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ISTANBUL AYDIN UNIVERSITY

INSTITUTE OF SOCIAL SCIENCES

RELATIONSHIP BETWEEN MICROFINANCE CREDITS AND GROWTH IN SME'S IN NIGERIA

MASTER'S THESIS

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Thesis Advisor: Assoc. Prof. Dr. Erginbay Ugurlu

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DECLARATION

I hereby declare that all information in this thesis document has been obtained and presented in accordance with academic rules and ethical conduct. I also declare that, as required by these rules and conduct, I have fully cited and referenced all material and results, which are not original to this thesis. (/   /2020).

Muideen Abiola Bakare

In dedication to the fond memories of my late mother and grandmother who first taught me the value of education and self-belief.

FOREWORD

The completion of this study would not have been possible without the great efforts and assistance of Assoc. Prof. (Ph.D.) Erginbay Ugurlu my thesis supervisor for his immense support towards the success of this thesis. My sincere gratitude also goes to my parent, siblings, friends and staff of institute of social sciences for their support directly and indirectly to the success of this thesis.

January, 2020 **Muideen Abiola BAKARE**

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ABBREVIATIONS

SME	:Small and Medium Enterprises
SMEDAN.	**:**Small and Medium Enterprises Development Agency of Nigeria
MSME	**:**Micro Small and Medium Enterprises
CBN	**:**Central Bank of Nigeria
USAID	**:**United States Agency for International Development
OECD	:Organization for Economic Cooperation and Development
SMIEIS	**:**Small and Medium Industries Equity Investment Scheme
NGO	**:**Non Governmental Organization
SSICS	:Small Scale Industries Credit Scheme
NBCI	:Nigerian Bank of Commerce and Industries
NIDB	:Nigerian Industrial Development Bank
NERFUND	:National Economic Reconstruction Fund
NDE	:Nigerian Directorate of Employment
IDC	:Industrial Development Centre
ADB	:Africa Development Bank
ESL	:Export Stimulation Loan
FEAP	:Family Economic Advancement Programme
BOI	:Bank of Industry
EU	:European Union
MFI	:Micro finance institutions
NACB	:Nigerian Agricultural and Cooperative Bank
ACGSF	:Agricultural Credit Guarantee Scheme Fund

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RELATIONSHIP BETWEEN MICROFINANCE CREDITS AND GROWTH IN SME'S IN NIGERIA

ABSTRACT

The study investigates the relationship between microfinance credit and small and medium business growth in Nigeria, for the period 2006-2014. Secondary data of panel data form were used for the study. The data covers information on business growth of Seventeen firms over a period of eight years. The data were sourced from annual reports of the firms and the data base of Central Bank of Nigeria. For the analysis, both fixed effect and random effect were tested but the Hausman show that random effect is fit; hence, the analysis was based on random effect model. The results from panel data analysis show that bank credit has no relationship with business growth in Nigeria. The result suggests that credit provision from banks have no apparent effect on growth of businesses. In addition, sales of the firms and the loans obtained by the firms are statistically significant suggesting that assets of businesses would grow with increase in sales over time. Also, loan, a source of business finance, if assessed on regular basis, subject to the need of the business, would lead to increase in asset drive of businesses.

Keywords: *Business growth, Loan, Microfinance, SMEs.*

NIJERYA'DA MIKROFINANS KREDILER İlE KOBİ'LERDE BÜYÜME ARASINDAKİ İlişKİ

ÖZET

Bu çalışma2006-2014 dönemine ait mikrofinans kredisi ile Nijerya'da bulunan küçük ve orta büyüklükteki işletmelerin büyümesi arasındaki ilişkiyi araştırmaktadır. Çalışmada panel veri formuna ait ikincil veriler kullanılmıştır. Veriler yedi yıllık süre içerisinde on yedi firmanın işletme büyümesine ait bilgilerini kapsamaktadır. Verilerin kaynağı firmaların yıllık raporları ve Nijerya Merkez Bankasının veritabanıdır. Bu analiz için hem sabit etki hem de rassal etkiler test edilmiştir. Hausman testisonucunda rassal etkiler modeli kabul edilmiştir; bu nedenle, analiz rastgele etki modeline dayanmaktadır. Panel veri analizi sonuçları; banka kredisi Nijerya'da işletmelerin büyümesi ile ilişkiye sahip olmadığını gostermektedir. Sonuçlar bankaların kredi provizyonlarının işletmelerin büyümesi üzerinde gözle görülür bir etkiye sahip olmadıklarını gostermektedir. Buna ek olarak, firmaların satışları ve firmalar tarafından alınan krediler istatistiksel olarak anlamlıdır ve işletmelerin varlıkları zamanla satıştaki artış ile büyüyecektir. Aynı zamanda, işletmenin bir finans kaynağı olan kredi, düzenli olarak değerlendirildiğinde, işletmenin ihtiyacına göre işletmenin varlık güdüsünü artıracaktır.

Anahtar Kelimeler: *İş büyümesi, borç, Mikrofinans, KOBİ'lerin.*

1 INTRODUCTION

1.1 Background to the Study

Most of the successful economies of the world have as their backbone, Small and Medium Enterprises (SMEs). The growth of SMEs in a country is expected to result in generation of employment and facilitation of equitable distribution of income among the citizens of the country. Aremu & Laraba (2011) indicated that about 75 percent of employment generation could be attributed to growth in SMEs.

SMEs have the potential to engineer industrial growth, social and economic development, poverty reduction, in both developed and developing nations like Nigeria. For example, countries like European Union (EU), United State of America (USA) and China have over 43 million SMEs employing between 60 and 70% of their overall labour force thereby generating contributing more to their Gross Domestic Products (GDP) relative to large companies (SBA, 2016).

In Nigeria, which is a developing nation, SMEs is continuously being relied upon to facilitate a pathway to poverty reduction through creation of wealth and job among the citizens. Following Nigeria independence and the slow growth recorded in several sectors of Nigerian economy, SMEs have been given attention to gain advantage in the aspect of employment, revenue generation and economic stability. A number of actors in the private sectors were given opportunities to make inroad into several sectors that were hitherto controlled by government. In addition, relevant agencies were set up to monitor and support growth and development of small businesses in the country. This is premised on the success recorded by the hitherto developing nations of the world, through SMEs. As at 2013 which was the last time a survey was carried out on SMEs in Nigeria, the available record provided by the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) showed that the small enterprises in Nigeria are up to 68,000 while the medium enterprises are 4,670 (SMEDAN, 2013). Out of these numbers, SMEDAN indicated that about 14,000

Micro Small and Medium Enterprises (MSMEs) operators in Nigeria have been provided with microfinance credit to formalize their businesses. But the actual growth rate of the SMEs in relation to this credit facility was not provided.

Ogujiuba, Fadila and Stiegler (2013) argued that the promising potential of SMEs as a viable option to drive improved livelihoods among Nigerians cannot be unlocked without adequate financing and access to credit by small and medium business entrepreneurs. The expected contribution of SMEs to national development have however been hampered by poor financing leading to increased search light on alternative ways of financing the small business sector aside limited government interventions. In the study conducted by Carpenter (2001), and Owualah (2007), poor financial access was implicated as a possible roadblock to the potentials of SMEs in Nigeria. The existing notion is that, the potentials inherent in SMEs to contribute to national economy could only be tapped if there is adequate financing to support entrepreneurs and their businesses. However, due to the limited size of the small business sector, opportunity to gain access to funds in the national commercial banks becomes practically impossible. Some of the possible reasons for this difficulty include the notion that small businesses are risky business that is full of uncertainties. Additionally, high rate of transaction costs to process loan could be very discouraging.

Considering the relevance of SMEs to national development, microfinance is institutionalized by the Nigerian government to help small businesses and poor entrepreneurs overcome challenges associated with poor standard of living (Irobi, 2008). Thus, microfinance is regarded as a financial service designed to offer credits or loans, micro-leasing and micro-insurance among others to small business entrepreneurs and economically disadvantaged households. It is expected that provision of microfinance support to these categories of people will stimulate growth of their businesses thereby helping them to raise their income and livelihood.

Microfinancing has been viewed in different ways by different people, organizations and various government institutions. The Central Bank of Nigeria (2005) described it as provision of financial services to the people who are excluded from commercial banking opportunities. Earlier, Otero (1999) included provision of finance to self-employed individuals in his definition. In essence, micro finance relates to provision of funds, to individuals, businesses (especially small and medium) at an affordable rate and on timely basis with limited requirement for collateral which is a big problem with other sources of finance.

The background link between microfinance and small businesses in Nigeria could be traced to poor access to formal financial institutions in Nigeria. The incapability of small business owners to gain smooth access to formal sources of funds to drive their businesses opens the doors to informal financial institutions. In Nigeria experience, there are numbers of informal financial options of which micro financing is just one. Others according to Babajide (2012) include money lenders, family and friends, cooperative groups and societies. But, the influence of micro financing options is greater due to its capacity to support wide range of businesses and regulatory backing from government.

Prior to the dominating effect of micro finance institutions, Nigeria has history of financial establishments to support the growth of small businesses. Towards the 1970s, from early 60s, a number of financing programmes were established. These include credit guarantee scheme, industrial development centres, industrial development bank, and bank for commerce and industry. Subsequently, other specialized banks were established and directed towards supporting all forms of industry in Nigeria. It was in 2003, when the Nigerian government finally coordinated management of SMEs through small and medium enterprise development agency, known as SMEDAN, to coordinate the development of SMEs activities in Nigeria. In spite of all these, SMEs growth remains concern to Nigeria more often than before, largely due to increasing concern about economic conditions of the country which has largely dependent on oil for long without corresponding increasing in welfare and development of citizens.

1.2 Statement of Research Problem

Inadequate and lack of timely credit provision is considered a major obstacle to sustainable growth of small businesses in developing countries (Owualah, 2007). Both theoretical and empirical studies have not only shown a direct and positive link between credit provision and business growth, they also suggest that both long and short-term business survival depends on credit availability (Ojenike, 2012). But, there is a growing inability of Nigerian small business firms to access credit from formal institutions, largely due to strict requirements and availability of collateral which are beyond the capacity of small entr epreneurs. As a result, microfinance credit provisions came on board with regulatory backing from the financial regulatory body in Nigeria.

Since 2005 when the formal microfinance policy framework was put in place by the Central Bank of Nigeria (CBN) to enhance the access of micro-finance to entrepreneurs and low income households to financial services that are required to expand their entrepreneurial business, inadequate information has been provided on the relationship between microfinance credit and SMEs growth in Nigeria. The study conducted by Olutunla and Obamuyi (2008) and Babajide (2012) led to the conclusion that microfinance has no significant relationship with SMEs growth. But, these studies focused on microfinance as a financial institution and SME growth rather than examining the contribution of the credit provided by these institutions to SMEs growth.

1.3 The Research Questions

This study seeks to provide answers to the following questions:

(a) Does microfinance institution provide favourable terms of credit to SMEs in Nigeria?

(b) What influence do the terms of credit provided by microfinance have on the growth of SMEs?

(c) What are the factors influencing access to microfinance credit in Nigeria?

(d) Is there any relationship between microfinance credit and the growth of SMEs in Nigeria?

1.4 The Research Objectives

The general objective of the study is to examine the relationship between microfinance credit and growth of SMEs in Nigeria. The specific objectives are to:

(a) To determine whether microfinance institutions provide favourable terms of credit to SMEs in Nigeria

(b) To determine the influence of credit terms on SMEs growth

(c) To identify the factors influencing microfinance credit access by SMEs in Nigeria

(d) To assess the relationship between microfinance credit and the growth of SMEs capital

1.5 Significance of the Study

The study is significant because of the need to ensure the success of small and medium business in Nigeria. Small business entrepreneurs with limited access to credit will find it difficult to raise the level of investment in SMEs, and reach out for new markets and products with a view to stimulating growth of the business, Understanding the link between credit and business growth can help entrepreneurs understand the strategy needed to raise funds and project the expectations of the business.

Access to microfinance credit is particularly critical for the poor business entrepreneurs who are unable to raise funds sufficient enough to grow their businesses. Limited access to credit may limit the potentials of entrepreneurs and the economy may also not reach its potentials. The finding of the study will provide adequate information on the relevance of microfinance credits to development of small businesses. The finding will provide adequate insights into the factors that can influence successful delivery of gains from micro finance institutions to entrepreneurs and other small business owners. The study will add to the frontier of knowledge on the trend of SMEs and its development vis a vis availability of finance.

1.6 Scope of the Study

The study will cover small and medium enterprises and in Nigeria their finance related activities.

1.7 Research Design

In order to carry out this research, the research design to be adopted is two-method that will combine secondary data from annual reports of selected business firms with secondary data. This approach will enable clear understanding of the issue relating micro financing agency and small business enterprises in Nigeria. The design covers financing of SMEs through micro financing as highlighted by the highest financial regulatory agency (CBN) in Nigeria.

1.8 The Study Area

The study will be specific to Nigeria. The country gain independence in 1960 and currently has 36 states and Federal capital territory (the capital of the country). The country is divided into six geopolitical zones of six-South-west, South-east, South-south, North-central, North-east and North- west. These zones have a total of 774 local government areas. The country is bounded by a number of other West Africa countries such as Benin-Republic, Niger republic, Chad, Togo and Cameroun. The last estimates of the country's population by the recognized national body put the country population at 174, 507, 539 people.

1.9 The Study Population

The study, in terms of its population consists of registered businesses in Nigeria with available financing record. Although, the Nigeria's small and medium enterprises development agency (SMEDAN) has record of registered businesses, the last time it carried out its survey was in 2003 and not all registered businesses have detailed financial record that will be suitable for the study. Hence, the study will take cognizance of business firms with relevant financial data supported by the regulatory agencies in Nigeria.

1.10 Sample and Sampling Procedure

Due to limited number of microfinances in Nigeria, the scope of access to credit by a large number of small and medium entrepreneurs is limited. Therefore SMEs operators who have access to microcredit constitute the sample frame of the study following USAID (2005) and Babajide (2012). The sample size is based on simple random sampling technique and available financial record is seventeen (17) over the period between 2006 and 2014. This will result in a sample of about 153.

1.11 Data Collection

Data for the study are sourced from annual reports and accounts of business firms in Nigeria. Data on credit provision for SMEs are sourced from central bank of Nigeria. Relevant data are sourced from online, published articles and texts. The data is complemented with primary information with entrepreneurs.

1.12 Research Instrument

The research instrument for data collection is relevant for primary data for the study. The main source of research instrument is questionnaire that is structured in a manner that addresses the financing needs of small and medium scale enterprises in Nigeria.

