism involving peer review, monitoring, or enforcement¹⁹. Groups of borrowers' form under joint liability, and all members are jointly responsible for paying each other's debts. Many authors have explained the potential benefits that this system may offer in various ways²⁰.

Institutions that provide microfinance to their clients are microfinance institutions (MFIs). Funding for MFIs comes from non-profit organizations, government agencies, local governments, and large financial institutions. There are generally two different ways to define microfinance. First, *microfinance* is defined as small loans or microloans offered to the poor or people with low income or who are self-employed²⁰. Microfinance also has a broader meaning under one standard definition. In addition to microcredit, other financial services, such as credit, savings, insurance, and money transfer, constitute a significant portion of

microfinance²¹. According to recent estimates from the World Bank, there are more than 7,000 microfinance institutions worldwide, serving over 16 million clients and providing a total of \$2.25 billion in loans and other financial assistance²².

The fact that MFIs are found in many developing countries is also essential to know, but their nature and significance differ significantly. In Nigeria, for example, there are five types of MFIs. MFIs differ in their characteristics, i.e., they are heterogeneous. Researchers should be aware of these differences when investigating MFIs. Group lending is considered one of the most critical developments in microfinance as a solution to the inadequacies of imperfect credit markets and the challenge of overcoming information asymmetries. Adverse selection and moral hazard are distinct phenomena that information asymmetries may cause. A lender that uses such practices lacks information about its borrowers' risks. Higher interest rates should be charged to riskier borrowers to account for the greater likelihood of default²³. It would be appropriate to charge less to safer borrowers, provided each can be identified accurately.

The lender does not have complete information about the risk profile of its borrowers. Therefore, it charges higher average interest rates no matter their risk profiles. A moral hazard generally refers to the loan utilization by the borrower. Lenders cannot ensure loans are used for their intended purposes or that the borrower applies specific complementarities, including effort and entrepreneurial skill, implied in the loan agreement. If these inputs are less than expected, then the borrower may be less able to repay it²⁴. Assortative matching or screening is commonly used to overcome adverse selection, while peer monitoring overcomes moral hazards in the standard lending model. Early models were developed¹². Group liability schemes were examined for their moral hazards and monitoring problems. ²⁵. A researcher focused on adverse selection and screening mechanisms²⁶.

2.1.4 Overview of Credit Financing

Development experts advocate leveraging small-scale businesses to speed up economic growth, especially in the world's developing countries²⁷. African societies are predominantly agrarian, with most people engaged in agricultural activities such as farming, livestock rearing, agroforestry, and fishing²⁸. In the absence of substantial investment capital, it seems evident that the industrialization process should be centred on the development of SMEs to link agricultural production with manufacturing activities. The development of the SMEs sector requires specific incentives, such as easy access to credit, infrastructure development, industry extension services, localized production systems and locally designed equipment and spares²⁹.

In both developing and developed countries, small businesses play an essential role. According to an author, East Asian countries' miracle is primarily due to a thriving SME Sub-sector, which triggered export growth and the development of the industrial sector³⁰. Despite its enormous population, the Republic of China has been able to generate income and job opportunities through the activities of the SSEs. Over the past three decades, Kenya's government has paid increasing attention to the financial needs of SMEs. Accordingly, the government has implemented measures to facilitate credit access for SMEs.

A collaboration between the government and bilateral and multilateral agencies, and non-governmental organizations (NGOs), was also sought to support SSEs in Kenya³¹. Despite these factors playing a significant role in developing SSEs, lacking adequate funding and credit is often a significant obstacle, especially in their early stages. It aims to describe the structures of SMEs and their challenges, specifically focusing on their financial challenges.

Several theories and previous research will be explored to understand the financing problems of SMEs in Nigeria, specifically in Oyo State.

As a result of a capital adequacy requirement, a bank's lending to SMEs is affected. Interest rate changes significantly affect banks' lending through their capital when banks' lending is constrained by a capital adequacy requirement³². Therefore, an increase in interest rates would result in higher external funding costs for banks but lower profits and capital for banks. In the event of a capital constraint, banks tend to reduce their loan supply. A bank's underlying financial condition may also improve during specific periods, making them more likely to lend. This model explains why small businesses cannot access financial assistance due to this condition. As a result of limited financial resources, banks refrain from providing loans to SMEs under the capital constraint model. Based on an author's assertion, banks are governed by market- and regulator-imposed capital requirements³².

For prudential reasons, banks must maintain a minimum amount of capital as a percentage of total assets. Banks, for example, are expected to meet a capital adequacy requirement of 10%. In Nigeria, banks are required to maintain a minimum level of liquidity. The evaluation of traditional SMEs interventions, such as directed credit programs and technical assistance, commonly involves measuring program inputs and outputs, for example, the number of loans granted, and the number of clients served by a business advisory program, or the amount of market information provided by the program. There is little attempt to measure the effects of SMEs and their performance based on support and intervention and attempts to do so are hindered by measurement and methodological problems. SMEs' strategies must be carefully monitored and evaluated to maximize their developmental impact.

Considering the shift away from public provision of services to the development of markets, intervention outcomes need to be evaluated using different approaches. In the opinion of a

researcher, small-scale businesses are the primary employers of most of the work force³³. There is a higher chance of hiring older workers if the farm hires many baby boomers. Many employers hire women who are entering the workforce for the first time. Farm workers come from a wide range of backgrounds. Nevertheless, many lack the primary education or economic background to meet the changing requirements of 21st-century workplaces.

Successful institutions have a broad reach (outreach) in terms of the number of individuals, enterprises, and organizations they can reach, as well as the level of financial sustainability, i.e. the extent to which the service can be provided without subsidies, as well as being affordable. Market development should include factors such as the number, distribution, quality, suitability, and price of service providers, risks and transaction costs, pricing and subsidy incidence, and awareness by SMEs of the economic impact of the service. Measuring the effectiveness and durability of the intervention will depend on its impact on SMEs (sales, productivity, and exports) and the economy in general. The new approach to SSE support must measure the impact of credit support on the development of financial and non-financial markets.

In a recent article, an author argued that government policies, programs, and policies adversely favoured large enterprises in several countries, in some cases even discriminating against small businesses, particularly micro firms³⁴. Small-scale enterprises tend to be labor-intensive and have a low cost of creating jobs, while large projects are usually capital intensive. In addition to their flexibility, SMEs can adapt quickly to changing market opportunities. In general, they require less capital and can combine simple and advanced technologies easily. In addition, business activities can facilitate the decentralization of substantial commercial and industrial activity and dilute monopolies.

The significant contributions of SMEs to the economy of Asian countries are evident in the role that the SMEs sub-sector plays in that region. SMEs, for instance, comprise 99.4 percent of the entire Indonesian economy and generate 93 percent of employment (1974); 99.4 percent in Japan and generate 8.4 percent of employment (1985); 96.6 percent in Korea and generate 49.3 percent of employment (1980). In addition, 92.0 percent in Hong Kong (1981); 90 percent in the Philippines generate 61.2 percent employment (1983); 90 percent in Thailand generate 72.2 percent employment (1988). SMEs in the Philippines and Thailand account for 47.4, and 30% of total value-added, respectively³⁴. Many NGOs and Voluntary Organizations in the Asian region promote SME development, particularly in India, Bangladesh, Nepal and the Philippines. There were 26.6 percent, 37.04 percent, and 32.14 percent of business finance from personal savings, respectively. The percentages from friends were 30.59 percent, 19.53 percent and 32.14 percent, respectively.

According to bank sources, the percentages were 35.29 percent, 33.33 percent, and 21.42 percent. It was 8.82 percent, 7.83 percent, and 3.57 percent from government agencies, while 5.88 percent, 11.02 percent, and 7.14 percent came from trade groups and cooperatives, respectively. According to a study by a researcher, commercial banks provided very little financial support to SMEs³⁵. Small businesses are high-risk borrowers due to severe structural defects. At the same time, traditional banks find it challenging to offer the type of credit small businesses demand because of their credit assessment procedures³⁶. A cooperative or trade association was defined in this study as a semi-formal financial institution that provided credit to small businesses on a small scale³⁷.

2.1.5 Financial Performance of Small and Medium Enterprises

The financial performance can be seen as a measure of its ability to generate revenues from its primary mode of business. In addition, the term is used to measure a company's financial

stability. By aggregating them, similar firms across different industries or sectors can be compared. The most common measure of financial performance is ratios. Ratios are mathematical expressions of a number or number of amounts concerning another number or numbers. Ratios can be expressed as percentages or fractions or as comparisons between amounts. By computing the ratio, no additional information is added to the amount or amounts³⁸. The recommended indicators for determining a company's financial performance fall into five broad categories: liquidity, solvency, profitability, repayment ability, and efficiency³⁹.

As short-term obligations fall due, an enterprise's liquidity determines its ability to meet its obligations. Working capital ratios measure a firm's ability to meet its obligations. In summary, net working capital, current assets financed from long-term capital resources, do not need to be repaid in the short term, implying that it can remain an option to repay short-term debt. A company's current ratio measures its ability to repay its debt. Current high and low values ratios indicate strong and weak liquidity positions, respectively. On the other hand, a quick ratio assesses an organization's ability to pay its debts without relying on stock and repayments⁴⁰.

Profitability ratios are calculated based on a given sales volume, an asset level, and an owner's share investment. In the long run, the firm must be profitable to survive. Therefore, evaluating the future profitability potential of the firm is crucial. Creditors, shareholders, suppliers, employees, and others pay attention to ratios. In addition to gross profit margin and net profit margin, return on assets and return on equity are included. Financial information from the past and present are just two factors that affect a company's financial health. It is more important to assess the performance of a group than to focus on only one or two measures at the expense of others⁴¹. Financial performance indicators include sales growth, return on investment (ROI), return on sales, and return on equity (ROE). Profitability and

growth are common ratios that measure organizational performance: return on asset (ROA), return on investment (ROI).

2.1.6 Factors that are Considered by Banks on Credit Financing

Due to collateral costs and lack of startup financing, only a tiny percentage of Ghanaians have access to credit services, according to the African report for October - November 2008. However, some small businesses do not know the financial assistance available locally and internationally⁴². SMEs find it challenging to access startup funding. Further factors, such as inadequate savings culture and ignorance of sources of finance, come into play. There seems to be a slight improvement in access to financial capital, but the problem remains long-standing. In Ghana, for example, in 2003, it was reported that informal sector enterprises depended on their savings or loans from friends and relatives for funding because traditional banks were scarce in providing credit to them. Despite this, SMEs still face difficulties securing financing and mobilizing resources for growth.⁴³

Due to the rapid development of technology, SSEs must possess computer and information technology skills. In order to conform to the current global way of doing business, computer skills are needed to process various information and formally present activities. People in business who continue to document information will not be taken seriously. Small businesses should use the internet to communicate with customers and suppliers to prevent going out of business. Unfortunately, there have been several factors that inhibit entrepreneurship. Following graduation, most people seek white-collar jobs. After completing their courses of study, they are not dependent on entrepreneurship. Academic involvement is geared toward western ideas, which may not apply to their environment; at the same time, there is a lack of infrastructure for startups, such as financial and technical faculties. Due to the subsistence

culture, most businesses are at the micro-level. SSE is not willing to pool resources to form partnerships or inculcate the culture of enterprise due to the culture of mistrust. SMEs must be motivated to take enterprise initiatives by giving every level of support, whether it is financial or moral⁴⁴.

Also, the educated system, a crucial means of socialization, should be used to inculcate enterprise among SSE. A lack of mentors and role models is the leading cause of most problems because of their inexperience and lack of understanding of the business domain. Getting information from established entrepreneurs is a challenge in the SME environment. Many young people in Africa do not have mentors to assist them in their business ventures. Mentoring is a form of advice and experience that can be useful to business networks in some cases⁴⁵. In Ghana, entrepreneurship role models are scarce. Corruption has made some African millionaires overnight⁴⁶. The lack of credibility prevents these entrepreneurs from sharing their experiences.

Most SMEs are focused primarily on the micro-level. In Ghana, most businesses, which account for 70% of employment, are classified as micro, small, and medium enterprises. Agribusiness and farming activities make up most of these businesses, which have remained at this level for a long time. The result is stunted growth of these businesses and mobilization of more considerable capital. There is also an alarming segment of entrepreneurs in the formal sector, another characteristic of the Asian entrepreneurial situation. About 90% of the workforce in Asia is in the informal sector⁴⁷. The informal sector is characterized by ease of entry of small-scale operators, unregulated markets reliance on indigenous resources and outdated technology other features includes family ownership lack excess to credit self-employment and a small element of wage employment labour intensity and low production⁴⁸. The African capital, without the ability to use it properly, cannot achieve any improvement without mentors or partnerships. The result is an unimaginable crisis⁴⁹.

Mentors are needed to guide and monitor their progress when the financial resources are substantial. Entrepreneurship can be achieved with the help of role models. Additionally, role models are used in lectures for entrepreneurs—a national mentoring programme for small businesses (VMPXB). SMEs will be guided and linked to other business networks, processes, and procedures to avoid pitfalls and build a formidable business foundation through this programme, which aims to bring together successful businesspeople who desire to share their experiences with SMEs.

2.1.7 Importance of Microfinance Credit

The growth and development of SMEs are dependent on microfinance credit. Most SMEs can still not access microfinance credit, especially those from developing economies. In private and public sectors alike, it remains a critical issue. People with low incomes can obtain small-scale financial services through microfinance programs. Using loans, individuals in developing economies can increase their profits, expand their capacity, and become more financially successful. They are designed to foster sustainable economic empowerment and capacity-building. Microfinance programs have recently come under fire due to organisations' unregulated and irresponsible lending practices. The credit provided by microfinance significantly enhances financial performance because businesses with collateral can easily access credit for expansion through microfinance¹⁶.

A credible and effective instrument, microfinance credit, can improve the accessibility of finance for SMEs. SMEs can grow and perform better if they have access to sufficient credit. It is crucial to alleviate poverty in society by financing SMEs. Small and medium-sized enterprises play an important role in nation-building and granting them access to necessary facilities would bridge the gap between the rich and the poor¹⁸. Typical micro-finance activities include small loans for working capital, informal appraisals of borrowers and

investors, and certain savings products. Microfinance clients are typically self-employed, low-income entrepreneurs in both urban and rural areas. Small restaurants, businesses, hairdressers, tricycle operators, artisans, and cottage industries are typical clients. They generate cash flow and income from several different activities, often in combination⁵⁰.

2.1.8 Determinants of Financial Performance

There are various determinants of financial performance of a firm as explained below:

Growth of the Firm

Firm growth is determined by an increase in net assets, which is an essential determinant of a company's success. Firms are composed of several resources that enable them to take advantage of opportunities and achieve success⁵¹. A legal firm can grow unrestricted; the growth rate may be limited in the short run, but the firm's size is not limited.

Size of the Firm

Their size also influences commercial and service firms' financial performance. The company's size determines investment behaviour and financial management for SMEs⁵². Insiders and outsiders have a greater degree of information asymmetry in smaller firms. In addition, these firms also face higher costs in issuing new equity⁵³. A firm's size can be measured in a few ways. Sales turnover is one of the measures that can be used. The revenue from selling one's products (sales turnover) does not include the cost of sales. Employee count is one of the most straightforward ways to measure the size of a company. Depending on the size of the business, a person in business might need varying amounts of capital. In

contrast, a large enterprise will require much more capital to plan and finance its investments than a small business⁵⁴.

Age of the Firm

Age significantly influences an organization's financial performance it has been in business. With good relationships and trust, firms with extensive market experience can benefit from economies of scale from their suppliers and other stakeholders. Firms in such an environment are more likely to perform better than new firms. A firm may need to invest money before adjusting to the environment⁵⁵.

Liquidity of the Firm

The firm's liquidity is a crucial factor in determining its financial performance. Liquidity gap and liquidity ratios are two ways of measuring liquidity risk. Assets and liabilities are different at present and future dates when it comes to the liquidity gap. In addition to balance sheet ratios, liquidity ratios provide information on liquidity trends. A firm should ensure that appropriate, low-cost funding is readily available in a short time based on these ratios. It may be necessary to hold assets that can be immediately sold in cash reserves and minimum reserves or securities issued by the government⁵⁵.

Debt

Debt is a determinant of financial performance of SME's. Debt is funds borrowed from a financial institution at a certain percent of interest rates which should be paid within a specified period. It is appropriate for the firm to maintain a proper balance between debt and equity. The firm's leverage decisions centers on the allocation between debt and equity on financing a firm⁵⁶. The emphasis on long-term finance and on the potentially adverse consequences when it is in short supply is somewhat at odds with recent theoretical contributions that emphasize the fact that the use of short-term debt may be associated with

higher quality firms and may have better incentive properties. In particular, the possibility of premature liquidation may act as a discipline device that improves firms' performance⁵⁷.

