AFRICAN JOURNAL OF MANAGEMENT, BUSINESS ADMINISTRATION & ENTREPRENEURSHIP

# CAUSAL RELATIONSHIP BETWEEN SMALL AND MEDIUM ENTERPRISES FINANCING AND ECONOMIC GROWTH IN NIGERIA

**ANDREW O. AGBADA, PhD**
**Banking and Finance Department, Faculty of Administration and Management,**
**Delta State University of Science and Technology,**
**Ozoro, Delta State,**
**Nigeria,**

**And**

**OBOREH, JUSTINA, PhD**
**Department of Business Administration;**
**Delta State University; Abraka; Delta State;**
**Nigeria.**

***Article history:***

*Received: FEB 2021;*
*Received in revised form:*
*2 FEB 2021;*
*Accepted: 2 MARCH 2021;*

***Keywords:***

***Loans to Small and Medium Enterprises (LSMEs); Loans to Other Private Sectors (LPS); Gross Domestic Product (GDP); Economic growth; Nigeria.***

## Abstract

The core elements of this research seek to explore empirically the causal relationship between Small and Medium Enterprises (SMEs) financing and Economic growth in Nigeria. SMEs finances are usually provided by Deposit Money Banks (DMBs). Thus, we utilized DMBs credit facilities namely, Loans to Small and Medium Enterprises (LSMEs) and Loans to other Private Sectors (LPS) as proxies for SMEs financing. These two variables adequately measured the amount of funds obtained by SMEs and are therefore adopted as our independent variables. On the hand, Gross Domestic Product (GDP) served as proxy for Economic growth. Data for DMBs credit facilities were procured from Central Bank of Nigeria (CBN) Statistical Bulletins and analyzed using the Multiple Regression Model (MRM). The research findings indicate that the correlation coefficient between GDP and LPS stood high at 0.902 and that between GDP and LSMEs stood at 0.868, thus displaying positive and near perfect correlation relationship. The graphic illustration of data showed that when the independents variables, namely, LSMEs and LPS increase, there was a corresponding increase in GDP, though GDP increase was more rapid tending to the terminal point of the study period. The empirical results were robust, though one of the variables failed the test of relevance. Generally, the results were healthy and it led us to conclude that a causal relationship exists between SMEs financing and Economic growth in Nigeria. We therefore recommend that policies capable of stimulating needed funds for SMEs should be put in place by economic stake-holders and monetary and regulatory authorities to facilitate the improvement and growth of GDP in Nigeria.

## Introduction

Lately, the wealth and prosperity creating abilities of Small and Medium Enterprises (SMEs) have attracted the attention of governments world-wide. The significance of SMEs in building and influencing the growth of economic activities is overwhelming. It is now a focus of general interest especially of research studies in emerging markets globally. SMEs now constitute powerful and forceful vehicles for enlarging productivity and generating job opportunities in global economy.

They function as catalyst for restructuring, developing and expanding the productive capacity of nations for industrial advancement. For this reason, SMEs are crucial in economic development and this have been widely acknowledged and acclaimed amongst nations. They stimulate, inspire and help motivate private ownership of firms, re-invigorate entrepreneurial skills, generate and create employment and promote industrial revolution in nations that take advantage to exploit its ability to facilitate commercial activities.

Stephen, Rutger, and Oscar (2019), averred that countries have put in place specific policy initiatives to stimulate SMEs so as to surmount perceived difficulties and carry out cross border business activities through exporting, importing and or investing abroad. According to First Bank of Nigeria Annual Report, (FBN, 1987) SMEs accounted for 70% of firms providing employment for millions of Nigerians. Undoubtedly, SMEs in its broad sense give a hint of the urgent response to the needs, challenges and prospects of grass root business firms of developing countries such as Nigeria.

Ceren and Gokhan (2020), opined that SMEs are the catalysts of commercial advancement as they act as stimulus to successive economic activities. They possess more flexible production opportunities and attain maximum competition conditions quickly. Thus they make contributions to economic productivity, national income, entrepreneurship and employment.

This study attempts to unravel how finances provided to boost SMEs operations has facilitated or cause GDP growth in Nigeria. This brings our focus to a short discussion on GDP. The concept of GDP is absolutely important in the field of macroeconomics, essentially, as it relates to the financial activities of nations. Gross Domestic Product (GDP) is described as the quantity of goods and services produced in a country at a particular time, whether consumed or used for further productive investments. It may also be interpreted to mean the total financial worth of goods and services created or generated in a country during the year. Officially, GDP is an authentic measure of the productivity of a country and thus it exhibits the viability of a country's economy.

