

**AN ASSESSMENT OF THE CHALLENGES FACED BY MICRO,
SMALL AND MEDIUM ENTERPRISES (MSMES) IN
ASSESSING FINANCE IN NIGERIA**



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BENIN CITY**

OCTOBER, 2023

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**BEING A PROJECT WORK SUBMITTED TO THE
DEPARTMENT OF ENTREPRENEURSHIP, FACULTY OF
MANAGEMENT SCIENCES, UNIVERSITY OF BENIN, BENIN
CITY, IN PARTIAL FULFILMENT OF THE REQUIREMENTS
FOR THE AWARD OF BACHELOR OF SCIENCE (B.Sc)
DEGREE IN ENTREPRENEURSHIP**

OCTOBER, 2023

DECLARATION

I **Michael ENABULELE** hereby declare that this submission is my own work and to the best of my knowledge and belief, contains no material previously written by another person except where due acknowledgment has been made in the text

.....
Michael ENABULELE

.....
Date

CERTIFICATION

This is to certify that this project work was carried out by **Michael ENABULELE** with matriculation number **MGS1808115** of the Department of Entrepreneurship, Faculty of Management Sciences, University of Benin, Benin City, and approve as adequate in scope and content for the partial fulfilment of the requirements for the award of Bachelor of Science (B.Sc.) Degree in Entrepreneurship.

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DEDICATION

This project is dedicated to God Almighty who made it possible for this project work to become a success. He knew this end from the beginning.

ACKNOWLEDGEMENTS

An academic pursuit like this would not have been made possible without God Almighty, my profound gratitude goes to Him. It is my pleasure to express my deepest appreciation and gratitude to my project supervisor, Mrs. Asemota Iyore, for her immense contributions towards the success of this project work. Ma'am, I must not fail to place on record your immense contributions to this project in spite of your tight responsibilities; you painstakingly read through, criticized and corrected this work. My sincere thanks also go to all the lecturers in the Department of Entrepreneurship, Faculty of Management Sciences, University of Benin, Benin City for piloting me through a goal oriented education.

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ABSTRACT

The study examines empirically the challenges faced by Micro, Small and Medium Enterprises (MSMEs) in assessing finance in Nigeria. Micro, Small and Medium Enterprises (MSMEs) play a vital role in economic transformation and industrialization both for developed and developing countries.

Survey research design was employed through well-structured questionnaire of two sections which were administered to Accountants, Manager and owner) MSMEs in Egor Local Government area of Edo State. One hundred (100) questionnaire were administered to respondents out of which eighty-four (84) copies were retrieved from the respondents and analyzed with simple percentage and statistical tool of Chi-square.

The results of the analysis indicated that there are loan facilities provided for Micro, Small and Medium Enterprises (MSMEs) by financial institutions in Nigeria. Also, there is relationship between processes and procedures involved in accessing loans and Micro, Small and Medium Enterprises (MSMEs) from financial institutions in Nigeria, there are challenges associated with Micro, Small and Medium Enterprises (MSMEs) access to loans in Nigeria. Thus, the study recommends that Proper management and timely release of funds meant for SMEs by relevant bodies, formulation and implementation of appropriate policies in favour of MSMEs, building up technological capacity, knowledge flows and technology databases. Also, the operators of small scale business should operate in such a way that the commercial banks will be able improve their confidence in them and thereby see prospect in them.

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

In general, a lot has been said and written about Micro, Small and Medium Enterprises (MSMEs) in the world and it has formed the subject of discussion scholars around the world (Gumel, 2017). This is coupled with the fact that the governments of different nations have in one way or the other formulated and implemented policies aimed at improving the performance of MSMEs (Popoola, 2019). They have received much attention because they act as job and wealth creators and they remain the major sources of innovation, technological development and entrepreneurship in developing countries. MSMEs have been known, all over the world as an engine of economic growth and contributes to employment generation, wealth creation, poverty alleviation and food security (Waari & Mwangi, 2015).

The concept of Micro small and medium scale enterprises has been in existence since the 1940s. In Nigeria the history of MSMEs dated back to more than six decades ago during the colonial era in 1946 with a ten-year development plan that targets to promote trade and industrialization (Central Bank of Nigeria, 2020). Micro, Small and medium scale enterprises (MSMEs) are generally regarded as the engine of economic growth and equitable development in developing economies. They are labour intensive, capital saving and capable of helping create most of the one billion new jobs the world will need by the end of the century (Abehi, 2017).

They are also perceived as the key to Nigeria's economic growth, poverty alleviation and employment generation. But their unimpressive performance in employment generation in recent years has generated a lot of research interests on their challenges and prospects (Kale, 2019). Micro, Small and Medium Enterprises (MSMEs) have impacted the Nigerian economy in so many ways over the last decade and this cannot be overlooked. MSMEs are major players in several areas of the economy, and this has led to positive outcomes such as reduction in poverty, increase in tax revenue, infrastructure improvement, and increase in the Gross Domestic Product (GDP) of the country (Saari, 2020).

Micro, Small and Medium Enterprises (MSMEs) play a vital role in economic transformation and industrialization both for developed and developing countries (Oke, 2023). MSMEs are the channel to meet and achieve most of the economic-related Sustainable Development Goals (SDGs) such as promoting inclusive and sustainable economic growth, increasing employment opportunities, especially for the poor, eradicating poverty, advancing sustainable industrialization, and innovation and creating a positive higher quality of life for all (United Nation, 2019). However, these enterprises are constantly in search of access to funding as it is noted that insufficient access to funding is one of the major inhibitors of MSMEs across Nigeria (Popoola, 2019). Microfinance and commercial banks serve as some of the main providers of loans and external finance to MSMEs and will therefore be the main focus of this study.

Waari and Mwangi (2015) asserted that the weakness of the financial institutions and information failure together constitute most of the reasons for credit shortages. The economic argument of Information failure between MSMEs and the financial institutions, as the reason for credit shortages was a major point of research in North America and Europe (Abehi, 2017). Furthermore, the argument of financial institution weakness emerged more recently, with the development of emerging market economy being the primary driver (Kale, 2019).

1.2 Statement of the Research Problem

Most Micro, Small and Medium Enterprises in Nigeria crash within their first five years of existence, a smaller percentage goes into extinction between the sixth and tenth year while only about five to ten percent survive, thrive and grow to maturity (Kale, 2019). Many factors have been identified contributing to this premature death of MSMEs. Key among them include: insufficient capital, irregular power supply, infrastructural inadequacies (water, roads), lack of focus, inadequate market research, over-concentration on one or two markets for finished products, lack of succession plan, inexperience, lack of proper book keeping, lack of proper records or lack of any records at all, inability to separate business and family or personal finances, lack of business strategy, inability to distinguish between revenue and profit, inability to procure the right plant and machinery, inability to engage or employ the right caliber of staff, cut-throat competition, inadequate working capital, stiff competition from larger companies, difficulties in sourcing raw materials, low capacity utilization, lack

of management strategies, poor educational background of operators, and huge financial problems while the external problems include: policy inconsistencies, multiple taxation, harsh regulatory requirements and trade groups (Gumel, 2017; Popoola, 2019; Saari, 2020).

The problem of insufficient commercial bank loans for MSMEs is also prominent in Nigeria, just like the rest of the world. This problem affects the growth and development of MSMEs, which in a larger scale leads to unemployment, low standard of living, high cost of living and a poor economy. The Central Bank of Nigeria (CBN) notes that globally, commercial banks shy away from financing MSMEs because of perceived risks and uncertainties. In Nigeria, the competitive credit for SMEs has been worsened due to the fragile economic environment and lack of necessary infrastructures (CBN, 2020).

MSMEs in Nigeria are confronted with a myriad of challenges, such as poor external business environment, poor infrastructure facilities, and poor access to finance (Smedan, 2017). Gololo, (2017) observed that most MSMEs in Southwest Nigeria were not able to attain their growth stage due to inadequate access to finance, low level of income, poor infrastructural facilities, and unstable government policies. The performance of MSMEs in Nigeria, especially in the Southwest, has been hampered by an unstable political, economic, and social business environment, lack of access to finance particularly from formal financial institution, corruption, poor managerial skills and insecurity among others (Oke, Soetan & Ayedun, 2023). The majority of

MSMEs in Nigeria fail within a few years of operation. Most of these failures could be avoided if these MSMEs had strategies in place to track and evaluate their performance (Chingwaru, 2016; Gerba & Viswanadham, 2016). As a result, a study to delve into and assess the performance of MSMEs is necessary. While previous research has focused on identifying the causes of MSMEs' failure (Abubakar, 2019; Bushe, 2019; Oke, *et al.*, 2023). This situation has greatly affected the growth potentials of MSMEs and much positive impact of MSMEs have not been felt in Nigeria, especially in the area of employment and self-sufficiency as compared to what is obtainable in the developed countries. To this end, the study aimed to examine the challenges faced by Micro, Small and Medium Enterprises (MSMEs) in assessing finance in Nigeria.

1.3 Research Questions

For the purpose of this study the following questions are addressed;

- i. To what extent does Micro, Small and Medium Enterprises seek loans from financial institutions in Nigeria?
- ii. What are the loan facilities provided for Micro, Small and Medium Enterprises (MSMEs) by financial institutions in Nigeria?
- iii. What are the processes and procedures involved in accessing loans by Micro, Small and Medium Enterprises (MSMEs) from financial institutions in Nigeria?
- iv. What are the challenges associated with Micro, Small and Medium Enterprises (MSMEs) access to loans in Nigeria?

1.4 Objectives of the Study

The study examines the challenges faced by Micro, Small and Medium Enterprises (MSMEs) in assessing finance in Nigeria while the specific objectives are to;

- i. ascertain the extent to which Micro, Small and Medium Enterprises seek loans from financial institutions in Nigeria;
- ii. examine the loan facilities provided for Micro, Small and Medium Enterprises (MSMEs) by financial institutions in Nigeria;
- iii. find out the processes and procedures involved in accessing loans by Micro, Small and Medium Enterprises (MSMEs) from financial institutions in Nigeria;
and
- iv. determine the challenges associated with Micro, Small and Medium Enterprises (MSMEs) access to loans in Nigeria.

1.5 Research Hypotheses

The following hypotheses are formulated and stated in null forms;

Hypothesis One

H₀: There is no relationship between Micro, Small and Medium Enterprises and loans from financial institutions in Nigeria.

Hypothesis Two

H₀: There are no loan facilities provided for Micro, Small and Medium Enterprises (MSMEs) by financial institutions in Nigeria.

