

Impact of Access to Finance on the Growth of Small and Medium Enterprises in Nigeria

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Abstract: *This study examined the impact of access to finance on the growth of small and medium enterprises (SMEs) in Nigeria. The research design adopted was the survey method. The population of this study is business owners in Ibadan South East Local Government Area of Oyo State. In this study, 120 business owners were selected. The findings showed that the financial options available for SMEs are cooperative societies, loans and micro financing, personal savings and funds from friends and families. Further result revealed that the challenges associated with SMEs growth (lack of funding, government policies, epileptic power supply, taxation and higher interest rates) jointly significantly influenced SME development [$R^2 = .653$; $F(5,119) = 42.862$; $p < .05$] which infers that the challenges associated with SMEs growth jointly accounted for about 65.3% of the variance observable in SME development. Also, the independent contribution of lack of funding, epileptic power supply, high taxation and higher interest rates were significant ($\beta = .284$; $t = 5.048$; $p < .000$), ($\beta = .565$; $t = 6.144$; $p < .000$), ($\beta = .447$, $t = 7.957$; $p < .000$) and ($\beta = .463$; $t = 8.104$; $p < .000$) while the independent contribution of government policies was not statistically significant. It was recommended that the Nigerian government should try to formulate policies that would favour both the business owners and managers of small scale business and the intending ones in the area of sourcing for fund to run their business with little collateral to pledge for the loan and easy procedure of getting it.*

Keywords: *Government Policies, Financing, Small and Medium Enterprises, Business Growth*

INTRODUCTION

Historical facts show that prior to late 19th century cottage industries, mostly small and medium scale business controlled the world economies. The industrial revolution changed the status quo and introduces mass production. The twin oil and gas stocks during the 1970's undermined the mass production model, which triggered an unexpected reappraisal of the role and importance of small and medium sized enterprises in the global economy. Small and medium scale businesses are bedrock of development of economies of many nations of the world. Small and Medium Scale Enterprises are enterprises that have the capacity to employ at most five hundred (500) employees at a time and it has been proved to be the back bone of every economy. According to Oyeyinka (2019), any business with a turnover of less than 100 million per annum and less than 300 employees are tagged as SME. The challenges facing SME's in many developing countries are monumental. The most worrying among these challenges is funding i.e. financing. Small and medium scale enterprises need a financial system to overcome the financial challenges that lead to the premature demise of its operation. Increased access to financial services that are well suited for low income earners tends to boost effective demand, which in turn induces investment, employment, income generation (Bakari et al., 2019).

Most new and small business enterprises are not very attractive prospects for banks, as they want to minimize their risk profile, in Nigeria, the situation is not very different, until when the bankers committee intervened in 2001 with a scheme termed the Small and Medium Industrial Equity Investment Scheme (SMIEIS). For small businesses shopping for funding can be quite a Herculean experience, the dearth of adequate and diverse sources finance has over the years been a major stumbling block to the emergence and growth of small and medium scale enterprises in Nigeria. Even with the right complement of entrepreneur motivation, starting and sustaining a small or medium enterprises may be frustrated by lack of a core ingredient- finance, with a few or medium enterprises may be frustrated by lack of a core ingredient- finance, with a few exceptions the initial financial investment into a small and medium venture comes from its owners personal wealth, sometimes supplemental by partners, family members and/or other non-institutional sources, enterprises like the Dangote group, Adebowale electronics and Betsy group are examples of SMEs that have grown into relatively large conglomerates and organizations which started as cottage enterprises with owners fund as the only source of funds. If this initial financial outlay services the need of the early stage of the business enterprises (which it hardly does), sooner or later, needs changes and even multiply, making it necessary for additional financial investment, when this stage is reached seeking out diversified sources especially institutional sources becomes inevitable. However, there is no agreement on which stage of the SME cycle or which type of capital-working, medium or long term capital, the financial problems becomes most crucial and critical.