1.13 Validation of Instruments

The adopted research instrument for the study will be validated through experts to ascertain the relevancy of the content and usefulness in understanding the relationship that exists between micro financing and SMEs growth.

1.14 Method of Data Analysis

The data for the study will be subjected to analysis at both descriptive and inferential statistical level. The descriptive statistics include frequency counts, percentages, mean and standard deviation of the data as well correlation analysis. The inferential will be in form of multiple regression model to understand the impact of micro financing on growth of SMEs in Nigeria.

The rest of the thesis is organized as follows. The next chapter presents an overview of the various concepts relating to the subject matter. Literature review on credit, microfinance, small and medium enterprises, business growth and various theories supporting the relationship between credit provision and growth of small businesses are presented. Chapter three covers information on small and medium enterprises in Nigeria, starting from the basics of entrepreneurship challenges and effects on the economy. Chapter four presents analysis of data, interpretation and discussion. Chapter five presents the summary, conclusion and recommendation.

2 LITERATURE REVIEW

2.1 Conceptual Review

In order to have clear understanding of the subject of study, this chapter is structure into three main sub sections; empirical review, theoretical and theoretical framework. The conceptual review provides insights into related and relevant concepts to the subject of study. The reviewed concepts cover the concepts of credits, microfinance, growth as well as small and medium enterprises (SMEs). The empirical review covers past but relevant related studies on microfinance credit and small and medium enterprises in Nigeria. The empirical review also identified differences and similarities in findings in addition to the empirical gap from the existing studies. The empirical studies were reviewed from past work carried out across the globe before narrowing down to Africa and Nigeria specifically. Relevant theories were covered and the most appropriate for the study was chosen.

2.1.1 Concepts of credit in SMEs

The concept of credit has been viewed in several ways. But, the common description of the term credit considers it to be a borrowed capital. American Bankers' Association described credit to include loans-both personal and home, bank overdrafts as well as credit cards. It has also been referred to as repayment of debt in line with agreement reached with the creditor, the duration of which could vary. In the case of SMEs, the main source of external source of credit as indicated by OECD (2006) is micro finance institutions. This obliged the banking sector to consider extension of funds to small and medium enterprises and their associated sub sectors. Nonetheless, a number of stringencies in relation to the regulatory and institutional in addition to the macroeconomic constraints may negatively influence lending opportunities for the SMEs. This could happen in a number of ways. First, there is the possibility for excess demand by SMEs for the limited savings. Also, the policy of government at any point in time may swings towards industrialization. It may also be in form of import substitution which could effectively constrained access to credit by SMEs. One possible reason for this is favouritism towards large borrowers.

The relevance of credit as a concept is reflected in the argument of Chowdhury (2002). He established that loan disbursement comes in different variations; higher interest rate and higher amount of loan on one hand, and lower interest with very low amount of loan that may do little to support SMEs on the other. An important reason for this trend in credit application is the need to establish a more standard credit application either through standardized credit assessment procedure or specific terms and conditions attached to the loan. This view as highlighted by Katto (2008) is to protect loan disbursed or to be disbursed to small entrepreneurs.

2.1.2 The Concept of Micro Finance

The Financial services provided for small scale business owners are known as micro finance. It covers both credits provision and deposits. The scope of small business with designated access to micro finance covers small scale producers, repairer, traders, recyclers and small scale service providers. A number of programmes which primarily include skilled based training are within the scope of microfinance. This is usually to achieve the aim of raising productivity and driving organizational support with a view to providing support for the poor. Thus, micro finance, according to Rai (2004) is an economic discovery in recent decades.

Microfinance becomes an appealing idea because it offers “hope to many poor people of improving their own situations through their own efforts. This type of demographics usually attracts enormous market size. Available estimate show that the number of people managing small and micro businesses is up to 500 million but limited number out of these-10million, are able access credit and financial services. This could translate to less than 2% having access to finance for their businesses.

2.1.3 Concepts of SMEs

World wide, small and medium businesses and entrepreneurship in general are recognized as important drivers of economic development (Ranjani, 2012). It could then be said that SMEs is of great importance to developing nations. In the opinion of Chiyah and Forchu (2010), small and micro businesses especially in developing nation is considered more relevant due to their contribution to economies and their abilities to drive and sustain growth, reduce poverty and increase the rate of employment. Based on this notion and the existing realities with small businesses, SME is conceptualized in terms of employment generation. In Nigeria, it is considered to be a business with employment capacity ranging between 10 and 300. However, definition based on size also exists. The European Union opined that SMEs should be viewed as that which employ up to 250 persons and up to 50 million euros in annual turnover. In addition, it is expected to come with a balance sheet that is up to forty-three million euros.

Furthermore, SMIEIS in Nigeria defines it as “enterprises with a total capital employed of not less than N1.5 million, but not exceeding N200 million, including working capital, but excluding cost of land and/or with a staff strength of not less than 10 and not more than 300”.

In terms of benefit, a number of advantages have been tagged with SMEs. Some of these are (1) it is capable of reducing income disparities, (2) low capital cost requirement (3) foundation for industrial expansion (4) increased in output of various economies (5) basis for establishment of linkages both forward and backward (6) social and geographical distribution of benefits and (7) source of incubation for entrepreneurial talent. To improve the prospects expected of SMEs, five gaps were highlighted by Olowe *et al*. 2013. These gaps are highlighted below.

- Relevance of entrepreneurship. For most countries, “necessity entrepreneurship” prevails, versus greater levels of “opportunity entrepreneurship” in industrialized countries. This tends to be followed by “higher skilled and better-capitalized entrepreneurs’’.

- Up scaling and growth of SMEs. For most nations, limited proportion of SMEs grows beyond a particular threshold as a result of absence of particular managerial and marketing skills

- Trust. In most small firms with family ties, lack of trust poses a greater disadvantage. This imposes a limit on supervisory and control of most SMEs

- Low technological capability. One of the low points associated with SMEs in small countries is low technological capability in the daily or routine operations. In developing economies, this gap is wider compared to the counterpart in developed nations.

- Small export share. Most developing nations are consumers with minimal capacity for exportation of business ideas compared to other developed or industrial nations.

Essentially, definition as well as the classification of SMEs could vary across countries and nations. But, a number of variables are attached to the definition and understanding of the concept of SMEs. These, according to Ogechukwu (2009) include capital in terms of outlay, employment band, turnover of sales, long term capital investment, plant and machinery, share of the market and the level of development.

2.2 Nature of SMEs: The Nigerian Experience

Researchers have not agreed on a single definition of what SMEs are. While some definitions are designed to suit certain business requirement and development of a certain nations, other definitions are designed in specific circumstances of the goal of the business enterprise the researcher conceives at particular period of time. Researcher such as Okonkwo (1996) is of the opinion that SMEs are heterogeneous in nature. Thus, Oladele and Oyedijo (2010) summit that small scale business has dynamic definition because its operations vary based on the environment and context. As an instance, the nature of small businesses, and organization of SMEs by its size, may also be used to decide the suitability of the business and its patronage and the other rights associated with credit provision for SMEs scheme.

The criteria highlighted by Oshagbemi (1982) identified salient points to consider in the definition of SMEs. Factors such as financial strength and the associated measures are given consideration. This is in addition to ownership status and the type of industry where the particular SMEs belong. While the criteria stated by Ogechukwu (2005) covers autonomy, managers and size of the market. Obiwuru *et al*., (2011) used only number of employees and capital strength for defining SMEs in

Nigeria. Therefore, the approaches to defining SMEs could be streamlined into three; quantitative, functional and administrative. The quantitative covers issues relating to capital investment and capital, functional focused on the characteristics while the administrative focus on suitability of small businesses to government patronage and related privileges.

Nevertheless, the Nigerian Federal Ministry of Industries (1973) defined SMEs in terms of capital assets comprising land, machinery and working capital. The expected value of these assets is expected to be up to N60,000 of Nigerian currency. In terms of employment, 50 persons are expected to be employed by small business. SMEs that are located in the service industry are expected to have capital that is up to N150, 000.00 in terms of equipment and machinery.

Ayodeji and Balcioglu (2010) maintained that in 1978, SMEs is expected to have value of assets in the range of N50, 000.00 with employment capacity of 50 persons or individuals. By the year 2001, The National Council of Industry in the year considered SMEs in terms of scale of operations. For example, micro or cottage enterprises are defined as those with the maximum investment value of N1.5 million (Nigerian currency) excluding land consideration but with inclusion of operating capital and 10 employees. Under the same consideration, small scale enterprises are defined with the capital value of up to N1.5 million or more without exceeding N50m plus working capital and minus land asset. In the case of medium scale enterprise, the work force may range from 100 to 300 while the value of capital asset is expected to be more than N50m.

Obiwuru *et al* (2011) define a small scale enterprise as one with relatively small number of employees (less than 15) and low capital strength (capital outlay less than N3million). There are other definitions given by international financial agencies. As an instance, World Bank (1998) considered SMEs to be an enterprise that have fixed assets that does not include land and the working capital of about N10 million. Also, EU economic commission (2000) viewed SMEs as business enterprise that has employment capacity of about 500 employees. But this study adopts the seemingly less ambiguous definition of Obiwuru *et al,* (2011) because of the low industrial activities in the study area. In several ways, small businesses are not the same as large businesses. Some of the different features between the two are resources, market, flexibility, leadership and structure. According to McAdam *et al*., (2002) SMEs are more limited in general resources than larger businesses. Additionally, the focus of SMEs seems to be limited to achievement of short-term objective at maximum level. This limitation positions the SMEs as a reactive rather than a proactive enterprise in relation to external pressures. Accordingly, the limitation associated with resources constrains the capability of SMEs to innovate because innovation is expected to bring about research and development. Innovation, according to Ayodeji and Balcioglu (2010) is constrained by shortage of capital necessitating the need for a clear source of financing.

Given less resources, businesses normally show less passion to chase innovative concepts. Though, they may innovate in reasonably diverse ways compared to bigger organizations (Huang *et al*. 2002). As opined by Todtling and Kaufmann (2001), It may also be incremental within the business cycle and exists in reaction to the market chain, due to the new process development (Todtling and Kaufmann, 2001). Studies (McAdam 2002) have shown that small and medium businesses have lesser market power than big business establishments, implying that they are more prone to changes in market conditions.

Frequently, SMEs often depends on a specific segment of the market with only one or two customers. In the long run, such market may fade with deviations that upset the customers. Factors that may affect the possibility of having large portions of revenue to be removed from SMEs include ownership change, in-house manufacturing options against out-sourcing, financial problems.

There is a level of flexibility attached to SMEs which is envied by bigger businesses, and numerous energies have been exerted at emulation by the formation of SMEs entities in large organizations. The outcome of may be variable with high quality, and adapted production. They usually have private link with other agents in an economy. The benefit of this is that it allows them to get signals on market changes at early stages (Cecora, 2000). The intrinsic less rigidity that arise from directional entrepreneurship and level of specialization should assist SMEs to implement changes in organizational initiatives (McAdam et al. 2002). Additionally, these changes are more suitable to offer SMEs advantage with respect to innovation. Although, big firms are largely liable for the essential innovations, small businesses may frequently be held accountable for market related developments (Ayodeji and Balcioglu 2010).

Usually, SMEs require less formal, structures compared to bigger businesses. Most of the initiatives in the area of restructuring started by bigger organizations have had administrative organizations as main objectives. Consequently, and with fewer levels of organizational management, communication cum culture could be facilitated more easily. There are possibilities that SMEs may be structured with full scope of ownership possibilities. These could range from public corporations, single business ownership, and partnership.

The variety of exploited structures is a basic element that affirms the opinion expressed by Curran and Blackburn (2001) which indicates that SMEs may offer multi-disciplined background. SMEs structure may be significantly influenced by ownership. This may be because the public or the private business entity will be driven by a board. The difference however is that, proprietorship will be managed by an individual while the partnership will have to operative as the executive by sharing role. The diverse business reporting criteria indicated by the different forms of business also exert influence on the staff structure. For instance, sole proprietorship business that has 50 numbers of employees may be able to function efficiently with limited office position such as internal bookkeeper and external accounting services. But in a public enterprise, similar number of employees would need additional service to be provided by a financial accountant on regular basis. According to Curran and Blackburn (2002), ownership may have considerable effect on leadership issue.

2.3 SMEs in Nigeria: An overview

Nigeria, though a developing country, is blessed with a very high potential and resources to develop her small businesses (Obadan, 2003). Since 1960, when Nigeria got independence from British colony, the country has witnessed waves of instability politically in addition to change of government leading what could be described as political and socio-economic tension that are clearly associated with erratic business market.

Mambula (2002), noted that the Government of Nigeria, since independence has expended huge sum of money for development of entrepreneurial small scale businesses. These resources are however obtained from external financing institutions. The outcome has however been poor. Identified causes of failure include bureaucratic bottle necks which hampers accessibility to the funds more difficult by the entrepreneurs. Also implicated are the public accounts officers who alleged to have diverted the resources. In spite of these holdups, the relevant of small businesses that are largely self-financed cannot be over emphasized.

Nations that have been successful with economic advances demonstrated convincingly that entrepreneurship development is a *sine qua non* of economic development. Also, the important role of SMEs in driving development is well acknowledged across the globe. Examples of successful countries with SMEs development include USA, with large dominant companies. In addition, SMEs could occupy a strategic place in equitable progress of all countries.

Various interests in the contribution of SMEs as indicated by Cook and Nisxon (2000), is focused on the need for growth process to be at the lead of policy issues in developing nations. Considering the relevance of SMEs, Taiwan government in the year 2006 made available a whopping sum of $61 million initiative, designed to drive “the economy” from production-based state to that of knowledge-based. Also in 2006, “EE Times” in Asia, reported that “Branding Taiwan Plan”, a seven-year ‘‘business program’’ was planned to provide encouraging ‘SMEs’ in developing specific brand. The program was introduced taking into consideration the ability of small businesses to initiate encouraging economy especially in the medium term. According to Asmelash (2002), employment opportunity of SMEs has reached up to 72,000,000 people. Fadahunsi and Daodu (1997) informed that over 90% of firms in countries like “Indonesia, Philippines, Thailand, Hong Kong, Japan, Korea, India and Sri Lanka” are small scale enterprises.

The representation of Nigeria’s business background demonstrates that it is branded with numerous micro and small and medium scale ventures. These ventures are projected to not only offer more pushing dynamism for the development and of the local economy but also contribute significantly to meeting basic commercial and business developmental goals. A number of identified roles played by SMEs are identified below. To start with, Kilby (1998) provided the background for training on the development and growth of local entrepreneurs. The opinion earlier provided by Casson (1982) is that SMEs could be likened to seedbed that is more suitable for the local population and thereby serves as vehicles that is useful for dissemination and transmission of innovative concepts. SMEs are then considered to be more adaptable to fluctuations in the outside business environment. Another contribution of SMEs, from the social perspective, is the modification of traditional industry (Owualah, 1987).