Hypothesis Three

H₀: There is no relationship between processes and procedures involved in accessing loans and Micro, Small and Medium Enterprises (MSMEs) from financial institutions in Nigeria

Hypothesis Four

H₀: There are no challenges associated with Micro, Small and Medium Enterprises (MSMEs) access to loans in Nigeria.

1.6 Scope of the Study

The study examines the challenges faced by Micro, Small and Medium Enterprises (MSMEs) in assessing finance in Nigeria. The study is limited to MSMEs in Egor Local Government Area of Edo state, Nigeria.

1.7 Significance of the Study

The importance of this study cannot be overemphasized. The study informs, educates, sensitizes and clarifies the general public, financial institutions and individuals on the subject matter.

This study serves as policy guide or template to financial institutions and other relevant bodies on how best to enhance MSMEs in Nigeria and confront the challenges faced MSMEs in Nigeria. It also significant in the sense that its findings

serve as a base and frame work for future researchers to carry out further studies. The report is a valuable document to stakeholders and agencies in Nigeria. It assists the banking sector in managing their investment more effectively by adopting appropriate polices and strategies that will take cognizance of risks peculiar to the banking sector in Nigeria. Lastly, researchers also benefit from the study, students undertaking academic work in this field of study shall also benefit from this research.

1.8 Organization of the Study

The project work is structured in five chapters.

Chapter one provides background to the study, statement of the problem, research questions, objectives of the studies, research hypotheses, and the significance of the study, organization of the study, definition of terms and limitations of the study.

Chapter two provides the literature review for the research. his chapter presents the literature review on various areas which was stated below, it also assist in explaining the research problem and furthermore recognizes the efforts of scholars who had previously contributed immensely to subject under review. This chapter intends to deepen the understanding of the study and close the perceived gap.

Chapter three explains the methodology for the research in concise details. This includes; research design, population of the study, sample and sampling size, sources of data method for data collection, research instrument, validity and reliability of the instrument and data analysis.

Chapter four includes data presentation, analysis and discussion of findings.

The chapter five summarizes the various findings from the data collected, conclusion and recommendations will be made on how the challenges faced by MSMEs in accessing loans can be solved.

1.9 Definition of Terms

Micro Enterprise: Any enterprise employing between one to nine people and having a capital base from one naira to ₦5 million excluding cost of land.

Small Enterprise: Those that employ between 10 and 49 employees and having a capital base from ₦5 million to ₦50 million so once a business is within that confine, it is running a small enterprise excluding land and building.

Medium Enterprise: Any enterprise that employs from 50 to 199 employees and having a capital base from ₦50 million to ₦500 million excluding land and building. If a business is within that confine it is running a medium enterprise and if it has anything above that, it is a large enterprise or a multinational as the case may be.

Finance: finance is the process of raising funds or capital for any kind of expenditure or as a term for matters regarding the management, creation, and study of money and investments.

CHAPTER TWO

LITERATURE REVIEW

2.1 CONCEPTUAL REVIEW

2.2.1 Concept of Micro, Small and Medium Enterprises (MSMEs)

The first class of small and medium scale enterprises (SMEs), which is the Micro-SMEs refers to an industry/enterprise with a labour size of not more than 10 workers or total cost of not more than N1.5 million, including working capital but excluding the cost of land; while the second class of SMEs, which is the Macro-SMEs, refers to an industry or enterprise with workers' strength of between 11 and 100 or a total cost of not more than N50 million, including the cost of land (Durowoji, 2014). The medium scale industry refers to an industry with a labour size of between 101-300 workers or a total cost of over N50 million, but not more than N200 million including working capital, but excluding the cost of land, and the forth category refers to an industry or enterprise with a labour size of over 300 workers or a total cost of over N200 million and above (Durowoji, 2014).

A small business is defined as one in which the owner exercises complete control over all management and operational decisions, despite the company's limited market presence and low financial needs (Onuoha, 2013). According to the American Small Business Acts of 1953, a small business is one that is locally based, family-run, and not a market leader. However, the concept of a "MSMEs" in Nigeria does not appear to have a precise definition or a defined range. Some agencies, however, make the

following distinctions in their definitions and scopes: According to the national directorate of employment, this is any business that can take a loan for as little as N5,000 and employ no more than three people (Francis, 2019). A SMEs is defined by the Nigerian central bank and its monetary policy guidelines from 1980 as an organization with an annual turnover of between N25,000 and N50,000. Prior to the structural adjustment programme and foreign exchange market, the federal ministry of industries defined SMEs as those engaged in manufacturing, processing, or providing services that have invested no more than N150,000 in plant and machinery (Mohammed & Julius, 2015). Firms or companies with assets [including working capital but excluding land] not exceeding N750, 000 and paying wages to up to 50 employees fall under the definition of small and medium scale enterprise as set forth by the Nigeria bank for commerce and industry (Sule, 2016). The following categorization of manufacturing firms was examined and approved by the National Council of Industries in July 2001. Capital employed in excess of N1.5 million but less than N50 million (including working capital) defines a small-scale industry. Not included here are the expenses for a plot of land and a workforce of 11-100 people (Obitayo, 2014).

Apparently, the most developed countries seem to have agreed on a maximum unit of 500 employees as a small firm (Audretsch & Maryann, 2017). United Nations Industrial Development Organization defines a small and medium scale enterprises as “an economic enterprise” with the following characteristics, which can serve as a

useful starting point for an evaluation of small business performance, and a situation in which a venture controls a small share of the market, constituting a small quota in a large-sized market, has a conducive operational area, and the owner participates very actively in all decision-making processes on a daily, operational basis with a high degree of rigid control, and the owner has provided the capital and makes the policy decisions for the venture (Wymenga, Spanikova, Barker, Konings & Canton, 2016).

The majority of business enterprises in Nigeria like most other countries consist of small scale businesses. Small business constitutes a vital element in the business life of any country such as Nigeria. Nigeria small business enterprises are still predominantly in the traditional state with only a few in the better-organized stage. Oni and Daniya (2016) brought out four broad classifications of Small and Medium Enterprises; Micro/Cottage Enterprises, Small Scale Industry/Enterprises, Medium Scale Industry/Enterprises and large Scale/Companies.

Bank of Industry (2020) defined MSMEs as follows:

Micro Enterprise: Any enterprise employing between one to nine people and having a capital base from one naira to ₦5 million excluding cost of land. Industry with asset base of not more than ₦1.5 million excluding cost of land, but including working capital and a staff strength of not more than 10.

Small Enterprise: Those that employ between 10 and 49 employees and having a capital base from ₦5 million to ₦50 million so once a business is within that confine, it is running a small enterprise. Industry with asset base of more than ₦1.5 million but

in excess of ₦50 million excluding cost of land, but including working capital and/or a staff strength from 11 to 100

Medium Enterprise: Any enterprise that employs from 50 to 199 employees and having a capital base from ₦50 million to ₦500 million. If a business is within that confine it is running a medium enterprise and if it has anything above that, it is a large enterprise or a multinational as the case may be. Industry with asset base of more than ₦50 million, but not in excess of ₦200 million excluding cost of land but including working capital and/or a staff strength from 101 to 300.

Large Scale Industry: Industry with asset base of over ₦200 million excluding cost of land but including working capital and/or a staff strength of more than 300

2.2.2 Sources of financing Micro, Small and Medium Enterprises (MSMEs) in Nigeria

Although the banking sector is the largest and most important source of external financing for MSMEs, by and large, it is believed to be under-serving the needs of this sector. SMEs alternatively draw financing from a variety of sources. According to Organization of Economic Cooperation and Development (OECD) (2006), small firms rely proportionally more on non-bank sources of financing such as internal funds (savings, retained earnings, family network) and the informal sector (money lender), as a result of their inability to produce the collateral requested by commercial banks (Satta, 2013). According to RAM Consultancy Service (2005), informal sector channel fund up to 70-80 % of SMEs need in Viet Nam compare to 20-30 % funded by formal

channel. Also in Cambodia and Lao PDR, family and friends are said to be the main channel of funding because they provide the cheapest funds compared to either banks or money lenders. The latter which are not licensed entities charge exorbitant rate of up to 20% per cent monthly for unsecured loans.

In Nigeria, it is common practice in the country for small business owners to organize themselves into cooperatives commonly called “Esusu”. Members of an Esusu would generally contribute a fixed amount daily, weekly or monthly, to be pulled and then collected in turns to fund their business or personal projects (Elumilade, Orga, & Okoene, 2019). *et al*, 2016). According to Ogujiuba, Ohuche, and Adenuga (2014) the predominant credit facility available to small and medium scale business in Nigeria is bank overdraft, and short-term loans (asset based loans). There is scarcely a firm in the world that does not use overdraft facilities to manage its way through business cycles (CGAP, 2006). Banks prefer overdrafts and short term loans for the simple reasons that (i) they are easily rolled over, (ii) they attract almost market interest rates and (iii) they are fully collateralized. Firms always rely on overdraft to finance long- term investments, and these have to be fully collateralized. Moreover, their average interest rates are 23.5percent, similar to short-term bank loans. The difference in the average interest rate on overdraft between the very large firms and the micro firms is over 5 percent. This suggests that the interest rate differential reflects a risk premium and not just high cost of administering small loans (World Bank, 2002).

According to Economic Commission for Africa (2001), even access to this overdraft and short-term loans are highly limited. In the survey carried out in Nigeria by the USAID (2005), approximately 70 percent of respondents utilizing commercial banks overdraft facilities with lower interest rates were required to pledge collateral in form of Land (48%), Building (31%), fixed asset, such as machinery (35%) and other assets (8%). Trade credit is another source of external finance for most Nigerian MSMEs. This is a short-term credit extended to companies by their suppliers, and by companies to their customers. However, this practice is not as widespread as it could be with trade credit being extended to only the most valued and trusted customers due to lack of confidence in the legal system to enforce contracts (Emerole, 2017). Conversely, trade financing/credit is more popular in most country and Japan (Tsuruta, 2010). 10-14 percent of ASEAN financial institution offer trade financing. Berger and Udell (2004), posit that trade credit are suitable for funding informational opaque SMEs and /or in countries with weak lending infrastructure. For instance, Gibcus and Kemp (2019) show that in China, a country with a relatively poorly developed formal financial sector, firms support their growth through trade credit financing.