2.1.8.1 Conceptualizing Small and Medium Scale Enterprises

SMEs have been providing the foundation for large businesses for decades. Different organisations and individuals interpret the term "small and medium" differently, meaning that an enterprise considered small and medium in one country may not be in another. Definitions within a country change over time as well. The various definitions utilise indicators such as total assets, size of labour employed, turnover values, and capital investment⁵⁸. The small-scale industries of the Federal Ministry of Industries defined *small scale* as "companies with capital (land, buildings, machines, equipment, and working capital) beginning at N60,000.00 and employing not more than 50 people" as far back as 1979. The Central Bank's monetary and credit guidelines regarded a small enterprise as one whose annual turnover does not exceed N6million, and capital does not exceed N10 million.

SMEs emerged into the development landscape in the late 1940s, and their primary purpose was to improve trade and industrialization in the presently developed nations⁵⁹. Small and medium-sized enterprises (SMEs) are defined differently in each country, depending on their role in the economy and policies or institutions empowered to develop SMEs. In developed economies such as Japan, Germany, and the United States of America (USA), maybe a small business, or in developing economies like Nigeria, perhaps a medium or large business. Additionally, agencies or developing institutions vary in their definitions of SMEs over time, depending on their policy focus. SMEs can be categorized according to several factors, including turnover, employees, profit, capital employed, access to financial services, and market share, among others.

An author contends that the “definition of small and medium scale enterprises varies according to context, author and countries”⁶⁰. In country such as USA, Britain and Canada small scale business is defined in terms of annual turnover and the number of paid employees³⁵. In Britain, for example, the term small business refers to a business with annual revenue of less than 2 million pounds or fewer than 200 employees. Japan conceptualizes it as an industry, paid-up capital, and the number of employees. The term "SMEs" refers to manufacturing companies with a paid-up capital of 100 million yen and 300 employees. Those in wholesale trade with 300million paid-up capital with 100 employees, while those in retail trade with 100million paid-up capital with 50 employee⁶¹. It is difficult to distinguish between different types of SMEs in Nigeria because there is no clear-cut definition.

Despite this, the Central Bank of Nigeria describes small-scale industries as those with an annual turnover of less than 500,000 Naira in its monetary policy circular No. 22 of 1988⁶². There are two types of definitions: quantitative and qualitative. The number of employees is a quantitative index that indicates the size of an enterprise in monetary terms, usually by expressing turnover, asset value, and profit⁶³. A small business has a turnover of less than £1.4 million; a medium-size business has a turnover of £1.4 to £5.7 million, and a significant company has a turnover above £5.7 million. Additionally, the report classified enterprises by their employee counts - those with fewer than 50 workers were small, those between 50 and 250 employees were medium, and those with more than 250 were significant. Likewise, the European Union (EU) defined *SMEs* in 1995 as businesses employing fewer than 250 employees.

In addition, it separated SMEs into micro (less than ten employees), small (from 10 to 49 employees) and midsize (from 50 to 249 employees). An author chronicled general criteria used to define SMEs in different countries more broadly and comprehensive way⁶⁴. Employee count, turnover, sales volume, financial stability, the autonomy of managers and

owners, and the relatively small market sizes are some of the factors that determine success. The European Union adopted a universal definition for SMEs in 2003 as companies with fewer than 250 employees due to these definitional differences and the lack of a universally accepted definition. Financial criteria require revenues not to exceed 50 million euros (measured by turnover) or 43 million euros (measured by balance sheet). Moreover, the European Commission stipulates the term of ownership, stating that SMEs must be independent and no more than 25% of them must be owned by outside entities⁵⁸.

According to a study on enterprise association, small to medium-sized businesses (SMEs) are those with 10 to 99 full-time or part-time employees or a fixed capital investment of \$1000 to \$500,000⁵⁸. An SME is not a transnational company, a multinational partnership, a publicly owned company, or a large facility. However, a significant business unit can depend on the business and ownership structure. Most small business financing comes from owners, friends, and families. However, a business form can take various forms, including private ownership, partnerships, contracts and subcontracts, cooperatives, or associations^{58,64}. SME operations are confined to a specific environment. However, they can spur economic growth and development where they are effectively run.

According to a researcher in Nigeria, the National Council of Industry, 2003 categorized enterprises based on three criteria⁶³:

Size	No. Of Employees	Total Cost Including Working Capital but Excluding Land
Micro	1-10	Less than 1 million naira
Small	11-35	1 million – less than 40 million naira
Medium	36-100	40 million – less than 200 million naira
Large	101 and above	200 million naira and above

Authors Compilation, 2022

It is, however, more common in Nigeria to use the asset base criterion. In its 2005 Small and Medium Enterprise Investment Scheme (SMEIS) guidelines, the Central Bank of Nigeria defined an SME as any company with assets up to 200 million nairas (excluding land and working capital) with no upper or lower limit on the number of employees. Using quantitative indices alone to define SMEs has proven unsatisfactory in many respects. Such indices are often misleading because they are subject to periodic inflationary changes. The CBN's definition of SME may not include the many microenterprises in Nigeria, which may fall under the category of small businesses. The fact that some enterprises may employ many workers is also misleading. In contrast, a capital-intensive company may have fewer employees but a large asset base.

The fact that both small and big firms can incur losses makes profit an unsuitable metric for categorising SMEs. For the reasons outlined, a qualitative definition based on predetermined SME characteristics is crucial. The SME sector comprises very different types of businesses across various economic sectors. There are two categories: growth-oriented and those small and micro enterprises that operate at the subsistence level to provide employment and income mainly for their owners and a relatively small number of external employees. Subsistence enterprises represent most SMEs in developing countries. On the other hand, the growth-oriented type is innovative type of businesses which usually operate in growing markets, as well as businesses that are efficiency-oriented and/or network-intensive, which tend to grow through acquisition.

2.1.9 Historical Development of Small and Medium Scale Enterprises

Plenty of evidence shows that small and medium-sized businesses and cottage industries dominated the economy of the world's giants before the late 19th century. This changed with

the industrial revolution and led to the introduction of mass production. SMEs assist in mobilizing human and capital resources for economic development in rural areas. They play a significant role in generating employment and providing entrepreneurial development, training, and empowerment opportunities. Developing nations such as Nigeria, which is characterized as a low-income country by the World Bank, place much value on SMEs. In general, SMEs generate relatively large amounts of socioeconomic development while achieving high productivity levels, including capital and factors combined (that is, total productivity factor).

In dynamic terms, the SME sector consists mainly of companies with considerable growth potential. Most of the productivity increases in developing countries result from taking advantage of the available technologies on the global market⁶⁶. Nigeria is still a country with great potential and a great deal of inertia. Many resources are abundant in the country, including human, agricultural, petroleum, gas, and substantial solid mineral resources⁶⁷. It has been through decades of political instability since it gained independence from British rule in 1960, creating a climate of social tension and an unpredictable business environment. Following successive military coups and indigenization policies in the late 70s, investors who viewed the country as a growing market have shied away. These governments are perceived to be corrupt, have policy instability, pay low salaries, and lack accountability for public funds. For these reasons, the World Bank described Nigeria as a paradox⁴⁸. Most Sub-Saharan African countries have also experienced declining or stagnating industrial production over the past few decades⁶⁸.

A research report states that Nigeria has spent enormous money from external funding institutions on entrepreneurship and small business development programs, with generally poor results. Unfortunately, these funds rarely reach the intended businesses due to bureaucratic bottlenecks and end up in the pockets of public office holders⁶⁹. It cannot be

overlooked that middle-class Nigerians own small businesses, often financed by individual savings, gifts, and loans and often sustained by profits. Various researchers have argued that countries that made economic breakthroughs in the last twenty years have proven beyond doubt that entrepreneurship had been the sine qua non of economic growth and development⁵⁸. SMEs are recognized worldwide for their significant contribution to development. A researcher noted that SMEs play a vital role in the economy of countries such as the USA, where giant corporations dominate⁵⁸.

SMEs play a significant and strategic role in economic growth and equitable development in all countries, according to the report of the Indian working group on science and technology for SMEs. Small and medium-sized enterprises make up as much as 90% of all businesses in most countries. Employment, investing and exporting contribute to national economies by driving innovation. Since the emergence of the Asian Tigers, worldwide interest has increased, particularly in developing countries striving to close the economic and development gap. According to Chinese and foreign experts, about 75% of people living in China's cities and towns are employed by SMEs⁵⁸. As a result of the steady transition from communism to the market economy, many workers have lost their jobs at state-owned enterprises.

According to a report, policy debates continue to focus on how SMEs can contribute to the development process in developing countries⁷⁰. As a result of the relevance of SMEs, the government of Taiwan launched 2006 a \$61 million "branding" initiative to push Taiwan's economy towards knowledge-based growth. According to a report in EE Times Asia in August 2006, the Taiwanese government launched a seven-year program called the "Branding Taiwan Plan" to assist small-to-medium-sized enterprises (SMEs) in establishing their brands. Especially in the medium term, SMEs can drive the economy. The initiative is fully aware of this fact. Small businesses employ 72,000,000 people⁵⁸. More than 90 per cent

of the industries in Indonesia, Philippines, Thailand, Hong Kong, Japan, Korea, India and Sri Lanka are small enterprises⁷¹.

2.1.10 Small and Medium Scale Enterprises versus Entrepreneurship

The term 'entrepreneurship' differs between small and medium enterprises (SMEs). A business venture is initiated, run and nurtured by entrepreneurs who demonstrate creativity, innovation, risk-taking, and organization skills. Entrepreneurship involves spotting opportunities, creating, or improving products, services, or technologies, taking risks, and reaping the rewards. An author, in his work, 'Entrepreneurship and Innovation', explained how entrepreneurship is different from SME⁷². According to a researcher, entrepreneurship is about innovation and creating something with added value⁷².

This invariably means that not every new or small business can be said to be entrepreneurial. Entrepreneurship requires a unique management approach. A training analysis of the work is used to design processes and tools, and products are developed and standardized. Additionally, the process involves developing new standards, controls, and a market and creating new customers. Entrepreneurs may start as small and medium enterprises and may not stay in these categories long. Some small business owners are entrepreneurs.

2.1.11 Small and Medium Scale Enterprises and the Nigerian Business Environment

Over the years, Nigeria's business environment has posed several complex economic challenges to developing viable SMEs. The Institute of Development Administrator of Nigeria has outlined some of these challenges⁷³. Nigerian SMEs still rely most heavily on informal sources of finance for funding. Examples include personal savings, borrowing from family and friends, and borrowing from credit unions. SMEs still cannot access conventional

financial institutions like commercial banks. Microfinance schemes and institutions, on the other hand, are still in their infancy and therefore cannot respond to the needs of people.

Second, the success of entrepreneurial ventures like SMEs has a lot to do with their abilities.

The SME operator must manage, organise, coordinate, lead, and communicate.

Having work experience in another company or receiving technical and managerial training helps develop creative and innovative abilities. In Nigeria, SMEs tend to be characterised by high failure rates due to a lack of managerial and entrepreneurial skills. There is also the issue of inadequate infrastructure and institutional support: Nigeria's SMEs face problems with unstable electricity, potable water, and feeder roads. Moreover, state institutions such as the Police, the Judiciary and others do not perform as well as they should in protecting the country's internal security and ensuring swift justice. Furthermore, intellectual property rights are not adequately protected. Moreover, the registration fees charged by some government agencies are still the same regardless of whether a small or large business has the resources. The minimum opening deposit for a corporate account is the same regardless of the firm's size.

Fourthly, the Nigerian business environment is shaky and unreliable due to incessant political conflict, ethnoreligious conflict, and corruption within the public service. In addition to the above, loose fiscal and monetary policies, multiple taxation regimes, poor implementation of high-interest rates, and volatile exchange rates. Due to these factors, the economy has been weakened and exposed to the vagaries of global capitalism. As a result, the country has become overly dependent on foreign technologies, values, and products. SMEs, become significant victims of these conditions, and their ability to compete declines and even the business's survival becomes a struggle. Aside from the challenges outlined above, SMEs in Nigeria also face challenges indirectly related to entrepreneurship, as SMEs directly affect entrepreneurship. Because of poor entrepreneurial spirit, many SMEs are unable to expand.

Unlike in the United States, many Nigerians are not in business because they love it but to survive. Their businesses fail to grow beyond their subsistence level due to their lack of basic management skills. As a result, they become less competitive in the global market. The Nigerian economic system is known for producing contractor parasites who swindle government jobs and intermediaries who thrive in the informal sector. A common misconception is that entrepreneurship uses superstitious and supernatural means rather than strategic management. A lack of entrepreneurial education is the cause of all these problems, according to researchers⁷⁴. Additionally, the organic economic development process emphasises the need to educate young people in fields designed to enhance their job prospects, such as science, engineering, and technology⁷⁵.

It is essential to support the entrepreneurship potential of the country and boost its economy. Those with the right enabling environment to migrate to countries where they can work effectively. These so-called successful African diasporas contributed significantly to the economic development of these countries, resulting in the continuing decline of native African entrepreneurs on the continent. The prevailing political, economic, ethical, and infrastructure environment discourages them from spreading their talent, knowledge, and experience to the next generation and makes them merely state employees, supplying raw materials for export and importing finished products from Western countries. There was a longstanding belief that this was detrimental to African economic development⁷⁵.

2.1.12 Economic Implications of SME Development: The Case of Nigeria

For many countries, SMEs are a significant contributor to employment growth. SME production contributes significantly to these countries' Gross Domestic Product (GDP) growth, while larger enterprises tend to have a less significant role³. For example, the OECD economies are dominated by SMEs and microenterprises. Their share of firms, employment,

GDP, and new jobs is over 95%. The situation is similar when it comes to developing economies. Moroccan SMEs, for instance, produce 93 percent of production, invest 33 percent, export 30 percent, and employ 46 percent.

Bangladesh accounts for 58% of its employment, and 99% of its firms have less than 100 employees. 55% of all Ecuadorian jobs are held by private firms, with 99% employing fewer than 50 people. In the case of Nigeria, well-managed and healthy SMEs constitute significant sources of employment opportunities and wealth creation. The government generates income and employment from taxes generated by its citizens. Taxes play an essential role in the stability of a society. Some SMEs and micro-businesses operate in the informal sector, and their size varies from 4-6% in developed economies to over 50% in developing economies. There is a significant correlation between a country's income level and the number of small and medium-sized enterprises per 1,000 people⁷⁶.

SME sector health correlates with fewer black market or informal activities. As a result, it is essential to reduce the number of informal businesses in Nigeria by managing the SME sector. SMEs are the foundation for industrialisation. The chief input suppliers to larger firms possess extensive knowledge about resources, demand, and supply trends. In addition to being the primary clients of large firms, they also provide food, clothing, recreation, entertainment, healthcare, and educational services. Through primary and intermediate production, they help economic development. Larger companies can also get their materials from them. Furthermore, they offer specialised, personal services. In summary, SMEs constitute important sources of local supply and service provision to more giant corporations. With the help of SMEs, large corporations can access new customer bases not available through their traditional distribution channels.

For large corporations, developing countries represent a vast untapped market. In addition, SMEs are crucial sources of innovation. Their competitive strategies distinguish them from

other firms by occupying specialized market "niches" and adopting specialized marketing approaches, developing new and untapped markets, reengineering products or services to meet market demands, or exploring the innovative distribution and sales techniques. Large corporations often find them to be good partners because of this. Emerging economies represent a significant market for credit, particularly in sub-Saharan Africa, where only 4 percent of Africans have bank accounts, according to the United Nations Capital Development Fund (UNCDF).

According to research United Nations Conference on Trade and Development, local financial institutions successfully serving the SME market in developed countries have found it highly profitable. Large international banking groups are beginning to tap into these markets⁷⁷. Barclays Bank, for instance, employs 41,000 people in its African operations, has 8 million customers, and is present in 12 African countries. The continent contributes 13% of the company's profits. Barclays has worked to integrate SMEs into its operations. Many large companies rely on local companies as crucial elements of their value chain to localise value creation. In addition, SMEs contribute to developing local technologies and mobilising and utilising local savings. Thus, increases in SME efficiency can also improve the competitiveness of larger firms that depend on SME suppliers and improve the competitive position of a country's economy.