In Nigeria the Small and Medium Scale Enterprises (SMEs) have been neglected for so long with the brunt of past policy bias in favour of their large scale industries counterparts. The government consciousness needs to be jolted to the reality before us giving the pivotal role of the subsector, which can make an economy gain the required versatility and resilience, particularly in view of the abject poverty that has characterized the land. Just as it has been a great concern to all and sundry to promote the welfare of SMEs, it has also been a great cause of concern to all, the fact that the vital sub-sector has fallen short of expectation. The situation is more disturbing and worrying when compared with what other developing and developed countries have been able to achieve with their SMEs. It has been shown that there is a high correlation between the degree of poverty hunger, unemployment, economic well being (standard of living) of the citizens of countries and the degree of vibrancy of the respective country's SMEs. In spite of the fact that SMEs have been regarded as the bulwark for employment generation and technological development in Nigeria, the sector nevertheless has had its own fair share of neglect with concomitant unsavoury impacts on the economy.

In many societies, small and medium scale enterprises are the engine for growth. Specifically, in countries such as Malaysia, Thailand, China, and India, SMEs have been responsible for more than 70 percent of exports and this is why these countries, have been growing in leaps and bounds (Duro, 2013). In Nigeria, SMEs are beset with a myriad of challenges which are in no small measure affecting their growth. The most pronounced, however, is access to funds and effective infrastructure to operate, especially electricity. Even banks with retained liquidity levels in excess of what is required by law have shown reluctance in extending loans to SMEs, especially on long term basis as they are considered highly vulnerable with

high credit risk. Small and medium scale Enterprises do not have the muscle to compete with the multinationals in terms of marketing because of what it takes in real terms to market a product. In addition, the amount one needs to produce in order to engage in profitable marketing to break even is not there for the local manufacturers. Over the years, the issue of availability and accessibility of financing option for small and medium scale enterprises has become a pain in the neck for entrepreneurs. Where the funds become available, the problem of effective management of such funds often become a Herculean task. At times small business owners lack information on financing options available to them.

SMEs by their very nature are supposed to be the bedrock of the nation's economy but the operating environment has been very harsh for them to thrive. Currently, most of them can scarcely fund their operations, and the issue of mass or large scale production is ruled out. Some manufacturers have gone under due to unhealthy operating environment occasioned by poor infrastructure, high cost of production, multiple levies and multiplicity of regulatory agencies. Therefore this study examines the impact of access to finance on the growth of Small Medium Enterprises in Nigeria. The study attempts to verify the following hypotheses:

H₀₁: There is no significant relationship between the challenges associated with SMEs and growth of SMES in Oyo State.

H₀₂: There is no significant relationship between the role of government and growth of SMES in Oyo State.

The study is focused on assessing the impact to finance on the growth of small and medium enterprises in Nigeria. It will be of tremendous use to the society in general and particularly prospective entrepreneurs seeking efficient sources of finance. It will also be useful to existing enterprises at different stages of the SME Cycle. The study would serve as a reference material for further study on SME financing, students pursuing academic course in entrepreneurship development in higher institutions will also find the research very useful.

LITERATURE REVIEW

2.1 Conceptual Review

Concept of SME

Small and medium Enterprise drives their country's development as they create employment and contribute to the gross domestic product (GDP) (Kuteyi, 2013). There is the greater likelihood that SMEs will utilize labour-intensive technologies thereby reducing unemployment particularly in developing countries and thus have an immediate impact on employment generation (Muritala, Awolaja, and Bako, 2012). Small and Medium Scale enterprises varies with culture and peculiar circumstances of the person attempting the definition. The definitions in use depend on the purposes and the policies which govern the SME sector in a particular country. However, the three parameters that is generally applied by most countries, singly or in combination are: capital investment, volume of production or turnover of business. Small and Medium Scale Enterprises is defined on the basis of

employment, in micro/cottage industries (1-10 workers), small scale industries (11-100 workers), medium scale industries (101-300 workers) and large scale industries with (301 and above) (Jamodu, 2001). In Japan, small and medium firms secure capital up to one hundred million Japanese yen and less than 299 employees involve in manufacturing.