Fisman and Love (2013) also show that higher rates of industrial growth in countries with weaker financial institutions are associated with greater dependence on trade credit financing. This also affirms the survey conducted by RPED/World Bank, (2012), where 75-80 percent of their respondents in Nigeria reported giving or/ receiving trade credit. Trade credit is a profitable lending technology, with an annual interest rate of

about 12-24%, still, one major fear why supplier and companies don't give trade credit to their clients is the distrust for legal and judiciary system. Globally, leasing is another widely-used service for SMEs, although the lack of leasing law is constraining development of this sector in Nigeria (Isern, 2009). Leasing is a loan on fixed asset (Dess & Beard, 2018) and it is also known as "ijarah" under the Islamic bank arrangement (Khan, 2008). According to Ahmad (2009), there are two kinds of ijarah contract used by the financial institutions in Australia. The first is the ijarah or true lease, which represents an exchange transaction in which a known benefit arising from a specified asset is made available in return for a payment, but where the ownership of the asset itself is not transferred. While the second type is ijarah wa iqtima (higher purchase or lease and ownership). This is a lease whereby the lessee derived economic use and ultimate ownership on the nature of a higher purchase. Although leasing has a tremendous potential to address effectively the shortage of medium to long-term finance, in particular SMEs in Nigeria, it is however underdeveloped (Igwe, 2016).

This is also the same in China where leasing companies and other non-financial companies' total asset account for around 1 percent of all financial sector assets (IFC, 2008). Although leasing can reduce risk effectively for credit institutions, but their growth is majorly hampered by various factors, including the lack of a coherent legal framework for leasing transactions; widespread problems of contract enforcement; difficulties in repossessing lease equipment from defaulters, and a lack of domestic long-term funds to finance leasing (Floros, 2014). Venture capital (VC) or risk capital

is the name given to equity investment in businesses by outsiders who are not the main owners. Venture capital investments participate in the risk of success and failure of a business and because they face such risk, it is expected that they will look for high returns.

Venture capitalist nurture enterprise in their early stages, typically when the marketing of the new product is launched Gibcus and Kemp (2019) In contraction, OECD (2006) posits that venture capitalist often enter the firm at the middle to later stages of its life cycle. In all, venture capital fosters growth in companies through hands-on involvement in financing, management, and technical support. There are many venture capital schemes in many Asian countries. Japan, Korea, Hong Kong, and Singapore are the centers of venture capital activities in the region. About 35% of SMEs in Singapore meet their funding through venture capital. However, the availability of venture capital in other ASEAN countries such as Viet Nam, Cambodia, Loa PDS, and Myanmar are limited (RAM Consultancy Service, 2005). In Africa, there is little experience of venture capital although there has been a start in some countries like Nigeria.

In their study, Igwe, Newbery and Icha-Ituma (2018) examine the use of venture capital financing for small and medium-scale enterprise (SME) development in Nigeria by comparing the economic value added (EVA) of venture capital-backed SMEs and those of non-venture capital-backed SMEs. They found that VC financed SMEs clearly outperformed non-VC-financed SMEs, and that the distinctive

performance is the effect of management support by venture capitalists in their portfolio SMEs. According to USAID findings, most of the owners of the SMEs that were targeted by project of venture capital in Kenya in 1980s had no desire to reduce their debts in exchange for partial ownership of the company, and moreover many companies either were unwilling or did not have the financial documentation needed by venture capitalist to assess realistically the potential for investment (Ikherehon, 2016).

Berlin (1998) says, venture capitalists take an active role in the management of the firm they fund and work in close collaboration with the stock market to take the firm they fund public. In this case, they place emphasis on the support they offer start-ups and the controls they might be granted as well as the exit strategy available. This exit strategy can be in form of trade sale or a public issue (IPO) (OECD, 2006). Venture capital funds are usually obtained from institutional investors, especially Pension funds, financial intermediaries and the corporate sector as well as official sector. Most venture capitalist can provide large sum of equity finance and also bring a wealth of expertise to a business, and it is easier to secure further funding from other sources if venture capitalist is successfully attracted.

However, its importance, one problem faced by venture capital is capital gain tax (OECD, 2006). Some firms' owners, apart from refusing to share their company with the venture capitalist, also see the requirements and processing of securing a deal with venture capitalist as long and complex. Business Angels (BAs) are wealthy

individuals who invest in high growth businesses in return for equity (i.e. share of ownership). They are different from venture capitalist in that they tend to invest more on an “intuitive feeling” rather than based on the precise valuation of the term sheet of the company. BAs often play key important roles in the early stages of the life of the firm. They are individuals with experience, who have capital to invest and seek opportunities of all kinds among newer enterprises.

They also play active roles in the development of products and management of the company in its early stage (OECD, 2006). Some BAs operate own their own, whereas others do so as part of a network, syndicate or investment club. Senegal and some African countries host business angels but they appear to be very few and information on their operation is hardly available (Zavatta, 2018). This is not the same in Canada where business angels played a financing role in more than 200,000 SMEs which is about 15 percent of the 1.36 million SMEs in 2004. The manufacturing, wholesale/retail and knowledge-based sector were covered. Business angels in Canada are more likely than average to invest in SMEs owned by younger people whose age fall at 40 years and businesses that are majority owned by women. Findings also show that firms financed by business angels were likely to be trying to finance fixed assets (62 percent) than working capital (44 percent). This proves that business angels are more likely to be for expansion purposes rather addressing cash fall. Also, firms financed by business angels received debt financing on relatively better terms than other businesses (Riding, 2006). According to other research, business angels are

associated with successful entrepreneurial firms that achieve relatively high rates of return (Kongolo, 2018).

Although BAs have enormous impact on SMEs funding, they don't make investment regularly and may not be actively looking for an opportunity, so they may be difficult to find. They tend to place emphasis on their relationship and how well they can work with an entrepreneur, so tracking down one may take longer than expected (Dobbs & Hamilton, 2017). Across developing countries, micro, small and medium enterprises (SMEs) are turning to Microfinance Institutions (MFIs) for an array of financial services; this is because Microfinance is acknowledged as one of the prime strategies to achieve the Millennium Development Goals (MDGs) which are: poverty and hunger reduction, universal primary education, reduction of child mortality, combating diseases, malaria and environmental sustainability (McMahon, 2011). The reason is because access to sustainable financial services enables owners of micro enterprises to finance income, build assets, and reduce their vulnerability to external shocks (Ehigiamusoe, 2015). The primary objective of microfinance institutions (MFIs) is to provide financial services (credit and savings) to the poor in order to release financial constraints and help alleviate poverty (Godquin, 2014).

2.2.3 Challenges of MSMEs in Accessing Loans in Nigeria

The study has identified among other issues hindering MSMEs from accessing finance in Nigeria to include: lack of information/strong market knowledge, lack of corporate governance structure, poor record keeping/documentation, pricing and collateral

requirements, inconsistent government policies and other pre-requisites for bank loans. Micro, Small and Medium Enterprises (MSMEs) are yet to impact the Nigerian economy as expected or predicted, in spite of the various supports and efforts by the Government. This shows that there is a problem. The efforts and supports of the Government aimed towards SMEs and the inability of SMEs to grow at the desired rate underlines that there are fundamental issues or problems. While the government has put in place some policies to help SMEs develop, it needs to do more (Abehi, 2017). The development of SMEs is hindered by inadequate planning for SMEs in certain countries. According to Cook and Nixson (2000), the role of SMEs is greatly acknowledged in the development of a nation's economy, but their growth is limited by the lack or inadequate financial resources to meet the various operational and investment needs of the country.

The managers of MSMEs in Europe were questioned on what the most recurring issue is they confronted running their MSMEs, it was recorded that they mostly named access to finance as the most recurring obstacle they face. Other problems mostly faced included taxation, lack of skill, public procurement limitation, unfair market, unfavorable labor laws and so on (Emerole, 2017). In Nigeria, the most recurring issue still remains access to finance or loans from financial institutions (Isern, Agbakoba, Flaming, Mantilla, Pellegrini & Tarazi, 2009). Below are the various issues that affects the development of MSMEs.

Stringent Conditions

In a great deal of cases, SMMEs are unable to access credits from financial institutions because of the stringent conditions attached to accessing these loans. Financial institutions find excuses not to lend to some SMEs because they lack the admissible collateral. Previous researchers have noted that, bank financing depends upon securing the collateral through lending. In the event of default by the SMEs, collaterals in the form of assets secure the financial institutions from losing the loan approved. Without secure collateral, financial institutions have limited avenues to protect the loan given to SMEs. The financial institutions request collateral to be able to limit the risk linked with the loans. MSMEs with great business strategy but not backed by sufficient security are usually denied credit because banks cannot afford to take any risk of non-repayment of loans. Financial institutions will always request that this sufficient security requirement is fulfilled before a loan can be approved.

Strict vetting of credit applications

Financial institutions are also strict with regard to verification of SMEs' loan applications (Akinbogun, 2018). The process of reviewing loan applications takes so long to complete that loans are delayed and issued when the purpose for the loan application most likely has expired.

Short repayment period

In most circumstances, loans granted are much less than the requested amount and are accompanied by short limited periods for the repayment. Ricupero (2012) states that financial institutions' loans granted to SMEs are often expected to be repaid within a

very short period of time to cover for any long-term investment strategy, and Abereijo and Fayomi (2005) note that most of commercial bank loans given to SMEs, often have a short repayment period to offload any significant investment.

Unaware of variables considered by financial institutions

MSME enterprises are unaware of factors that financial institutions take into account before approving loans to their customers. Financial institutions generally do not lend to anyone who would be willing to pay higher interest rates, because doing so would only give room to riskier borrowers. They have mediums of checking credit ability of their customers. They lend to businesses, they feel comfortable or confident that they have higher probability to pay back (Alabi, David & Aderinto, 2019). It has been noted that a key factor that limits the SMEs from access to financial assistance includes the misunderstanding of how the banks operate and vice versa. Consequently, Small and Medium Size businesses are left with the frustration of time delay in acquiring bank loans or being completely denied. Banks request documents such as audited financial information, business plan, and bankable proposal before they lend to SMEs. Most SMEs do not have the technical ability to do such things. This makes it very difficult for them to be granted loans by these financial institutions (Ameh, Alao & Amiya, 2020).

No Separation between Business Funds and Owner's Fund

The issue of separating business funds from the funds belonging to the owner of the business is one of the factors that limits small and medium business from accessing loans from financial institutions (Ogbo & Nwachukwu, 2012). In most cases, partnerships in SMEs are often a failure, which leads to the management of the business by one of the partners (Ogbo & Nwachukwu, 2012). SME owners often manage the finances of the business based on personal favors rather than for the development of the business, because the business owners allow personal transactions within the funds of the firm (Audretsch & Maryann, 2017). When there is a situation whereby the owners of businesses interfere with the purse of the business, it makes it very difficult to secure external funding which can grow the business. The difficulty faced in accessing external funding may even lead to the death of the business (Ogbo & Nwachukwu, 2012). It is critical to underline that failure of SMEs to secure funding from external institutions results in their death of the business within five years of business inception.