GDP can also be said to be the market value of officially finished goods and services generated by a nation at a specified time period. GDP is a core indicator of a nation's commercial advancement and it indicates the living standard of households, the citizens, thus its relevance is crucial. To comprehend a country's economy properly, we take a critical look at its output expressed in terms of GDP. Globally, the viability of a country economically is a function of its output measured in GDP. If the GDP growth is negative consecutively for three years or critically for three quarters, it indicates that the country is in recession.

It is from the foregoing discussions that this research seeks to determine how SMEs financing has ssisted in boosting the growth of the Nigerian economy. We wish to reiterate and emphasize that funds for SMEs operations are mainly provided by DMBs thus for proper analysis, the study made use of DMBs loans facilities as proxy for SMEs financing. We therefore adopted 'Loans to Small and Medium Enterprises (LSMEs)' and 'Loans to other Private Sectors (LPS)' as our independent variables to explain GDP.

Essentially, to attain or achieve a steady and viable economic growth in any economy requires the availability of financial resources such credit facilities especially loans made available to business firms for productive purposes. Sanusi (2002), argued that a crucial factor in the growth process of any viable and feasible economy is the availability of capital or investible funds. However, while availability of resources is indeed a necessary condition to induce GDP growth, it may not on its own alone be a sufficient condition. An obvious fact about nations enjoying economic prosperity is that they are able to efficiently mobilize financial resources and allocate same with efficient mechanism for productive investments.

**Statement of the Problem**

There is a consensus in theoretical and empirical literatures that the provision of adequate capital can influence and foster GDP increase. Indeed, a visible correlation exists between efficient credit allocation and economic growth. Since it is the desire of nations to grow their economy, this can be achieved by effective and efficient allocation of finance for SMEs operations. It explains why prudent governments facilitate the development of small firms. The SMEs survey conducted in 2005 by the CBN provides some evidence that apart from the acute short of technology, managerial skills, poor management, adverse environment, and change in policy, funding constitutes a source of great concern to SME entrepreneurs. In Nigeria, raising business capital constitutes a major constraint or difficulty to economic and commercial development. Finance is a core issue posing challenges to private sector operations and SMEs activities in particular.

Noting that the existence of this problem of funding is core is the reason why this research seeks to investigate the causal effect of SMEs financing and GDP Increase in Nigeria. It is aimed at investigating how SMEs productive operations facilitate Economic gains that lead to sustainable growth in the economy with a view of transforming it from pre-industrial to an industrial state.

**Statement of Hypothesis**

We formulated a null hypothesis to be tested with a view to drawing logical inferences and conclusions on the subject matter of the study. It states thus:

H0ı: There is no significant relationship between 'Loans to Small and

Medium Enterprises (LSMEs)'; 'Loans to other Private Sectors (LPS)' and Gross Domestic Product (GDP) in Nigeria.

**Review of Related Literatures**

From historical perspective, SMEs boosts and rejuvenates global economy. SMEs regenerated European countries and many developed economies before the l9th century industrial revolution which introduced mass production. However, SMEs managed by entrepreneurs thrive sparingly alongside mass production. Nigeria like any other emerging economy needs entrepreneurial development to boost SMEs operations. This is crucial because the economy of Nigeria is presently characterized with heavy over-dependence on oil, low agricultural production, underutilized industrial capacity coupled with dearth of industrial infrastructures. Besides, the oil shocks of the 1970s weakened mass production model and that triggered and brought to fore the crucial roles of small sized businesses in world economy. The roles of SMEs have since been lauded in theoretical literatures which affirmed that small firms and entrepreneurship are capable of revitalizing and stimulating economic growth and development.

Ayanda and Laraba (2011) argued that SMEs are considered very important as they serve as propelling engines for economic advancement and driving force for promoting modern businesses for equitable and stable development. It is been advocated that the SMEs sector formed the vanguard of the modern enterprise sector and presents the propelling force of economic modernization. Saeed (2017) argued that the SMEs sector play important roles and thus should be articulated into the policy making and implementation agenda of the country to aid economic development.

The roles of SMEs are doubtlessly diverse some of which include; facilitating production and thus contributing to exports, generating job opportunities and hence employment, facilitating the distribution of income thus reducing income disparity, creating wealth and thus reducing poverty, et cetera. The sector breeds entrepreneurs, individuals who are creativity, skillful and innovative in modern business concepts. The business abilities of these entrepreneurs enable them act as the engine of economic advancement and that has a multiplier effects on the economy in general. Entrepreneurs in most developed countries act appropriately to advance their economy, maybe as a result of the enabling environment. Those in emerging economies especially in Africa and Nigeria in particular are usually faced with the problem of choosing appropriate advancement strategy that leads to industrialization because of the uncertainty on a wide area of issues. The pattern of industrial advancement shows that prior to independence, there were little manufacturing activities.