As a rule, SMEs employ more workers, and capital requirements are lower than those of larger companies. Consequently, many individuals can take part in them and, as a consequence, contribute to industrial development. In addition, SMEs are flexible in their management approaches and can adapt to changing market conditions much more quickly than giant corporations in similar industries. These days, with an increased emphasis on a private-sector-driven economy, SMEs can serve as engines of growth and diversification for the private sector. Many SMEs have a strong sense of entrepreneurial spirit due to the

development of several small and private enterprises and the intense market competition associated with it. This will, in turn, have a significant impact on economic development.

Since entrepreneurship promotes continuous innovation and the commercialization of new thinking and technology, it is crucial for economic growth and social change. Entrepreneurs are constantly seeking out new avenues for business growth. Competition keeps them on top of their game. The role of a change agent is to transform resources into products and services that are more useful and valuable. Economic growth and development are enormously affected by all of these. Human and environmental development, as well as the much-needed global economic and socio-political stability, are threatened by poverty⁷⁸. Nonetheless, inclusive economic growth, including the growth of SMEs, is a key to alleviating poverty. In the opinion of an author, development is primarily aimed at expanding people's choices and promoting an environment where people can enjoy a higher quality of life⁷⁹.

SMEs can contribute to economic growth by improving their performance and sustainability. In developing countries, subsistence enterprises represent most SMEs. *Most small businesses* are micro-enterprises mainly run by family members and close relatives. The microenterprise sector makes up more than 90% of all businesses outside of agriculture. The Nigerian government can reduce poverty significantly through the development of SMEs. Through economic growth, job creation, and income generation, poverty can be reduced directly. In addition, SMEs are often interested in community development. Having a local workforce is crucial to their success.

Residents are provided with goods and services suitable to their needs at an affordable cost. An essential source of employment in emerging economies is the unskilled workforce, especially women and young people. Due to their flat management structures, their employees are less likely to be unemployed during recessions. They can adjust to local market fluctuations and shocks better because of their small size and flexibility. Migration to

urban centres is often reduced if well established in rural areas, thus reducing excessive pressure on urban infrastructure.

2.1.13 Building a Formidable Small and Medium Scale Enterprises in Nigeria

SME success depends on favourable institutional frameworks. Unfortunately, policymakers and legislators tend to ignore their needs in favour of large corporations. Incentives for businesses are generally ignored as well. Despite the significant burden and cost of bureaucracy, they suffer more than big companies⁸⁰. A few SMEs are equipped with the necessary financial or human resources. Through inclusive reforms, the government can support these firms. Regulatory burdens can be achieved by creating the necessary enabling frameworks. They can also simplify business registration procedures and paperwork to make them cheaper, simpler, and faster. Reform increases the reach of regulations by bringing businesses and employees into the formal sector⁸⁰.

A similar report concludes that the easier it is for a country to do business, the more formal jobs appear because the benefits of formalization (such as better access to credit and better utility services) easily outweigh the costs (such as taxes)." One of the most important things to do is crackdown on corruption.

Providing Financial and Tax Incentives: Governments must provide incentives for SMEs to enter the formal economy, such as tax incentives and subsidies and provisions for startup funds.

Encouraging Friendly Regulatory Environments: Developing an investor-friendly environment and promoting public-private partnerships are critical to attracting venture capital funds and increasing investment levels. Investments and infrastructure of large corporations and potential investors must be protected.

Involving Business in Identifying Necessary Reforms: Change decisions are increasingly being taken with the business voice in mind. The private sector is now involved in identifying the most critical reforms in several countries, such as Mali and Mozambique. There is a gradual disappearance of the bureaucracy telling bureaucrats what is good for business.

Export Potential: Most industrialized East Asian economies, such as China and India, have a high percentage of SMEs contributing to their exports: 31-56%, while less developed African economies, such as Tanzania and Malawi, have a share of less than 1%. To promote economic growth and development, SMEs should focus on policies that will increase their export potential.

Governments can contribute to building a solid and reliable SME sector, but large corporations can also do so by

1. **Building Supply Chain Capacity:** The training provided by large corporations to small businesses in areas such as management, bookkeeping, business planning, marketing, distribution, and quality control can be helpful to small businesses. They can assist through infrastructure investment, technology transfer, and knowledge sharing. SMEs benefit from these practices because they increase their competitiveness and ease access to credit. Large corporations' benefit from a more efficient, inclusive supply chain⁸⁰.
2. **Rationalizing Procurement Procedures:** By building relationships with SMEs, large corporations can cut out the intermediaries. Consequently, delivery times are shortened, and quality is increased. Global companies often use mediators to identify local suppliers. In this way, the original supplier incurs an additional cost, which is rarely beneficial⁷³.
3. **Strengthening Local Distribution Networks:** In addition to having local knowledge, SMEs possess a deep understanding of domestic consumer demands and can access

remote areas⁷⁹. Large corporations can contribute to the success of local SMEs by contracting with them to sell and distribute their products in these markets. Moreover, they can create new markets and strengthen their distribution networks simultaneously.

4. **Improving Standards:** Global companies often inquire about their suppliers' operations, allowing them to provide transparency in the supply chain. Large corporations can help their SME suppliers to comply with international standards such as ISO 14001. In addition to improving the overall quality of suppliers to large corporations, such compliance can enable SMEs to compete in international markets⁷⁵.
5. **Improving Environmental Performance:** Collectively SMEs have considerable environmental impact. However, given the various challenges with which they are confronted, and the perception that their individual impact is not significant, it is unlikely that environmental concerns will figure high on their business agenda. By engaging with SMEs, assisting them with capacity building, and aiding them with compliance, particularly with environmental standards, large corporations can help SMEs integrate sustainable development thinking into their production processes and operations⁷¹.
6. **Providing Access to Financial Services:** SMEs require greater access to financial services and investment capital. Large corporations have little difficulty securing sizeable bank loans and private investments. At the same time, microfinance, consisting of very small loans, tends to benefit individual entrepreneurs. SMEs fall in between and often struggle to obtain credit and loans, so that personal savings forms the major source of funding for most of them throughout much of the developing world. Many financial institutions in these developing societies are reluctant to fund SMEs because of perceived risks, high transaction costs and similar challenges. Thus,

loans to SMEs, when they can obtain them, tend to carry higher interest rates and shorter pay-back times. However, things may be changing. Many large banks are now partnering with development agencies and NGOs to serve the SME market⁷².

2.1.14 Problems Impeding the Development of SMEs in Nigeria

There is widespread knowledge that SMEs face structural difficulties, problems, or limitations and can promote economic growth and development if faced with them. The following are some of the primary challenges facing SMEs in Nigeria:

Inadequate Funding

The personal savings of their owners generally fund SMEs. The high poverty level in Nigeria and other Less Developed Countries, and consequently the low level of savings, make this funding source inactive for establishing, growing, and developing new and existing SMEs. Perhaps therefore so many small and medium-sized businesses in Nigeria start with insufficient funding and then prepare to shut down if they do not receive external funds from the government or financial institution. An author argues that small business owners' unpreparedness in terms of capital before starting their businesses contributes to their untimely failure⁸¹.

Nigerian SMEs are usually poor in the capital, resulting in their inability to raise capital on the capital market due to the requirements for registering as a Limited Liability Company, which is quite restrictive⁸². SMEs face difficulties getting credit from banks and other financial institutions because of insufficient collateral. In addition to not being able to access banks and established schemes like SMIEIS, NEPAD, ACA, and AGOA, SMEs are also unable to raise the necessary equity contribution (a maximum of N500 million, exclusive of land and working capital), which is very high. There is also the issue of an inadequately prepared proposal, a preliminary feasibility study, and an inadequate succession plan in case

the business owner leaves the company⁸³. According to this study, financing is the most inhibiting factor for SMEs' growth and survival, contributing to Nigeria's economic growth in goods and services produced.

Inadequate Infrastructural Facilities

SMEs in Nigeria has long been hindered by inefficient and costly communication systems, crumbling roads, unstable and unreliable electricity supplies and deteriorating infrastructure, among others. As an alternative power supply source, almost every SME operating in Nigeria operates a power generating plant. These plants are often expensive to acquire, maintain, sustain, and manage. The result is a rise in production costs and higher prices for products, which are becoming increasingly uncompetitive compared to imported versions. Nigeria's manufacturing and processing industry costs between 5% and 20% to set up basic infrastructural amenities⁸⁴. This cost will be significantly higher today, considering the rapid inflation rate in the economy.

Low-Capacity Utilisation

The poor quality and exorbitant prices of SME products continuously impede the demand for these products. The result has been poor returns on investment due to low sales and profits. Most of the Nigerian SMEs operated between 30% and 35% of their capacity between 1995 and 1996 with little increase in sales and profits⁸⁵. In the manufacturing sector, low-capacity utilisation is directly correlated to poor power supply and lack of adequate infrastructure.

Poor Planning and Management

Plan, coordinate, organise, and control an organisation's human and natural resources to attain its objectives⁸⁶. People are therefore involved in the process of achieving objectives appropriately and efficiently. An analysis of small businesses operating in low-income

countries revealed that owners often work alone without consulting professionals. As a result, the organisation has been incompetent, inefficient, and wasteful of resources, with management requiring planning⁸⁷. Most SMEs start businesses without the proper feasibility study on the project or business⁸⁸. A lack of relevant and appropriate information or data relating to proposed business ventures has been cited as one of Nigeria's real estate planning and management problems.

Poor Education and Experience

SMEs face several problems related to poor planning and management and poor business skills in Nigeria⁸⁹. Due to these reasons, emerging new issues needs pioneering, innovative, dynamic, vibrant, and entrepreneurship skills. A nation's wealth is therefore rooted in its human resources. A nation's wealth is determined mainly by its human resources. Natural resources and capital are inert factors of production. Human being is the active agent responsible for accumulating capital, exploiting natural resources, and establishing a society, economy, and political organisation that propels national development⁹⁰. Without a doubt, a country that cannot build the skills and knowledge of its citizens and use them effectively in the economy can never develop anything else. Formal education is the only way to build and develop the human skills, expertise, and competence required for the growth and development of SMEs in Nigeria and other less developed countries⁹¹.

Raw Material Management and Choice of Appropriate Technology

These are fundamental for growing and developing any large or small business. Concerning small enterprises, the main problem is the lack of superior raw materials and their organisation at the right time and price⁹². The bulk of these products is imported rather than produced in Nigeria. The nonexistence of uniformity or standardisation in domestic or locally

made goods is another general assessment of them. If the raw material quality varies from article to article, classification, categorisation, cataloguing, and comparison are not possible or practicable. The procurement, maintenance, conservation, and storage of materials present a challenge to SMEs in agro-allied industries.

In addition, appropriate expertise and technical knowledge must be selected to produce superior quality and common goods that can compete with international counterparts and meet domestic and foreign needs⁹³. It is difficult for most SMEs to market, advertise, and sell their products. Market size and availability are significant factors affecting their expansion. A significant setback is the inability to locate such multi-store outlets locally and internationally. Due to the cost of advertising, promotion, branding, and canvassing, their low-quality output and inadequate marketing skills.

Inadequate Conducive and Enabling Environment

In addition to being inconsistent, the fiscal and monetary policies adopted by the Federal Government of Nigeria are unpredictable and conflicting⁹⁴. As a result, Nigeria is becoming a dumping ground for products from foreign countries, resulting in numerous problems for domestic investors. In most cases, this is due to state and local government agencies imposing unlawful taxes (enterprise development tax, registration tax, business premise tax, sanitation fees, signboard fees, and stickers). Consequently, SMEs in Nigeria face high operational costs and unfavourable business environments.

2.1.15 Financial Sector's Efforts towards Promoting SMEs

Nigeria has an extensive financial sector. The Banker's Committee in Nigeria intervened on 19th June 2001 with the Small and Medium Industries Equity Investment Scheme (SMIEIS) scheme. In their view, this was in response to the concerns of the former president of Nigeria

(Olusegun Obasanjo) and policy measures to promote the industrialization of SMEs along with economic development and job creation. Nigerian banks were required to save 10% of their profit before tax (PBT) for equity investments in SMEs as part of the scheme. In addition to helping start-up new feasible small businesses, the scheme aims to develop domestic technology, encourage entrepreneurship among indigenous people, and create employment opportunities.

Bankers Committee may make the fund available for projects in the real sector of the Nigerian economy, which include agriculture, information technology, telecommunication, manufacturing, educational establishment, services (directly associated with manufacturing in the real sector or to improve production) tourism and construction. In addition to any other activity, the Committee decides from time to time. As per a single source, in order to be eligible for the scheme, an enterprise must be involved in any of the activities mentioned above, have a minimum asset base of N200million apart from land and working capital, and have several employees for the firm not less than ten and not more than 300⁹⁴. Companies and Allied Matters Act (1990), such as filing annual reports and audited financial statements, stipulate that the enterprise must be registered as a limited liability company.

In addition, the enterprise must act in accordance with all relevant tax laws and regulations and provide returns to the appropriate authorities. Investments must be exited within three years. Approximately 80 banks had put aside about N13.07 billion by February 2003, with 28 banks investing around N2.87 billion on 67 investments in 47 SMEs⁹⁵. The scheme has been investing over N43 billion since 2006, with 10% and 30% of investments respectively⁵⁸. Analysts note that this trend goes against the scheme's purpose, quenching the initial interest it prompted in the first place. The highest rate is 30%, according to the committee. Although many banks have claimed to have significantly benefited the SME sector, a glance at the records clearly shows them to have imposed severe conditions that make it extraordinarily

difficult for SMEs to access their funds⁹⁶. One of the 21 banks with massive funds for SMEs is First Bank, with a payout of 65.54% of N3 billion set aside for SMEs in the previous financial year ended March 2005.

As a result, most other banks have been unwilling to participate, resulting in its collapse. SMEs in Nigeria were interviewed in 2005, and most agreed that the biggest challenge to operating a business in Nigeria is the high cost of capital⁹⁷. The SMIEIS, they assert, are mere idle fantasies since obtaining funds from banks to finance SMEs is like passing a camel through the eye of a needle. Analysts have accused the project's founders of failing to consider the Nigerian society's artistic nature and environment. Managing Director and Chief Executive Officer of Spring Bank Plc, Mike Chukwu, said the SMIEIS is different from most other SME financing arrangements because it is an equity fund. Consequently, there are environmental, racial, cultural, and social concerns.

In addition, the bank's message to entrepreneurs is to let our bank become part of the company ownership. Well-established companies often have cultural problems that affect their owners. In Nigeria, most business owners are sole proprietors. Co-ownership constitutes a better business model. Continuing education is necessary to educate the public about co-ownership's benefits. Some bank executives have been misleading SMEs since the bank consolidation program was completed by claiming that the emergence of megabanks makes it harder to lend and advance money, illustrating their lack of support for the goals of SMIEIS. This issue should be investigated by the Banker's Committee when they meet next.

2.1.16 Roles of SMEs in Nigeria's Economic Growth and Development

The conclusion has been drawn on SMEs is that if sufficiently financed and developed, they can contribute to rural development and economic growth⁹³. Likely, these roles and functions

do not differ noticeably in Nigeria, apart from differences in scope and input. Macroeconomic policymakers and economic planners in the nation perform these functions to varying degrees and degrees of readiness. The role played by SMEs throughout the world has yet to be accurately assessed based on sufficient information. Although inadequate analytical statistics provide some insights into their contribution to economic growth, findings from previous studies can provide some information, as can authorised journals, periodicals, magazines, and newspapers. A CBN report states that since the 1970s, the Less Developed Countries have become increasingly interested in supporting the growth and development of SMEs for three reasons:

1. Previous industrial policies have not successfully created self-sustained growth.
2. SMEs are increasingly promoting self-reliance as a means for economic growth and development.
3. A more significant concern is reducing rural-urban migration and urban-rural investment disparities.

Researchers predict that the rapid growth of SMEs will contribute significantly to a wide range of development objectives, including rural development, efficient use of local resources, employment generation, development of domestic technology, mobilising local funds for investments, and human resource development. Of the functions of local entrepreneurs and equitable distribution of income⁹⁸. In a nation's industrialisation phase, it is common knowledge that the organisation of firms and industries around SMEs is a transitional phase. That is an intermediate phase between the prevalence of SMEs in large-scale industries.

If this is the case, it must follow that once a definite stage of industrial growth and development has been attained, the comparative significance of SMEs undertaking would reduce. Even in highly industrialised economies, SMEs have performed essential functions

and continue to do so. As a result of the following factors, according to a CBN report from 2006, SMEs are vital for universal economic growth and development.