2.2.4 Challenges of Small and Medium Scale Enterprise

Some of the principal problems SMEs face in Nigeria include the following:

Inadequate Funding

It is a known fact internationally that SMEs are funded by their owners' personal or family savings. Nonetheless, the high level of poverty and consequently low level of savings in Nigeria and other Less Developed Countries have made this source of

funding for the establishment, growth and development of new and existing SMEs inactively low. According to Ezeh (2002), the unpreparedness of small business owners in terms of capital prior to going into business is said to be accountable for their untimely failure' (Ezeh, 2002). Therefore, most SMEs in Nigeria are not adequately capitalized and as such are not capable to raise funds in the capital market owing to their inability to meet the stipulated strict conditions (i.e. registering as limited liability company) which is regarded as somewhat on the high side.

Inadequate Infrastructural Facilities

The problem of unstable and unreliable supply of electricity, dilapidated roads, inadequate supply of water for both home and industrial use, inefficient and costly communication system, among others, have for long hindered the growth and development of SMEs in Nigeria. Nearly all SME operating in Nigeria have one or more power generating plants as an alternative source of power supply. The cost of obtaining, maintaining, sustaining and managing such generating plants are more often than not very expensive and this has made cost of production as well as prices of product very expensive, with the latter turning out to be more and more uncompetitive in comparison with the imported equivalent.

Low Capacity Utilization

This is perpetually gotten from the low demand for SMEs products owing to their poor quality as well as exorbitant prices. Therefore, sales as well as profits have remained relatively low leading to poor returns on investment. A study of about 39 SME's

performance in Nigeria illustrated that a majority of them operated at between 30%-35% of their established capacity between 1995-1996 with sales and profit volume showing little increase (NCI, 2001). Erratic supply of power as well as inadequate infrastructural amenities has contributed directly to low capacity utilization of the SMEs in the manufacturing sector in the country.

Poor Planning and Management

Management involves planning, coordination, organization and control of both human and natural resources in an organization to attain its set aims and objectives (Basil, 2005). Therefore, it involves getting things done appropriately and efficiently through people. Nonetheless, a survey of SMEs operating in LDCs showed that owners practically get everything done by themselves without seeking consultation from professionals or experts. This has resulted to incompetence, inefficiency, wastage and under-utilization of resources available to the organization. In actual fact, planning is the essential function of management. Most SME operators venture into business on impulse without adequate feasibility study on the project or business (Barney, 2013).

Poor Education and Experience

Closely associated to the problem of planning and management is the low level of education and inadequate business experience among SME operators in Nigeria (Alasan & Yakubu, 2011). These have given an explanation for the lack of pioneering, inventive, innovative, dynamic, vibrant and entrepreneurial skills and abilities necessary to effectively confront and tackle issues as they emerge. Human resources

therefore, constitute the foundation for wealth of nations (Cosson, 2003). According to him, “human resources make up the fundamental basis for the wealth of a nation”. Capital and natural resources are inert factors of production, human beings are the active agents who accrue and amass capital, exploit natural and material resources, put up social, economic and political organization and carry forward national development.

Inadequate Conducive and Enabling Environment

The Federal Government fiscal and monetary policies in Nigeria as it relates to business issues have been unpredictable, contradictory, inconsistent and from time to time conflicting (Aroge, 2012). This has generated a lot of problems for domestic investors as against their foreign participants who have the alternative of making Nigeria a dumping ground for their output. Associated to this is the problem of unlawful taxes (business development tax, business registration tax, business premise tax, sanitation fees, signboard fees, stickers etc) most often than not by state and local government agencies (tax force on this or that). As a result of this, SMEs in Nigeria carry out their operations under high cost and unfavourable business environment.

2.2.5 Problems of Financial Institutions in Lending to MSMEs

The growth and development of every country in the world is determined by a key factor, the country’s financial system. Francis (2019) stated that the key players in the economy of nearly every country’s financial system are the traditional commercial banks and they have the potential of pulling financial resources together to meet credit.

Financial institutions in Nigeria face a large number of challenges that prevents them from giving loans to SMEs. Some of these challenges are discussed below:

High Transaction Costs

The cost of credit accessing, processing and monitoring of loans is incurred by the banks. The transaction costs relate directly to the profitability of the bank. The return is low when the cost of transaction processing is high. SME loans often consume time for the banks to access, track and manage. Francis (2019) puts it that “irrespective of risk profile considerations, the handling of SME financing is an expensive business”. The assumption by most bankers is that small and medium businesses need more advisory support than their large corporate clients, and this involves higher costs.

Unreliable Information

SME owners are known not to be transparent as they do not open up their businesses to outsiders. Most times, for unknown reasons, they redraw significant information regarding their business assets, liabilities, profits and others from tax collectors, employees and outsiders. The financial institutions and small and medium businesses need to have an open trade of information before financial institutions can give them access to loans. There is the need for more transparency and better dialogue between SMEs and financial institutions which will give solution to the difficulty SMEs are faced with when accessing loans from financial institutions. Owners of SMEs in the process of refusing external access to their financials and giving false information about their business risk the creditworthiness of their business and make it difficult for

financial institutions to loan them funds. There is the need for reliable information about the business from SME owners when supplying banks and other financial institutions as this will improve the business credit worthiness and reduce the risk of accessing funds. This would also allow financial institutions to make better payment terms available to small enterprises. According to Ricupero (2012) another reason for banks not lending to SMEs is the banks' inability to evaluate risk because of lack of reliable financial information.

Inadequate Financial Statements

Most SMEs are guilty of not preparing their financial statements. SMEs by law are not mandated to present financial statements. In the very developed economies, such as economies in the European Union, SMEs are not mandated to file a report based on their financial performance unless they match a certain threshold in their total assets, turnover and/or number of employees. In developed and developing countries, many SMEs are therefore not producing credible financial information that lenders or investors might use. Bass and Schrooten (2005) found that while there can be a long-term interaction between the borrower and the bank, the lack of reliable information contributes to a fairly high interest rate. When faced with situations such as this, ownership of financial statements plays a key role. Audited financial statements become significant to access loans from these financial institutions. Banks usually require audited financial statements before granting credit. Berry and Brian (1994) found that for the purpose of dealing with loan applications from small businesses,

borrowers in the United Kingdom pay a great deal of attention to accounting information. Given the reduced information risk arising from audited financial statements, potential borrowing institutions may also offer low interest rates.

Simply put, audited financial statements improve the credibility of borrowers and therefore reduce the risk to lenders (Sacerdoti, 2015). The capacity of borrowers to provide appropriate financial statements and to set up credible credit bureaus and financial databases is necessary in order to encourage the growth of credit, promote competition in the banking systems, and thus lower the cost of credit to borrowers. Similarly, in several countries, banks and other financial institution find it very hard to provide credit facilities to small and medium businesses because SMEs find it difficult to provide audited accounts and other formal financial statements to show the credibility of the business. SMEs therefore need to keep their accounting books up to date and audit their accounts when due to enable them access loans from banks and other financial institutions. In some countries, the accounting profession is not well regulated, and the quality of accounts varies widely, which hinders clarity.

Opaqueness of Small Enterprise

Banks and other financial institutions are faced with two main problems, which are the opaqueness in small businesses and small size of transactions. SME owners find it difficult to relinquish control of the business to outsiders. Owners personally want to control all aspect of the business. Kongolo (2018) noted that lending funds by financial institutions to small and medium owners has been hampered by this

unwillingness of the business owners to give up control of the business to outsiders. This is a common practice among SMEs, as is the failure to keep a proper accounting book for auditing.

Credit Rating Agency

One of the difficulties that financial firms encounter in investing to SMEs is making an accurate risk assessment of loans applicants without creating high expense for each application. A credit rating agency or credit bureau is one way to determine the risk of loans. Sacerdoti (2005) says that datasets consolidated on lenders are mostly built in advanced countries by the private sector. However, in several continental European countries, including France and Italy, the central bank plays this role. The credit rating agencies produce general financial reports and a credit ranking on several businesses. On request for payment, they also create a special report on corporations' creditworthiness. When credit rating agencies are not available to use, the creditworthiness of customers become difficult to assess and information on the likelihood of repayment of prospective businesses becomes quite expensive to acquire. Rating agencies provide information that helps to reduce risk of default and such infrastructure is not readily available in Africa. Kongolo (2018) writes that the "information infrastructure" is still largely undeveloped as there is a lack of credit rating agencies to gather and distribute performance payment information. This ultimately worsens the problem of informational asymmetries among businesses and investors. The International Monetary Fund (IMF) Working Paper "Access to Bank

Credit in Sub-Saharan Africa: Key Issues and Reform Strategies” (Sacerdoti 2005), stated that a credit culture is needed for progress to be achieved concerning credit information.

2.2.6 External Sources of Financing MSMES

Debt Financing Debt is external finance (formal and informal) employed in the business with obligation of regular interest payment and retirement of capital when the instrument crystallizes. The recognized debt financing sources of SMEs are; overdraft, trade credit, factoring, hire-purchase, leasing and term short and medium term loans from bank, national schemes/agencies introduced to aid SMEs such as Export Stimulation Loans (ESL) of the Central Bank of Nigeria, the National Directorate of Employment (NDE), National Poverty Eradication Program (NAPEP), and cooperative credit societies (Akingunola, 2011). MSMEs are considered indigenous and informal, so obtaining finance from formal institutions is often difficult and this leaves them with other informal sources such as friends, associates and relations, clubs, trade credit, thrift and money lenders, which constitute a major source of more than 60% of total, owners’ capital (Ibrahim, & Ibrahim, 2015).

Equity Finance Equity is an owner’s investment in the form of capital in the business. Equity capital can be increased through retention of profit. It is often important as the take-off capital to meet capital and preoperational expenses (Akingunola, 2011). Financial theory argues that borrowed fund is only appropriate for profitably operated businesses with the rate of return on investment higher than the cost of external funds.

Watse (2017) discovered firms favour internally generated resources over the external capital, followed by National MSME Collaborative Survey (NMSMECS) (2010) revealed that, the main sources of capital are personal savings with 54.4 percent, followed by loan with 22.0 percent. The family source of capital ranked third with 16.7 percent, while Cooperative/Esusu has 10%.

2.2.7 Government's Efforts at Enhancing the Micro, Small and Medium Scale Enterprises in Nigeria

The role of government in SMEs' development in Nigeria became significant only after the Nigeria civil war (1967-70). Since the mid-1980s there has been an increased commitment of government to SMEs' growth and development especially after the introduction of the Structural Adjustment Program (SAP) in 1986. Added to this is the establishment of the National Directorate of Employment (NDE), National Open Apprenticeship Scheme (NOAS), the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN), National Poverty Eradication Programme (NAPEP), the Youth Employment Scheme (YES) among many others. All of these programmes were targeted at creating enabling environment for SMEs stability and survival (Igwe, 2016).