Across countries, the traditional business sector has been used as a catalyst for establishing an active modern business sector. Hence, a good small business sector may serve the purpose of providing "smooth transition from the traditional to the modern industrial sector" (United Nations, 1984). Furthermore, as a result of the labour intensive requirement coupled with the low level of technology, SMEs are capable of putting together as well as utilize local labour supply which is usually widely available. Achieving this is in line with any countries income distribution goals (Steel and Takigi, 1983). Moreso, Vankataraman (1984) is of the opinion that SMEs can create extra jobs compared to big businesses per unit of energy consumed. There is also the possibility of SMEs assisting with the distribution of economic benefits through encouragement of improvement and transformation of the existing business activities separate from the main cosmopolitan zones. Accordingly, SMEs may be able to curtail the surge of ‘‘rural-urban drift’’. The ability to mobilize financial and business resources is another advantage of SMEs which may otherwise remain untapped in the formal financial structure (Central Bank of Nigeria, 1985).

Fifth, SMEs enables the preservation of exchange rate and the management of limited resources in emerging nations. This could be attributed to their size, scale of operations and unsophisticated management structure. As a result, higher per cent of the profit earned from SMEs, majority of which are localized in terms of ownership are being reinvested back with a view to certify increasing rate of growth. Similarly, it is opined that SMEs offer the anticipated relationship effects, most especially in the agro-allied sectors (Kamaluddin, 1982).

Curran and Blackburn in 2001 recognized the opportunity for SMEs research to bring about an increasing effect on the public policy stakeholders. Earlier studies have highlighted various policy issues to advance development and expansion of small business ventures (Cecora, 2000). In Nigeria, small businesses are not resistant to the usual difficulties and limitations known with SMEs in the other nations. Nearly all countries reported in the literature offers assistance to her SMEs mainly as a result of the essential part they play in driving the economies of nations. The form of support provided is typically in terms of amenities and helpful services rather than shelter and subventions. Additional supports provided by many governmental agencies covers business finance, project capital, training, and Research and Development. Also inclusive are the supports, infrastructures and incentives. Part of the services provided via local government authorities and business groups in collaboration with non-governmental organizations (NGOs).

Recognizing the decisive roles of SMEs in relation to growth and advancement of economies, Nigerian Government established several ideas intended to promote the business of SMEs. One of the tangible ways of achieving SMEs growth in the midst of stimulating packages which varied alongside changes in government was the enhancement of financial benefits for small businesses.

Small Scale Industries Credit Scheme (SSICS) was founded by each state government in the year 1971 with the sole purpose of giving loans to SMEs. This is with a view to engage in the whole business of trade manufacturing, its processing and servicing using a capital investment that does not exceed value of N150,000.00 in Naira value for equipment and machinery. The purpose of loan provision is meant to be used for development and upgrading of prevailing SMEs as well as development of new business potentials in a mechanized way to produce consumer commodities and simple manufacturer’s goods.

The Bank in charge of commerce and Industries (NBCI) was established in 1973 and was meant to not only redesign poor success of small business Industry Scheme but also to enable the Federal government channel its financial support for SMEs. Nigerian Industrial Development Bank (NIDB) established in 1964 to ensure provision of credit facilities for small, medium as well as large scale enterprises. National Economic Reconstruction Fund (NERFUND) was established in 1989 to link the banks with the SMEs on lending purposes after SAP- the structural programme introduced by Nigerian Federal Government in 1986 created problems for the SMEs.

The Nigerian Directorate of Employment-NDE was established in the year 1986 to assist in vocational skill development that will assist youths to acquire marketable skills and provide jobs for school leavers in Nigeria. Industrial Development Centre (IDC) was created in 1970 not only to help introduce contemporary effective management methods to small businesses with the owners but also to offer backing services for advancement and expansion of SMEs in the whole of Nigeria. Because of inability of this centre to perform, it was handed over to SMEDAN in 2009 (Adejumo and Olaoye, 2012).

The SMEDAN, an agency responsible for SMEs development in Nigeria was created in 2004 to coordinate all agencies of government that are linked with the Federal Ministry of Industry. Others are: SME Apex Unit of Central Bank in 1989, the export Bank in Nigeria (NEXIM), ADB and the Export Stimulation Loan (ADB/ESL) in 1989. Community Banks, People's Bank, Family Economic Advancement Programme (FEAP), and Schemes in state ministry, small business Equity Investment (SMIEIS) in 2001, and Bank of Industry (BOI) as well as Credit Guarantee Scheme for SMEs.

These institutions are designed to offer support to SMEs aside that the sub-sector has been unable to find its economic bearing as desired in the very hostile business environment, though BOI, SMEDAN and the Credit Guarantee Scheme are showing promising efforts to making impact.

Nigerian economy is dominated by small businesses. Oyelarin-Oyeyinka (2010) shows that 96% trades in Nigeria are SMEs. Thus, the sector represents larger percentage (90%) of the manufacturing or industrial sector by number of different enterprises in the country. Despite this, SMEs contribution to GDP is still low.

In developed nations (e.g., Britain, Europe and USA), SMEs are defined by combining the turnover with number of employees. In Nigeria, SMEs is classified in terms of employees, capital employed and the turnover. The CBN (2015) also acknowledged that several definitions of SMEs exist. Another classification of SMEs indicates that it is an enterprise with an asset value (without land) of between N5-500 million with labour force that is between 11 and 300 belongs.

The definition is adopted by SMECGS. Also, the business SMEs has been been largely defined as business that has turnover with less than N100million. According to SMEs Equity Investment Scheme (SMEEIS), SMEs is viewed as an enterprise that has maximum asset base with N1.5 billion (without land but with working capital). Due to the difference in definitions of SMEs across Nigeria followed by lack of global definition, EU (2003) considered definition of SMEs as businesses with employees below 250, and revenues that does not exceed 50 million euro or 43 million euro (Fatai, 2011).

Nigerian experience with SMEs varies across clusters in different geographical regions of Nigeria. There are clusters focusing on leather and fashion, automobile, ICT, tie and dye (Oyelarin-Oyeyinka, 2010). But absence of good data base specific to SMEs makes it difficult to precisely define the volume of SMEs in the country. But, SMEDAN following data gathered from NBS-Nigerian statistical unit is still working to make available comprehensive publication SMEs database in Nigeria (leadership newspaper, 2012). Information provided by statistical unit in Nigeria (NBS) show that good number of SMEs exists in Nigeria (vanguard Newspaper, 2012).

2.4 Micro credit and Micro finance institutions in relation to SME

Two terminologies are intertwined in the understanding of credit to boost SMEs development. These are microcredit and micro finance. Conceptually, microcredit could be considered to be small loans. Meanwhile, microfinance is institutional and is more applicable in situation where financial institutions and agencies that are non-governmental offer supplementary loans to SMEs in additional to other financial services such as savings and insurance. Consequently, microcredit could be viewed as a part of microfinance in the aspect of provision of credit to the needy. Additionally, microfinance comprises delivery of supplementary credit related services like savings, insurance as well as pensions and payment.

Microfinance being a credit product entails a number of features. The main feature of microfinance involves provision of small loans to individuals or groups with a view to helping them kick start income generating activities. Capital savings over a period of time is a key aspect of microfinance activities because it plays the role of financial security for the poor in addition to helping them to accumulate sizable capital to manage financial constraints. Usually, short term loans are given out to the needy for up to a year period. The repayment schedules are flexible and could be acceptable if it is scheduled on weekly basis. The payment installments usually comprise of the principal and interest, that may amortize over a period of time (Mohammed and Mohammed, 2007). Microfinance institutions (MFIs) offer customers different products and services. Most important of the services to the needy is financial. MFI are also known to render services to rural dwellers that have no tangible assets and are largely illiterate. This is unlike what is known with formal financial institutions who often do not offer similar services to small businesses managed by the poor. Due to challenges associated with information generation from the rural poor due to the high level of illiteracy and lack of collateral. This is the plausible reason for the unusually high cost of lending which is supported by transaction cost theory.

Conceptually, transaction cost could be viewed as “a non-financial cost incurred in credit deliver by the borrower and the lender before, during and after the disbursement of loan”. Costs that may be incurred by the lender comprises; cost of processing funds for loan provision, putting together the credit contracts, screening cost, project feasibility cost, cost associated with scrutinizing loan and its application, cost of credit provision, cost of credit training to both the staff and/ or the borrowers, as well as the cost of monitoring and the need to put into effect the loan contracts agreed to by the parties. Contrary to this, the debtors may suffer costs that range from the cost of screening in the case of group borrowing, cost of group formation, cost of negotiation, transportation and other paper work.

2.4.1 Micro financing in Nigeria

In Nigeria, microfinance is an old institution. Although the institution started informally, it is largely conceived as a rural based arrangement to help the social and economically excluded people. Although it is an unregulated, and informal financial plan, its modus operandi is highly respected which makes individuals, groups and small organizations to relate with them as either the debtors or the creditors aside the structured and regulated financial markets. This informal market is classified into non institutional and institutional financial markets. In the case of the formal, savings and credit acquisition activities are carried out on individual basis or via man-to-man procedure. The financial market comprises of financing, through sources like personal savings, relations, associate and friends, and the money lenders. Also included are sources like jackpot, raffles, pool winnings, and self-trust system of credit dealings.

Institutionally, credit administrations relate to organizations, institutions and the arrangement they set up that seeks to mobilize savings and credits for onward financing of small businesses. The market includes the "ROSCAS" known as rotating savings and credit associations. In addition, thrift groups, associations of savings mobilization exist. Also, daily savings and contribution associations in addition to a number of co-operative groups or societies, religious and social bodies, and village or town unions are not excluded (Okpara, 1990).

Despite these approaches, the problem of insufficient supply of credits remains. Hence, the Government of Nigeria made frantic efforts to redress the inadequacy associated with supply of finance and related services to the poor. As a result, government in the year 1936 moves to provide support for cooperative group through promulgation of the cooperative societies' laws and ordinances. Consequently, the cooperatives included both regular and compulsory saving rule as part of the objects while "thrift and credit societies combined regular savings of members with lending". Another effort made by Government to improve access to finance was ''the Commercial Financing Scheme bill for commercials in 1962 followed by the regional commodity boards in the year 1977. In addition, "the Nigerian Agricultural and Cooperative Bank (NACB)" in 1972 was founded to serve as development financing institution for the purpose of providing loan credit to the small and large scale farmers. In 1978, the "Agricultural Credit Guarantee Scheme Fund (ACGSF)" was founded. The primary purpose was to reduce agricultural risk. Furthermore, in 1989, the "Peoples Bank" was established. Its aim was to take deposits and lend same to the poor (Adeyemi, 2008).

Globally, efforts have been made by governments to provide adequate financing of the underprivileged via formation of agricultural based development banks and lending schemes through the support of establishments of co-operatives and self-help groups. Adeyemi (2008) noted that provision of credit to the poor is an important instrument for poverty reduction in the world. An example of benefit of the scheme is provided by Ehigiamusoe (2008) who noted condition of living in Bangladesh is a good indication of method of development through small loans. Also, in the South East Asia, the nation was branded a “basket case” by the US Secretary of State at the time in mid-1970s- Henry Kissinger, “on accounts of the nation’s hopeless development prospects. Small loans are effective weapons for addressing mass poverty since most poor cannot afford any amount to expand or even initiate a small scale business”.

In spite of years of provision of micro credit facilities coupled with policy orientation as well as entrance of new players, the story is different in Nigeria as supply of micro finance remains inadequate relative to demand. This puts question of inefficiency on the microfinance operations in Nigerian operational system. This could be attributed to institutional inadequacies which includes poor capitalization, wasteful managerial and regulatory loopholes (Adeyemi, 2008).

According to Okpara (2009), four main serious factors constraining the performance of banks in Nigeria could be identified. These factors are observed to be unwarranted interference of board members, partisan crises and fraudulent practices, and poor capitalization.

In Nigeria, micro finance banking institutions are of two types. This is partly due to the fact the community banks in the country with the opportunity to meet CBN guidelines were changed to Microfinance Banks. Two forms of Microfinance Banks were identified as (i) microfinance Banks licensed to run business as a unit. These are previously community banks with the license to function in branches or by using cash centres provided they meet up with the agreed basic necessities and readiness of funds to open branches or cash centres. (CBN, 2008).

Delivery of credit is one of the utmost functions of micro finance institutions. The loans extended to the needy are utilized in expansion of existing industries. As recorded by Central Bank of Nigeria in 2008, “microfinance loans granted to clients is increasing from 2007 to date and most of it goes to financing microenterprises in rural areas. Ketu (2008) observed that microfinance banks have disbursed more than N800 million micro credits to over 13,000 farmers across the country to empower their productive capacities. As such it is expected that agricultural output will increase with the increase in funding. The entrepreneurial capacity of the farmers will thus improve”.

2.4.2 Microfinance Bank and SMES Growth

The relevance of finance especially its access cannot be over emphasized. The role is more recognized as a key factor to SMEs growth, the world over. Hence, financial inclusion is known to be an essential instrument for SMEs growth. Lack of access to finance impedes the ability and capacity of entrepreneurs to participate in new business enterprise. It also inhibits the growth and at times "the sources and consequences of entrepreneurial activities are neither financially nor environmentally sustained" (Idowu, 2008). He further contends that "access to loans is one of the major problems facing SMEs in Nigeria". Diagne and Zeller (2001) noted that inadequate access to financial credit by the needy do have negative values for SMEs and general welfare. "Access to credit further increases SMEs risk bearing abilities; and improves risk-copying strategies and enables consumption smoothing overtime. The idea of creating Micro Finance Institutions (MFIs) is to provide an easy accessibility of SMEs to finance/ fund particularly those which cannot access formal bank loans" (Diagne and Zeller, 2001).

Microfinance banks help to empower the underprivileged and offer valued tool to help the process of economic development. According to Sunitha, (2010), one of the main objectives of micro credit is "to improve the welfare of the poor as a result of better access to small loans that are not offered by the formal financial institutions".

2.5 SMES and Business Growth

Existing literature indicate that most small enterprises are not growth oriented while for some, it is a voluntary (Masurel and Montfort, 2006). Considering the research conducted by Kolvereid and Bullvag (1996) on SMEs growth pattern and the findings that growth desire are more likely to be relevant to forecast "actual growth". They indicated that previous desires are linked to future intentions implying that "change in growth intentions is associated with changes in growth patterns". In the view of Arbaurgh and Sexton (1996) some enterprises do not become larger while relationship could not be found between size and age of business firm.