1. To create considerable indigenous entrepreneurship.
2. To ease efficient mobilisation of domestic resources such as domestic raw materials, capital, labour and technology.
3. To decrease regional differences, brain drain, as well as rural-urban migration.

More importantly, it is argued that the growth and development of SMEs will contribute to achieving economic independence, growth, and development, which will significantly affect rural development⁹⁶. As a result of macroeconomic policy makers' increasing favouritism for urban areas at the expense of rural areas, many less developed countries in Africa have tended to have a dualistic structure in the past. SMEs are expected to be primarily located in rural areas near their raw materials to promote decentralisation and growth and prevent urban migration and the resulting challenges of urban overcrowding. A study on SMEs in Nigeria conducted by a researcher shows that most SMEs are in commercial cities, with service and distribution businesses dominating⁹⁹. Certain factors within a particular sector of the economy may contribute to the prevalence of SMEs within that sector. These factors include:

1. Minimum technology is necessary for that enterprise.
2. Would-be entrepreneurs are unaware of the managerial knowledge and experience they need.
3. Low capital resources are needed for establishing such a business venture⁵⁸.

2.1.17 Contextualizing Main Sources of Financing SMES in Nigeria

One cannot overemphasize the importance of business organization. Financing for small businesses is challenging, particularly for SMEs. To meet their asset expansion needs, they must obtain funds from every source available. A researcher reported that government

policies in Nigeria favour the formal sector over the informal sector³⁵. Several informal financial institutions, including money lenders, landlords, credit and savings cooperative societies, friends and relatives, and formal financial institutions, such as commercial banks, merchant banks, development banks, and insurance companies, are significantly disadvantageous to SMEs in Nigeria.

The banking industry's core is the commercial bank, but merchant and development banks also provide formal sources of finance to SMEs. In addition to collecting and securing deposits, banks provide credit to the economy and facilitate payments and transfer funds. Financial institutions have failed to perform their financial intermediation function for several reasons¹⁰⁰:

1. Insufficient investments in building and securing the national savings base
2. impeded by bureaucratic barriers to financing small and medium-sized enterprises
3. due to an inability to establish positive relationships between lenders and borrowers
4. there is no risk-sharing

They are responsible for reducing the gap between supply (the money deposited and available for investment) and demand (the money needed for investment) between idle money and productive investment¹⁰¹. Alternatively, banks provide loans in the form of term loans or overdrafts. Generally, overdrafts are designed to provide temporary working capital for a short period and should not be used for long-term investments. A study conducted by an author found that 68.82 percent of SMIEIS fund investments were directed towards real estate, while only 31.18 percent went to service-related investments⁹⁵.

There is a sharp reversal of the initial trend recorded under the scheme. As per the bankers' committee, 60, 30, and 10 percent of banks' funds will go to the core sector, services and microenterprises, respectively. In an analysis of the geographical composition of the SMIEIS fund, an author reports that Lagos is home to 56.63 percent of the fund's assets. According to

an expert, venture capitalists prefer stable enterprises snowballing as opposed to startups and survivors¹⁰². Despite this, methods of financing remain crucial to SMEs' success.

2.1.18 Financing Options of SMEs in Nigeria

For SMEs, debt and equity are the primary sources of financing. Firms' capital structures reflect their long-term funds' sources, including long-term debt-debentures, preference shares, and equity. It is more likely to be plausible to take advantage of lower cost borrowed funds if there is a high return on investment. A combination of external and owner funds earns a much higher return than the external fund. A practical intermediate perspective is offered here, in addition to two opposing theoretical viewpoints. As leverage is a significant variable that benefits an operating business firm, the net income approach accepts it as a continuous variable. Therefore, it assumes that financial decisions have an essential effect on a firm's value.

Alternatively, the net operating income school assumes that the costs of equity increase linearly with leverage. Therefore, the firm's valuation is not affected by the financing decision. Modigliani and Miller (MM) are well-known for this approach. A debt-financed firm is rare in the business world, but it is possible to have an all-equity company. As leverage increases, the cost of capital declines until there is a point at which the firm's value will be maximal. Equity (owner's capital) is essential to the financial structure composition. Smaller firms often struggle to market long-term debt and equity issues. Larger firms have more potential financing media. Accordingly, size may be necessary for three reasons: (i) determining access to the capital market; (ii) impacting a firm's credit rating; and (iii) impacting the cost of borrowing. The formal sector mainly consists of large firms, whereas small-scale enterprises dominate the informal sector.

2.1.18.1 Debt Sources of Finance

A business's debt (formal and informal) is money borrowed from external sources and a debt instrument with a maturity date when the capital is to be repaid together with interest. There are several traditional sources of debt financing for SMEs in Nigeria, including those offered by commercial and development banks; national agencies established to assist SMEs, such as Export Stimulation Loans (ESL) of the Central Bank of Nigeria, the National Directorate of Employment (NDE), National Poverty Eradication Programme (NAPEP) and cooperative credit societies. As a whole, -enterprises are considered more indigenous and informal than SMEs and thus may not be able to access traditional funding sources. SMEs rely more on informal debt sources than formal sources, such as friends, clubs, esusu and money lenders, which may account for over 60% of total owners' capital¹⁰³.

2.1.18.2 Owner's Capital / Equity Sources of Finance

Equity refers to an owner's investment in the business as capital. The ability to retain profits through an operation may increase an owner's equity capital. Take-off capital is essential for meeting capital and pre-operational expenses. According to finance theory, external funds should only be borrowed by profitable businesses with a higher rate of return on investment. This unexpected situation exposed the company to high financial risks, high-interest payments, and other strains as borrowed funds were neither the bulk of the initial capital nor a sizable percentage of the total capital. Therefore, the current situation, where minimum amounts of capital are owned by businesses, especially industrial enterprises, causing them to rely mostly on external funding sources, is unsatisfactory.

Additionally, promoters' challenges have been aggravated by investors' scepticism about the viability of such businesses due to their high credit risk. Due to the expansion of SMEs, their

assets are spread over a wider area, causing their capital requirements to exceed the entrepreneur's resources. A viable option might then be to borrow funds from external sources. As the business develops, it can meet the demands of external funding sources and fulfil its obligations. It may remain a mirage that external fund providers display altruistic behaviour. For developing countries, including Nigeria, SMEs will have the most significant impact if existing equity sources are improved or alternative equity sources that can adapt to the informal "culture".

2.1.18.3 Funds from Specialized Financial Institution

Government efforts at improving SME capital bases through creating specialized financial institutions and specific directives from these firms, as well as the Central Bank of Nigeria (CBN), should be recognized. Nongovernmental organizations (NGOs) also finance the informal sector, especially SMEs. Recent initiatives by the government include:

1. In 2001, the former NIDB was transformed into the Bank of Industry (BOI), and the National Economic Reconstruction Fund (NERFUND) was merged with the new institution.
2. As part of government efforts to address the financing needs of micro-entrepreneurs, the Federal Government launched a microfinance policy in December 2005.
3. The government recognized the need to improve the equity capital of SMEs by establishing the SMEEIS in 2001. With SMEEIS, it is possible to access a cheap source of funds. Participating banks pool their funds to accomplish the following objectives:
 4. They facilitate the flow of funds to establish new and viable small and medium industrial (SMI) projects.

5. It stimulates economic growth through local technology development for capable and suitable Nigerians.
6. It creates jobs.
7. Entrepreneurs' burden of interest and other financial charges is eliminated or reduced.
8. The organization provides financial, advisory, technical, and managerial support.
9. Consulting with the entrepreneurs; and
10. By promoting output growth, income redistribution, and productivity of intermediate goods, inter-and intra-industrial connections can be strengthened.

In Nigeria, SMEs face a dearth of long-term finances. Through the scheme, this issue will be addressed. The scheme will take advantage of commercial banks' 10 percent profit before tax to fund SMEs, not in the trading sector, which will be used to jump-start the real sector of the economy. The scheme covered the sectors of agro-allied, information and telecommunications, manufacturing, education, tourism, solid minerals, and construction. According to the agreement, a firm can qualify for equity funding if it registers with the Corporate Affairs Commission and complies with all the Companies as Allied Matter Act (1990) provisions and tax laws and regulations. In equity investments, participating banks can invest in eligible industries. Equity investments may form new cash injections and debt conversion from participating banks. Aside from the scheme arrangement, eligible firms could also get loans from banks and equity investments outside of it.

2.1.18.4 Finance from Venture Capitalist

Venture capitalists provide financing for start-ups, expansions of existing companies, and bailouts for struggling businesses. Investing in a company through venture capital can involve the venture capitalist acquiring an equity stake in the company. A venture capital investment is not secured, thereby exposing it to high risks of business failure, just like any

other investor. By selling their investments or gaining floatation on the stock market, venture capitalists can contribute to a company's success. Venture capitalists enjoy the right to manage projects/businesses and be involved in the company's business decisions. In venture capital and SMEEIS, redemption rights are often exercised by reacquiring shares. There is also the option of phasing in redemption. Another is through a planned or phased exit or by listing on a stock exchange over a while.

A business angel is another financing method which involves a successful business mogul mentoring a prospective entrepreneur in the area of his or her business interest. Due to monetizing the (original) idea or patent, business angel financing benefits both parties. After the business is floated on the stock exchange, the capital provider reaps the benefits of capital gains. Conversely, the business reaps the benefits of exit options. By and large, it appears that the banking sector underserves the needs of SMEs, even though it is the largest and most important source of external financing. SMEs have alternative sources of financing. A study found that small businesses borrow from sources other than banks, such as internal funds (savings, retained earnings, family network) since they cannot produce the collateral required by commercial banks^{104,105}. In ASEAN countries, the informal sector is SMEs' primary source of credit.

Approximately 70-80% of the funds SMEs need in Viet Nam come from the informal sector, compared to 20-30% from the formal sector. In Cambodia and Lao PDR, family and friends are the primary funding source because they provide the cheapest funds compared to banks and money lenders. The latter, not licensed entities, charge an exorbitant rate of up to 20% per cent monthly for unsecured loans¹⁰⁶. The organization of small business owners into cooperatives, known as "Esusu" in Nigeria, is common practice. In most cases, Esusu members contribute a fixed amount daily, weekly, or monthly for their business or personal projects to be pulled and collected¹⁰⁷.

Research shows that bank overdrafts and short-term loans are the predominant credit options for SMEs in Nigeria (asset-based loans)¹⁰⁸. Overdrafts are used by almost every company to navigate through their business cycles¹⁰⁹. There are three reasons why banks prefer overdrafts and short-term loans: (i) they can easily be rolled over, (ii) they are quickly repaid, and (iii) they are fully collateralized. Long-term investments are always financed by overdrafts, which must be fully collateralized. Furthermore, like short-term bank loans, their average interest rate is 23.5 percent. Most firms pay over 5% more interest on overdrafts than micro firms. Thus, the differential in interest rates reflects the risk premium, not merely the cost of administering small loans¹¹⁰. The report indicates that access to these short-term loans and overdrafts is severely limited¹¹¹.

Approximately 70 percent of respondents in a survey conducted in Nigeria by USAID (2005) were required to place collateral in the form of land (48%), buildings (31%), fixed assets, such as machinery (35%) and other assets (8%)¹¹². Many Nigerian SMEs rely on trade credit for external financing. Suppliers and customers may grant this type of credit to companies. Due to a lack of confidence in the legal system, trade credit is extended only to the most valued and trusted customers¹¹⁰. Conversely, trade financing/credit is more prevalent in the ASEAN and Japan 106'113. 10-14 percent of ASEAN financial institutions offer trade financing. In countries with weak lending infrastructure¹¹⁴. Reports indicate that firms support their growth in China, a country with a relatively underdeveloped formal financial sector, by utilizing credit financing¹¹⁵.

A researcher posits that trade credit will work well for funding opaque informational SMEs¹¹⁴. Furthermore, industrial growth rates in countries with weaker financial institutions tend to be associated with a greater dependency on trade credit financing¹¹⁶. It also agrees with a survey in which 75-80% of Nigerian respondents reported giving or/ receiving trade credit¹¹⁰. Trade credit is a profitable lending technology with an annual interest rate of about 12-24%. Still,

because suppliers and companies do not give trade credit to their clients, one major fear is the distrust of the legal and judiciary system.

In the global market, leasing is another service widely used by SMEs, although the absence of leasing laws constrains its development in Nigeria¹¹⁷. Leases are loans on fixed assets, also known as "ijarah" in the Islamic banking system¹¹⁸. Financial institutions in Australia use two types of *Ijarah* contracts¹¹⁹. *Ijarah*, or valid lease, refers to an exchange transaction in which a known benefit arising from a specified asset is extended in exchange for a payment, but the asset is not transferred. In addition, there is the *ijarah wa iqtima* (higher purchasing or leasing and owning). Leases of this nature result in the lessee's economical use and ownership from a higher purchase. Leases have great potential to address the shortage of medium to long-term finance in Nigeria, especially for SMEs, but the industry is still underdeveloped¹¹⁰.

This is also the same in China where leasing companies and other non-financial companies' total asset account for around 1 percent of all financial sector assets⁷⁶. Although leasing can reduce risk effectively for credit institutions, but their growth is majorly hampered by various factors, including the lack of a coherent legal framework for leasing transactions; widespread problems of contract enforcement; difficulties in repossessing lease equipment from defaulters, and a lack of domestic long-term funds to finance leasing^{110'117}.

2.2 Theoretical Review

2.2.1 Credit Access Theory

An author postulated the credit theory, and they provided a framework for analyzing financial market inefficiencies²⁶. Developing countries' financial markets suffer from information asymmetry. It is not just the interest they receive on loans that motivate financial institutions to lend to economic agents, but also the risks that come with them. In general, banks screen

and monitor borrowers better than other investors. Their expertise lies in gathering private information and managing it. Banks can access highly strategic information on firms' receipts and expenditures and how firms develop through managing their money and deposit accounts⁵⁷. The relationship between banks and firms, however, is not perfect. Information asymmetries exist among banks, preventing the evolution of prices (interest rates) from clearing the credit market.

Finally, non-walrasian equilibrium arises with a fringe of unsatisfied agents⁵¹. According to one report, banks still ration credit if they require collateral²⁶. In general, low-risk borrowers expect a lower return on their investments. Therefore, they are less wealthy than high-risk borrowers on average after a specific time. Thus, mortgage borrowers who are low risk cannot offer higher collateral. The same effect as an increase in interest rates may result from increasing collateral requirements. In contrast, an author argues that banks offer loans only if interest rates and collateral requirements are adjusted simultaneously¹²⁰. A combination of interest rates and collateral requirements always prevents credit rationing¹²¹.

The most exciting form of credit rationing, according to this theory, is equilibrium rationing. It is no longer critical for consumers to compete for credit. Banks ration credit based on publicly available information, and the supply of loans at specific market interest rates exceed demand. Financial institutions often ration credit because they cannot discriminate among borrowers, and screening these borrowers is too expensive²⁶. According to the study, credit rationing occurs when all borrowers pay the same rate. Unfortunately, neither of these assumptions holds in the real world. It is usually possible for a bank to identify its borrowers to some degree.

2.2.2 The Theory of Financial Intermediation

A theory of financial intermediation argues that current theories of the economic role of financial intermediaries are based on the economics of imperfect information, which arose in the 1970s^{122'123'124}. Due to an information asymmetry between borrowers and lenders, financial intermediaries exist to reduce information and transaction costs. As a result, financial intermediaries contribute to the efficient functioning of markets, and any changes in the amount of credit channelled through those intermediaries can have considerable macroeconomic implications¹²³.

There are two strands in the literature that formally explain the existence of financial intermediaries. Financial intermediaries provide liquidity as the first strand. Further, the second strand of this research examines financial intermediaries' ability to transform asset risk characteristics. Financial intermediation can reduce the cost of channelling funds between lenders and borrowers, resulting in a more efficient allocation of resources. Researchers examined the provision of liquidity and the transformation of illiquid assets into liquid assets by banks¹²⁴. A recent report indicates that depositors are risk-averse and uncertain about when they will be able to meet their future needs¹²⁵. Banks can enhance their performance in a competitive market by sharing risks among agents who need to consume at different times.

Compared to the non-intermediated case, an intermediary investor offers a higher early consumption payoff and a lower late consumption payoff. The illustration below illustrates the best insurance contract in¹²⁶. A demand deposit contract is used as the financial model. This does not solve the problem since all depositors' panic and withdraw immediately, including those who would prefer to leave their deposits in the bank if they did not have to worry about failing.