The Nigeria Minister for Industry noted that “Enterprises employing less than 500 workers are generally regarded worldwide as SMEs”. Based on the foregoing, the major component is the annexation of resources and overall contribution to the economic well being of developing nations across the globe. In a developing country like Nigeria, the importance of SMEs in the process of social economic development cannot be overlooked. The importance of SMEs in the development of the country has been summarized in Nigeria third national development plan 1975-1980 as the generation of employment opportunities, stimulation of indigenous entrepreneurship, facilitation of effective mobilization of local resources including capital and skill as well as reduction in regional disparities (Rahanaty, 2009). Moreover, in a country like Nigeria with an adverse Balance of payment situation, the growing contribution of the small scale industries sector in Nigeria’s export portfolio goes a long way in generating foreign exchange and smoothening out the adverse balanced of payment situation.

This is important to the economy in that large percentage of their production inputs are sourced locally thus, reducing the pressure on the limited foreign exchange earnings and helping to eliminate some of the deficit in the balance of payment. SMEs constitute the very basis of the national economy in terms of development of local technology, stimulation of indigenous entrepreneurship, mobilization and utilization of domestic savings, employment creation, structural balancing of large and small industry sectors in both rural and urban areas, supply of high quality intermediate products thereby strengthening the international competitiveness of manufacturer’s goods, stimulate technological development and innovations, provide the capacity to expand export possibility and substitute import effectively. Discovery has also shown that the expected role contribution by the large scale enterprise to the economy in terms of improvement in the GDP, employment generation, increasing local value added, technological development among others are been resolved by SMEs (Nwoye, 2010).

The Impact of Access To Finance on SMEs

Access to finance is necessary to create an economic environment that enables firm to grow and prosper. SMEs in developing countries, however, face significant barriers to finance. Financial barriers are higher in developing countries in general, but SMEs are particularly constrained by gaps in the financial system such as high administrative cost, high collateral requirements and lack of experience with financial intermediaries. Increased access to finance for SMEs can improve economic conditions in developing countries by fostering innovation, macro-economic resilience and GDP growth. (Google, 2013). Numerous studies highlight access to finance as one of the driving factors of an enabling economic environment. The World Bank and International Finance Cooperation (IFC) rank economies according to their ease of doing business to get credit is an important criterion (World Bank, IFC). The Global Entrepreneurship Monitor (GEM) entrepreneurship framework condition also highlights entrepreneurial fiancé, defined as

the availability of financial resources for SMEs in the form of debt and equity, as one of the key factors for stimulating and supporting entrepreneurial activity. (Google, 2013) Financing for SMEs is limited, particularly when compared to commercial debt for large firms and microfinance. When asked to name the most severe obstacles to growth, SMEs world wide listed financing constraints as the second most severe obstacle, while large firms placed it only fourth (World Bank Group 2010). Often, the costs and risks of serving SMEs are perceived to be too high by commercial finance. Microfinance loans, on the other hand, are too small to meet SME Capital needs. For example, if a rural coffee producer needs a loan of \$300,000 dollars, the request may be too large for the local microfinance institution but too small, risky and remote for commercial banks. This financing gap is referred to as the missing middle.

Small firms are disproportionately handicapped by a lack of finance, but they receive a stronger boost in growth than large firms if financing is provided. Financing obstacles affect small firms' more than large firms. Small firms not only report higher financial obstacles, but they are also more adversely affected by these obstacles (World Bank Economic Review, 2008). SMEs in developing countries face a financing gap that undermines the economic prosperity. SMEs are a fundamental part of the economic fabric in developing countries, and they play a crucial role in furthering growth, innovation and prosperity. Unfortunately, they are strongly restricted in accessing the capital that they require to grow and expand, with nearly half of SMEs in developing countries rating access to finance as a major constraint. They might not be able to access finance from local banks at all or face strongly unfavourable lending conditions, even more so following the recent financial crisis. Banks in developing countries are in turn hampered by the lack of lender information and regularly support to engage in SME lending. The overall result is absence of a well-functioning SME lending market, and SMEs are impeded on their growth, with negative consequences for innovation, economic growth and macro-economic, resilience in developing countries.