There are no known strategies to raise growth of firms. Consequently, the possibility of attaining desired level of growth could be increased if firms avoid over emphasis on a particular strategy of business transformation. Also, given different competencies appropriate importance depends on the level or stage of development (Chaston and Mangles, 1997). Three different factors which may hinder the growth of SMEs are considered to include opportunity, need and ability.

2.6 Performance in SMEs

Reliable measurement of performance in SMEs requires the use of “Key Performance Indicators” (KPI). This consideration is based on the need to identify type of business in terms of require level of processes and ascribing KPI to the identified processes. Reasons for using KPIs may include the need to understand service provision of firms, duration of service provision in relation to processing requests of customers and the “product delivery performance and how much time they spend fixing mistakes. The KPIs are those critical measures which ultimately determine profitability and shareholder value” (Sudhir and Subrahmanya, 2009).

Traditionally, statement of financial performance, assets and liabilities, and management accounts may not be sufficient to successfully succeed in business that seeks to survive and provide addition to shareholder/owner value. According to Dalrymple (2004), performance indicator measure “is a measure of the behaviour of a business process. In business, understanding the state of the financial health of a business is a very important issue relating to business survival. There is a strong similarity between physical fitness and the health of a business. The Cash Flow of a business can be likened to the blood circulating through a person. If there is blood loss in the flow, the consequences are swift and predictable”.

2.7 Theoretical Review of Literature

A number of theories area associated with credit provision to small businesses to engender its growth. Some of the most relevant theories to the subject of study are reviewed in the sub sections below.

2.7.1 The theories of firm growth

Existing bodies of literature with focus on growth of small businesses are largely viewed from two schools of thought. These schools consider growth in relation to small businesses to be of diverse perspective. The first takes its argument from the perspective of organizational life cycle while the second school analyzed growth from the perspective of strategic choice of the firm. Under the first school, firm growth and its evolution is considered to be a natural phenomenon. This implies a normal growth curve of small businesses under natural business condition. The idea propagated by the two schools of thought could be summed to mean that small businesses will experience growth under certain conditions. However, these conditions are hinged upon the characteristics of the business owners, the level of organization of firm resources, and available environmental opportunity.

Although, the theory is rooted in economic literature, its relevance to business activities is based on a number of factors highlights its importance. Some of these include its relation to the survival of business firms. According to Geroski, (1995), growth of a firm is positively related to high likelihood of business survival in a competitive market. Secondly, the growth of firm has been directly linked to employment. Unequivocally, one of the expectations from business growth is contribution to an economy through generation of jobs or generally, employment opportunities. This brings about the third benefit and relevance of the theory; positive effect on economic growth. Penrose (1959) argued that one of the net outcomes of growth of firms is contribution to economic growth. He contended that both forward and backward linkages are expected to lower or higher depending on the evolution of firms. Also, growth of firm is linked to evolution and increased innovation in technological changes. According to Pagano and Schivardi (2003), business firms that desire growth and survival in a competitive industry needs incorporation of new technologies in order to be more efficient.

SMEs are widely reported to face numerous challenges especially credit constraints, lack of entrepreneurial and business management skills among others. Consequently, Carland et al. (1984) noted that the reason for entrepreneurial business is growth. To this end, the theory of firm growth has been modified into the challenges of small businesses and some of the emerging theories are presented in the following sections.

2.7.2 The theories of firm and the entrepreneur

In the competitive equilibrium concept, the static theory highlights the size of the firm an important factor which is determined by allocation of available resources in an efficient manner. These resources among others include entrepreneurial resources. Consequently, the given firm size, under a particular condition is also the efficient size. This implies that the ‘‘long run costs’’ could be reduced at the given point. The issue of business growth then follows based on the general “assumption of profit-maximizing behaviour” of the firm and also based on the ‘‘shape of the cost functions’’. A given firm is expected to grow, up to the point where the long run marginal costs equates price and this is termed “optimum” size of a given organization.

Lucas (1978) considers a firm to be equal to the entrepreneur or firm manager. Also, he considers the output of the firm to be a function of the ability of the manager or entrepreneur in addition to labour capital resources. Therefore, Lucas (1978) postulates a single production technology given constant returns to scale, with another entrepreneurial technology under diminishing returns to scale. Larger output is expected from managers with level of efficiency as a consequence of lower marginal costs. But, expansion of firm may be limited as a result of decrease in the level of managerial effectiveness while there is increase in the scale of the firm. In essence, the Lucas model implies that, SMEs owner need to renounce several daily activities through delegation of responsibilities to a bigger and dedicated management crew in order to drive the growth of SMEs.

Based on the Lucas’ theory, the difference in the level of business intelligence is an important factor of SMEs growth. In the alternative, the proposition by Kihlstrom and Laffont (1979) that the main factor of small business growth is the difference in risk preference among small business owners. Hence, Kihlstrom and Laffont (1979) take up an assumption that production technology is risky, and business owners with the ability “to take risks in the” presence “of uncertainty” may likely “produce more output”. Size of the firm may therefore be limited by the willingness of the small business entrepreneurs to take risks. The beauty of these theories nonetheless, they appear to be static. By implication, little is said about the evolvement of business industry and the inclusive firms over time.

2.7.3 The theories of entrepreneurial choice

The theory is founded on the extended postulation that decision of firms to start business is linked to decision to grow the business ventures. Davidsson (1991) affirms that progress of a firm clearly indicates continued business entrepreneurship. The economic theories, through the assumption of profit maximization lay little emphasis on decision to grow a business. But, available literature suggests SMEs owners may be reluctant to grow in the presence of opportunity for profitable expansion while profitable businesses of different dimensions exist together in the same industries. Accordingly, the argument of Davidsson (1991) is that ‘‘growth’’ is a choice decision SMEs owner. But, “profit maximization” is just “one of the” reasons for growth of business. He draws his assumption from psychological aspect of the theories of motivation. This theory recognizes differences in the motivational level of business individuals. For instance, the motivation theory of need for achievement indicates that individuals are different in their desire for satisfaction from their accomplishments (Davidsson 1989), and performance of the business undertakings (Cooper *et al*., 1994).

2.7.4 The theory of stage of development

This theory addresses growth in five (5) different phases. According to Churchill and Lewis (1983) and their influential theory, growth emanates from stages of existence, survival, success, takeoff to the stage of ‘‘resource maturity’’. Each of the stages takes a diverse set of determining issues that are of importance to the competitive success of the firms. The transition from one of the stages to the other may be hindered by growth thresholds. Two main issues or barriers to firms’ growth include the capability of SMEs to employ newer persons and be able to deputize obligations. SMEs also require funds for meeting the bigger demand for the resultant resources that may come along with firm ‘‘growth’’.

2.7.5 Trade-off theory

The trade-off theory hypothesizes that firms will target an optimal gearing level expected to create balance between the benefits derivable from tax of extra debt and the "expected costs of financial distress" when the "level of indebtedness" increases (Bunn, Cunningham, and Drehmann, 2005). In the case of information asymmetries between the lenders and borrowers, it is possible for managers to raise equity in a situation where the share of a firm appeared to be overvalued. Consequently, the investors will discount both new and existing shares when there is announcement of a new equity issue.

According to Cassar and Holmes (2001), the trade-off of firms on a number of areas, including firm's "exposure to bankruptcy and agency costs against the tax benefits are associated with debt use". Firms may need to contend with greater cost of capital due to the increase in the risk of liquidation. As a result, firms tend to keep away from debt. But, debts are used by firms to take advantage of "tax benefits as a trade-off with the costs" that are linked with bankruptcy and agency. This indicates existence of "optimal debt-equity ratio for the" firms, that may change with variations in costs and benefits (Modigliani and Miller, 1963). The theory gives comprehensive explanation for certain objectives including the need for proper understanding of the need for mix of capital sources as a result of associated benefits and risks. Clearly, business managers will prefer the mix of sources that reduces the cost of capital. This will be without exposing the business entity to adverse factors that may adversely affect the firms.

2.7.6 The pecking order theory

The pecking order theory is developed as an attempt to sidestep the "resulting risk that profitable investment projects will be foregone by" attempting to raise internal capital for them. In a situation where retained earnings are not sufficient, firms will consider debt in the place of equity finance. This is because debt providers are less informed "than equity investors to errors in valuing the firm". Hence, business entrepreneurs will consider equity financing as another option. In such situations, "corporate gearing" can show the firms' desire for "external" funds. In contrast to trade-off theory, there may "not be any target or optimal level of gearing". The theory, according to Myers (1994) proposes that companies incline to fund their business ideas and needs in ordered fashion, by "first using internally available funds, followed by debt, and finally external equity".

But, Lopez-Gracia and Aybar-Arias, (2000) are of the opinion that focus of small firms on finance sources that reduces incursion into activities of firms' business is a major concern. Accordingly, lack of optimal debt-equity ratio by firms varies and well reasonable based on firm's need of "external finance". To a large extent, the "pecking-order model" indicates "the way" some "characteristics of a firm" do impact gearing decisions. According to Myers, certain "entities follow a certain hierarchy to decide the next alternative source of finance". The "fear of intrusion and dilution of power in an entity may" however, indicate which particular means of funds to be chosen. Myers (1994) also argues for issuance of "debt" that is obtained by securities or collateral can minimize the "asymmetric information" that is linked to financing costs. The information asymmetry can bring about "the moral hazard problem (hidden action) and/or adverse selection (hidden information). Hence, debt secured by collateral may mitigate asymmetric information related cost in financing".

2.7.7 The theory of credit access

The theory of credit access was propounded to provide a framework for analysis of inefficiencies in the financial market (Stiglitz & Weiss, 1981). The theory seeks to account for information asymmetry as one of the main causes of malfunctioning of the financial market most especially in developing nations. Financial based establishments which provide loans to business agents do not just show interest in the interest received through loans, it also includes the risks associated with such loans.

Majority of financed based institutions control and provide monitoring to borrowers in a more efficient way than most investors. Their area of specialization covers information gathering from private sources and analysed such information. Management of money - deposit accounts requires that banks take charge of highly tactical pieces of information on companies' statements of account and the way the organization grow (Kashyap, Stein & Wilcox, 1993).

The argument of Stiglitz & Weiss (1981) indicates that customers in the low-risk category do expect a reduced level of return. Accordingly, these customers are not as wealthy relative to borrowers on the high risk side. The customers or the borrowers who are of low risk are consequently not expected to make available acceptable collateral. It is known that increasing the requirements for collateral can have undesired effect like the ‘‘higher interest rate’’. Suggestions proffered by Walsh (1998) centres on the arguments that banks or financial institutions may only provide financial contracts which involves simultaneous adjustment of the rates of interest and the required collateral. There is a possibility of combining both the rates of interests and “collateral requirements” such that “credit rationing” does not exist (Jaffee & Russell, 1996).

2.7.8 Factors of firm growth

The determinants of firm growth have been highlighted by a number of theories. Some of these factors in line with the explanatory theories are presented in this section. Very early studies on the growth of firm largely focused on the influence of age and size on growth of firms. But the factors influencing firm behaviour are many. Storey (1994) identified three categories of factors influencing growth. These are entrepreneurial factors, firm specific factors and strategy based factors. According to Storey (1994) entrepreneurial factors are considered to include motivation, experience and age which are viewed to be the inherited and learnt abilities of the entrepreneurs. On the firm specific factors, variables such as market experience reflected in the number of business years, sector of business and size are included. The third factor is associated with technology. However, these factors are interrelated. SMEs which develop a clear strategy for engaging market competition may not have high results if the business manager lacks basic skills to handle emerging market situation or even the skill or capability to drive motivation of the employees.

2.8 Theoretical Framework

The theoretical framework of the research work is discussed below;

2.8.1 The theory of entrepreneurial choice

This study is based on the theories of entrepreneurial choice. As earlier expounded, the theory is based on the notion that business firms based the decision to kick start business to the objective of growing the enterprise. Based on this theory, the entrepreneurs, through the level of motivation would seek available sources of fund to achieve the set objective of growing the small business. The individual motivation is expected to result in profit level which is one of the reasons for growth. Consequently, credit access would affect psychological desire of entrepreneurs to push small business to the desire level of growth.

2.9 Empirical review of literature

In spite of the significant impacts financial limits exerts on company’s growth, limited studies have considered measures to address financial resources in an empirical research of firm growth.

The impact of financial factors on growth was tested by Becchetti and Trovato (2002). The factors are leverage ratio and response to firm on loan application. The response to firm was captured qualitatively and was used to measure whether loan request was rejected by firms or not. The result analysis reveals that leverage ratio has no significant effect. The other measure showed that rejection of loan application by firms’ constraints growth.

In the place of readiness of external source of finance, Chen *et al*. (1985) considered using profitability to proxy “financial resources of the firm” with a view to boosting growth. The role of profit was found to be dominant in the ability to obtain financial assets. The reason adduced is that it is concurrently a source of financing from internal, and an attraction to obtain finance from external sources. “Commercial banks, venture capitalists, investment banks, pension funds and other investors base their decisions on present and expected future values of profits or ratios of other financial variables on profits and usually consider firms with high returns as a secure investment”.

Buckley (1997) empirically analysed micro businesses in the African nations-Ghana, Malawi, and Kenya. The questions surrounding the widespread interest of donor agencies in financing microenterprise provide a guide to solve the problem of micro based entrepreneurship. The results of the study indicate that a key problem is rooted in ‘‘lack of infrastructure’’ in contrast to capital injection.

Chemin (2008) in the analysis of “impact of microfinance in Bangladesh” found a positive effect on “expenditure per capita and school enrolment for boys and girls”. The researcher used a matching approach to analyse the impact. In Malawi, Aguilar (2006) examined the effect of micro financing on farmers in the rural areas. The results showed that rural farmers who are able to ‘‘borrow’’ from ‘‘micro finance institutions’’ were not ‘‘better off than those who did not borrow’’

The argument of Ausburg (2008) focused on the need for special component in micro financing strategies to drive success. These components include market development, managerial skills, training and acquisition of financial management skills and good, marketing options. However, the benefits inherent in micro financing of businesses do not in all situation show. Factors that were found to mediate the impact of micro finance on small businesses include client characteristics, microfinance structure and functional arrangements. Hence, the impact of micro finance may be specific in context.