This may be as a result of lack of necessary funds and partly due to dearth of skillful entrepreneurs. The predominant economic activity in pre-independence era involved trading imported finished goods and exportation of primary products which were mainly agricultural and mineral goods. Aided by the discovery of oil and the accompanying boom periods of the 1970s, government invested in heavy companies such as iron and steel, machine tools, vehicle assembly plants, fertilizer manufacturing, sugar mills, refineries and petrochemical industries. Though these heavy industries created jobs at the on-set, their failure, that is, the failure of companies like Delta Steel Company, Ajaokuta Steel Rolling Mill, the numerous Refineries, et cetera have impoverished the citizens in many ways and reflects a downturn on the economy. This is one major reason why focus is now turned on the development of SMEs which act as the hub or focal point of economic prosperity, growth and development.

However, for the effective expansion and development of SMEs to be successful, it requires financing as most young entrepreneurs cannot provide the necessary take off funds or capital. Mambula (2002), averred that developed countries spend more financially on SMEs and so have larger firms. This implies that financial development enhances SMEs' operations and allow them grow successfully. In Nigeria, the path to developing SMEs has been somewhat clumsy. At the onset, the economy of Nigeria was dominated by foreign investments managed by foreign entrepreneurs. To address the apparent dominance of foreign investment, the indigenization policy was introduced through the indigenization decree 1972 and 1977. The policy was intended to give Nigerians firms greater opportunities to participate effectively in productive and manufacturing activities.

Though much time and money was spent on the formulation and implementation of these policies to allow for SMEs growth, Sagagi (2006) observed that not much changes and improvements have been achieved. The reason for this may be attributed to limited financing and support, as well as inadequate infrastructure and insecurity. That-not-withstanding, we emphasize that SMEs are acknowledged globally as tools for empowering the citizenry and improving economic viability and development. They are associated with accelerated economic growth of many countries of the world. In Nigeria, though attempts have been made in many fronts to reduce poverty and accelerate growth, it does appear that not much have been done in enacting sustained policy frameworks to favour the ownership of small businesses.

On this ground Agbonifo (1998) averred that ownership of small businesses should be encouraged since SMEs are crucial factors in developing the economy for proper growth. In line with that view, UNCTAD (2001) also averred that countries with a high rate of small industrial enterprises have succeeded in making functional income distribution more equitable. This ensures long term social stability and reduces economic disparities between the urban regions and rural set-ups or districts to a minimal state.

The benefits derivable for financing SMEs can be overwhelming. By financing and promoting SMEs, evidences abound that nations' economies are enhanced and equipped to make progress towards industrialization. This was actually the main goal envisaged in Nigeria of becoming one of the largest World economies in what was termed 'Nigeria Vision 2020'. Whether the vision came to light or was ever achieved is now history. The fact remains that well developed and functional SMEs do usually have the ability to: efficiently utilize local raw materials to boost production, improve rural districts economies and development, enhance entrepreneurship, mobilize local savings as capital for bigger industries, provide funds for spreading local investment, provide training opportunities for entrepreneurs, managers and the general workforce, provide means of self-employment, et cetera.

Muritala, Awolaja and Bako (2012), posits that a large number of nations rely on the dynamic, risk taking and resourceful potentials and capabilities of SMEs to drive and sustain the growth process of their economy. According to Brown, Medott and Hamitton (1990) SMEs are created as a last resort and have potentials of initiating growth and advancement of commercial activities generally. In overall, the functions of SMEs in improving economic viability, production, development and the general well-being of the economy cannot be over-emphasized.

**Research Methods**

**Research Design**

This study adopted Correlation Research design which allows one to forecast the outcome of one variable or a group of variables on another usually known as the dependent or explained variable. In other words, the design predicts a causal alliance or relationship between variables such that systematic alteration in the worth or value of one or more variables are accompanied by systematic changes in another. This study analyzed SMEs' core source of funds namely 'Loans to Small and Medium Enterprises' and 'Loans to the Private sector' and GDP serving as proxy for Economic growth.

**Method of Data Collection**

Data used in estimating the study model were derived from CBN Statistical bulletin of 2019 and three-years-running averages for 2020 figures. The restriction to secondary data is anchored on the belief that primary sources cannot quantitatively show the trends in SMEs financing and Economic Growth. Besides, CBN Statistical bulletin sources are regarded as authentic data and were utilized for estimating the research model for the period under review.