Factors Affecting entrepreneurship, SMEs productivity and Investment Climate in Nigeria

The following are the factors affecting entrepreneurship, SMEs productivity and the investment climate in Nigeria

i. Education of the Labour Force

The exact effects of the workforce's academic attainment on poverty eradication and economic development of nations has been the subject of intense debate among scholars. Some studies have revealed a strong relationship between educational attainment and the probability of being poor. In another research which is based exclusively on the data obtained from Russia and Uganda, it was noted that education enables business owners to adapt more easily to both technical and social changes in the economy (Aikaeli, 2010). Furthermore, the study by this author also indicated that highly educated entrepreneurs are more likely to cope with any changes that occur in the demand for labour. This postulation is also supported by the World Bank, which identified education as the most important foundation for individuals that want to migrate, gain higher employment or pursue

opportunities in new businesses. Unfortunately, the quality of education in Nigeria is generally poor. The situation is further compounded by low level of school enrolment in some parts of the country, especially in northern part of the country. In addition to the poor levels of school completion rates, the country also has issues of skills mismatch .

ii. Infrastructural Development

Several authors have also conducted academic studies on the exact impact of infrastructural development on economic growth (Krishma and Shariff, 2011). The results of these studies indicate that massive development of infrastructures can reduce poverty, boost productivity and enhance economic growth. Unarguably, the impact will be more pronounced in Nigeria, as the country's power sector's cost recovery and operational efficiency is among the worst in the entire sub-Sahara Africa. The current power output in the country is just 50% of the Nigeria's power needs with the social cost up to 3.7% of the GDP. Furthermore, Nigeria's transport sector is in very bad shape, as years of mismanagement and lack of maintenance means that country's road network is in a very dilapidated state. Even the aviation sector is not left out as it has notoriously poor safety record. The growth of SMEs in Nigeria like most other African countries is severely constrained by inadequate transport infrastructure . This shortfall pointed out that the massive development of public infrastructure is a great way to enhance competitiveness, profitability as well as productivity of SMEs. Consequently, he concluded his study by advising Nigerian government to build more electricity facilities, hospitals, schools, roads etc.

iii. Access to Finance

Lack of credit facilities is another major factor that affects entrepreneurship development, SMEs productivity and Nigeria's business environment. Lack of finance is the main issue that confronts African youths striving to establish and build their business (Mishra, Igwe, Lean and Megicks, 2014). The authors defined inaccessibility of finance as a situation in which poor people were unable to obtain formal financial services due to their vulnerability. A report by the World Bank revealed that a financial constraint is more persistent agricultural and agro-allied sectors. The organization attributed this to the sector's unique nature. For instance, a survey by World Bank in India revealed that 87% of marginal farmers that participated in the research lack access to formal credit. That same report also revealed that 71% of the farmers do not have any saving accounts in a formal financial institution. In Nigeria, it has been observed that financial issues are the commonest distinctive, confronting young Nigerians that want to establish and grow their own business. The financial service landscape of Nigeria is generally characterized by the absence of safe, affordable and reliable financial services. Less privileged and poor Nigerians have been unable to access formal financial services from the Central Bank of Nigeria and the traditional banking system. This is due to the loan requirements, which are beyond the scope and ability of an average Nigerian citizen. Consequently, many prospective entrepreneur and ordinary Nigerians are left with no other option than to patronize the informal credit lenders, most of whom charge an extremely high interest rate.

2.2 Theoretical Review

This work is anchored on the Resource-Based View. The foundations of firm growth conception were laid by Penrose (1959) and evolutionary economists. As a result, and in parallel to these contributions, the resource-based approach to decision making on firm scope and size was further developed. Penrose perceived growth as a process of learning and development of capabilities, eventually resulting in scope and size enlargement. Concepts such as core competence and core-related capabilities, absorptive capacity and dynamic capabilities have comprehensively provided explanatory power with regard to learning and knowledge development that lead to innovative outcomes. The heterogeneity of firm capabilities is thus reflected in the differences in their competitive positions and the ways firms achieve growth. The RBV logic is applied in the majority of the entrepreneurship studies on growth determinants. These studies focus on the internal characteristics of the entrepreneur, the firm, and its strategy. Similarly, the classical growth stage models adopt an internal focus on firm resources and management systems. In spite of the capability-oriented thinking, the life cycle studies and studies on growth determinants are inductive and empirical rather than deductive and theory-driven. Therefore they rarely apply the core concepts of the RBV, including its developments such as absorptive capacity and dynamic capabilities. Absorptive capacity (AC) is one of the key concepts that emerges from the understanding of innovation regarding the internal usability of external knowledge. The existing evidence has discussed how companies with good levels of AC are more likely to absorb external knowledge through the establishment of cooperation agreements, what influences the returns these companies get from product and process innovations.