Financial intermediaries play a crucial role in the modern theory of financial intermediation because market imperfections prevent investors and savers from trading directly with one another. There is an information asymmetry between savers and investors, which is the most critical market imperfection. Financial intermediaries should not be allowed to act as agents and delegated monitors to ensure the sustainability of financial intermediation. "Banks function as agents and delegated monitors between ultimate savers and investors"¹²⁴.

2.2.3 Neoclassical Theory

Neoclassical growth theory explains how a steady economic growth rate results from the combination of labour, capital, and technology. The first models of long-run economic growth were developed and introduced by Robert Solow and Trevor Swan in 1956¹²⁷. In 1957, Solow incorporated technology change into the model, which accounted for random population growth¹²⁷. A neo-classical theory emphasizes the relative ease of substituting factors of production (labour, capital, land, and other essentials), which allows the economy to achieve steady-state growth (a proportionate increase in all actual variables). As a result of capital accumulation, population growth, and technological progress, neo-classical theory predicts that a competitive economy will reach long-term equilibrium.

The natural and warranted growth rates are equal because factor prices are flexible and replaceable among possible factors in such a model. According to one author, Nigeria's natural resources, openness, and macroeconomic risks, such as inflation and exchange rates, significantly influence investment inflow⁵⁸. Labour and capital in the production function affect short-term equilibrium, according to the theory. Technology also significantly impacts an economy, and economic growth cannot continue without technological advances. In

contrast, the neoclassical growth theory clarifies that temporary equilibrium is distinct from long-term equilibrium, which does not depend on these factors.

Evidence around the world indicates that small scale enterprises provide an effective means of stimulating indigenous entrepreneurship, enhancing greater employment opportunities per unit of capital invested and aiding the development of local technology⁵⁸. Through their wide dispersal, they provide an effective means of mitigating rural-urban migration and resource utilization. Furthermore, by producing intermediate products for use in large scale enterprises, SMEs contribute to the strengthening of industrial linkages. These explain the increased interest which developing countries have shown in the promotion SMEs since the 1970s³⁵. According to this growth theory, economic growth depends on capital accumulation in an economy and how it is utilised.

Additionally, the capital-labour relationship determines an economy's output. As a result, technology is thought to increase labour productivity and output capability. Existing credit schemes have limitedly impacted meaningful and sustainable growth for SMEs. Banks are either directly or indirectly associated with these schemes. The banks remain the most known formal source of finance for enterprises due to their nature and position within the economy⁵⁸. Despite 85% of Nigerian firms having access to banks, most did not get credit, according to a 2001 World Bank survey. On a numerical basis, SMEs comprise about 90% of Nigeria's industrial sector. However, they contribute only one percent to the nation's GDP, compared to Indonesia, Thailand, and India, where SMEs contribute nearly 40% to GDP⁵⁸.

A failure to provide financing to SMEs led to the creation of the Bankers' Committee by the Central Bank of Nigeria (CBN), whose objective was to bind the banking industry to provide financial and other ancillary support to the sub-sector via the equity participation scheme. Furthermore, the output of an economy is determined by the relationship between capital and labour. Technology also can increase productivity. Neoclassical growth theory uses the

production function to measure economic growth and equilibrium. That function is $Y = AF(K, L)$.

- Y denotes an economy's gross domestic product (GDP)
- K represents its share of capital
- L describes the amount of unskilled labor in an economy
- A represents a determinant level of technology

However, because of the relationship between labor and technology, an economy's production function is often re-written as $Y = F(K, AL)$. An economy's equilibrium can be determined by increasing one of these inputs. Unskilled labour and capital have fewer returns on an economy if the three factors of neoclassical growth theory are not equal. As a result, an increase in either of these inputs has exponentially decreasing returns. The contribution of technology to growth and output, however, is limitless.

2.3 Review of Empirical Studies

Studies have examined the role or importance of MFB credit in the growth of small-scale businesses across different countries. A review of past empirical studies on the subject under discourse would preempt a review since Nigeria's SMEs contribute annually to its GDP. A researcher examined the role of microfinance banks in the development of SMEs in Nigeria¹²⁸. A structured questionnaire was administered to 100 SMEs and 80 MFB operators, totalling 180 respondents. OLS multiple regression techniques were used to analyze data collected from interviews and questionnaires. In Nigeria, microfinance appears to contribute to the growth of small and medium-sized enterprises (SMEs).

Furthermore, the growth and performance level of the SMEs depends mainly on the activities of SMEs operating in that vicinity. Instead of examining actual effects covering the grassroots can be seen in a report where a researcher examined the performance of Microfinance Institutions (MFIS) in Lagos State, based on the development of small and medium scale industry¹²⁹. He used structured questionnaires to collect data from study participants¹²⁸. According to the research findings, microfinance has contributed to the success of small-scale industries in Lagos state. An author used a large sample size to evaluate whether microfinance banks have helped finance small and medium enterprises (SMEs) in Nigeria¹³⁰. This study confirms notable research indicating that access to microfinance enhances the growth of SMEs in Nigeria.

An author towed the same line as the earlier studies and found that the microfinance operation¹³¹ accounted for 71.7% of the change in SMEs and Nigerian development. As reported by USAID, most SMEs whose owners were targeted by venture capital projects in Kenya in the 1980s did not desire to reduce their debts in exchange for partial ownership of their companies. Many companies either were unwilling or did not have the financial documentation needed by the venture capitalist to realistically assess the potential for investment^{112,132}. Entrepreneurial capitalists play an active role in managing the firms they fund and work closely with the stock market to take the firms they fund public.

In this case, the company highlights the support it offers start-ups, the degree of control they may have, and the opportunities for exit. Exit strategies include trade sales and public offerings (IPOs)¹⁰⁴. Venture capital funds are usually sourced from institutions, such as pension funds, financial intermediaries, corporations, and government agencies. Many venture capitalists are capable of providing a substantial amount of equity financing as well as a wealth of knowledge. After a venture capitalist is successfully recruited, additional funding can be secured from other sources. However, its importance, one problem faced by

venture capital is capital gain tax¹⁰⁴. Many business owners are reluctant to share their business with venture capitalists due to the lengthy and complicated nature of the process.

Business Angels (BAs) are wealthy individuals who invest in high-growth businesses in return for equity (i.e., the share of ownership). They are different from venture capitalists in that they invest more in an "intuitive feeling" rather than in the precise valuation of the company's term sheet. BAs often play essential roles in the early stages of the firm's life. They are individuals with experience who have the capital to invest and seek opportunities of all kinds among newer enterprises. They also play active roles in developing products and managing the company in its early stage¹⁰⁴. Some BAs operate independently, whereas others do so as part of a network, syndicate, or investment club. Senegal and some African countries host business angels, but they appear to be very few, and information on their operation is hardly available¹³³. This is not the same in Canada, where business angels played a financing role in more than 200,000 SMEs which is about 15 percent of the 1.36 million SMEs in 2004. These sectors included manufacturing, wholesale, and retail. In Canada, business angels are more likely to invest in SMEs owned by individuals under 40 years of age and primarily owned by women. In addition, the results indicate that firms financed by business angels are more likely to seek to finance fixed assets (62%) than working capital (44%). Thus, business angel investors are more likely to be interested in expansion rather than addressing cash flow issues. Furthermore, firms financed by business angels received debt financing at relatively better terms than other firms¹³⁴. The results of other research indicate that business angels are associated with successful entrepreneurial firms that obtain high rates of return¹³¹. Although BAs are a considerable force in funding SME development, they rarely make investments. Because they may not be actively seeking an opportunity, they can be challenging to find.

Typically, they emphasize their relationship with and ability to work with entrepreneurs, so locating one may take longer than anticipated. Across developing countries, micro, small and medium enterprises (SMEs) are turning to Microfinance Institutions (MFIs) for various financial services. Microfinance has been regarded as one of the primary strategies to achieve the Millennium Development Goals (MDGs), which include reducing poverty and hunger, ensuring universal primary education, reducing child mortality, combating diseases such as malaria, and preserving the environment¹³⁶. Microentrepreneurs can finance their income, build assets, and reduce their vulnerability to external shocks by accessing sustainable financial services¹³⁷. The primary objective of microfinance institutions (MFIs) is to provide financial services (credit and savings) to the poor to release financial constraints and help alleviate poverty¹³⁸.

According to an author, providing credit to the poor serves two purposes¹³⁹. First, as borrowed capital is invested in small enterprises, it often results in a significant short-term increase in household expenditure and welfare. Secondly, microenterprises credit spurs economic growth in the informal sector by fostering increased business capitalization, employment creation, and long-term income growth. In their collective effort, some researchers sought to examine the relevance of micro-financing of small businesses in Nigeria¹⁴⁰. Data analytical method chosen was the ordinary least squares method, and the nature of the data is time-series extracted from Nigerian-based MFBs and the Central Bank of Nigeria. Several factors negatively impact small business growth: inflation, interest rates, the sectoral distribution of microloans in Nigeria, and the gestation period for small loans.

Further study on MFBs' impact on growth was mentioned by an author, who relied on secondary data and advanced time-series econometrics techniques to investigate the impact of MFBs on economic growth in Nigeria¹⁴¹. The co-integration test results suggest a long-run relationship between microfinance bank loans, investment, and economic growth in Nigeria.

Due to available econometric evidence, the study concluded that the activities of MFBs can influence the entire economy if it is well coordinated. On the other hand, a researcher's findings differed from an author's findings, stating that the growth of MFB credit and investment growth is negatively related to growth in Nigeria^{141,142}.

2.3.1 Microfinance and SMEs

Previous studies have acknowledged the importance of finance or credit in the expansion of SMEs and, thus, to enable the poor to venture into productive enterprises. Before the emergence of microfinance, the poor or low-income households have mainly relied on other sources of credit, including informal sources^{143, 144}. Moreover, a considerable number of studies have shown that the marginalised, especially those whom commercial banks often reject, depended mainly on informal finance sources including, family, relatives, friends (based on; a reciprocal lending concept – an epitome of informal insurance and, without interest), landlords and money lenders. These lending systems usually involved an informal arrangement between the lenders and the borrowers and, the repayment is usually based on trust.

However, these lending mechanisms are often exploitative because the money lenders employ them. The excessive interest rates charged on the amount borrowed is the reason for this¹⁴⁴. Furthermore, poor people are compelled to accept exorbitant interest rates from these lenders due to their plight. Credit is usually unavailable to those who are unable to pay the outrageous interest rates¹⁴⁴. These findings are consistent with a study conducted in a village near Amritsar in the Punjab region of India on money lenders⁴⁷. Similarly, Steel et al. found, for example, in Ghana, Malawi, Nigeria, and Tanzania, that interest rates charged by the

money lenders are 50 percentage points more than those charged by the commercial banks (*Ibid*)¹⁴⁵.

In many cases, the usury interest rates charged by money lenders are attributed to the high costs of doing business with the poor because the loans are small. In addition to screening, monitoring, and enforcing loan repayments from their clients, these costs are typically incurred by the financial institution. Singh found that annualised interest rates ranged the commercial banks' institutions in India charged between 134 to 159 percent¹⁴⁶. An author has argued that the exorbitant interest rates are justified because poor clients do not often provide significant assets, coupled with inefficient legal systems in developing countries to help providers retrieve expired loans¹⁴⁷. An author investigated the cost of doing business with poor borrowers and found that the administrative costs associated with handling small amounts for loans are between fifteen to forty percent of the borrowed amount¹⁴⁸.

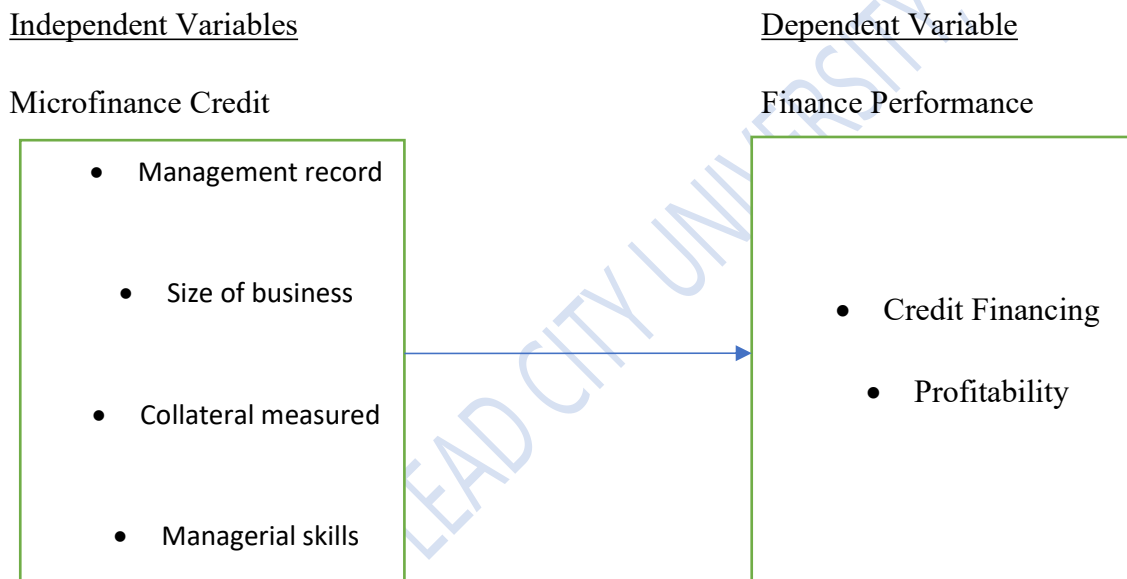
An author, however, suggests that one method to avoid high-interest charges from money lenders is to fall on friends and neighbours¹⁴⁴. Although the interest rates are likely to be low or zero, other social implications and obligations are associated with these sources of finance, such as loss of reputation and social exclusion. Furthermore, money lenders in India commonly wear the "caps" of landlords, hindering agricultural development in the villages¹⁴⁹. The focus of many developing countries, including India, is to confront the exploitative tendency of money lenders¹⁵⁰. Perhaps, mainstream banks could take advantage of the exploitative tendency of money lenders and intercede to provide credit to the poor.

According to a report, money lender landlords tend not to encourage the adoption of new farming technologies that could increase the incomes of small and marginal farmers since this would, in the long run, benefit the poor, thereby affecting their borrowing requirements¹⁵¹. Thus, an author concluded that money lenders would eventually be able to regulate the flow of capital to farmers via monopolistic practices. On the other hand, it is argued that, given the

tailor-made nature of the financial assistance provided by moneylenders, especially in bridging the financing gap, the poor borrowers might, in effect, be excluded from the credit markets¹⁵². Despite their circumstances, moneylenders provide credit to the marginalised. In addition, previous studies have found that besides money lenders, poor people can also obtain credit from cooperatives and investment credit societies.

2.4 Conceptual Framework

Table 2.1: Conceptual Framework of the Study



Source: Remodelled by Author (adopted from ^{145, 146})

The variables used in this study to examine the impact of microfinance credit on financial performance of small and medium scale enterprises in Oyo state are summarized in Table 2.1. It also describes the correlation between these variables in the sequence of impact evaluation.

The Table illustrates the various types of loans, microfinance services (loans and non-financial products), and lending techniques used to provide these services to beneficiaries. The terms used to obtain microfinance loans are also shown. The livelihood elements are presented to demonstrate how the borrowers' activities improve the well-being of their families. The outcomes of the livelihood strategy are represented by the box next to the client's profile.

The following questions were used in the study to assess the impact of microfinance credit on the performance of small and medium scale enterprise: How do financial status and managerial records influence credit financing of small and medium scale enterprises in Oyo state? To what extent does the size of the business influence credit on financing of small and medium scale enterprise in Oyo state? In which way do collateral measures influence on credit financing of small and medium scale enterprises in Oyo state? How can Managerial skills influence credit on financing of small and medium scale enterprises in Oyo state? The researcher anticipated some relevant characteristics of microfinance beneficiaries and their activities (marked intervening variables) that could influence the relationship between livelihood outcomes and microfinance products to provide answers to these questions. The intervening variables are examined to assess their effects on access to credit and financial performance outcomes to present the relationships between microfinance clients and various microfinance mechanisms.

2.5 Summary of Literature Review

This chapter reviewed literature by other scholars on microfinance credit and finance performance on small and medium-scale enterprises in Oyo State, Nigeria. Small and medium-sized enterprises contribute significantly to the economy despite their financial

constraints. Small and medium-sized businesses must have access to credit in order to grow. It is more difficult for small and new ventures to obtain financing when personal wealth is involved. There is a need to address the agency problem and information asymmetry SMEs face. Those excluded from the traditional banking sector and rely on the informal sector for financial support have an alternative in microcredit.