Fundamentally, the Nigerian government promotes entrepreneurial culture through initiatives that build business confidence, positive attitude, pride in success, support and encouragement of new ideas, social responsibility, providing technological supports, encouraging inter-firm linkages and promotion of research and development,

and in the early 2000s, entrepreneurship studies were introduced into the Nigerian educational system especially in higher institutions as a mandatory course. The Centre for Entrepreneurship Development (CED), which has the objective of teaching and encouraging students of higher institutions (especially in science, engineering and technological) to acquire entrepreneurial, innovative, and management skills, was established. The Centre's goal is to make the graduates self-employed, create job opportunities for others and to generate wealth (Thaddeus, 2012; Igwe, Newbery & Icha-Ituma, 2018). In particular, evidence from the developed world indicates that economic growth is entirely due to the quality and efficiency of the SMEs sector (Igwe, *et al.*, 2018).

In the past fifty years or so, the government had established various financial support institutions specially structured to provide succor and to assist SMEs to contend with some of the hurdles along their growth path. Some of these specialized institutions include the Nigerian Industrial Development Bank (NIDB), the Nigerian Bank for Commerce and Industry (NBCI), the National Economic Reconstruction Fund (NERFUND), the Nigerian Export- Import Bank (NEXIM), the National Directorate of Employment (NDE), Industrial Development Coordinating Centre (IDCC), the Micro Finance Banks (MFB), Family Economic Advancement Programme (FEAP), the Nigerian Agricultural and Cooperative Development Bank (NACDB), the Subsidy Reinvestment Programme (SURE-P) amongst others. These support institutions and other incentives created by the government were conscious efforts by the Nigerian

government aimed at improving the performance of SMEs in the country (Okojie, 2013).

2.2.8 The Role of Government in Financing and Promoting Micro, Small and Medium Scale Enterprises in Nigeria

Over the years, the federal government has discovered MSMEs as the cradle for industrialization and a prerequisite for rapid economic growth and self-reliance. As a result, the government enunciated a number of policies and programmes/incentive that would create a conducive environment for the development and promotion MSMEs. The government for instance, enunciated a number of financial policies through national development plans and budgets as well as through its agencies to fund and provide necessary extension service to MSMEs. The purpose of the government financial policy thrust is to ensure adequate financing of MSMEs through loans or equity participation and to provide fiscal incentives designed to aid their growth and rapid development. Among these policies/programmes is the small industries credit committee (SCC) set up to administer to the country between 1975 and 1980, the establishment of the Nigerian bank for commerce and industry (NBCI) in 1973 to provide financial services to small scale businesses, the establishment of national directorate of employment (NDE) in 1986 to promote the development of small scale enterprises. Other agencies which includes the Directorate of Food, Road, and Rural Infrastructure (DFRRI), Better Life for Rural Dwellers, Peoples Banks, Community Banks, New Micro Finance Banks (MFB), Working for Yourself Programme, the

Centre for Management Development was established to enhance the growth and development of SMEs (Ikherehon, 2016).

However, the performance of the small scale industries credit scheme (SCC) was unfortunately rather poor in the sense that many unviable projects were funded (Ikherehon, 2016). Nevertheless, the Nigerian bank for commerce and industry (NBCI) loans and equity investment in small business continued to be of immense help in the development of SMEs in the country (Anyanwu, 2011). The activities of the national directorate of employment resulted to the creation of over 148,000 new jobs which were directly created through the founding and setting up of small scale enterprises (Philips, 2001). In addition, the National economy recovery fund (VERFUND) was established to promote SMEs by providing medium to long term loans (5-10years) to those in Agro-Allied industries, industrial support services mining, quarrying, equipment leasing and other ancillary projects. The federal government provided N190 million while CBN contributed N100 million. African development bank contributed the remaining counterpart fund (Izedomi, 2011). In addition, the formation of small and medium scale industries apex unit within the Central Bank to assist in the disbursement of World Bank \$270 million loan to small scale entrepreneurs and the latest official concern by the federal governments towards encouraging the creation of small and medium scale industries has been encouraging. Therefore, attempt to console the effects of poverty and unemployment in the country, further led to the establishment of Poverty Alleviation Program (PAP), Youth Empowerment Scheme

(YES), National Economic Empowerment and Development Strategy (NEEDS) at federal level, State Economic Empowerment and Development Strategy (SEEDS) at state level and Local Economic Empowerment and Development Strategy (LEEDS) at local government level (Olugbenga, 2016).

MSMEs' Difficulties in Accessing Finance Figure 3 shows the level of difficulty in raising money depending on firm size: the thick line shows the difficulties faced by SMEs, and the thin line shows the relative ease for large enterprises. Data points below zero indicate that companies are finding it difficult to raise money from either banks or the capital market. SMEs appear to face a more difficult situation in raising money when compared with large firms.

2.3 Theoretical Review

In this section, two theories are presented that are recurrently used to explain the challenges faced by Micro, Small and Medium Enterprises (MSMEs) in assessing finance in Nigeria.

2.3.1 Pecking order Theory

The theoretical basis for research on the SMEs finance originates from the corporate finance theory. The pecking order theory of financing hypothesizes the issue of information asymmetries whereby only the firm manager is aware of the true value of the firm and the fact that the market is unaware of the true distribution of the firm's income. Ohanga (2005) asserts that, from the borrower's perspective, if faced with a cost of lending that is above the true risk-adjusted cost, the borrower will have

incentives to seek out alternative sources of funding. Bank lending theory suggests that, where information asymmetry and moral hazard are prevalent, firms are likely to fund themselves firstly from retained earnings and then from bank debt rather than issuing equity. This is referred to as the pecking order theory.

The theory further suggests that the mix of debt and equity should be the cumulative result of hierarchical financing decisions over time. SMEs do not issue equity but this theory applies because if their retained earnings are not enough to fund them then debt is supposed to be the next option. Myers (1984) extends this theory and states that firms will meet investment and financing requirements of the firm in a hierarchical fashion, preferring internal funds first, external debt next and external equity as a last resort. The impact of all existing credit schemes to SMEs, in terms of providing funds for meaningful and sustained development among the SMEs, had hardly been noticeable.

These credit schemes either have a direct or indirect link with banks. The banks by their nature and position in the economy, therefore, remain the known formal source of finance for enterprises (Agumagu, 2006). It is disheartening to know that a 2001 World Bank survey on Nigerian firms showed that although 85% of the firms had relationships with banks, most of them had no access to their credit. This explains why SMEs in Nigeria represent about 90% of firms in the Nigerian industrial sector on numerical basis but regrettably contribute as low as one percent to GDP in contrast to countries like Indonesia, Thailand and India where SMEs contribute almost 40% to

GDP. The failure of most of the schemes and the need for a sustainable source of financing SMEs, therefore, necessitated the Central Bank of Nigeria (CBN) inspired Banker's Committee initiative which is aimed at committing the banking industry to the provision of finance and other ancillary support to the sub-sector via an equity participation scheme.

2.3.2 The Dependency Theory

The dependency theory arose as a rebuttal to the Western Filter Model of development- a school of thought which argues that the backwardness of Africa is as a result of its traditional pattern of life and activity. It takes the Marxian perspective and argues that the underdevelopment of the third world exists in a dialectical relationship development of the 'west'. The thesis of this perspective is that imperialism with all its arsenals is the cause of African backwardness. This model agreeably explains the African situation as the universe and that of Nigeria as a small-scale version. The paradigm is appropriate even in the face of arguments that our leaders with their rudderless mismanagement of men and resources contribute significantly to the problem. It preaches independence both political and economic. Most SMEs are independent both in the decision making process and in the use of their finances (Henekson, 2007).

One reason for the multiplicity of definitions/roles is due to the fact that entrepreneurship is studied 'in virtually all disciplines ranging from social anthropology to organizational theory to mathematical economics (Henekson 2007).

Nevertheless, within economics the entrepreneur is most: often approached from an occupational definition, a behavioral definition, or, an outcomes definition. The occupational definition sees entrepreneurs as the self-employed; based on the notion that a person can either be unemployed, self-employed or in wage employment. It is measured either statically (through the number self-employed) or dynamically (through the rate of start-ups) (Wennekers & Thurik 2009). In the economic development literature this definition of entrepreneurship is perhaps encountered most often, due to many formally registered unemployed who seek to make a living through informal self-employment in small and medium sized enterprises (SMEs) (Banerjee & Duflo 2017).

2.4 Empirical Review

A number of authors have conducted empirical studies on the impact of government policy on the growth of SMEs.

Floros (2014) carried out a study aimed at establishing how returns on assets are influenced by inflation. Like in the previous case, the author observed no significant relationship between the two variables of study. These studies suggest that the government's monetary policies may not actual have significant impact on the growth and small and medium scale enterprises.

In the same vein, Meier and Pilgrim (2014) found that in Bangladesh and Philippines, only small enterprises towards the upper end of the size distribution had viable access to formal sector finance. These perspectives lend credence to the growing insights into

the operation of formal financial institutions and several government policies attempting to offer comprehensive financial service support for the growth of MSMEs with little significant effect.

In Nigeria, Oni and Daniya (2012) identified the contributions of government and financial institutions in the growth of MSMEs. The study shows that most of the policies such as credit schemes, microfinance banks, CBN policies and Small and Medium Enterprises Development Agencies (SMEDAN) established to take care of the needs of MSMEs did not achieve much results because of poor implementation coupled with several cases of financial mismanagement by the benefiting enterprises and the administrators of loans.

Similarly, Osotimehin, Jegede, Akinlabi and Olajide (2012) examined the challenges and prospects of MSMEs development in Lagos State, Nigeria. The study identified financial constraints and lack of management skill as major factors that hamper the growth of MSMEs

The study of Usman and Adejare (2014) on the impact of monetary policy on industrial growth in the country between 1970 and 2010, showed that both the deposit and rediscount rate have significant positive effects on industrial output. However, the results revealed that treasury bill impact negatively on industrial output.

In another study conducted by Spyros (2017) carried out an investigation on the exact effects of government's monetary policy on volume of profits generated in Greece

stocks. The study, which involved the use of VAR model, revealed no considerable relationship between inflation and returns on stock.