2.3. Empirical Review

Alabi, David and Aderinto (2019) examined the impact of government policies on business growth of SMEs in South Western Nigeria. The study adopted descriptive ex-post facto type and involved both primary and secondary data. The researcher used stratified sampling technique for determination of exact sample population to use for the study. Structured questionnaires were used as the main tools data collection. Both the descriptive and inferential analytical techniques of the SPSS packaged were used to analyze the data obtained from the respondents. The result of this research shows that there is a significant relationship between government policy and business growth of Small and Medium Enterprises (SMEs) in South Western Nigeria. These results indicate the need for the Nigeria government to formulate and implement policies that will help ensure the optimal performance and subsequent survival of small scale businesses in the country. Furthermore, the country's monetary policies and macroeconomic indicators ought to be modified, to become more suitable for SMEs operating in the country. It is also important for the various levels of government in the country to embark on the massive infrastructural development.

Abdul-kemi (2014) carried out a study on the Factors Affecting the Investment Climate, SMEs Productivity and Entrepreneurship in Nigeria. *European Journal of Sustainable Development*. The study employs current perspectives to examine the factors affecting investment, productivity and growth of SMEs by employing the World Bank Enterprise Survey in Nigeria. It explored five main factors affecting investment and productivity in

Nigeria as follows: education of the labour force, access to infrastructure, access to finance, size of firms and other business climate variables. Other business climate variables are insecurity, bribe or corruption, the amount of time that businesses spend dealing with government regulation, poor power availability, etc. In a survey of 2,676 firms, access to finance (33.1%), access to electricity (27.2%) and the level of corruption (12.7%) were the most ranked obstacles for business owners. By employing the World Bank Enterprise Survey, the study presents and analyses the business environment challenges at the national level.

Abosede and Onakoya (2013) carried out a study on the effect of SMEs financing on manufacturing sector growth in Nigeria using annualized data from 1981 to 2014. A cointegrating relationship was determined using the Engel and Granger residual based approach which showed evidence of a long-run relationship between SMEs credit and manufacturing output growth in Nigeria. The results of the error correction model showed that SMEs financing had exerted positive influence on the manufacturing sector growth. The finding indicated that when credits to the SMEs increased by 1%, manufacturing output rose by 14.5%. The results also revealed that interest rate and inflation rate had negative effect on manufacturing sector growth. A unit change in interest rate led to 15.7% fall in output growth of the manufacturing sector. We conclude that while SMEs is an important sector that can drive the Nigerian economy, rising interest rate stifles their growth and overall economic impact. This sector needs nurturing hence the government and monetary authorities should make policies and create enabling environment for SMEs to thrive. Access to fund should also be made easy and at low interest rate.

Ikon (2018) examined Small and Medium Scale Enterprises and Industrial Growth in Nigeria. The objective of the study was to determine the relationship that exists between manufacturing SMEs production and industrial growth in Nigeria. Secondary data were sourced from the Central Bank of Nigeria statistical bulletin and National Bureau of Statistics publications for the period 2002-2016, and regression analysis was used in analysing the data. Findings of the study revealed that manufacturing SMEs production has a statistical significant relationship with industrial growth in Nigeria. This implies that manufacturing SMEs are capable of accelerating industrial growth through their contributions to the economy. The study, however, advocates more government intervention of facilitating access to concessional funds to SMEs to trigger SMEs sustainable growth and industrial growth in Nigeria.