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Chapter Three

Methodology

This chapter discusses the methods and procedures used to study the impact of Microfinance credit and financial performance of small and medium scale enterprises in Oyo state, Nigeria. It covers the research design, the population, sample and sampling technique, validity, and reliability of the research instrument. The descriptive and inferential statistics was used for the analysis of data collected.

3.1 Research Design

This study adopted a descriptive survey research design. The researcher considered this design most suitable for this study because it has the potency to show the relationship between the independent variables (microfinance credit) and the dependent variable (SMEs financial management). Through this design, the researcher will have insight into the route of the relevance (positive or negative) among the two variables without manipulating them.

3.2 Population of the Study

The target population and sample design for this study consist of the 275 small and medium scale enterprise operators in Oyo State who have patronize microfinance for credit facilities¹.

Table 3.1 Sample Size for the Study**List of CBN Licensed Microfinance Banks in Oyo State as at October 31, 2021**

S/n	Name	Address	State	Status
1.	Aibio Mfb	No.1 Yante Market Square, Iganna, Iwajowa Local Government Council Area, Oyo State	Oyo	Tier 2 unit
2.	Ajewole Mfb	Ilorin Road, Sabo, Ogbomosho, Oyo State	Oyo	Tier 2 unit
3.	Apex Trust Mfb	Fmbn Building, 1, Adekunle Fajuyi Road, Dugbe, Ibadan, Oyo State	Oyo	Tier 1 unit
4.	Awe Mfb	Awe- Iwo Road, Awe, Oyo State	Oyo	Tier 2 unit
5.	Best Star Mfb	Oje Main Market, Ojo, Ibadan, Oyo State	Oyo	Tier 1 unit
6.	Canaan Mfb	Block D211, Bola Ige International Business Complex, New Gbagi, Ibadan, Oyo State	Oyo	Tier 1 unit
7.	Caretaker Mfb	Adebowale's House, Caretaker District, Ogbomosho, Oyo State	Oyo	State mfb
8.	Cintrust Mfb	129 Railway Siding, Magazine Road, Jericho, Ibadan	Oyo	State mfb
9.	Civic Mfb	Araromi Market, Agodi Gate, Ibadan, Oyo State	Oyo	Tier 1 unit
10.	Crest Mfb	43, Obafemi Awolowo Way, Opp. National Building, Oke-Bola, Ibadan, Oyo State	Oyo	Tier 1 unit
11.	Custodian Mfb	Plot 1, Road 2, Owode Housing Estate, Apata, Abeokuta Road, Ibadan, Oyo State	Oyo	Tier 1 unit

12.	Ebedi Mfb	Oposite Aseyin Palace, Adabo Market, Iseyin, Oyo State	Oyo	Tier 2 unit
13.	Excel Mfb	Hospital Road, Sango Eruwa, Oyo State	State mfb	State mfb
14.	Fcmb Mfb Ltd.	10, Moshhod Abiola Way, Challenge, Ibadan, Oyo State	Oyo	State mfb
15.	First Index Mfb	27, Adegoke Adelabu Shopping Complex Annex, Orita Challenge, Ibadan, Oyo State	Oyo	Tier 1 unit
16.	Fuullrange Microfinance Bank Ltd.	1 st Floor Asabi House, 108, Adekunle Fajuyi Way, Adamasingba, Ibadan	Oyo	State mfb
17.	Good News Mfb	Council Bus Stop, Beside Akinyele Local Government, Moniya, Ibadan, Oyo State	Oyo	State mfb
18.	Grooming Mfb	98, Onile-Are Bus Stop, Ojoo, Ibadan, Oyo State	Oyo	State mfb
19.	Ifedapo Mfb	Ajegunle-Sango Road, Saki, Oyo State	Oyo	State mfb
20.	Ifesowapo Mfb	Saki Road, Idi-Emi, Sepeteri East Lga, Oyo State	Oyo	Tier 2 unit
21.	Igangan Mfb	No. 1, Community Bank Road, Isale Akao, Igangan, Ibarapa Lga, Oyo State	Oyo	Tier 2 unit
22.	Igboora Mfb	3, Post Office Road, Beside Igboora Community Hall, Igboora, Oyo State	Oyo	Tier 2 unit
23.	Ikoyi-Ile Mfb	Shehu Hannafi House, Igbeti Road, Orire Lga, Ikoyi-Ile, Oyo State	Oyo	Tier 2 unit
24.	Iloro Mfb	Akibo Market, Oja-Isale, Ilora, Oyo, Oyo State	Oyo	Tier 2 unit
25.	Ipapo Mfb	Cooperative House, Market Square, Ipapo, Itesiwaju Lga, Oyo State	Oyo	Tier 2 unit

26.	Isale Oyo Mfb	Sabo Market, Isale Oyo, Oyo, Oyo State	Oyo	Tier 2 unit
27.	Iwa Mfb	Ayetoro-Oke, Okeho, Oyo State	Oyo	Tier 2 unit
28.	Joint Farmers Mfb	105, Abiodun Atiba Road, Opposite La Town School, Oyo, Oyo State	Oyo	Tier 2 unit
29.	Kadupe Mfb	Sango Market, Saki, Oyo State	Oyo	Tier 2 unit
30.	Kisi Mfb	Central Market Square, Kisi, Oyo State	Oyo	Tier 2 unit
31.	Kopo-Kope Mfb	3-5, Iware Road, Fiditi, Oyo, Oyo State	Oyo	Tier 2 unit
32.	Lafayette Mfb	2, Adekunle Fajuyi Road, Dugbe, Ibadan, Oyo State	Oyo	National mfb
33.	Mainsail Mfb	Plot 25b, Bodija Mini Shopping Centre, Bodija Market Ibadan, Oyo State	Oyo	Tier 1 unit
34.	Multivest Mfb	11, Arulogun/ Army Barracks Road, Ojo, Ibadan, Oyo State	Oyo	Tier 1 unit
35.	New Era Mfb	Bolorunoelu Market, Lanlante Oyo State	Oyo	Tier 2 unit
36.	Nigerian Prisons Mfb	71, Nigerian Prison Complex, Agodi Ibadan, Oyo State	Oyo	Tier 1 unit
37.	Nut Okebola Mfb	Oke Bola Teacher's Co-Operative House Opp. St Theresa's College Oke- Ado, Ibadan, Oyo State	Oyo	Tier 1 unit
38.	Oaf Mfb Ltd	No. 76, Akinjide Plaza, 4 th Floor Adekunle Fajuyi Road Adamasingba Mokola, Ibadan Oyo State	Oyo	Tier 1 unit
39.	Ologbon Mfb	Ologbonarea, Osogbo Road Ogbomoso, Oyo State	Oyo	Tier 2 unit
40.	Olowolagba Mfb	Deborah House, Sabo Ogbomoso, Oyo State	Oyo	Tier 2 unit

41.	Onibu-Ore Mfb	Sw9/90 Dogo Bus Stop, Apata, Ibadan, Oyo State	Oyo	Tier 1 unit
42.	Orilonse Mfb	Sw6/249, Agbokojo Area, Iyana Idikan Agbeni Market, Agbeni, Ibadan, Oyo State	Oyo	Tier 1 unit
43.	Osanta Mfb	Dudu Ojerinde House, Ajegunle, Oke Afin, Igbho Orelupe Lga, Oyo State	Oyo	Tier 2 unit
44.	Poly Ibadan Mfb	The Polytechnic, Ibadan Ventures, P.M.B. 22, U.I Post Office, Ibadan, Oyo State	Oyo	Tier 1 unit
45.	Ramilowo Mfb	Apinnite Area, Saki Oyo State	Oyo	Tier 2 unit
46.	Randalpha	Randa Area, Behinde Baptist Seminary, Ogbomoso, Oyo State	Oyo	Tier 2 unit
47.	Reality Mfb	Reality House, Oladele George Street By Ap Filling Station, Sawmill, Old Ife Road, Ibadan, Oyo State	Oyo	Tier 1 unit
48.	Refined Benefits Mfb	2, Station Market Road, Erunmu, Egbeda Lga, Ibadan, Oyo State	Oyo	Tier 1 unit
49.	Rolez Mfb	Old Oyo, Ibadan Road, Idi-Igba, Ilpra, Oyo State	Oyo	Tier 2 unit
50.	Sal-Fol Mfb	25, Ibadan Municipal Shopping Complex, Bank Road, Bodija-Oja Ibadan	OYO	TIER 1 UNIT
51.	Seap Mfb	2/404 Adesoyo Agbadudu Road, Ibadan, Oyo State	OYO	STATE MFB
52.	Seedvest Mfb	31 Obafemi Awolowo Way J. Alley Ibadan	OYO	STATE MFB
53.	Unibadan Mfb	1, Elkanemi Road University Of Ibadan, Ibadan Oyo State	OYO	TIER 1 UNIT

Source: Author's Compilation 2022

3.3 Sample and Sampling Techniques

Multistage sampling technique will be used for the selection of participants for the study. Random sampling was used for the selection of 275 small and medium scale customers who have accessed loan from microfinance banks in the last two years for the study and analysis. The small and medium scale-customers were stratified by the average size of the last loan taken and divided into three categories: (a) Low loan volume, (b) Medium Loan volume, and (c) High Loan volume customers. Each of the categories (a) through (c) was translated to actual Naira value. Low loan volume was bench-marked at a ceiling of N57, 500 medium loan volumes at a ceiling of N135, 602 and the last category at any amount above N350, 700

3.4 Description of Research Instrument

The instrument that was used for data collection is a self-design questionnaire that was developed by the researcher and validated by the researcher supervisor. The questionnaire is a vital instrument for gathering data from respondents about their opinion, attitude, behaviours and perception on a given phenomenon. Hence, the questionnaire is adopted as the instrument for this research work. The researcher distributed a questionnaire to the respondent for the purpose of eliciting data for this study. This help the researcher to analyse the respondent's opinion and perception about Microfinance credit and small and medium scale enterprises in Oyo State.

The questionnaire was divided in two sections. Section A solicited demographic information (age, gender, marital status, occupation and educational background) while Section B contained questions aimed at bringing out the opinion of several respondents concerning the study, which focuses on the public perception of Microfinance credit and financial performance of small and medium scale enterprises in Oyo State.

The question contained both structured and rating scale questions. “This type of rating scale questions is often called Likert Scale (or a Likert-type scale) after Rensis Likert, who developed the five-point response scale. This is because of the dubious privilege of the respondents to have the time to respond to open-ended questions¹. Again, respondents usually find Likert scale questions easy to comprehend and answer, and because the scale permits different degrees of responses, participants are not forced into absolute yes or no, all or none choice. Their responses was used in accessing their perception about Microfinance credit and financial performance of small and medium scale enterprise in Oyo State. The questionnaire was administered by two research assistants who were employed by the researcher.

3.5 Validity of Research Instrument

Research must be valid. The validity of the qualitative research method is measured in the analysis and interpretation of results. The implication is that the researcher ensured that the interpretation was valid by ensuring they were critically assessed and avoid prejudice because this study employed qualitative approach. Validity was ensured in the interpretation of results. The instrument used was valid because it enabled the researcher to obtain quick and accurate data. The instrument made effort to contact the selected group, and the respondents were able to give the required information needed for the study's conclusion. The questionnaire was read, corrected and validated by the project supervisor.

3.6 Reliability of Research Instrument

Reliability refers to the stability, accuracy, and precision of measurement to indicate that the research work was trustworthy. It was ensured in this study in the following ways: the researcher ensured that most work cited are those of internationally recognized journals,

universities and textbooks. Though some websites were consulted, knowledge was cross-checked with other sources. Theories used was referenced from the primary sources that propounded them. In the purposive sampling of data, the researcher employed a self-service approach because of prior knowledge of the nature of the study instead of engaging someone whom no knowledge and biases could influence the reliability and outcome of the study. The data collected through pilot testing of the instrument was analysed using the test-retest method and it yielded a cronbach alpha of 0.78. This is reliable for the study.

3.7 Administration of Research Instrument and Method of Data Collection

Primary data was collected using a well-structured questionnaire that were administered by two well-trained research assistants in the study area. The questionnaire employed for the primary data in this study was pilot tested to determine reliability.

3.8 Method of Data Analysis

The data collected were analysed using both Descriptive and inferential statistics. The Descriptive statistics was used for analyzing the demographic characteristic of respondents while inferential statistics was used to analyse items related to research questions and hypothesis in this study. Descriptive statistics like frequency count, percentage, mean, and standard deviation were used, while Ordinary least Square (OLS) and Multiple Linear Regression models used inferential statistics.

Model Specification

To provide the basis for answering of the research questions presented in chapter one, a model was built on the basis of the five research questions, to examine the functional

relationship between the primary and secondary variables. The five research questions of the study will be tested using Non-linear Autoregressive distributed Lag (ARDL) analysis. This would assist in establishing the contributions of each independent variable to the outcome variables. The following model is considered:

Model

The model for this study was adopted, the following multiple linear regression model is estimated:

$$RGDP_{it} = \beta_0 + \beta_1 GLP_{it} + \beta_2 BOR_{it} + \beta_3 ASS_{it} + u_{it} \dots \dots \dots$$

The equation shows that:

- (1) β_0 is the intercept.
- (2) u_{it} is the error term in the equation across country i and time t .
- (3) Real GDP is measure at constant 2010 international dollars. In order to avoid non-linearity problem of the regression GDP is converted into the natural logarithm.
- (4) Gross Loan Portfolio per-Capita (GLP), borrowers (BOR), Assets (ASS) are microfinance activities indicators.

For the purpose of this study, the model is represented thus:

Thus, the model becomes log-linear model through log transformation as follows:

$$RGDP_t = \beta_0 + \beta_1 MFBLA_t + \beta_2 MFBS_t + \beta_3 INT_t + U_{it}$$

Where:

RGDP=Real Gross Domestic Product

MFBLA=Microfinance Banks’ Loans and Advances

MFBS= Microfinance Banks’ Savings

INT = Interest Rates

β_0 = Intercept of the model

$\beta_1 \beta_2 \beta_3$ = Slopes of coefficient to be estimated

f = Functional notation

u_t = Stochastic error term

Estimation Techniques

A descriptive analysis was used to summarise the basic statistical features of the primary data under consideration which include mean, median, mode, minimum, maximum values, standard deviation, skewness, and kurtosis.

Nonlinear Autoregressive Distributed Lag

The NARDL approach is an extended version of the Autoregressive Distributed Lag model. The NARDL model shares the same features with the ARDL except that it captures the unequal effects of an increase and a decrease in variables as both the short term and long-term effects are calculated unequally. This is unlike the ARDL model in which both the short term and long-term effects between variables are the same sizes either in reduction or in case of increase.

Non-linear Auto regression with Distributed Lag which was used for investigating relationship between dependent and independent variables, it is a regression model with distributed lags. One main feature of the model is that they estimate long term relationship between model variables and short-term dynamism of models. In addition, it assists in identifying how much time is needed for an effect of one shock on model to be adjusted. Autoregressive Distributed lag model (ARDL) offers quite a few advantages. It can be applied on a mix of integrated data composed of variables integrated at I (0) or I (1); it can handle exogenous variables and when compared to other alternative techniques, the ARDL model performs better with small samples. Model specification with distributed lag without considering asymmetric effects is as follows

$$\Delta y_t = \alpha + \rho y_{t-1} + \beta x_{t-1} + \sum_{i=1}^p \theta_i \Delta y_{t-i} + \sum_{j=0}^q \delta_j \Delta x_{t-j} + \varepsilon_t$$

where Δ is the first different operator, y_t is the dependent variable, α refers to an intercept, x_t is a

$n \times 1$ vector of regressors, ρ and β denote the long run coefficients, θ and δ are the short-run coefficients, p and q are the lag orders of the variables and ε_t is the error term.