In Bangladesh, Amin et al. (2003) employed panel data techniques using monthly consumption and income data for over 200 households prior to receiving loans. The results of the study show that although microcredit is found to be useful for the poor, its usefulness to the most vulnerable, destitute is limited. Coleman (1999) discovers limited proof of its effect on participants. The finding is found to be consistent with that of Adams and von Pischke’s assertion that “debt is not an effective tool for helping most poor people enhance their economic condition” and “that the poor are poor because of reasons other than lack of access to credit”.

Mosley (1999) found that micro finance offers a substantial support to the poverty reduction strategies of government through its effect on income and asset acquisition. However, the process through which poverty alleviation operates differs across institutions. In general, he found that financial institutions that offer small amount of loans affect higher positive effect on poverty reduction more through raising the poor above the poverty line. Meanwhile, MFIs which give more loans decrease it through expansion of the demand for labour.

Mosley (2001) analysed the effect of micro finance on poverty. Micro finance institutions were sampled. A range of poverty and vulnerability measures including income, assets acquisition and diversity were considered. The sampled institutions on the average had positive impacts on the level of income and assets. Income measure was found to impact negatively the poor households with low risk and low return assets. The study showed that relative to other poverty reduction measures, micro finance seems to be more successful and reduces poverty.

Kuzilwa and Mushi (1997) investigated the contribution of credit to entrepreneurial undertakings. They make use of qualitative approach with respondents who have access to credit from government sources. The results showed that enterprises output increases after being able to gain access to the credit. Furthermore, the enterprises in question who have known entrepreneurs benefit from business training and guidelines and were observed to perform better than the rest. The study recommends "that an environment should be created where informal and quasi-informal financial institutions can continue to be easily accessed by small and medium businesses".

The performance and sustainability of MFIs was investigated by Chijoriga (2000) in Tanzania. He focused on the "overall institutional and organizational strength, client outreach, and operational and financial performance". The results showed that, performance of financial institutions operating at micro level in the study area is poor. Very few are found to possess clear organizational structure and objectives. Chijoriga (2000) further noted that "MFIs in Tanzania lack participatory ownership and many is donor driven. Although client outreach is increasing, with branches opening in almost all regions of the Tanzanian mainland, still MFIs activities remain in and around urban areas. Their operational performance demonstrates low loan repayment rates. In conclusion, the author pointed to low population density, poor infrastructures and low house hold income levels as constraints to the MFIs' performance".

Rweyemanu *et al*. (2003) evaluated the performance and challenges confronting "semi-formal microfinance institutions" with respect to provision of credit. Primary data collected from 222 farmers' respondents were analysed. The results showed that interest rates are part of the significant hurdle to achieving decision to borrow. Challenges relating to ''lengthy credit procurement procedures and the amount disbursed being inadequate'' were found to limit micro finance institutions. From the institutional perspective, credit programme was found to experienced low rates of repayment, particularly at the start of business operation. Reasons adduced to this include low yields, and producer prices in addition to premature loan acquisition as some of the reasons for poor repayment response.

Factors determining growth of Finnish firms were examined by Niskanen and Niskanen (2007). Premises for growth analysis were laid on lending characteristics of firms. The findings suggest that increase in the number of lending financial institutions reduces the growth rates in the bigger firms. Also, “an increase in the number of banks operating in the county where the firm is located enhances growth of the larger firms and decreases growth rates of the smaller firms. It could, therefore, be argued that close lending relationships enhance growth for all firms, but that only the larger firms in the sample benefit from more competitive banking markets”.

Brown et al (2004), used panel data econometrics to examine a number of small ventures in Romania. The findings of the study show strong prove that hinge on ‘‘access to external credit’’ and how they increase the development and growth of sales, and the employment. Taxes were found to be a limitation to growth. The results indicate that ‘‘entrepreneurial skills have little independent effect on growth’’. This is expected when conditions of demand are given adequate consideration. However, weak evidence was provided for technical assistance efficiency. But, financial aids received from foreign agencies and donors results in a positive impact. Diverse and alternative measures around the business environment are considered. These include ‘‘contract enforcement, property rights, and corruption’’. But not a single one of the variables was found to show a clear link with growth of firm.

Quaye (2011) studied micro finance institutions and their effect on the growth of small and medium scale enterprises (SMESs) using a case study of selected SMEs in the Kumasi metropolis. The study examined the profile of SMEs in the study area, the contribution of MFIs to entrepreneurial growth, the challenges encountered by SMEs in accessing credit and the rate of credit utilization by SMEs. The results show that most SMEs are at their Micro stages since they employ less than six people and the sector is hugely dominated by the commerce sub-sector. The research also indicates that MFIs have had a positive effect on the growth of SMEs.

A study done by Madole (2013) focused on microfinance credit and its impact on the SMEs performance in Tanzania, indicates that credit obtained from Bank improve businesses in terms of “increased business profit, increased employees, increased sales turnover, increased business diversification, increased business capital and assets as well as reduction of poverty”. Result also shows that collateral, age or experience of the SMEs owners, and, size of the firm influences the access of credit. The study concluded most of the small businesses depend on bank loan for business capital growth. Bank loan particularly NMB loan plays a very crucial role to encourage small business growth. Although some of the small industries fail to repay bank loan due to various reasons such as grace period, moral hazard and high interest rate. It was recommended that MFIs should increase credit and enhances contribution in SMEs financing, in order to sustain the growth and maximal contribution to economic growth and development of the nation.

The study conducted by Koech, (2011) focused on the financial challenges faced by SMEs. He made use of ‘‘case study approach’’ that targeted small enterprises. Structured questionnaire or research instrument was used as the primary tool to collect data for the study. Analysis of his data was done using exploratory factor analysis with descriptive analysis and using SPSS as the statistical package. Some of the identified factors affecting development of small businesses were found to include access to capital, high cost of the capital market, collateral challenges, access to information, and challenges of costs of business registration. The recommendation from the findings include ‘‘business financiers through loans consider reducing collateral requirements to facilitate SMEs easy access to loans’’.

The impact of credit provision from microfinance on performance of SMEs was examined by Waithanji (2011) in Kenya. He considered the use of survey design to carry out the research activity and using 60 randomly sampled SMEs from the licensed business enterprises. The results of the study show that there is linear and direct effect of credit access on financial performance of the sampled firms. Furthermore, the findings indicate that small enterprises gain from provisions of loans obtained from micro finance establishments. Also, they seek out financial aid from the micro financial institutions primarily to benefit from reduced interest rate, stress-free repayment plan among others. Hence, it is important to make available suitable business environment for small ventures to survive. There is also the need to design plan that can improve increase in access to credit from micro based sources.

Although the literature suggests different perception on small business growth, there is scarcity of studies on how business financing using microcredit could support SME growth in the specific context of Nigeria.

2.10 Gap in the empirical literature

A number of empirical studies have focused on the link between microfinance and Growth of small businesses. But, there is conflicting outcome of these findings. Indeed, evidence from the literature points to probable link between micro finance and business growth. But, no definitive area of linkage was agreed upon by the researchers. Various studies seem to be more focused on micro finance as an institution of business financing. Other studies were unable to distinguish between micro and small business on one hand; and micro and medium on the other. Some of the missing points identified include linkage between terms of credit, and the specific factors driving credit provision from micro finance institutions.

3 SMALL AND MEDIUM ENTERPRISES IN NIGERIA

3.1 Basics of Entrepreneurship

Setting up business activities and taking financial decisions with the associated risks has been the general summary of what entrepreneurship stand for. Thus, an entrepreneur is a term reserves for a person who at an individual level provides finance for his business. Dual role are attached to this; being a manager and a capitalist. In addition, an entrepreneur takes on the risk bearing role as well as decision making responsibilities (Garavaglia and Grieco, 2005). A number of early scholars have argued that entrepreneurship could be viewed from the perspective of measurable and fixed contribution to the growth of a firm (Nettl, 1957). Hence, in understanding the basics of entrepreneur, the difference between entrepreneur and the firm are more of debate concern for scholars.

Baumol (1968) emphasizes the differences between entrepreneurial position and the function as a manager. Overseeing the efficiency of a continuous process is regarded as being managerial from conceptual perspective and this includes input allocation, control, decision about pricing and advertisement. On the other side, entrepreneur simply concerns the development of ideas and its implementation. Accordingly, the entrepreneurial issues rest on decision factors which could be categorized into routine and non-routine decisions. The non routine decisions come under the organization of production activities and resource combination. Based on these elements, entrepreneurship foundation rests largely on interest of individuals and his vision acquisition of many areas of skill, financial investment, organization skills, risks and benefits.

Hence, the centre of any business activity or economic endeavour is an entrepreneur. While a new product in the market or service is induced by consumer needs, its initiation, designing development and promotion is the sole responsibility of an entrepreneur. Entrepreneurs could thus be classified according to different criteria. It could be based on the types of business, technological use, stages or level of development, area of business concentration, form of business organization adopted, gender based ownership, growth and motivation.

3.2 SMEs Entrepreneurship Definition in European Union and Nigeria

A number of definitions are associated with SMEs globally. These definitions, however, have a lot of similar indices that connect them across the continent. On a broader scale, there are no single definition that for SMEs. An important factor of definition relates to the peculiarity of business so defined and the level to which the host country has developed over a particular period of time.

In Nigeria, for instance, SMEs are defined based on certain variables such as number of employees, the value of capital employed or utilized in the business and the rate of turnover. Generally, and based on the CBN (2015) definitions, SMEs are defined as enterprises that possess asset value in the range of N5million and N500 million. In terms of labour force, it is defined as a business enterprise that has employee force in the range of 11 and 300. Okonkwo (1996) is of the belief that definitions of SMEs in Nigeria are somehow heterogeneous with relative concept. Whereas, earlier study by Osoba (1987) denotes that large number of definitions of SMEs are in existence with a bit of variance across countries and boundaries. Oladele and Oyedijo (2010) in their assessment of definition of SMEs concluded that SMEs as a business is dynamic in definition solely because their operations varies from one business environment and context to another business environment. The definition of small enterprises, and their classification by size of the enterprise, has been utilized to eligible the business is with respect to government patronage in addition to expected privileges especially credit scheme or credit support for businesses. Further in Nigeria, Oshagbemi (1982) pinpoints certain important factors of consideration in the definition of SMEs. These factors cover the “number of employees, financial strength, sales volume, initial capital outlay, relative size, independent ownership and type of industry”. Later studies by Ogechukwu (2005) modified these criteria to include employees strength in terms of numbers, rate of turnover on annual basis, volume of sales based on local operations and environment of trade, strength of the business in terms of finance, autonomy of the owners and managers in the management of the business, and relatively small market. In the consideration of Obiwuru *et al*., (2011), they considered in isolation, the number of personnel and financial strength in defining small business enterprises in Nigeria. Based on these, definition of SMEs could be defined from three different perspectives. Quantitative approach based on factors of employment and assets or capital investment. The second approach is described as functional based on consideration of characteristics of the business being defined. The last is defined from administrative perspective which follows opportunity to have government patronage and associated benefits. Very early definition was also found which defined small businesses as that with investment capacity of about sixty thousand naira. This definition was traced to the Federal Ministry of Industries in Nigeria (1973). Ayodeji and Balcioglu (2010) also provided a definition from Nigerian perspective that defined small business with business value that is less than N50, 000.00 in value. The employment side of this definition asserts labour capacity that is lower than fifty personnel. For medium enterprises, investment value was put in the range of N50,000 and N500,000. The personnel side was put in the range of fifty and two hundred and fifty persons. The National Council of Industry (2001) gave a definition that aligns with operational scale of the businesses. The micro cottage is defined with investment capacity at maximum value of N1.5m without the value of land but inclusive in the definition is the working capital and 10 workers maximum. For the small scale enterprise, the definition consideration put the capital investment at values between 1.5 and 50 million Naira. In this case, like previous definition, land is excluded but the work force ranges between 11 and 100. The definition of medium scale was a bit more extended. The capital investment for medium scale was expected to be above N50 million, inclusive of working capital. However, the work force is expected to be in the range of 101 and 300. In a related definition, Obiwuru *et al.* (2011) gave of definition of small business as that with less than 15 employees and capital investment below N3million.

At international level, World Bank (1988) defined SMEs as "enterprises with fixed assets, excluding land and working capital which do not exceed N10million". The definition of European Union excludes sectors like agriculture. The definition of SMEs covers other businesses with labour capacity below 500 workers (Ayodeji and Balcioglu 2010). Given that SMEs are dissimilar but could be considered smaller part of large businesses, the definition could be viewed in different ways. The basis of differentiation between small and large businesses includes the level of resources, market size, business structure, and leadership style (Mc Adam 2002; Huang, Soutar, & Brown 2002).

Countries like Britain, other European countries and USA, defined SMEs in terms of combination of business turnover and number of personnel. The variation in definitions suggests absence of globally accepted definition for SMEs. EU (2003) defined SMEs as enterprises with labour capacity below 250. In addition, revenue capacity expectation was peg at maximum of 50 million euro or 43 million euro (Fatai, 2011).

3.3 The SME's Effects on Nigerian Economy

Small and medium businesses occupy an important position in the transformation of any economy. OECD (2005) observed that more than 95% of most economies under its fold are SMEs based. It further accounts for employment generation between 60% and 70%. SMEs have played significant role on the Nigerian economy. Some of the effects of the small business sector are considered catalytic in the transformation of Nigerian economy. Odeyemi (2003) provided statistical fact to show that not less than 70% of employment in Nigeria is contributed by SMEs in addition to over 50% of Nigerian GDP being accountable to SMEs. Across Nigerian States, employment generation by SMEs was put at 59,741,211 nationals in 2013 alone. This represents about 84.02% of the entire labour force in the country. By 2010, the value was simply lower by 1, 066,766. From these values, 1,033,900 males were employed by SMEs in 2013 while 869,920 females were employed. Other available statistics showed that in 2010, 635, 851 males were employed while 430,915 females were employed. Across different sectors in Nigeria, 27.72% were employed in manufacturing sector in 2013, 17.42% were employed wholesale and trade, 25.91% were employed in education, 8.54% in food services, 4.69% in agriculture, 3.05% in construction while 4.8% were employed in administrative and support services (SMEDAN, 2013).

According to Muritala et al. (2013), effect of SMEs on Nigerian economy reflects more in the area of raw materials utilizations at higher level, jobs creation, business integration, fund mobilization, improved training and greater investments opportunities. Small businesses have also been found to facilitate industrial growth and development in Nigeria. It has been found to reduce rural-urban migration through opportunities for establishment of small ventures in rural areas. It has also served as training unit providing hands on training and experience for young entrepreneurs in Nigeria.