Wasiu, (2019) determined the influence of government laws on SMEs productivity in Ibadan Metropolis, Oyo State. The population comprises of about 600 staff of SMEs in six constituencies that makes up Ibadan Metropolis. It adopted stratified and simple random sampling to select 60 respondents for questionnaire purpose. The study discovered that there are various government laws such as government intervention fund through Bank of Industry, incorporating entrepreneurship education into formal education, banned on importation of locally made goods, among others, put in place to alleviate negative effect of environmental factors affecting SMEs productivity in Ibadan Metropolis, Oyo State.

Ekwochi, Orga and Okoene (2019) examined the role of government in developing small SMEs in Enugu capital. Survey method was adopted. The data obtained were presented in tables using frequencies and percentages and analyzed using inferential statistics. The findings show that government policy has significance effect on SMEs business and there was challenges facing SMEs businesses in Enugu metropolis such as under capitalization, inadequate planning, and inadequate infrastructure facilities.

Ameh, Alao and Amiya (2020) studied the impact of SMEs enterprises on Nigeria economy growth. The research shows that SMES contribute in economic growth of a nation through creation of employment opportunities; it also shows that government to

contribute positively to the growth of SMES in the study area. The study concluded that SMEs remain an important contributor to the development of Nigeria.

Symons, Howlett, and Alcantara (2020) investigated the effect of VAT compliance on business system. The authors used the 2008 tax information from 183 economies for this study. The findings identified three indicators that could be used as measures of compliance as follows collection rate, compliance burden and cost of taxes. According to the results of this study, companies tend to comply more with VAT than corporate income tax. The research also revealed that the discrepancies in the exact amount generated by each country from VAT depend largely on specific administration approach employed by each of the country.

2.5 Gap in Literature

Various studies have been conducted on the challenges faced by Micro, Small and Medium Enterprises (MSMEs) in assessing finance in Nigeria. The majority of MSMEs in Nigeria fail within a few years of operation. Most of these failures could be avoided if these MSMEs had strategies in place to track and evaluate their performance (Chingwaru, 2016; Gerba & Viswanadham, 2016). As a result, a study to delve into and assess the performance of MSMEs is necessary. While previous research has focused on identifying the causes of MSMEs' failure (Abubakar, 2019; Bushe, 2019; Oke, *et al.*, 2023). This situation has greatly affected the growth potentials of MSMEs and much positive impact of MSMEs have not been felt in Nigeria, especially in the area of employment and self-sufficiency as compared to

what is obtainable in the developed countries. None of these above studies were conducted in Nigeria and they failed to review any theories, hence the current study fills the gap. Thus, the researcher has taken the above gaps into account for the study. Therefore, this study would fill all of the above stated gaps by taking evidences from the Nigerian context on the challenges faced by Micro, Small and Medium Enterprises (MSMEs) in assessing finance in Nigeria, with focus on MSMEs in Benin City, Edo State.

CHAPTER THREE

METHODOLOGY

3.1 Research Design

The survey research design method was used in this study. It involves using a self-designed questionnaire in collecting data from the respondents. This method was chosen in order to make reference to phenomena as they exist in real life and it is relatively economical in terms of time and resources.

3.3 Population of the Study

In the opinion of Agyedu, Donker and Obeng (1999) population refers to a complete set of individuals (subjects), objects or events having common observable characteristics in which the researcher is interested. Thus, the population of this study covers all the Micro, Small and Medium Enterprises in Benin City, Edo state, Nigeria.

3.4 Sample Size and Sampling Selection

The sample of this study was limited to a hundred (100) questionnaire (Accountants, Manager and owner) MSMEs in Egor Local Government area of Edo State. In considering sample size. Simple random sampling was used in this research work. The sample size consists of selected MSMEs in Egor Local Government area of Edo State.

3.5 Sources of Data

The study utilized primary and secondary sources of data. The primary source was with questionnaire gotten from Accountants, Managers and Owners of MSMEs in Egor Local Government area of Edo State, Nigeria. Whereas the secondary data were

gathered from relevant literatures on the subject matter by academics scholars, magazines, newspapers and relevant publications.

3.6 Validity and Reliability of Research Instrument

To ensure the validity of the instrument, my supervisor and two other experts in the Faculty of Management Sciences was consulted for evaluation, and for final approval to confirm that the instruments is adequate, appropriate and valid for this research. Reliability of the instrument was obtained by using the test- retest reliability. In order to ensure consistent and reliability of instrument, pre-tested and retested the instruments on small number of employees in relation to the study. The data collected was analyzed using Cronbach Alpha statistical procedure since it measures the internal consistency of the instrument.

3.7 Method of Analysis

Data collections was analyzed statistically based on the hypotheses formulated and the objectives of the research. To further make it methodical, data gathered was grouped so as to allow for table and percentages using the chi-square graph. The statistical tool used is Chi-square (X^2). The use of the chi-square enables the researcher to establish if there is any relationship between two variables. And also measures the difference between expected frequencies and observed frequencies. The computation of Chi-square is based on the formula.

$$X^2 = \sum \frac{(O - E)^2}{E}$$

Where:

X^2 = Chi-square

Σ = Summation

O = The observed frequency.

E = The expected frequency

Application of Chi-square Test

- (a) A contingency table is drawn, that is the table setting out the number of rows and columns.
- (b) Determination of the number of degree of freedom (df). D.F =(number of rows-1)(number of columns-1)
- (c) Determination of expected frequencies

$$FE = \frac{(\text{row total})(\text{column total})}{\text{Grand Total}}$$

Grand Total

Decision Rule

If the theoretical value of chi-square (x^2) is greater than the computed value of chi-square (x^2) we accept the null hypothesis (H_0). But if the theoretical value of the chi-square (X^2) is less than computed value of chi-square (x^2) we accept the alternative hypothesis.

CHAPTER FOUR

DATA PRESENTATION, ANALYSES AND DISCUSSION OF RESULTS

4.1 Introduction

The chapter entails the application of both mathematics and statistical techniques to provide the basis for the testing of the research hypotheses listed in chapter one. Hence, it is a vital part of this study since it forms the basis for conclusion and recommendations at the end of the research.

4.2 Data Presentation and Analytical Techniques

Tables and percentages were used in this chapter; the use of table is most appropriate means of interpreting information for easy understanding. In analyzing the data, judgment was based on the number of favourable or unfavourable responses received on each statement in the questionnaire. Generally, the favourable responses are, strongly agree and agree while the unfavourable responses are strongly disagree and disagree. Also, in this chapter the hypotheses stated in chapter one shall be tested using Chi-square(x^2) and the data gathered from questionnaire administered. The data analysis is based on the data collected from the field and has been fully analyzed using the frequency distribution. The analysis is based on questions contained in section A and B of the questionnaire. One hundred (100) questionnaire were administered to respondents out of which eighty-four (84) were retrieved from the respondents which were filled for analysis and testing of hypotheses stated in chapter one.

Demographic Information of the Respondents

Variables	Frequency Distribution	(%)
Age Distribution <ul style="list-style-type: none"> • Below 20 • 21 -25 • 26 -30 • 31-35 • 36 and Above Total	0 16 10 26 32 84	0 19 12 31 38 100
Gender <ul style="list-style-type: none"> • Male • Female Total	21 63 84	25 75 100
Marital Status <ul style="list-style-type: none"> • Single • Married • Divorced • Widowed Total	20 51 5 8 84	24 61 6 9 100
Educational Status <ul style="list-style-type: none"> • SSCE • NCE/OND • HND/B.Sc • M.SC/MBA/PGD • Others Total	44 17 23 0 0 84	52 20 28 0 0 100
How long have you been in Business? <ul style="list-style-type: none"> • 0- 2yr • 3 – 5 yr • 6 – 10 yr • 11 – 15 yr • 16 and above Total	18 31 15 11 9 84	21 37 18 13 11 100

Source: Researcher's Field Survey (2023)

Interpretation;

From the table above, there are five different socio-demographic information of the respondents of the study. They are age distribution, gender distribution, marital status, educational status and years in Business. It shows that 0 respondents representing 0% were below 20 years, 16 respondents representing 19% were age brackets of 21-25 years, 10 respondents representing 12% were age brackets of 26-30 year, 26 respondents representing 31% were age brackets of 31-35 and 32 respondent representing 38% were age bracket of 36 and above. There are 21(25%) respondents were male and 63(75%) were female of the respondents. Under the marital status 20 respondents representing 24% were single, 51 respondents representing 61% were married, 5 respondent representing 6% divorced and 8(9%) respondents were widowed. Under the educational status those with SSCE were 44(52%), OND/NCE were 17(20%), HND/B.Sc. holders were 23(28%), M.Sc/MBA/PGD were 0 respondent representing 0% and others 0(0%). Lastly, under how long have been in Business, 18(21%) were 0-2 year, 31(37%) were 3-5year, 15(18%) 6-10year, 11(13%) 11-15years and 9(11%) 16 and above.

Analysis of Research Questions

Research Question 1

To what extent does Micro, Small and Medium Enterprises seek loans from financial institutions in Nigeria?

S/N	Micro, Small and Medium Enterprises seek loans from financial institutions in Nigeria	SA	A	D	SD
6	MSMEs have been known, all over the world as an engine of economic growth and contributes to employment generation and wealth creation	34 40%	42 50%	6 7%	2 3%
7	Accessing finance has been identified as a key component for MSMEs to succeed in their drive to build productive capacity	39 46%	40 47%	3 4%	2 2%
8	MSMEs especially in Nigeria can rarely meet the conditions set by financial institutions.	32 38%	21 25%	24 29%	7 8%
9	MSMEs cannot acquire or absorb new technologies nor can they expand to compete in global markets	38 45%	27 32%	16 19%	3 4%
10	80% of MSMEs in Nigeria are unproductive, because of poor financing.	41 50%	28 33%	11 13%	4 5%
	Mean (%)	44%	37%	14%	5%

Source: Researcher's Field Survey (2023)

Interpretation;

From the analysis above 44% and 37% were strongly agree and agree, 14% were disagree and 5% were strongly disagree.

Research Question 2

What are the loan facilities provided for Micro, Small and Medium Enterprises (MSMEs) by financial institutions in Nigeria?

S/N	Loan facilities provided for Micro, Small and Medium Enterprises (MSMEs) by financial institutions in Nigeria	SA	A	D	SD
11	Access to loans is one of the major problems facing MSMEs in Nigeria	33 39%	48 57%	2 3%	1 1%
12	Financial institutions are always demanding for collaterals which are accompanied by stringent conditions to be fulfilled before lending funds	23 27%	31 37%	16 19%	14 17%
13	loan schemes and Community Banks are being repositioned to Microfinance Banks in order to expand financial infrastructures and make funds available to MSMEs in Nigeria.	26 31%	29 34%	24 29%	5 6%
14	These requirements are often too difficult for the small and medium scale business to meet.	18 21%	36 43%	17 20%	13 15%
15	Government has done a lot to ensure that small businesses are properly financed by establishing Industry and Commerce Banks	27 32%	33 39%	18 21%	6 7%
	Mean (%)	30%	42%	19%	9%

Source: Researcher's Field Survey (2023)

Interpretation;

From the table above 30% and 42% were strongly agree and agree respectively, 19% were disagree and 9% were strongly disagree.