To describe long term and short asymmetric relationships in standard ARDL model, the general form of NARDL model is used:

$$\Delta y_t = \alpha + \rho y_{t-1} + \beta^+ x_{t-1}^+ + \beta^- x_{t-1}^- + \sum_{i=1}^p \theta_i \Delta y_{t-i} + \sum_{j=0}^q \delta_j^+ \Delta x_{t-j}^+ + \sum_{j=0}^q \delta_j^- \Delta x_{t-j}^- + \varepsilon_t \dots \dots \dots$$

The NARDL model is built as follows

$$y_t = \beta^+ x_t^+ + \beta^- x_t^- + \varepsilon_t$$

Where:

β^+ and β^- are the asymmetric long-run parameters and x_t is the vector of exogenous variables of:

$$x_t = x_0 + x_t^+ + x_t^-$$

Where:

x_t^+ and x_t^- are partial sum process of positive and negative changes in x_t and decomposed as follows:

$$x_j^+ = \sum_{k=1}^j \Delta x_k^+ \quad \Delta x_k^- = \sum_{k=1}^j \Delta x_k^- \quad \text{max } (\Delta x_k, 0)$$

Statistical Test

This criterion was guided by the principles of statistical theory and the statistical tool of analysis such as descriptive analysis. The study employed non-linear autoregressive distributed lag for the analysis. Also, descriptive analysis was used to summarize the basic statistical features of the data under consideration such as mean, median, mode, minimum, maximum values, standard deviation, skewness and kurtosis.

Ordinary Least Squares (OLS) regression which is also a statistical analytical tool that estimates the relationship between one or more independent variables and a dependent variable was used to estimate the relationship among variables. Furthermore, Autoregressive Distribution Lag Technique (ARDL) was applied to test for both non-stationary time series as well as for times series data with mixed order of integration.

A priori Expectation

A priori expectation is determined by the principles of economic theory and refer to the expected relationship between the explained variable and the explanatory variable(s). it is expected that microfinance banks services on poverty alleviation in Nigeria will impact positively or negatively depending on the direction the Central bank takes regarding the economy

$$\beta_0 \neq 0; \beta_1 \geq 0; \beta_2 \geq 0; \beta_3 \geq 0$$

Endnotes

¹. Central Bank of Nigeria “*List of CBN Licenced Microfinance Banks as at October 31, 2020*”

²M. H. Alvi, *A Manual for Selecting Sampling Techniques in Research*, www.google.com January 15, 2020

³. G. Frederick & F. Lori-Ann *Research Methods for the Behavioral Science* (USA: Wadsworth, Cengage Learning Third Edition, 2009: 352-354

⁴. T. Hamead “**Methodology: How to Choose a Sampling Technique for Research**”, *SSRN Electronic Journal*, 2016

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Chapter Four

Results and Discussion of Findings

This chapter presents the data generated from the subjects and interpretation of the outcomes of the statistical analysis of the data. The presentation follows the order in which the research questions and hypotheses were arranged. All the research questions were answered, and hypotheses were tested at level 0.05 level of significance.

4.1 Presentation of Data

4.1 Demographic Data Presentation

Table 4.1: Gender Statistics of the Respondents

Gender	No of Students	Frequency
Male	135	62.8%
Female	80	37.2%
Total	215	100%

Source: Authors Compilation 2022

As shown in **Table 4.1**, 135 out of the total population of 215 respondents which constitute 62.8% of the population are male while 80 out of the total population of 215 respondents which constitute 37.2% of the population are female.

Table 4.2: Age of the Respondents

Age	No of Respondents	Frequency
Less than 20 years	53	24.7%
21 – 30 years	94	43.7%
31 – 40 years	35	16.3%
41 – 50 years	26	12.1%
51 - 60 years	3	1.4%
Above 60 years	4	1.9%

Source: Authors Compilation 2022

Table 4.2 shows the age distribution of the respondents. There are six (6) age brackets considered by the study. The most represented age bracket in the study is those between the age of 21 – 30 years which constituted 43.7% of the population. This is followed by the age bracket below 20 years (Less than 20 years) which constituted 24.7% of the population, then those between 31 – 40 years with a percentage population of 16.3%, then followed by those between 51 – 60 years with 1.4%. The least represented age bracket in the study is those above 60 years (Above 60 years) which constituted 1.9% of the population.

Table 4.3: Marital Status of the Respondents

Marital Status	No of Respondents	Frequency
Single	133	61.9%
Married	67	31.2%
Divorced	6	2.8%
Widow/Widower	9	4.2%

Source: Authors Compilation 2022

Table 4.3 shows the marital status of the respondents. Examining the marital status of the respondents, analysis shows that 133 out of the 215 respondents, which constitute 61.9% of the population, are single (not married), while 67 constituting 31.2% of the population are married, 6 which constitute 2.8% of the population are divorced and 9 which constitute 4.2% of the population are widowed.

Table 4.4: Education Background of the Respondents

Qualification	No of Respondents	Frequency
SSCE	55	25.6%
Trade Test	13	6.0%
NCE/ND	37	17.2%
B.Ed/B.Sc/HND	81	37.7%
Postgraduate	29	13.5%

Source: Authors Compilation 2022

Table 4.4 is the educational background of the respondents. The educational background of the population ranges from SSCE to Postgraduate degree. 81 (37.7%) of the population are B.Ed/B.Sc/HND holders, while 55 (25.6%) are SSCE holders, 37 (17.2%) possess NCE/ND certificate, 29 (13.5%) have postgraduate degrees and 13 (6.0%) of the population have Trade certificates.

Table 4.5: Nature of Business of the Respondents

Nature of Business	No of Respondents	Frequency
Trader	26	12.1%
Farmer	11	5.1%
Artist	18	8.4%
Wholesale/Distributor	45	20.9%
Others	115	53.5%

Source: Authors Compilation 2022

Table 4.5 is the nature of business engaged by the respondents. The population comprises of individuals with varied business interest. The category or business type with the highest population of respondents is the business type denoted as OTHERS. This category comprises of other businesses aside the ones listed. This category accounted for 115 (53.5%) of the respondents. It is followed by Wholesale Traders and Distributors which accounted for 45 (20.9%) of the respondents; then Traders accounted for 26 (12.1%) of the respondents, Artist accounted for 18 (8.4%) of the respondents and Farmers accounted for 11 (5.1%) of the respondents.

4.2 Presentation of Research Questions

The study provided answers to the following research questions:

Research Questions One: How does financial status and managerial records influence credit financing of small and medium scale enterprise in Oyo State?

A two-way between-groups multivariate analysis of variance was performed to investigate the influence of financial status on credit financing of Small and Medium Scale Enterprises (SMSE) in Oyo State. Result of the study as shown in **Table 4.6** below indicates a statistically significant influence [$F(4, 214)=17.47, p <.0005, \text{partial eta square}=.864$] of financial status on credit financing of SMSEs in Oyo State.

Table 4.6: Tests of Between-Subjects Effects of the independent variables on Credit Financing of SMEs in Oyo State

Source	Type III Sum of Squares	Df	Mean Square	F	Sig.	Partial Eta Squared
Corrected Model	8788.484 ^a	203	43.293	12.532	.000	.996
Intercept	112821.774	1	112821.774	32658.935	.000	1.000
Size of Buss	88.768	4	22.192	6.424	.006	.700
Financial Status	241.418	4	60.355	17.471	.000	.864
Error	38.000	11	3.455			
Total	277902.000	215				
Corrected Total	8826.484	214				

a. R Squared = .996 (Adjusted R Squared = .916)
Source: Authors Compilation, 2022

Further analysis was conducted to show the mean distribution of the categories of financial stability of the respondents. The **Table 4.7** below shows the mean distribution. The financial status of SMSEs was categorized into five groups. Those whose turnover per annum is less than 50000, 50000 to 100000, 100000 to 150000, 150000 to 200000 and those who fall above 200000

Table 4.7: Mean Distribution of Access to Financial Credit According to Financial Status

Financial Status	Mean	Std. Error	95% Confidence Interval	
			Lower Bound	Upper Bound
Less than 50000/ anum turnover	35.127 ^a	.202	34.683	35.570
50000 to 100000/ anum turnover	35.327 ^a	.251	34.773	35.880
100000 to 150000/ anum turnover	35.964 ^a	.283	35.341	36.588
150000 to 200000/ anum turnover	33.529 ^a	.451	32.537	34.522
Above 200000/ anum turnover	37.400 ^a	.588	36.106	38.694

Authors Compilation, 2022

The mean distribution shows that SMSEs with yearly turnover of over 200000 received the highest financial credit (M = 37.40), followed by those with yearly turnover between 100000 to 150000 (M= 35.96), then 50000 to 100000 (M= 35.33), less than 50000 (M= 35.12). Surprisingly, those with yearly turnover of 150000 to 200000 reported the least credit financing (M= 33.53).

Research Questions Two: To what extent does size of the business influence credit financing of small and medium scale enterprise in Oyo State?

Result of the study as shown in **Table 4.7** above indicates size of business statistically significantly influence [F(4, 214)=6.42, $p < .0005$, partial eta square=.700] of financial status on credit financing of SMSEs in Oyo State. Further analysis was conducted to show the distribution of mean of the categories of sizes of business and how they influenced credit financing. The **Table 4.8** shows the mean distribution.

Table 4.8: Mean Distribution of the Access to Financial Credit According to Business Size

Size of Business	Mean	Std. Error	95% Confidence Interval	
			Lower Bound	Upper Bound
Road-Side/ Kiosk Businesses	32.380 ^a	.368	31.570	33.190
Shop Owner(Rent)	36.250 ^a	.537	35.069	37.431
Supermarket/Mini-Importation	38.471 ^a	.444	37.493	39.448
Importer/Whole-Sale Distributor	38.279 ^a	.282	37.659	38.899
Others	34.229 ^a	.176	33.841	34.617

Source: Authors Compilation, 2022

The mean distribution shows that owners of business such as supermarkets/Mini-Importation received the highest financial credit (M=38.47), followed by Importer/Whole-sale Distributors (M=38.28), then Shop Owners (M=36.25) and others (M=34.23). The least recipient of financial credit are Road-Side/Kiosk businesses (M=32.38).

Research Questions Three: In which way do collateral measures influence on credit

financing of small and medium scale enterprise in Oyo State?

The influence of collateral measure on the credit financing of SMSEs in Oyo State was investigated using Pearson product-moment correlation coefficient. Preliminary analyses were performed to ensure no violation of the assumptions of normality, linearity and homoscedasticity. Result of the analysis, as shown in **Table 4.9**, indicates a significant relationship between collateral measures and access to financial credit [$r=-.17$, $n= 215$, $p<.0005$].

Table 4.9: The Influence of Managerial Skills and Collateral Measure on the Reception of Financial Credit

		Managerial Skill	Credit Financing	Collateral Measures
Managerial Skill	Pearson			
	Correlation	1	.292**	.031
	Sig. (2-tailed)		.000	.655
	N	215	215	215
Credit Financing	Pearson			
	Correlation	.292**	1	-.167*
	Sig. (2-tailed)	.000		.014
	N	215	215	215
Collateral Measures	Pearson			
	Correlation	.031	-.167*	1
	Sig. (2-tailed)	.655	.014	
	N	215	215	215

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

* . Correlation is significant at the 0.05 level (2-tailed).

Source: Authors Compilation, 2022

Research Questions Four: How can managerial skills influence credit on financing of small and medium scale enterprise in Oyo State?

The influence of managerial skills on the credit financing of SMSEs in Oyo State was investigated using Pearson product-moment correlation coefficient. Preliminary analyses were performed to ensure no violation of the assumptions of normality, linearity and homoscedasticity. Result of the analysis, as shown in **Table 4.9**, indicates a significant relationship between managerial skills and access to financial credit [$r=-.29$, $n= 215$, $p<.0.01$]

4.3 Hypotheses

Ho1. Financial status and managerial records does not influence credit financing of small and medium scale enterprises in Oyo State

The impact of microfinance on SMSEs in Oyo State was investigated using Pearson product-moment correlation coefficient. Data was collected from the respondents on the presence of microfinance in Oyo State as well as impact of such program on SMSEs. Preliminary analyses were performed to ensure no violation of the assumptions of normality, linearity and homoscedasticity. Result of the analysis, as shown in **Table 4.10**, indicates a significant relationship between collateral measures and access to financial credit [$r=-.27$, $n= 215$, $p<.0005$].

Table 4.10: Impact of Microfinance on SMSEs in Oyo State

		Impact	Microfinance
Impact	Pearson Correlation	1	.272**
	Sig. (2-tailed)		.000
	N	215	215
Microfinance	Pearson Correlation	.272**	1
	Sig. (2-tailed)	.000	
	N	215	215

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

Source: Authors Compilation, 2022

Finding of the study shows a strong relationship between microfinance and successes of SMSEs in Oyo State. Hence, the hypotheses is rejected.

Ho2. Size of the business play no role in influencing of small and medium scale enterprises in Oyo State

A one-way between-groups multivariate analysis of variance was performed to investigate the size of the business on the dependent variables. Finding of the study, as shown in **Table 4.11**, indicate a significant influence of the size of the business [$F(1, 215)=3.35, p < .0005$, partial eta square=.015], in the effective delivery of microfinance system in Oyo State. Hence, the hypothesis is rejected

Table 4.11: Influence of Gender on Effective Delivery of Microfinance System

Source	Type III Sum of Squares	Df	Mean Square	F	Sig.	Partial Eta Squared
Corrected Model	136.681 ^a	1	136.681	3.350	.069	.015
Intercept	254475.453	1	254475.453	6237.572	.000	.967
Gender	136.681	1	136.681	3.350	.069	.015
Error	8689.802	213	40.797			
Total	277902.000	215				
Corrected Total	8826.484	214				

a. R Squared = .015 (Adjusted R Squared = .011)

Source: Authors Compilation, 2022

Further analysis was conducted to examine the mean difference in male and female access to microfinance system in Oyo State as shown in **Table 4.12**.

Table 4.12: Estimated Marginal Mean of Male and Female Access to Microfinance System

Sex	Mean	Std. Error	95% Confidence Interval	
			Lower Bound	Upper Bound
Male	34.763	.550	33.679	35.847
Female	36.412	.714	35.005	37.820

Source: Authors Compilation, 2022

The result in **Table 4.12** above shows that female [M= 36.41] had more access to microfinance system than men [34.76].

H03. Collateral measure has no effect on influencing credit of small and medium scale enterprises in Oyo State.

The finding of the study shows that microfinance system play no significant role in the financial management of SMSEs in Oyo State. Hence, the hypothesis is rejected.

Descriptive analysis of the objects that comprise the scale of measurement for the role of microfinance system in the financial management of SMSEs shows that the respondents wholesomely agreed that microfinance system play no significant role. As shown in **Table 4.13** below, 72.1% of the respondents agree that microfinance system monitors the business management styles of SMSEs in Oyo State; 63.3% of the respondents agree that microfinance system provides guide of SMSEs on how to use their money.

Table 4.13: Role of Microfinance System in the Financial Management of SMSEs in Oyo State

Objects	No of Disagree (%)	Undecided (%)	No of Agree (%)	Total (%)
Monitoring of business Management style	52 (24.2%)	8 (3.7%)	158 (72.1%)	215 (100%)
Providing guide for the use of money	57 (26.5%)	22 (10.2%)	136 (63.3%)	215 (100%)
Quarterly review report of transactions	60 (27.9%)	24 (11.2%)	131 (60.9%)	215 (100%)

Advice on the re-investment of annual turnovers	79 (36.7%)	7 (3.3%)	129 (60%)	215 (100%)
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Source: Authors Compilation, 2022

Further examination of **Table 4.13** shows that 60.9% of the respondents agree that microfinance system embarks on quarterly review of the transactions of SMSEs in Oyo state; and 60% agree that microfinance system advises SMSEs on how to re-invest their annual turnovers.

Ho4. Managerial skills does not have influence on credit financing of small and medium scale enterprises There are no enforced procedural standard for client-microfinance interaction

The finding of the study shows that managerial skill does not have influence on credit financing of SMSEs in Oyo State. Hence, the hypothesis is rejected.

Descriptive analysis of the objects that comprise the scale of measurement of procedural standards put in place by microfinance system for proper managerial skill with SMSEs in Oyo State shows that the respondents position, as displayed in **Table 4.14**.

Table 4.14: Managerial Skills Provided by Microfinance

Objects	No. of Disagree (%)	Undecided (%)	No. of Agree (%)	Total (%)
Quarterly meeting between Microfinance officials and clients	59 (27.5%)	17 (7.9%)	139 (64.7%)	215 (100%)
Inspection visits of	46 (21.4%)	22 (10.3%)	147 (68.3%)	215 (100%)

Microfinance officials

Help Lines	137 (63.8%)	17 (7.9%)	61 (28.3%)	215 (100%)
End of the year cocktail party	49 (22.7%)	12 (5.5%)	154 (71.8%)	215 (100%)

Source: Authors Compilation, 2022

Data on **Table 4.14** above shows that 64.7% of the respondents agree that quarterly meeting take place between microfinance officials and SMSEs in Oyo State; 68% of the respondents agree that Microfinance officials pay inspection visits to SMSEs in Oyo State; while 71.8% agree that end of the year cocktail party is provided as a means of relaxation and interaction between microfinance and clients at the end of every financial year. However, 63% of the respondents stated that there is no helpline provided for clients to make quick and urgent connections with microfinance system in situations that requires urgency and critical attention.