(SMEDAN, 2003) reported that SMEs play greater role that goes beyond job creation in Nigeria. In addition to supporting and improving living standards, they are basically classified as growth supporting sector in the country. They have been found to bring about huge capital formation at local level which is needed for innovation drive and competition. In addition to this, youth employment has been boosted by SMEs with the report showing that youth in the age bracket between 24 and 50 years of age. Furthermore, the export contribution from SMEs stood at 7.27% and nominal contribution to GDP at a value of 48.47%.

3.4 The Problems in Small and Medium Enterprises in Nigeria

Plethora of problems related to small businesses and reasons for possible failure have been highlighted in the literature. The identified problems include poor planning, hostile government regulations and interventions, inadequate business marketing approach, poor technical know-how, plus high rate of interest (Aftab and Rahim, 1989). According to Onugu (2005), a number of challenges affect SMEs. These challenges cover inadequacy, inefficiency, and occasionally, poor infrastructures; bureaucracy, inadequacy in the management of ideas and associated facilities that are made available by the government; high processing cost; skewed competition that are traceable to import tariffs. The tariffs are generally perceived to be more favourable to imported commodities among others; limited access to appropriate tools; over dependence on imported commodities materials; low demand for products, reducing purchasing power of consumers; unbalance trade practices with characteristics import of inferior goods; poor organizational strength, poor marketing and information-usage, multiple level of government regulatory agencies, with high levies and taxes, prevalent corruption nonexistence of long-term financing options for capital assets accumulation; lack of scientific, technological knowledge and know-how; lack of initiative and administrative framework; inadequate managerial and entrepreneurial skills; insufficient training and leadership development.

Shortage of capital (financial resources) is also frequently cited as a barrier to innovation. Yet the expected contribution of SMEs to innovation and the resultant economic growth is considerable (Ayodeji and Balcioglu (2010). With fewer resources, SMEs usually have less capacity to pursue innovative concepts. However, they were found to innovate in quite different ways compared to larger firms (Todtling and Kaufmann, 2001; Huang et al. 2002). Innovation is more likely to be incremental within SMEs and to occur in response to either customers or suppliers, rather than radical, as a result of a new product or process development (Todtling and Kaufmann, 2001).

SMEs have less market power than large organizations. This means that they are more subject to market changes (Todtling and Kaufman 2001; McAdam 2002). SMEs are frequently dependent on a particular market segment, sometimes having only one or two large customers. Such a market can easily disappear with changes that affect those customers. Change in ownership, management decisions of prime customers to manufacture components in-house rather than out-sourcing, financial difficulties, and design changes are just some of the factors that have the potential to remove large portions of revenues from SMEs.

The problems in SMEs in Nigeria could be summarized into administrative, operational, strategic and external (Okpara &Wynn, 2007). The administrative problems consist of issues of finance, personnel and management. The operational challenges include marketing, inventory management problems, production and business operations. Those that are considered strategic have to do with planning, poor market research and financial analysis. The external problems centre on infrastructural issues, corruption, technology and management issues.

4 RESULTS AND DISCUSSION

4.1 Introduction

This section presents data analysis, interpretation and discussion of results based on panel data analysis. Analysis based on panel data utilizes both the cross-sectional and time series data. Panel data presents a number of advantages more especially because of the possibility of joining both time variant and cross-sectional factors together as single analytical data. Also, high heterogeneous variables could also be analysed across countries and firms over time. In addition, panel data reduces the problem of associated with multicollinearity of variables. Unlike individual time and cross-section data, panel data permits econometric analysis over a short period of time and insufficient cross-section data (Ugurlu, 2010).

Baltagi (2005) highlights the benefits of panel study to include ability to account for individual heterogeneity. It could control state and time-invariant factors which are not possible through individual time series analysis or cross-section study. Furthermore, in the aggregate production function, the country-specific factor is usually ignored in cross-section regression. But, this is often found to correlate with the explanatory variables included in the model which usually leads to variable bias. The framework of panel data provides opportunity for correction of this type of bias. Panel data is also associated with provision of data that is more informative, varied with better degree of freedom and efficiency.

With panel data, models are usually estimated through fixed or random effect estimation techniques. If there is similarity among individuals, use of OLS may be better, but if there is no independency of individual-specific component with respect to the independent variables, or there is assumption of differences among the countries, fixed effects estimator is considered appropriate. In other words, if the focus is on a specific set of firms or countries and there us willingness to restrict the inference to the behaviour of those firms or countries, fixed effect model is usually suggested. But, if there is random assumption with respect to the exogenous variables, random-effect estimator is presumed to be better (Ugurlu, 2010).

In order to test for discrimination between the estimators of both the random and fixed effects specification, Hausman test is usually conducted. Hausman (1978) offers an approach for such test. In the Hausman approach, estimators of vectors of coefficients of both models are put on a comparison level.

4.2 Descriptive statistics of the study variables

Table 4.1 shows descriptive statistics of the variables. Over the period under study (2006-2014), the mean of equity of the sampled firms is lowest at the value of ₦15, 200, 000 (Nigerian currency). The total asset value of the firms presents a mean value of ₦30, 200, 000. Meanwhile, the mean sales value of the firms is ₦24, 300, 000. The average value of loans obtained by the firms from all sources is ₦16, 600,000. Assessment of these values show that equity of the firms is lowest, followed by loans obtained by the firms, sales and size (assets) of the firms.

The standard deviation of the values which is an indication of the stability of the variables over the study variables is also presented in the Table. The result suggests that the sales of the firms represent the least stable among the variables (₦, 98,100,000) an indication of high level of sales variability in the business firms over the period under study. This is followed by loans obtained by the firms (₦71, 700,000) and firms equity (₦67, 800,000). The least volatile or the most stable of the study variables is the asset of the firms which represent the size. It implies that over time, business firms in Nigeria have been able to maintain their assets in the midst of uncertainty over access to loans. Results further show that the minimum value of equity of the firms over the period is ₦8, 106 while the maximum value from any of the firms is ₦ 393,000,000. There are firms with minimum record of asset at zero level while firms with the highest asset or size have maximum value of ₦ 657,000,000. The minimum value of sales of the firms over the period is ₦10, 433.00 while the maximum sales value recorded by any of the firms is ₦539, 000,000.00. There are records of firms with zero (0) access to loans while the maximum value of loans of loan obtained by the firms is 567,000,000.00 over the sample period. The mean value of the variables is pictorially illustrated in Fig. 1. The pictorial representation clearly depicts total assets of the firms as the highest, followed respectively by sales, loans and equity of the firms.

Table 4.1: Descriptive statistics of the variables

Variable	Obs	Mean	Std. Dev.	Min	Max
Equity	143	1.52E+08	6.78E+08	8106	3.93E+09
Total Asset	149	3.02E+08	1.24E+09	0	6.57E+09
Sales	145	2.43E+08	9.81E+08	10433	5.39E+09
Loans	146	1.66E+08	7.17E+08	0	5.67E+09

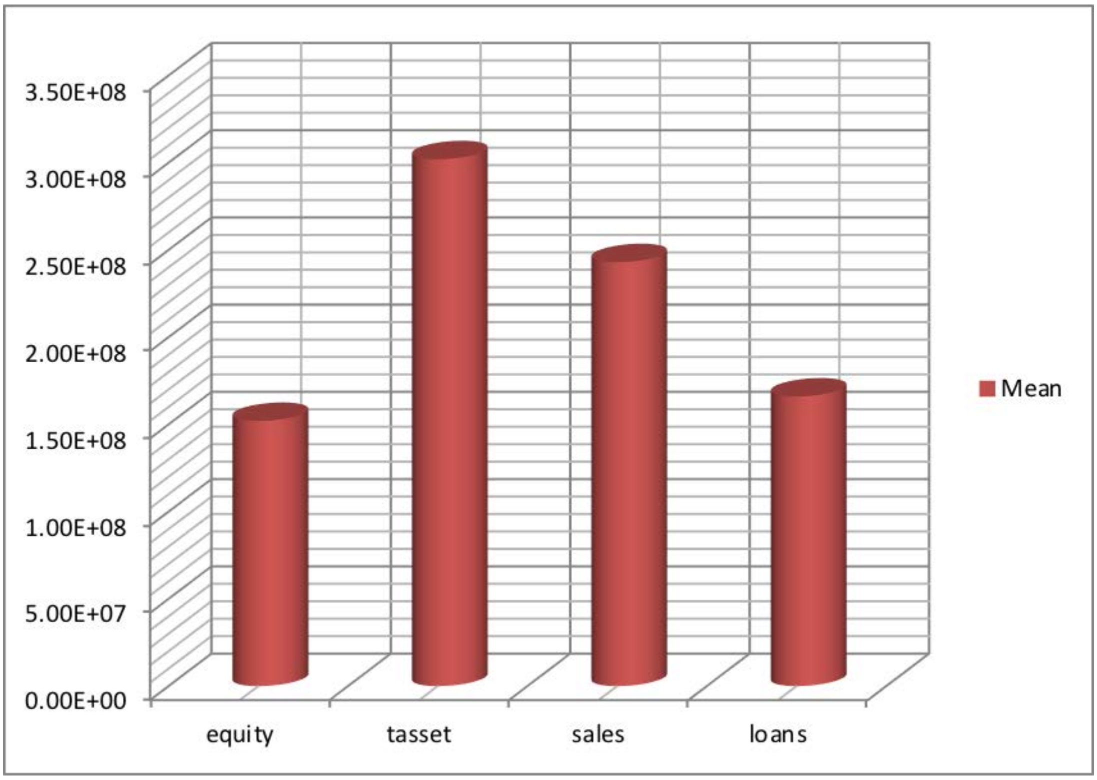

Figure 4.1: Mean value of the study variables

4.3 Correlation of the Study Variables

Correlation to determine existence of association between the study variables is presented. Variables such as size (asset) of the sampled firms, equity of the business firms, sales over the period, values of loans obtained and microfinance credit provision to businesses are included in the correlation analysis. The values of correlations are presented alongside the significant P value to determine the significant associations among the variables of the study. The results are presented in tabular form in Table 4.2 below. Most of the associations are significant at high level of associations.

Table 4.2: Correlation of the study variables

	Equity	Asset	Sales	Loans	Credit
Equity	1				
Sig. (P value)	……				
Asset	0.887	1			
Sig. (P value)	0.000	….			
Sales	0.843	0.848	1		
Sig. (P value)	0.000	0.000	……		
Loans	0.761	0.918	0.789	1	
Sig. (P value)	0.000	0.000	0.000	……	
Credit to SMEs from banks	0.198	0.242	0.202	0.212	1
Sig. (P value)	0.059	0.018	0.054	0.041	…..

The results in Table 4.2 above show the correlation of the study variables. The coefficient of correlation between size (Asset) of the business firms and equity of the firms is strong and positive (r = 0.887). This is an indication that increase in equity of the firms could also raise the asset of the firms. The coefficient of correlation between sales and equity is positive (r = 0.843) suggesting a direct association between the two variables. An increase in sales results in higher equity of the firms. Positive coefficient was also observed between the loans obtained by the firms and equity of the firms (r = 0.761). The direction of association suggests the value of total loans obtained by the firms could lead to increase in equity of the firms. Data from the central banks of Nigeria on credit financing of businesses suggest there is weak association between credit provision by banks to business firms and equity (r = 0.198).

The coefficient of correlation between sales of the firms and asset (size) is high and positive (r = 0.848). The result suggests that both sales of firms and size are complementary. An increase in the value of the sales could lead to higher value of size or assets of the firms. Higher value of assets also suggests ability of the firms for sustainable growth in the long term. Total loans obtained by the firms show higher and positive correlation coefficient with asset of firms (r = 0.918). The result indicates that loans could contribute to increased asset value of business firms. Similarly, credit financing from banks to business firms also show positive correlation with asset. The values corroborate the expected direct relationship between financing provision and growth of businesses over a period of time.

4.4 Firm by firm analysis of the data

Table 4.3 presents firm by firm analysis of the study variables. The mean value of equity of African paints stood at ₦140, 000.00 over the period under study. The total asset of the firms, on the average, is ₦ 290,000 while the average sales value is ₦ 907,732. The average value of loans is ₦170, 000. The result indicates sales of the firms is largest followed by asset, equity and loan respectively. The standard deviation of the variables shows that over the period, total asset of the firm is the least stable followed by loans obtained by the firms. The deviation values of African paints further indicate that sales of the firm are more stable over time followed by the firms' equity.

Descriptive statistics of Afro media firm show a mean value of ₦6, 900,000.00 for the equity, ₦610, 000.00 for the asset, ₦450, 000.00 for sales and ₦330, 000.00 for loans. The result indicates that equity of the firms is highest followed by asset value, sales and loans respectively. The result suggests that loans obtained by the firms are minimal over this period. The standard deviation values of the variables show that sales for this firm is relatively unstable, giving the high value of its standard deviation. This is followed by the value of assets, loans obtained and equity respectively.

The mean value of equity for AVON firm is ₦180, 000.00 for the period under study. The asset value for the firms stood at an average of ₦740, 000.00 while the value of sales and loans obtained are ₦980000 and ₦610, 000.00 respectively. Descriptive value of deviation position loans obtained by the firms as the most volatile (₦ 310,000) followed by sales and total assets. Another business firm, BETA GLASS, has an average value of its equity to be ₦ 850,000.00. Surprisingly, this value of its equity is same as the values of loans obtained by the firms over the period. This suggests that equity for the firms is same as its loan value. Average value of asset and sales of the firm are respectively the highest at ₦1, 800,000.00 and ₦1, 100,000.00. The standard deviation value of the firm shows that the asset variable is the least stable, followed by equity, loans and sales respectively.

The descriptive values of CAP PLC, Nigeria is also presented in Table 4.3. The mean value of sales of the firms is highest over the period with an estimated value of N410, 000.00. The statistics also show that mean value of asset is next in terms of value at N250, 000.00 followed by N170, 000.00 for loans and 100,000 for equity of the firm. The standard deviation of the estimates shows that sale value of the firms is the least stable being the highest value. This is followed by the loans obtained by the firms, asset, and equity respectively.

The descriptive statistics of DN MEYER firm show that mean of its asset value is highest with an estimated value of N240, 000.00 and high standard deviation value of N598, 233. The result indicates that asset of the firms is more volatile over the period. Sales value of the firm is N170, 000.00 and a standard deviation of N383, 399.00. Loans obtained by the firms stood at an average of N160, 000.00 and standard deviation of N528, 876.00. The value of the standard deviation of the firm makes it the second most volatile of the variables under study.