Aminu, Adamu and Ibrahim (2018) carried out a study on the impact of Small and Medium Scale Enterprises on Economic Growth: Evidence from Nigeria. The study examines the impact of small and medium scale enterprises on economic growth of Nigeria using time series data spanning between 1986 and 2016. The data is obtained from the statistical bulletin published yearly by the Central Bank of Nigeria (CBN). Regression analysis is employed for interpretation and analysis of the data collected for the study. The finding of the study reveals a positive and significant relationship between small and medium scale enterprises and output growth indicating that small and medium scale enterprises in Nigeria make positive contribution towards the development of Nigerian economy. The study recommends that government should formulate new economic policy to restrict massive

importation of foreign goods especially those goods that the SMEs can produce locally in order to protect the local producers against competition with foreign firms. Efforts should also be made to ensure that adequate infrastructural facilities are in place for proper operation of SMEs in the country.

METHODOLOGY

The research design adopted for this study was the survey method. The population of this study are business owners in Ibadan South East Local Government Area of Oyo State. In this study, 120 business owners were selected. The respondents were chosen by using simple random sampling technique. The sampling technique used in this study is simple random sampling. Simple random sampling is a sampling technique where every item in the population has an even chance and likelihood of being selected in the sample. The data was collected using the questionnaire as a research instrument. The questionnaire was designed by the researcher. Data analysis was done after the data gathered are coded and managed using the Statistical Package for Social Sciences (SPSS). Data analysis was done using Inferential and Descriptive statistics. The descriptive statistics was used because it involves simple percentages, frequencies, bars which usually indicate the composition of respondents in the population with specific responses to the given questions in the questionnaires administered. Also, hypotheses were tested using Pearson Correlation and Multiple Regression Analysis.

DATA ANALYSIS AND RESULTS

All the 120 copies of questionnaire administered were returned.

Table 1: Demographic Characteristics of the Respondents

Gender of Respondents	Frequency	Percent
Male	65	54.2
Female	55	45.8
Total	120	100.0
Age (Years)	Frequency	Percent
20-30 years	10	8.3
31-40 years	37	30.8
41-50 years	39	32.5
Above 50 years	34	28.3
Total	120	100.0
Education	Frequency	Percent
NCE/OND	71	59.2

HND/BSC	26	21.7
SSCE	18	15.0
Primary School Certificate	5	4.2
Total	120	100.0
Type of Business	Frequency	Percent
Fashion designing/Tailoring	40	33.3
Barbing & Hair Saloon	23	19.2
Catering Services	17	14.2
Sales of Phones & Accessories	10	8.3
Tutorial Center	7	5.8
Rental Services	6	5.0
Computer business center	5	4.2
Laundry Services	5	4.2
Bars & Restaurant	4	3.3
Photography	3	2.5
Total	120	100.0

From table 1, it shows that 65 (54.2%) of the respondents were male, 55 (45.8%) were female. Also, 39 (32.5%) were within the age category of 41-50 years, 37 (30.8%) were within 31-40 years, 34 (28.3%) were above 50 years while 10 (8.3%) were within 20-30 years. Based on educational qualification, 71 (59.2%) had NCE/OND qualification, 26 (21.7%) were First degree holders while 18 (15.0%) had SSCE/GCE certificate. Also, 40 (33.3%) of the respondents are into fashion designing/tailoring, 23 (19.2%) are into barbing & hair saloon, 17 (14.2%) are into catering services, 10 (8.3%) sell phones and accessories, 7 (5.8%) operate tutorial centers, 6 (5.0%) are into rental services, 5 (4.2%) operate computer business center and laundry services respectively, 4 (3.3%) operate bars and restaurants while 3 (2.5%) are into photography business.

Table 2: Financial Options Available for SMEs

Items	SA	A	N	D	SD
Cooperative	67 (55.8%)	47 (39.2%)	-	6 (5.0%)	-
Loan and micro financing	63 (52.5%)	54 (45.0%)	3 (2.5%)		-
Personal Savings	34 (28.3%)	69 (57.5%)	16 (13.3%)	-	1 (0.8%)
Friends and Families	-	64 (53.3%)	6 (5.0%)	46 (38.3%)	4 (3.3%)

Table 2 showed that 47 (39.2%) and 67 (55.8%) of the respondents agree and strongly agree respectively that they make use of Cooperative societies as financial options for their business, 54 (45.0%) and 63 (52.5%) of the respondents agree and strongly agreed respectively that they make use of Loan and Micro Finance, 69 (57.5%) and 34 (28.3%) of the respondents agree and strongly agree respectively that they make use of personal savings while 64 (53.3%) of the respondents rely on funds from friends and family members.