Discussion of Findings

The result on the effects of the Micro Credit Financial Performance of SMEs in Oyo State aligns with previous finding. Small businesses and enterprises with access to social capital are statistically more likely to be viable¹. In addition to enhancing efficiency and long-term survival, social capital is also beneficial to small firms by alleviating their financial and non-financial constraints². Competition, equity, and efficiency can, however, be negatively affected by networks. According to an author, Despite the benefits of network consequences to network "insiders," non-members "outsiders" can be excluded from actual business transactions, which can negatively affect enterprise performance³.

The effectiveness of small-scale entrepreneurs can be improved with well-structured entrepreneurship training programs and access to credit⁴. In addition, microbusinesses benefit from the operation of UNDP-sponsored microfinance institutions⁵. Many studies have examined the relationship between microcredit and microenterprises, but none have examined how microcredit affects microenterprises. This study examined the impact of microcredit on microenterprise performance in Nigeria by collecting cross-sectional data using the survey method. The results of this study are consistent with simple economic theory, which suggests microcredit should increase profits. Furthermore, the study confirms the assertion made by an author that firms can achieve profitability and growth by addressing liquidity constraints with credit if it is readily available and reasonably priced⁶. The results are consistent with some researchers' findings⁷.

The result on the influence of size of business on credit financing of small and medium scale enterprise is consistent with previous research findings. In line with these studies, a researcher found that the financial behaviour of SMEs can primarily be explained by the lifecycle pattern, which was consistent over time and quite similar across different industries and institutional contexts⁸. Moreover, an author found that the business life cycle model is supported by their study of small business financing in three Chinese cities using a sample of 60 SMEs. The significant determinants of SMEs' low access to financing in South Africa were grouped into internal and external factors⁹. In addition to business information, collateral, networking, and managerial skills, several internal factors must be considered. The legal environment, crime and corruption, ethical perceptions, and macroeconomic conditions are the external factors. Lending issues hinge on loan terms¹⁰. SMEs are discouraged from seeking loans from commercial banks due to high interest rates¹¹. Most SMEs obtain working and investment capital from family and friends.

The result revealed a significant relationship exist between collateral measures and access to financial credit. Small and medium enterprises need external financing to grow. Additionally, existing SMEs and potential operators indicate that access to finance is the most significant barrier to expanding their businesses and starting up¹². Without external financing, small and medium enterprises are unlikely to be able to compete in international markets, expand their operations, and establish business relationships with larger companies. The present findings aligns with the submission that access to finance allows small businesses to undertake productive investments, develop the national economy, and alleviate poverty in most Sub-Saharan African countries¹³. The government must employ suitable strategies to ensure that bank financing scarcity for SMEs in the country is minimised¹⁴.

An author argue that financial sector competition is essential¹⁵. Financial products can be priced higher without it, directly impacting small and young firms worldwide. Financial sector competition is low, which can affect the banking industry's stability. A lack of clear financial plans, accounting documentation, a higher rate of interest, and collateral requirements are some of the constraints SMEs face¹⁶. Developing countries face barriers in accessing finance products due to weaknesses in their financial and legal systems¹⁷. When Beck analyzed 70 developing countries, he concluded that the local government is responsible for building institutions. Market activities should be undertaken in a friendly manner to provide a proper regulatory framework to reduce financial constraints by SMEs.

A study focusing mainly on developing countries indicates that there are several factors causing credit variation among the various and existing sources of credit, including low collateral requirements, high risks, information asymmetries, small credit transactions, particularly in rural households, and distance between lenders and borrowers¹⁸. On the one hand, it has been noted that banks in Sub-Saharan Africa charge interest rates that disincentivise most borrowers from acquiring funds to invest in their businesses. Conversely,

most small businesses are discouraged from applying for bank financing because of the interest rates charged by banks¹⁹. The Influence of Managerial Skills and Collateral Measure on the Reception of Financial Credit was significant which is consistent with previous assertion.

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Chapter Five

Conclusion

This chapter comprises of four sections, namely: where in the findings of this study were summarized; conclusion, where conclusive statement was made on the subject matter of this study, recommendations, in which policy statements were reeled out so as to strengthen the microcredit for effective financial management by small and medium scale enterprises, and suggestions were made for further research or discourse on the subject of this study.

5.1 Summary of Findings

Previous studies have shown the effect on cooperative society on management of SMEs in Nigeria with various attempted efforts of the government to improve their service provision. The attempts made to find out predisposing factors for increase in potency of microcredit on performance of small and medium scale enterprise have largely been ignored, hence this study sought to evaluate the extent to which the problem of small and medium enterprise has been solved through microcredit finance initiatives, investigate the level of awareness of existence of microcredit facilities, find out the extent to which the poor are accessing microcredit facilities, examine the impact of microcredit on current assets of business

individuals, examine the impact of micro credit on liabilities of business individuals and examine the impact of length of participation on non-current assets, current assets and liabilities of respondents.

The current study employed two criteria namely the value of non-current assets and current assets of both the participants and non-participants and these criteria, were studied in three stages, to determine the effect of microcredit programme on performance of small and medium scale enterprise in Oyo state, Nigeria. This approach is unprecedented in Nigeria.

The findings of this study revealed that most of the sampled respondents are microfinance participants and thus enrich the reliability of their responses. The respondents were made up of farmers, traders' artisan and other small scale business owners from Oyo state, Nigeria

In the same vein, the level of people's awareness about the existence of microcredit facilities is moderately and relatively high in Oyo state, Nigeria. However, this level of awareness may be different from what is obtainable in the other regions of Nigeria, especially, the Northern region which according to an author was very low. Also, it was established that microcredit facilities are well available within the communities sampled. It was equally found that people have the opportunity of obtaining microcredit facilities regularly in Oyo state, Nigeria.

Empirically, it was found that non-current assets of the participants across the three stages as indicated in the result above suggests that, within the three stages of the experimentation, the non-current assets of the respondents have remained relatively static with no substantial significant changes, no significant difference in liabilities of the participants but there was noticeable significant improvement in their current assets. However, comparing the participants and nonparticipants. It was found that there is a significant difference between the noncurrent assets of microfinance participants and non-participant. It implies that the non-

current assets of the participants have substantially increased due to their involvement in the microfinance programme.

5.2 Conclusion

The study concludes that microfinance institution is indeed a potent strategy on the performance of small and medium scale enterprise and viable tool for purveying credit to the poor. It can be established that the microcredit programme in Oyo state, Nigeria has not lost its focus which is mainly to alleviate the suffering of the poor in the environment.

5.3 Recommendations

In respect of the findings from the study, the following recommendations were offered,

1. Microfinance institutions in Nigeria should be encouraged by the regulators to increase the quantum of micro credits and, conduct relevant research to develop more of long tenured credit products as opposed to the present regime of short tenured and self-liquidating credit products. These measures will not only assist in achieving a higher rate of economic growth in the long run, but will also, enhance the contributions of microcredit institutions to Nigeria's economic growth through the vehicle of appropriate credit products to meet the needs of diversified entrepreneurial investment projects in Nigeria economy.
2. Since the microfinance banks are specifically targeted at improving the economic wellbeing through credit facilities to small and medium enterprises, they should grant credit using minimal interest rate and collateral so as not scare away the poor by demanding higher collateral from them.
3. Microfinance banks should also be less aggressive in pursuing profit. The government should monitor their activities so that they are more of socialist than capitalist.

Microfinance should be encouraged to remain sustainable by reducing their expenditure on intimidating office furnishing instead of placing high expectation of return on their prospective customers.

4. If microfinance is chosen based on intervention policy, there is need to set clear objectives for the indicators of economic empowerment for SMEs. More importantly the ability of SMEs entrepreneurs should not be assumed to be adequate for the improvement of their business.
5. There is a need to create a policy framework to spur growth in the enterprises as well as the rural economy as a whole through creating employment opportunities and an increment in the agricultural output. Multiple policy interventions may be required to achieve such objectives. To realize poverty reduction objectives, the private sector (microfinance) and the public sector should form a partnership.
6. When it comes to SMEs, a sustainable mix of market and non-market policy interventions is needed if the impacts of an intervention policy are to be sustainable. Since households' markets play a crucial role in determining their responses to exogenous policy changes, the structure of their markets is crucial.
7. Training, workshops, and seminars on SME should be conducted by microfinance banks for microcredit beneficiaries to ensure proper usage of the loans disbursed.

5.4 Suggestions for Further Study

Since poverty is a general phenomenon and all efforts by various governments to alleviate it through microcredit seems to yield little or no positive result. It is therefore suggested that further research should be carried out on the topic in other state in the country. Also, further research effort should be concerned with microfinance in Africa.

Combining the Best Practices of Traditional and Modern microfinance approaches towards improving small and medium scale enterprise in Nigeria.

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Appendix

Quantitative Questionnaire

A. Background and Personal Information

1. Age: less than 21 (), 21-30 (), 31-40 (), 41-50 (), 51-60 (), more than 60 ()
2. Marital Status: single (), married (), divorced (), widow/widower ()
3. Number of Children (dependent children/wards): 0 (), 1-2 (), 3-4 (), 5-6 (), 7-8 (), more than 8 ()
4. Level of Education: none (), primary school (), secondary school (), tertiary: other (specify)
- 5a. Occupation: 5b. Occupation of Spouse:
- 6 Type(s) of business(s):
7. Time (year) joined scheme (number of cycles):

Financial Status and Management Record

	Strongly agreed	Agreed	Disagreed	Strongly disagreed
<p>Effective management record increase access of SMEs to microfinance credit</p> <p>Financial status of SMEs is enhanced through microfinance credit</p> <p>Microfinance credit contribute to the acquisition expansion of household assets</p> <p>Record keeping will increase the ability to keep track of financial expenditure</p> <p>Proper management of record will result in increased SMEs savings</p>				

Managerial Skills

	Strongly agreed	Agreed	Disagreed	Strongly Disagreed
SMEs are likely to benefit more from microfinance banks interest rate on loans				
SMEs own by women are likely to benefit more from microfinance banks interest rate on loans				
Gender will play a significant role in management skills of credit obtain from microfinance				
Microfinance interest on loans is based on financial management of SMEs				

Access to Microfinance Credit and SMEs

	Strongly agreed	Agreed	Disagreed	Strongly Disagreed
<p>Access to microfinance credit by SMEs is stringent</p> <p>Microfinance credit to the SMEs has contributed to efficient business management</p> <p>Easy access to microfinance credit has helped in enhancing standard of SMES businesses</p> <p>Microfinance interest rate has contributed to increasing SMEs growth</p> <p>Microfinance credit increases SMEs access to finance</p>				

Impact of Microfinance Credit on Business Expansion

	Strongly agreed	Agreed	Disagreed	Strongly disagreed
Business Expand business size				
Add new products				
Reduce costs by buying in greater volume or at wholesale prices				
Develop new businesses				
Increase business assets				

Operations of Microfinance Credit Provision on Poverty Alleviation

	Strongly agreed	Agreed	Disagreed	Strongly Disagreed
Microfinance credit will be more beneficial to men				
Access to microfinance credit will increase poverty alleviation among women				
Gender will play a significant role in benefit derive from microfinance poverty alleviation				
Microfinance poverty alleviation is based on gender equality				

Biodata

A. Personal Data

1. Full Name: Mojisola Oladunni JACOB-UDEME
(Address, Email Address & phone no)
Road 1 House 12 Ire- Akari Crescent,
Arola, Apete, Ibadan Oyo State, Nigeria.
udem01@gmail.com & 08034387324,
08063669556
2. Date and Place of Birth: 10 March, 1978 Ibadan
3. Nationality: Nigeria
4. Name and Address of Next of Kin: Dr. Udeme Samuel Jacob, Road 1 House
12 Ire- Akari Crescent, Arola, Apete,
Ibadan Oyo State, Nigeria

B. Educational Background

- i. Primary Education: 1985-1990 St John Catholic School
Inalende Ibadan
- ii. Secondary Education: 1991-1996 Oba Akinbiyi High School 1,
Mokola Ibadan
- iii. Higher Education 2020 Lead City University, Ibadan
M.Sc. Accounting (In View)
2007 Tai solarin College of Education
Ijagun, Ogun State
B.Ed. Business Education (Accounting
Option) (Second Class Lower Division)

2001-2003 Federal College of Education,
Abeokuta, Ogun State

N. C. E Business Education (Accounting
Option) Credit

C. Work Experience

Dominion University, Ibadan Admin Officer 2019 – Till date

- Advice the Departmental Boards on Public Service Rules, other regulations and norms as required.
- Supervise non-academic, secretarial, and clerical staff in the Departments.
- Attend meetings of academic staff with Management to observe proceedings and take note of academic policies.
- Assist Registrar and HODs to plan activities required on matters of training and research facilitation, participation of attendees, opening and closing ceremonies, syndicate services, report writing and record management at Departments.
- Service Departmental committees on training and evaluation of programmes
- Coordinating the production of certificate and registration of participants

Submit Microfinance Bank Head of Operation 2019

- Compliance procedures through communication of changes immediately with department managers and staff
- Work with human resources department to update policy manual and other documentations
- Conduct regular internal audits and reviews
- Review procedures and records

Best Spring for Children and Youth Foundation Volunteer Project Officer 2011- 2020

- Coordinate conference calls, meetings and minutes
- Process invoices, monitor the team budget and ensure all expensive is recorded
- Maintain and develop contact lists and team documents
- Recruit and facilitate volunteers for programmes
- Provide logistical support to projects
- Assist in the monitoring and evaluation of projects
- Manage orphan and vulnerable children effectively, oversee and co-ordinate kids activities
- Maintain old clients, develop new relationships with People Living with HIV/People affected with HIVAIDS and individuals through Support group

NuStream Conference and Culture Centre Accountant and Administrative Manager
2017

- Set up new customer account
- Prepare and administer aging reports on account receivable
- Track, record and administer accounts receivable and payable in a timely fashion
- Document all concerns, request and results
- Coordinate all incoming and outgoing messages
- Keep office machines in good condition

- Assist in the preparation of advert
- Monitor the dispersal of items purchase
- Perform civic duties on behalf of the organization
- Track staff personnel coming and going to/ from the facility

CHI Farms Limited Accounting Department (Cashier) 2010- 2016

- Ensure all company's financial transactions are captured accurately and timely, manually and within the electronic accounting systems. Maintain an efficient filing and documentation retrieval system of all accounting books and ledgers.
- Analyzes and reconciles expenditure and revenue accounts, including investment reports.
- Make wire transfers and journal funding transfers and reconciles monthly bank statement.
- Calculates and prepares reimbursement billings and tracks receivables, reconciles monthly accounts receivable.
- Develop, maintain, and analyse budgets: prepare periodic reports that compare budgeted costs to actual performance and highlight issues for Management attention.
- Analyze business operations, trends, cost, revenues financial commitments and obligations, to project future revenues and expenses or to provide advice.
- Prepares audit schedules for external auditors and acts as a liaison between the company and auditors/

Federal Government College Gusau Teacher Oct. 2008- Sept- 2009

- Undersigned all student records daily
- Taught assign classes and counsel students based on need
- Counselling of Students on Adolescent Health Related Issues

F. Publications (if any):

1. Thesis/Dissertation
2. Books/Monographs
3. Scholarly Articles

Jacob-Udeme, M. O., Olojede, S. O., & Oyedokun, G. E. (2021) Appraisal of Continuous Use of Public Debt on the Nation's Growth and Development. *Journal of Resources Development and Management* 78; 18-22

Jacob-Udeme, M. O., Olaoluwa, F. I. Oyedokun, G. E. (2021) Microfinance and Financial Empowerment of Low-Income Earners. *International Journal of Latest Research in Humanities and Social Science (IJLRHSS)*. 4(9), 44-49

4. Notable Scholarly or Professional Accomplishments
5. Major Conferences/ Workshop Attended

The Research Network of International Scholars (TReNIS) in Collaboration with Institut Supérieur Bilingue Libre Du Togo Kpogan-Agbetiko (Togo) Annual International Conference 6 – 10 June 2022

Paper Presented

The Place of Value Added Tax on Educational Development

Signature

Date

University Compliance Certification

This is to certify that this Thesis written by Mojisola Oladunni JACOB-UDEME with matriculation number LCU/PG/002089 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