The mean value of First Aluminium firm is lowest over the period at an estimated value of N400, 000.00. Its standard deviation at the value of N220, 000.00 is also relatively stable over the period. Asset value of the firm is high at N960, 000.00 with deviation value of N270, 000.00 making it the one of the least stable over the period. Sales value of the firm is N840, 000.00 which is also the most volatile (SD = N823610) over the period. The loan obtained by the firm is N560, 000.00 on average, over the period. But, the variable is relatively stable indicating that firm does not heavily rely on loan as the main source of financing of its business operation.

The highest mean value of equity obtained for GSK firm is N780, 000.00. Asset value is N1, 000,000.00, sales are N2, 200,000; the value of loan obtained is N650, 000.00 while the asset of the firm is N1, 000,000.00. The standard deviation of equity is N440, 000; deviation of asset is N860, 000.00; Sales of the firm have deviation value of N710, 000.00 while loans have the same value- N710, 000.00.

Furthermore, Livestock firm has mean value of N747, 190 for the equity. The asset has a mean value of N180, 000.00; value of sales is N340, 000.00; and value of loan is N150, 000.00. The statistics show that equity is highest followed by asset, sales and loans respectively. Overview of deviation value show that equity recorded N639, 322.00; asset of the firm has standard deviation estimate of N180, 000.00; standard deviation of sales variable is N260, 000.00 while that of loans obtained by the firms is N110, 000.00.

The mean value of equity for NAHCO business firm is N430, 000 over the study period. The mean value of asset is N750, 000.00 while the value for sales and loans are N570, 000 and N460, 000, respectively. The results indicate that asset value is highest followed by sales, loans and equity respectively. However, asset value appears to be the most volatile given its highest level of deviation. This is followed by loans, sales and equity respectively. The highest value of equity recorded by the firm is N590, 000.00 while the highest value of sales over the period is N810, 000.00. The highest value of loans stood at N850, 000.00. In this category, maximum asset value recorded is N1, 400,000.00.

The descriptive statistics of NIG ENAMEL firm showed a mean value of equity of N432, 868.00. The mean value of asset is N150, 000.00 while the mean value of sales and loans are N180000 and N150000 respectively. The deviation estimates show that sales of NIG ENAMEL firm over the period is highly unstable

(SD = N965, 448.00) suggesting the reason for low average asset recorded by the firm. Total asset is also found to be volatile given its high value of standard deviation relative to other values. Equity of the firm is next in the rank of stability with standard deviation value of N449,232.00 while loans at deviation value of N110,000 is the most stable of the variables for the firm given its lowest deviation value. This suggests that the firm relies less on loan on periodic basis to finance its operation.

The mean equity of ROPE Business Company is N216, 483.00 and represents the lowest of the study variables. The standard deviation of the variable is N101, 671.00. Total asset has a mean value of N700, 198.00 with N49301.1 as the standard deviation. The mean value of sales is N406, 244.00 with standard deviation value of N48936.8 while loan obtained by the firm is N585, 088.00 with standard deviation of N240, 998. The lowest equity value recorded by the firm is N67, 659.00 while the highest recorded is N360, 492.00. The minimum value of loan recorded by the firm is N324, 411 while the maximum value of loan obtained is N110, 000.00.

The average value of equity for another business firm-Tantalizer- is N260, 000,000 with standard deviation value of N150, 000,000. The mean value of the firm’s asset is N480, 000,000 and standard deviation of N200, 000,000. The mean value of asset for the firm is N380, 000,000 with a standard deviation of N150, 000,000.00. Loans obtained by the firm recorded a mean value of N260, 000, 000 with standard deviation of N150, 000,000.00. The lowest value of loan obtained by the firm is N3, 500,000 while N570, 000,000.00 is the maximum value obtained.

The tourist plc involved in tourist business has average equity value of N310, 000.00. The mean value of asset is N1, 600,000 with same value of standard deviation. The mean value of sales is N23, 00,000 with standard deviation of N5, 600,000 while value of loans obtained on the average is N2, 800,000.00 with high deviation value of N5, 400,000. The deviation value of loan obtained show high level instability and volatility over the period.

The mean value of ‘Tripple G Company’ shows equity value of N857, 974 on the average with standard deviation of N216, 744.00. The value of asset is N260, 000 with mean deviation value of N300, 000. Sales of the firm over the period stood at an average value of N996, 355.00 with standard deviation of N900, 355. Loans obtained by the firm stood at an average of N180, 000.00 with standard deviation of N290, 000.

The mean equity of UAC over the sample period is N3, 500,000 with standard deviation of N2, 500,000 while the asset value over the period is N7, 900,000 with standard deviation of N2, 500,000. The mean value of sales and loans obtained are equal at an average of N4, 800,000. The standard deviation of both the sales and loans are however different at respective values of N2, 400,000 and N3, 100,000. Meanwhile, UTC firm has mean value of equity to be N560000 and a standard deviation of N1200000. The loan obtained over the period is also high at N530000 relative to other variables. The mean value of sales for the firm is N330000 and mean asset value of N1, 200,000.

Table 4.3: Descriptive statistics of the study firms

Firms	Stats	Equity	Tasset	Sales	Loans
African Paints	Mean	1.40E+06	2.90E+06	907732	1.70E+06
	Sd	2.40E+06	4.70E+06	1.60E+06	2.50E+06
	Min	8106	292711	10433	151452
	Max	5.90E+06	1.20E+07	4.10E+06	6.20E+06
Afro Media	Mean	6.90E+07	6.10E+06	4.50E+06	3.30E+06
	Sd	1.50E+08	2.00E+06	7.90E+06	1.60E+06
	Min	94025	3.60E+06	341025	987692
	Max	4.20E+08	9.10E+06	2.40E+07	5.10E+06
AVON	mean	1.80E+06	7.40E+06	9.80E+06	6.10E+06
	sd	246930	2.50E+06	2.80E+06	3.10E+06
	min	1.30E+06	3.90E+06	6.20E+06	2.50E+06
	max	2.10E+06	1.10E+07	1.40E+07	1.20E+07
BETA GLASS PLC	mean	8.50E+06	1.80E+07	1.10E+07	8.50E+06
	sd	3.80E+06	6.50E+06	3.50E+06	3.70E+06
	min	1.60E+06	9.40E+06	5.30E+06	4.20E+06
	max	1.40E+07	2.70E+07	1.70E+07	1.40E+07
CAP PLC	mean	1.00E+06	2.50E+06	4.10E+06	1.70E+06
	Sd	209747	534313	1.80E+06	976898
	Min	754442	1.50E+06	2.00E+06	89855
	max	1.30E+06	3.10E+06	7.00E+06	3.80E+06

Table 4.3: (cont.) Descriptive statistics of the study firms

DN MEYER	mean	662517	2.40E+06	1.70E+06	1.60E+06
	sd	328840	598233	383399	528876
	min	163357	1.10E+06	1.20E+06	298910
	max	1.40E+06	3.20E+06	2.30E+06	1.90E+06
First Aluminium Nigeria	mean	4.00E+06	9.60E+06	8.40E+06	5.60E+06
	sd	2.20E+06	2.70E+06	823610	2.10E+06
	min	981558	7.30E+06	6.80E+06	3.90E+06
	max	6.60E+06	1.60E+07	9.70E+06	1.00E+07
GSK PLC	mean	7.80E+06	1.00E+07	2.20E+07	6.50E+06
	sd	4.40E+06	8.60E+06	7.10E+06	7.10E+06
	min	478350	0	1.30E+07	0
	max	1.30E+07	2.20E+07	3.10E+07	1.80E+07
Livestock Feeds Plc	mean	747190	1.80E+06	3.40E+06	1.50E+06
	sd	639322	1.80E+06	2.60E+06	1.10E+06
	min	335082	288958	560018	478514
	max	2.00E+06	5.80E+06	7.90E+06	3.80E+06
NAHCO Business Firm	mean	4.30E+06	7.50E+06	5.70E+06	4.60E+06
	Sd	1.90E+06	5.10E+06	2.00E+06	3.00E+06
	min	1.10E+06	0	3.20E+06	0
	max	5.90E+06	1.40E+07	8.10E+06	8.50E+06
Nigerian Enamelware Com	mean	432868	1.50E+06	1.80E+06	1.50E+06
	Sd	449232	713531	965448	1.10E+06
	min	118088	838809	157340	699485
	max	1.20E+06	3.10E+06	2.60E+06	4.10E+06

Table 4.3: (cont.) Descriptive statistics of the study firms

Nigerian Ropes Plc	mean	216483	700198	406244	585088
	Sd	101671	49301.1	48936.8	240998
	min	67659	632693	340157	324411
	max	360492	769547	492112	1.10E+06
Tantalizers Plc	mean	2.60E+09	4.80E+09	3.80E+09	2.60E+09
	Sd	1.50E+09	2.00E+09	1.50E+09	1.50E+09
	min	7.30E+06	4.20E+07	1.80E+08	3.50E+07
	max	3.90E+09	6.60E+09	5.40E+09	5.70E+09
Tourist Comp Of Nigeria	mean	3.10E+06	1.60E+07	2.30E+07	2.80E+07
	Sd	3.60E+06	1.60E+07	5.60E+07	5.40E+07
	min	121735	7.90E+06	1.50E+06	4.10E+06
	max	8.90E+06	5.50E+07	1.60E+08	1.60E+08
Tripple G Company	mean	857974	2.60E+06	996355	1.80E+06
	Sd	216744	3.00E+06	909355	2.90E+06
	min	636026	1.40E+06	517926	618325
	max	1.20E+06	1.10E+07	3.40E+06	9.40E+06
UAC PLC	mean	3.50E+07	7.90E+07	4.80E+07	4.80E+07
	Sd	2.50E+07	4.60E+07	2.40E+07	3.10E+07
	min	1.10E+06	1.90E+06	512338	799841
	max	7.10E+07	1.20E+08	7.90E+07	9.20E+07
UTC	mean	5.60E+06	1.20E+07	3.30E+06	5.30E+06
	Sd	1.20E+07	2.20E+07	3.50E+06	1.10E+07
	min	687071	0	951552	0
	max	3.60E+07	6.80E+07	1.20E+07	3.20E+07

Table 4.3: (cont.) Descriptive statistics of the study firms

Total	mean	1.50E+08	3.00E+08	2.40E+08	1.70E+08
	sd	6.80E+08	1.20E+09	9.80E+08	7.20E+08
	min	8106	0	10433	0
	max	3.90E+09	6.60E+09	5.40E+09	5.70E+09

4.5 Comparison of variables of sampled firms over time

Analysis of the study variables on periodical basis is presented in Table 4.4 The illustration is graphically presented in Figure 4.2. The result shows that equity value in period progress steadily after period 2006 through year 2007 and 2008 before a slight decline was recorded in 2009. Afterwards, there was sharp decline in the value of equity in 2010 before a steady rise was recorded up to year 2012. Equity value was highest for the firms in 2013 before another sharp decline was observed in 2014.

The description of asset value, an indication of size is presented in Figure 4.3 The value of the assets rose steadily from 2006 up to 2008 before slight decline was recorded in 2009. Year 2010 recorded the highest with sharp decline in 2011 downward to 2012, 2013 and 2014 respectively. Characteristically, the illustration depicts two main period of asset growth of the firm. The first period show increase in the value of asset while the second witnessed period of decline. The first period was from 2006 to 2010 while the second period was from 2011 to the last period under study. The mean value of sales of the firms by year is illustrated in Figure 4.4 Sales increase from 2006 to 2008 as the highest point. Afterwards, decline in sales of the business firms were observed on steady basis over subsequent years.

The value of loans of the firms under study over the years is illustrated in Figure 4.5 The result shows an irregular or volatile trend over the period. The result shows that the firms are unable to obtain loans on a steady basis over the years. This suggests that the financing of businesses through loan is not regular for businesses in Nigeria. The loan obtained in 2006 was higher than that of year 2007 and increase in loan obtained was observed till 2009. This period was followed by sharp decline up to

2011 when a slight increase was observed till 2013 before another decline was observed.

Table 4.4: Yearly analysis of study variables

Year	Equity	Tasset	Sales	Loans
2006	69000000	2.2E+08	2.6E+08	1.6E+08
2007	2.6E+08	3.3E+08	3.1E+08	1E+08
2008	2.6E+08	3.7E+08	3.4E+08	1.3E+08
2009	2.5E+08	3.6E+08	3.1E+08	3.4E+08
2010	2400000	4.2E+08	3E+08	2E+08
2011	6100000	3.7E+08	2.6E+08	1.7E+08
2012	16000000	3.5E+08	2.1E+08	1.9E+08
2013	1.2E+08	3.1E+08	1.8E+08	2E+08
2014	7600000	17000000	23000000	9700000