Research Question 3

What are the processes and procedures involved in accessing loans by Micro, Small and Medium Enterprises (MSMEs) from financial institutions in Nigeria?

S/N	The processes and procedures involved in accessing loans by Micro, Small and Medium Enterprises (MSMEs) from financial institutions in Nigeria	SA	A	D	SD
16	Access to formal finance is poor because of the high risk of default among MSMEs and due to inadequate financial facilities	12 14%	23 27%	28 33%	21 25%
17	Issues in credit risk management in the bank (Lack of adequate information on MSMEs)	24 29%	39 46%	15 18%	6 7%
18	Lack of trust in the industry as a result of activities of unregistered and dubious microfinance institutions	48 57%	36 43%	0 0%	0 0%
19	Lack of formal education that affects owners' business management abilities	10 12%	14 17%	32 38%	28 33%
20	Informal sources of finance still remain the major source of funding for MSMEs in Nigeria.	41 49%	37 44%	4 5%	2 2%
	Mean (%)	33%	35%	19%	13%

Source: Researcher's Field Survey (2023)

Interpretation;

From the analysis above, 33% were strongly agree, 35% were agree, 19% were disagree and 13% were strongly disagree. It indicates that majority of the respondents are in the favour of the view that they are processes and procedures involved in accessing loans by Micro, Small and Medium Enterprises (MSMEs) from financial institutions in Nigeria

Research Question 4

What are the challenges associated with Micro, Small and Medium Enterprises (MSMEs) access to loans in Nigeria?

S/N	The challenges associated with Micro, Small and Medium Enterprises (MSMEs) access to loans in Nigeria	SA	A	D	SD
21	MSMEs are ignorant of the importance of marketing research and some of them regard it as a wasteful venture	23 27%	12 14%	21 25%	28 33%
22	High interest rate on loans and in the capital market	39 46%	24 29%	6 7%	15 18%
23	The major barrier to rapid development of the MSME sector is a shortage of both debt and equity financing.	36 43%	48 57%	0 0%	0 0%
24	MSMEs fails to secure loan because of poor guarantees and lack of information about their ability to repay loans	14 17%	10 12%	28 33%	32 38%
25	Poor management and accounting practices are hampering the ability of smaller enterprises to raise finance	37 44%	41 49%	2 2%	4 5%
	Mean (%)	35%	33%	13%	19%

Source: Researcher's Field Survey (2023)

From the analysis above, 35% were strongly agree, 33% were agree, 13% were disagree and 19% were strongly disagree. It indicates that majority of the population are in the favour of the view that they are challenges associated with Micro, Small and Medium Enterprises (MSMEs) access to loans in Nigeria.

4.3 Test of Hypotheses

Hypotheses are tested using the data generated from the questionnaire administered.

Hypothesis One

H₀: There is no relationship between Micro, Small and Medium Enterprises and loans from financial institutions in Nigeria.

H₁: There is a relationship between Micro, Small and Medium Enterprises and loans from financial institutions in Nigeria.

Chi-square test (X^2) was used to test hypothesis 1 at 5% (0.5) level of significance. In this study “strongly agree” “agree” represent favourable responses from the respondents while “disagree” “strongly disagree” represent unfavourable responses from the respondents. The hypothesis was tested using question 6, 9 and 10

Table 4.3.1 Contingency Table

Options	Question 6	Question 9	Question 10	Total
Favourable Responses	76	65	69	210
Unfavourable Responses	8	19	15	42
Total	84	84	84	252

Source: Researcher's Field Survey (2023)

Computation of expected frequency (E)

$$E = \frac{RT \times CT}{GT}$$

Where

RT - row total

CT - column total

GT - Grand total

$$(i) \frac{210 \times 84}{252} = 70 \quad (ii) \frac{210 \times 84}{252} = 70 \quad (iii) \frac{210 \times 84}{252} = 70$$

$$(iv) \frac{42 \times 84}{252} = 14 \quad (v) \frac{42 \times 84}{252} = 14 \quad (vi) \frac{42 \times 84}{252} = 14$$

Table 4.3.2 Chi-Square (X^2)

Question 5	Fo	Fe	Fo-Fe	(Fo-Fe)²	$\frac{(Fo-Fe)^2}{Fe}$
Favourable Responses	76	70	6	36	0.51
Unfavourable Responses	8	14	-6	36	2.57
Question 9					
Favourable Responses	65	70	-5	25	0.36
Unfavourable Responses	19	14	5	25	1.79
Question 10					
Favourable Responses	69	70	-1	1	0.01
Unfavourable Responses	15	14	1	1	0.07
Total					X²=5.31

Source: Researcher's Field Survey (2023)

$$X_{cal}^2 = 5.31$$

$$df (R-1) (C-1) (3-1) (5-1) = 8$$

The value of chi-square (X^2) at 4 degree of freedom at 5% level of significance is 15.51.

Decision of the hypothesis one

From the above computation, it can be observed that the calculated value of X^2 (5.31) which is less than the table value X_{tab}^2 (15.51). Hence, we accept the null hypothesis

and reject the alternative hypothesis. Thus, the study concludes that there is no relationship between Micro, Small and Medium Enterprises and loans from financial institutions in Nigeria.

Hypothesis Two

H₀: There are no loan facilities provided for Micro, Small and Medium Enterprises (MSMEs) by financial institutions in Nigeria.

H₁: There are loan facilities provided for Micro, Small and Medium Enterprises (MSMEs) by financial institutions in Nigeria.

Chi-square test (X^2) was used to test hypothesis 1 at 5% (0.5) level of significance.

The hypothesis will be tested using question 11, 13 and 14

Table 4.3.3 Contingency Table

Options	Question 11	Question 13	Question 14	Total
Favourable Responses	81	55	54	190
Unfavourable Responses	3	29	30	62
Total	84	84	84	252

Source: Researcher's Field Survey (2023)

Computation of expected frequency (E)

$$(i) \frac{190 \times 84}{252} = 63 \quad (ii) \frac{190 \times 84}{252} = 63 \quad (iii) \frac{190 \times 84}{252} = 63$$

$$(iv) \frac{62 \times 84}{252} = 21 \quad (v) \frac{62 \times 84}{252} = 21 \quad (vi) \frac{62 \times 84}{252} = 21$$

Table 4.3.4 Chi-Square (X^2)

Question 11	Fo	Fe	Fo-Fe	(Fo-Fe)²	$\frac{(Fo-Fe)^2}{Fe}$
Favourable Responses	81	63	18	324	5.14
Unfavourable Responses	3	21	-18	324	15.4
Question 13					
Favourable Responses	55	63	-8	64	1.02
Unfavourable Responses	29	21	8	64	3.05
Question 14					
Favourable Responses	54	63	-9	81	1.29
Unfavourable Responses	30	21	9	81	3.86
Total					X²=29.76

Source: Researcher's Field Survey (2023)

$$X_{cal}^2 = 29.76$$

$$df (R-1) (C-1) (3-1) (5-1) = 8$$

The value of chi-square (X^2) at 4 degree of freedom at 5% level of significance is 15.51.

Decision of the hypothesis two

From the above computation, it can be observed that the calculated value of X^2 (29.76) which is greater than the table value X_{tab}^2 (15.51). Hence, we reject the null hypothesis and accept the alternative hypothesis. Thus, the study concludes that there are loan facilities provided for Micro, Small and Medium Enterprises (MSMEs) by financial institutions in Nigeria

Hypothesis Three

H₀: There is no relationship between processes and procedures involved in accessing loans and Micro, Small and Medium Enterprises (MSMEs) from financial institutions in Nigeria.

H₁: There is relationship between processes and procedures involved in accessing loans and Micro, Small and Medium Enterprises (MSMEs) from financial institutions in Nigeria.

Table 4.3.1 Contingency Table

Options	Question 16	Question 18	Question 19	Total
Favourable Responses	35	84	24	143
Unfavourable Responses	49	-	60	60
Total	84	84	84	252

Source: Researcher's Field Survey (2023)

Computation of expected frequency (E)

$$(i) \frac{143 \times 84}{252} = 48 \quad (ii) \frac{143 \times 84}{252} = 48 \quad (iii) \frac{143 \times 84}{252} = 48$$

$$(iv) \frac{109 \times 84}{252} = 36 \quad (v) \frac{109 \times 84}{252} = 36 \quad (vi) \frac{109 \times 84}{252} = 36$$

Table 4.3.2 Chi-Square (X²)

Question 16	F _o	F _e	F _o -F _e	(F _o -F _e) ²	$\frac{(F_o - F_e)^2}{F_e}$
Favourable Responses	35	48	-13	169	3.52
Unfavourable Responses	49	36	13	169	4.70
Question 18					
Favourable Responses	84	48	36	1296	27
Unfavourable Responses	0	36	-36	1296	36
Question 19					
Favourable Responses	24	48	-24	576	12
Unfavourable Responses	60	36	24	576	16
Total					X²=99.22

Source: Researcher's Field Survey (2023)

$$X_{cal}^2 = 99.22$$

$$df (R-1) (C-1) (3-1) (5-1) = 8$$

The value of chi-square (X^2) at 4 degree of freedom at 5% level of significance is 15.51.

Decision of the hypothesis three

From the above computation, it was observed that the calculated value of X^2 (99.22) which is greater than the table value X_{tab}^2 (15.51). Hence, we reject the null hypothesis and accept the alternative hypothesis. Thus, the study concludes that there is relationship between processes and procedures involved in accessing loans and Micro, Small and Medium Enterprises (MSMEs) from financial institutions in Nigeria.

Hypothesis Four

H₀: There are no challenges associated with Micro, Small and Medium Enterprises (MSMEs) access to loans in Nigeria.

H₁: There are challenges associated with Micro, Small and Medium Enterprises (MSMEs) access to loans in Nigeria.