Hypothesis One

H₀₁: There is no significant relationship between the challenges associated with SMEs and growth of SMES in Oyo State.

Table 3a: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.808 ^a	.653	.638	.97229

a. Predictors: (Constant), Interest Rates, Taxation, Lack of Fundings, Power Supply, Government Policies

Table 3b: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	202.598	5	40.52	42.862	.000 ^b
	Residual	107.769	114	0.945		
	Total	310.367	119			

a. Dependent Variable: SME Growth

b. Predictors: (Constant), Interest Rates, Taxation, Lack of Funding, Power Supply, Government Policies

Table 4: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.06	0.423		2.505	0.014
	Lack of Funding	0.458	0.091	0.284	5.048	0.000
	Government Policies	-0.242	0.155	-0.145	-1.564	0.121
	Power Supply	0.922	0.15	0.565	6.144	0.000
	Taxation	1.05	0.132	0.447	7.957	0.000
	Interest Rates	1.058	0.131	0.463	8.104	0.000

Dependent Variable: SME Growth

The result of the hypothesis shows that the challenges associated with SMEs growth (Lack of funding, government policies, epileptic power supply, taxation and higher interest rates) jointly significantly influenced SME development [$R^2 = .653$; $F(5,119) = 42.862$; $p < .05$]. This infers that the challenges associated with SMEs growth jointly accounted for about 65.3% of the variance observable in SME development. In addition, the result of the coefficients of multiple determination for the model shows that the independent contribution of lack of funding, epileptic power supply, high taxation and higher interest rates were significant ($\beta = .284$; $t = 5.048$; $p < .000$), ($\beta = .565$; $t = 6.144$; $p < .000$), ($\beta = .447$, $t = 7.957$; $p < .000$) and ($\beta = .463$; $t = 8.104$; $p < .000$) while the independent contribution of government policies was not statistically significant.

Hypothesis Two

H₀₂: There is no significant relationship between the role of government and growth of SMES in Oyo State.

Table 5: Correlations of Role of government and SME growth

		SME Growth	Government role
SME Growth	Pearson Correlation	1	.409*
	Sig. (2-tailed)		.001
	N	120	120
Government role	Pearson Correlation	.409*	1
	Sig. (2-tailed)	.001	
	N	120	120

The second hypothesis was tested using Pearson correlation. The result of the correlation shows that there was a positive correlation between SME growth and role of government ($r = .409$, $p < .05$). This indicates that if good policies and initiatives are put into place by the government SME businesses will grow in the state.

CONCLUSION AND RECOMMENDATIONS

The findings of this study revealed a significant positive relationship between role of government and SME development. The study also showed that one of the main challenges experienced by business owners is lack of funding. Small scale businesses are catalyst for economic development in Nigeria. When small-scale businesses are well encouraged by the government through the role they play, Nigeria is sure of reducing her unemployment, control the current inflationary trend, maintain a high and favorable standard of living and above all be recognized as a fast developing country in the world. Apart from Government technical assistance, small and medium scale entrepreneurs are also encourage to utilize financial strategies like equity participation, Loan capital, Financial grace from creditors and they must like their foreign counterparts explore the opportunities prevalent obtaining financial and technical assistance from international organizations like the United Nation and the World Bank which has specialized agencies under its aegis seeing to the development and growth of small and medium scale business all over the world.

Conclusively, there is no gain-saying that financing small and medium enterprises in Nigeria is a very big venture and cannot by implication be carried out by a single institution through one approach and a one time affair. It is essentially a specialized task and call for a great deal of patience, dedication, and idealism. Based on the findings, the following recommendations are offered:

- i. The Nigerian government should try and formulate policies that would favour both the business owners and managers of small scale business and the intending ones in the area of sourcing for fund or run their business with little collateral to pledge for the loan and easy procedure of getting it.
- ii. The government should provide tax concessions and tax holding. This will help the owner managers of small scale businesses to retain enough funds for re-investment into the business.
- iii. The owner manager should try as much as possible to engage community development projects. This will go a long way in improving the standard of living of the citizens in Nigeria.

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