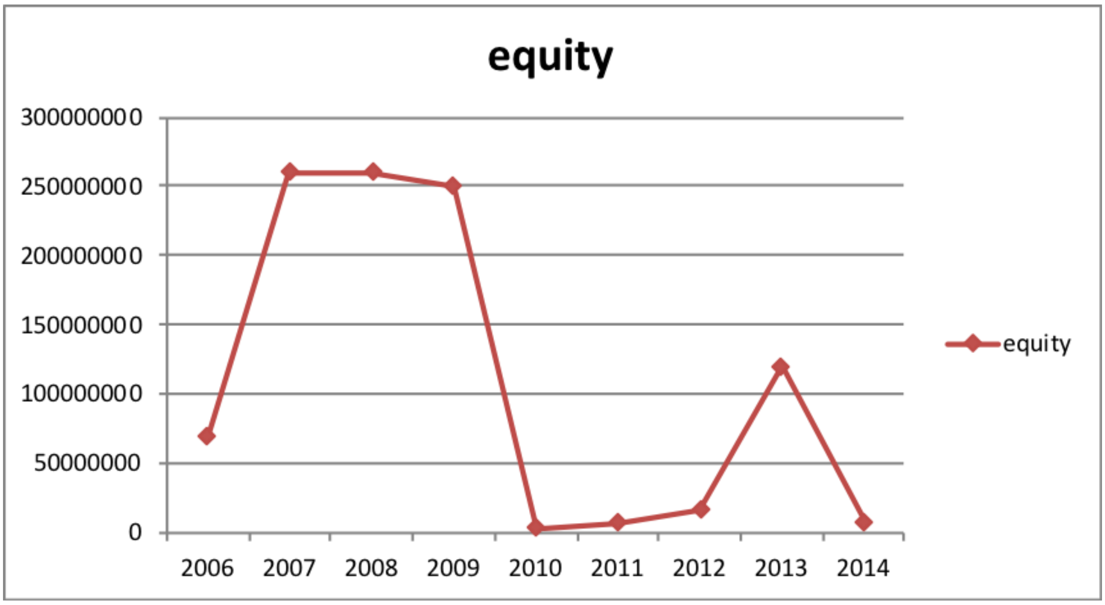

Figure 4.2: Year by year assessment of equity of sampled firms

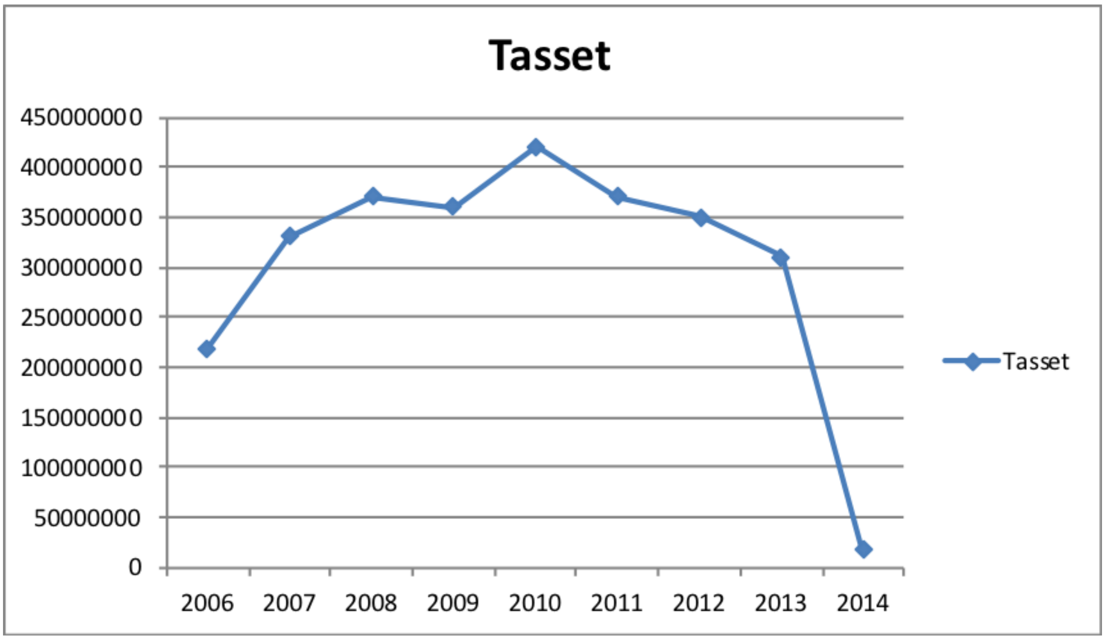

Figure 4.3: Asset of the firms over the year

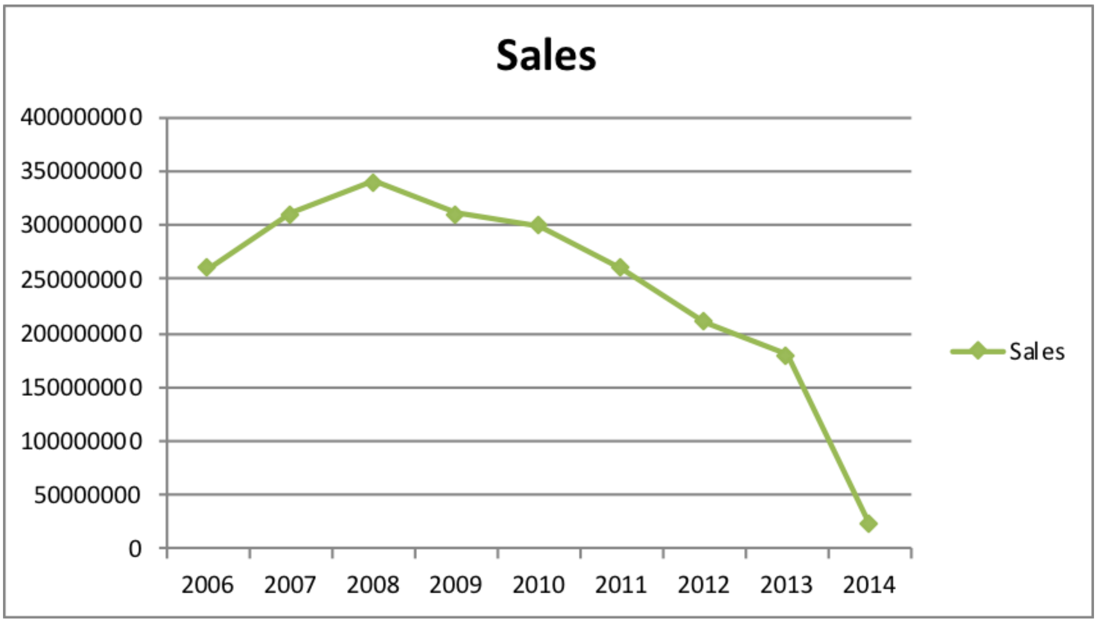

Figure 4.4: Sales of the firms over the years

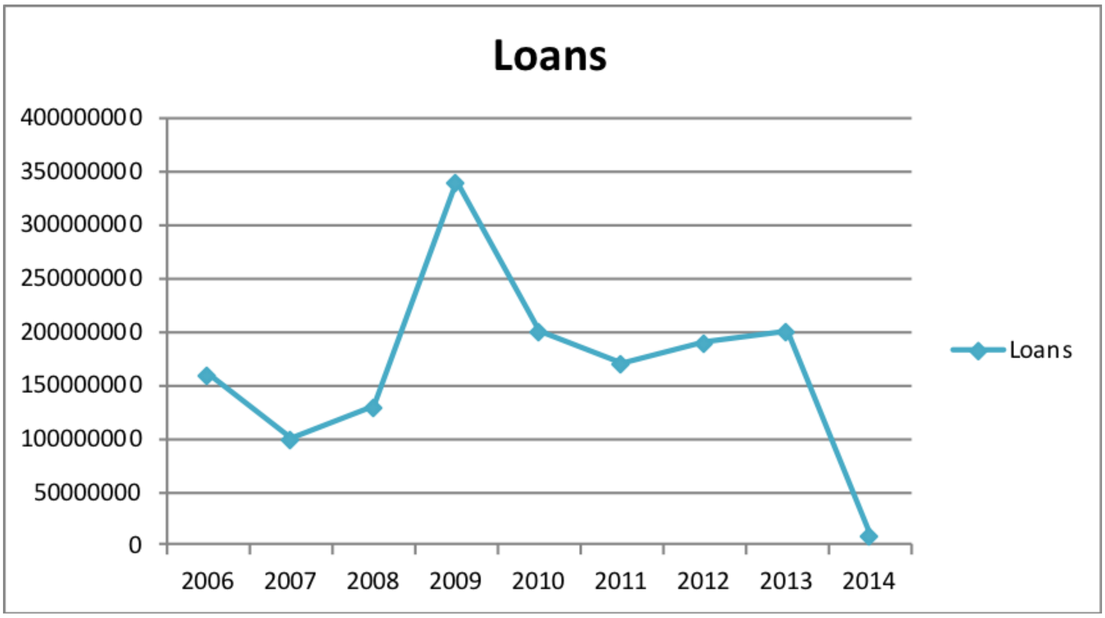

Figure 4.5: Loans of the firm by years

4.6 Regression estimates of loans and bank credit on growth of business firms in Nigeria

The results in Table 4.5 show the estimated regression of business growth in Nigeria. The Hausman test was considered to choose between fixed effect and random effect model. The Hausman test however shows that sample is preferably larger as there is usually a conflict between finite sample and asymptotic property of Hausman test especially with panel specification in STATA. Nonetheless, the test fails to reject the null hypothesis of non-significance of random effect (chi2(4) = -3.71)). Hence, random effect is considered appropriate for the model. Growth is captured using the asset of the firms following Alemu (2015). The overall R-square, a measure of contribution of independent variables to the dependent variation, is 0.759, indicating that about 76% of the included variables account for the variation in the growth of the firms. Other diagnostics such as Wald chi2(4) was significant (5%).

The independent assessment of the variables shows that only sales of the firms over the period under study ($\beta = 0.396$, $t = 5.23$) and the loans obtained by the firms are the only significant variables. Both variables are positive and significant at 5% indicating that assets of businesses would grow with increase in sales over time. Also, loan, a source of business finance, if assessed on regular basis, subject to the need of the business, would lead to increase in asset drive of businesses.

Table 4.5: Results of Random effect model of business growth

	Coef	Std. Err.	z	p>|z|
Equity	.009	.006	1.48	0.140
Sales	.396	.076	5.23	0.000
Loans	.749	.111	6.73	0.000
Bank credit to business	-1.189	1.596	-0.74	0.456
Constant	1207695	665411.9	1.81	0.070
sigma_u	1283477.1			
sigma_e	2303252.8			
Rho	.23694554			
Wald chi2(4)	= 172.89			
Prob > chi2	= 0.0000			

R-sq: Within = 0.5484. **Between** = 0.8604 **Overall** = 0.7599

5 SUMMARY, CONCLUSION AND RECOMMENDATION

The study aims at microfinance credit and the growth of SMEs in Nigeria. The study examined the relationship between microfinance credit and growth of SMEs and analyse the influence of credit to SMEs on growth of businesses in Nigeria. Primarily, microfinance scheme was established to provide financial support to fledging businesses and thereby secure jobs, income and growth of business climate in Nigeria. The need to provide micro-financial support to SMEs is further buttressed by empirical observations that SMEs is potentially capable to drive industrial growth, social and economic development. These are in addition to poverty reduction of the poor who directly or indirectly secure jobs through micro finance growth.

The Nigeria business climate depends largely on survival of businesses to cater for the needs of numerous able-bodied citizens who remain largely unemployed in the limited formal sector of the economy. However, insufficient and untimely credit provision continues to hamper the desired objectives from the businesses in Nigeria. But, both long and short term business survival rests largely on availability of credit to support businesses (Ojenike, 2012). Despite the acknowledge importance of this to the economy, smaller body of litowth of SMEs in Nigeria, hence this study.

The broad objective of the study is to examine the relationship between microfinance credit and growth of SMEs in Nigeria. The study specifically examines the relationship between the variables and determines the empirical effect of credit provision to SMES on growth of the businesses.

Furthermore, the work examined concepts of credit in SMEs, micro finance, small and medium businesses, SMES growth and other related concept, theories and empirical study. Small business in Nigerian context was also reviewed in comparison to what is obtainable in developed nations. A number of theories were found to have relations with the key concepts of the study. These theories include theories of firm growth, firm and entrepreneur, trade off and pecking order theories, theory of credit access and theory of entrepreneurial choice. These theories were examined in relation to the concepts of the study. One of them was subsequently adopted as theoretical framework to explain the work. In another chapter, the study made use of both primary and secondary data. The secondary data were sourced from extant literature, central bank of Nigeria data base. Primary sources of data were through direct link to the sampled firms with questionnaires. The sample size for the study is seventeen (17) business firms over the period of nine (9) years, resulting in 153 data points. The sample procedure was based on random sampling technique.

The findings revealed that credit provision to businesses in Nigeria is very irregular or volatile trend over the period. Most of the firms are unable to obtain loans on a steady basis over the years. While the results show slow improvement in the growth of the firms, size or volume of the loans given to support these businesses did not grow at the same place. Hence, sales of the firms were found to be highly unstable. The result however shows that loans and asset growth are highly correlated. Relationship of micro finance credit to asset growth of the firms and sales of the businesses over the years were very low. Overall assessment of the business firms reveal that the businesses in Nigeria are not experiencing similar level of growth with some having very low and unstable business growth while few others have records of slow growth. Growth of sizeable numbers of the firm was not supported by sufficient loan provision. For all the sample firms, equity was found to be very unstable; growth is relatively stable overall except for the sharp decline in 2014; sales witnessed declining trend since 2008 while the total loans sourced by the firms was only very high in 2009. Since then, total loan sourced by the firms are increasingly declining.

The regression estimates show that only sales of the firms over the period under study ($\beta = 0.396$, $t = 5.23$) and the loans obtained by the firms are the significant variables. Both variables are positive and significant at 5% indicating that assets of businesses would grow with increase in sales over time. Also, loan, a source of business finance, if assessed on regular basis, subject to the need of the business, would lead to increase in asset drive of businesses.

Following the findings of this research, the study concluded that microcredit provision to firms, by formal credit institutions in Nigeria has no effect on growth of businesses. Firms were only able to benefit from sales which could be as a result of large population and consumption nature of the populace. Meanwhile, the totality of loans gathered by the firms from several sources including friends, relations and associates significantly impact business growth. Based on these, further clearer conclusions are that micro-financing scheme in Nigeria has no empirical linkage to business growth in the country. Hence, capacity of small business to benefit from expansion that is expected to be occasioned by government and institutional financial support is weak. The result also shows the conclusion that general loans from informal sources are on itself beneficial to businesses but insufficient to override micro-financing or credit support from government. Thus, the overall conclusion is that microfinance credit has no relationship with SMEs growth in Nigeria. Critical assessments of the results have shown that patronage of business product in Nigeria is not the challenge as the sales of these firms were found to be relatively stable over time. Firm by firm results also lead to conclusion significant percentage of the firms have unstable growth over the entire period of study.

In view of the conclusions of this work, the study further recommended that first, in order to enhance growth of SMEs; an increase in provision of microfinance credit to businesses is suggested. This is to ensure even growth of SMEs businesses and achieve consequential benefit expected from them. Second, the microfinance institutions in Nigeria and other countries with similar characteristics need to establish effective monitoring and feedback systems to determine the cause of failure or inefficiencies of microcredit institutions. Third, The financial regulatory agencies must also work to mitigate the consequence of poor credit provision to firms in Nigeria in order to achieve the goal of increasing employment and income generation for the poor.

There is a need for sectoral based analysis of effect of microcredit financing on growth of SMEs in Nigeria to understand the particular sector of the economy that is critically affected by the lack of sufficient micro credit support to businesses.
The study suggests further study on efficiency of microcredit institutions in Nigeria to determine the operational mode and unlock causes of poor performance.

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RESUME

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OBJECTIVE

To initiate outstanding strategies for the realization of goals by the organization.

BIO-DATA

Marital status: single

Nationality: Nigerian

Date of Birth: 12th April 1991

EDUCATIONAL QUALIFICATIONS:

Istanbul Aydin University, 2020 (MBA, Master of Business Administration).

Istanbul, Turkey.

Olabisi Onabanjo University, 2015 (Bachelor of Science, Business Administration), Nigeria.

SKILLS

Communication and interpersonal skills

Computer and Research skills

Analytical skills

Strong oral and written communication skills

Ability to work well under pressure

Details Oriented and problem solving

LANGUAGES

Excellent in spoken and written English and Yoruba

HOBBIES

Football, surfing the internet, watching movies, Sprint