Table 4.3.1 Contingency Table

Options	Question 20	Question 22	Question 21	Total
Favourable Responses	35	84	24	143
Unfavourable Responses	49	-	60	60
Total	84	84	84	252

Source: Researcher's Field Survey (2023)

Computation of expected frequency (E)

$$(i) \frac{143 \times 84}{252} = 48 \quad (ii) \frac{143 \times 84}{252} = 48 \quad (iii) \frac{143 \times 84}{252} = 48$$

$$(iv) \frac{109 \times 84}{252} = 36 \quad (v) \frac{109 \times 84}{252} = 36 \quad (vi) \frac{109 \times 84}{252} = 36$$

Table 4.3.2 Chi-Square (X²)

Question 20	Fo	Fe	Fo-Fe	(Fo-Fe)²	$\frac{(Fo-Fe)^2}{Fe}$
Favourable Responses	35	48	-13	169	3.52
Unfavourable Responses	49	36	13	169	4.70
Question 22					
Favourable Responses	84	48	36	1296	27
Unfavourable Responses	0	36	-36	1296	6
Question 23					
Favourable Responses	24	48	-24	576	12
Unfavourable Responses	60	36	24	576	16
Total					X²=69.12

Source: Researcher’s Field Survey (2023)

$$X_{cal}^2 = 69.12$$

$$df (R-1) (C-1) (3-1) (5-1) = 8$$

The value of chi-square (X²) at 4 degree of freedom at 5% level of significance is 15.51.

Decision of the hypothesis four

From the above computation, it was observed that the calculated value of X² (69.12) which is greater than the table value X²_{tab} (15.51). Hence, we reject the null hypothesis and accept the alternative hypothesis. Thus, the study concludes that they are

challenges associated with Micro, Small and Medium Enterprises (MSMEs) access to loans in Nigeria.

4.4 Discussion of Findings

There is no relationship between Micro, Small and Medium Enterprises and loans from financial institutions in Nigeria. This finding is not in accordance with study of Oni and Daniya (2012) identified the contributions of government and financial institutions in the growth of MSMEs. The study shows that most of the policies such as credit schemes, microfinance banks, CBN policies and Small and Medium Enterprises Development Agencies (SMEDAN) established to take care of the needs of MSMEs did not achieve much results because of poor implementation coupled with several cases of financial mismanagement by the benefiting enterprises and the administrators of loans. Also, Osotimehin, Jegede Akinlabi and Olajide (2012) examined the challenges and prospects of MSMEs development in Lagos State, Nigeria. The study identified financial constraints and lack of management skill as major factors that hamper the growth of MSMES.

It was also discovered that there are loan facilities provided for Micro, Small and Medium Enterprises (MSMEs) by financial institutions in Nigeria. This finding is in line with Wasiu (2019) the study discovered that there are various government laws such as government intervention fund through Bank of Industry, incorporating entrepreneurship education into formal education, banned on importation of locally

made goods, among others, put in place to alleviate negative effect of environmental factors affecting SMEs productivity in Ibadan Metropolis, Oyo State.

There is relationship between processes and procedures involved in accessing loans and Micro, Small and Medium Enterprises (MSMEs) from financial institutions in Nigeria. This finding is not in line with study carried out by Wasiu, (2019) the study discovered that there are various government laws such as government intervention fund through Bank of Industry, incorporating entrepreneurship education into formal education, banned on importation of locally made goods, among others, put in place to alleviate negative effect of environmental factors affecting SMEs productivity in Ibadan Metropolis, Oyo State.

Lastly, they are challenges associated with Micro, Small and Medium Enterprises (MSMEs) access to loans in Nigeria. This finding is aligned with the study conducted by Gidey (2019) enumerated the challenges of MSMEs lack of credit, poor market linkage, insufficient training, weak human resource development schemes, reliance on government, fluctuations in government policies, price variations, and poor market and product development strategies were the main obstacles to SMEs' development in the study area. Osotimehin *et al.* (2012) examined the challenges and prospects of MSMEs development in Lagos State, Nigeria. The study identified financial constraints and lack of management skill as major factors that hamper the growth of MSMEs.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Summary of the Findings

From the empirical analyses and the detailed discussions in the previous chapter, the major findings of this study are summarized below:

- i. There is no relationship between Micro, Small and Medium Enterprises and loans from financial institutions in Nigeria.
- ii. There are loan facilities provided for Micro, Small and Medium Enterprises (MSMEs) by financial institutions in Nigeria.
- iii. There is relationship between processes and procedures involved in accessing loans and Micro, Small and Medium Enterprises (MSMEs) from financial institutions in Nigeria
- iv. There are challenges associated with Micro, Small and Medium Enterprises (MSMEs) access to loans in Nigeria.

5.2 Conclusion

The study examines the challenges faced by Micro, Small and Medium Enterprises (MSMEs) in accessing finance in Nigeria. Despite the ability of MSMEs to contribute immensely to the GDP and employment opportunities, wealth creation, the growth and survival of MSMEs are still hampered by inaccessibility to funds owing to different reasons and challenges. The federal government and the country's Central Bank have tried to address the problem of inadequate funding by establishing many credit

institutions to improve access to funding by the MSMEs. However, these initiatives appear not to be paying off as a percentage of Deposit Money Banks loans to MSMEs relative to total credit to private sector keeps falling. Furthermore, financial institutions, non-financial institution and NGOs have made considerable efforts to palliate the financial challenges confronting SMEs development yet, not much have been achieved in an attempt to position the sub-sector in the mainstream of economic development like their counterparts in countries. The study concludes that; there are loan facilities provided for Micro, Small and Medium Enterprises (MSMEs) by financial institutions in Nigeria. It was also, discovered that there is relationship between processes and procedures involved in accessing loans and Micro, Small and Medium Enterprises (MSMEs) from financial institutions in Nigeria.

5.3 Policy Recommendations

In order to enable MSMEs overcome its problems and enhance their access to new technologies for increasing their competitiveness in the Nigerian market and elsewhere, it is imperative to give them a conducive environment which includes:

- i. Proper management and timely release of funds meant for SMEs by relevant bodies, formulation and implementation of appropriate policies in favour of MSMEs, building up technological capacity, knowledge flows and technology databases
- ii. The government should formulate policies that would encourage MSMEs to begin to source funds from the capital market such as the introduction of the

third- tier security market since there is an increasing growth in the number of small and medium enterprises.

- iii. Proper recognition and integration into the formal financial institution will be helpful. Stringent conditions of SMEEIS which prevent SMEs from accessing the funds under the scheme should be relaxed e.g registration of business as Limited Liability Company.
- iv. They also need training in business skills and access to marketing information so that they can expand to take advantage of both domestic and international markets and thereby create decent jobs.
- v. Operators of small scale business should operate in such a way that the commercial banks will be able improve their confidence in them and thereby see prospect in them.
- vi. MSMEs should keep more records, and be more transparent in their operations. In addition, there should be more financial service providers that are willing to take risk and be more innovative.

5.4 Suggestions for Further Research

- i. Further studies should be carried out to investigate the challenges faced by Micro, Small and Medium Enterprises (MSMEs) in assessing finance in Nigeria using manufacturing sector in Nigeria
- ii. Similar study should be carried out using a larger sample to see if it will replicate the findings of this study.

- iii. Similar work should be carried out using a public own enterprises to find out what their responses would be.
- iv. Carrying out similar study using other foreign owned enterprises to find out whether similar results will be produced.

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APPENDIX

Questionnaire

Department of Entrepreneurship,
Faculty of Management Sciences,
University of Benin,
Benin City, Edo State.
September, 2023

Dear Respondent,

REQUEST FOR THE COMPLETION OF QUESTIONNAIRE

I am an undergraduate student of the above named institution currently undertaking research on **the challenges faced by Micro, Small and Medium Enterprises (MSMEs) in assessing finance in Nigeria**. The study is prerequisite for the partial fulfilment for the award of Bachelor of Science Degree (B.Sc) in Entrepreneurship. I wish to appeal to you to assist this study by completing this questionnaire which is designed primarily to generate reliable information with sole purpose of academic research. I assure you that your answers will be treated in strict confidence. Thanks for your anticipated co-operation and response.

Yours faithfully,

Enabulele Michael
(Researcher)

Instruction

Kindly tick (√) on that which agrees with your opinion.

Section A (Demographic Data)

1. Age: Below 20yrs (), 21-25 yrs (), 26-30yrs (), 31-35yrs (), 36 and above ().
2. Sex: Male (), Female ()
3. Marital Status: Single (), Married (), Divorced (), Widowed ()
4. Educational Status: SSCE (), NCE/OND (), HND/B.Sc. (), M.Sc/MBA/PGD (), Others ().
5. How long have you been in Business: 0 - 2 yr(), 3-5 yr (), 6-10yr (), 11-15 yr (), 16 and above ().

Section B (Opinionated Section)

SA= Strongly agree, A= Agree, D = Disagree, and SA= Strongly disagree

S/N	Micro, Small and Medium Enterprises seek loans from financial institutions in Nigeria	SA	A	D	SD
6	MSMEs have been known, all over the world as an engine of economic growth and contributes to employment generation and wealth creation				
7	Accessing finance has been identified as a key component for MSMEs to succeed in their drive to build productive capacity				
8	MSMEs especially in Nigeria can rarely meet the conditions set by financial institutions.				
9	MSMEs cannot acquire or absorb new technologies nor can they expand to compete in global markets				
10	80% of MSMEs in Nigeria are unproductive, because of poor financing.				
	Loan facilities provided for Micro, Small and Medium Enterprises (MSMEs) by financial institutions in Nigeria				
11	Access to loans is one of the major problems facing MSMEs in Nigeria				
12	Financial institutions are always demanding for collaterals which are accompanied by stringent conditions to be fulfilled before lending				

	funds				
13	loan schemes and Community Banks are being repositioned to Microfinance Banks in order to expand financial infrastructures and make funds available to MSMEs in Nigeria.				
14	These requirements are often too difficult for the small and medium scale business to meet.				
15	Government has done a lot to ensure that small businesses are properly financed by establishing Industry and Commerce Banks				
	The processes and procedures involved in accessing loans by Micro, Small and Medium Enterprises (MSMEs) from financial institutions in Nigeria				
16	Access to formal finance is poor because of the high risk of default among MSMEs and due to inadequate financial facilities				
17	Issues in credit risk management in the bank (Lack of adequate information on MSMEs				
18	Lack of trust in the industry as a result of activities of unregistered and dubious microfinance institutions				
19	Lack of formal education that affects owners' business management abilities				
20	Informal sources of finance still remain the major source of funding for MSMEs in Nigeria.				
	The challenges associated with Micro, Small and Medium Enterprises (MSMEs) access to loans in Nigeria				
21	MSMEs are ignorant of the importance of marketing research and some of them regard it as a wasteful venture				
22	High interest rate on loans and in the capital market				
23	The major barrier to rapid development of the MSME sector is a shortage of both debt and equity financing.				
24	MSMEs fails to secure loan because of poor guarantees and lack of information about their ability to repay loans				
25	Poor management and accounting practices are hampering the ability of smaller enterprises to raise finance				