**Model Specification**

Multiple Regression Model (MRM) equation was used to provide the formula for the line of best fit for the empirical model. MRM is used because it is a statistical technique that predicts the effect or outcome of an explanatory variable or several explanatory variables on an explained variable in the specified model. In this study, the correlation between the independent variables and the dependent variable in general terms is expressed mathematically as in equation 1.

$Y = f(X_1, X_2)$ ……………………………….Eqn 1

***Where :***

$Y$ = Gross Domestic Product

$X_1$ = Loans to Small Scale Enterprises (LSMEs)

$X_2$ = Loans to other Private Sector (LPS)

This mathematical expression creates a linear relationship between the variables to appropriate the line of best fit. Agbada and Osuji (2011) opined that there exist a stochastic or assumed relationship between variables Y and a set of other variables (say, $X_1$, $X_2$ …. Xn). While Y is known as the dependent or explained variable, $X_1$, $X_2$.........Xn are known as the independent or explanatory variables. The econometric form of equation 1 is expressed in equation 2 with an error term denoted by μ.

$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \mu$ ................................Eqn 2

Where:

$\beta_0$= The intercept. (Y value when the independent variables assume zero value).

$\beta_1$& $\beta_2$ = Coefficient of the independent variables, LSMEs and LPS

μ = Random error.

Using the econometric equation above, we implanted our research variables into the model as follows. Thus:

$GDP = \beta_0 + \beta_1 LSMEs + \beta_2 LPS + \mu$... ...................... Eqn 3

Where: GDP = `Gross Domestic Product

LSMEs = Loans Small and Medium Enterprises

LPS = Loans to other Private Sector

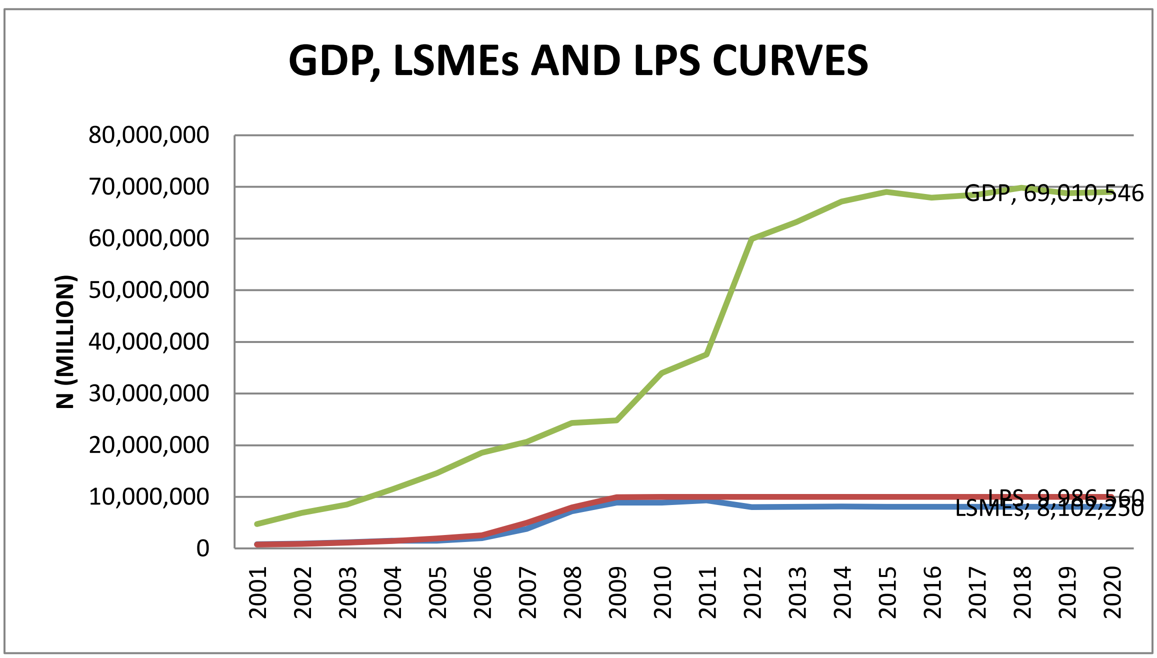
The apriori expectation with respect to signs shows: $\beta_0 >< 0$; $\beta_1 > 0$ and $\beta_2 > 0$

**Presentation and Analysis of Data**

**Presentation of Data**

The data utilized for estimating the MRM specified above are presented in a graphic format in figure 4.1. The graph highlights the trends in the growth of GDP and Deposit Money Banks' Loans to Small & Medium Enterprises (LSMEs) and Loans to other Private Sector (LPS).

**Figure 4.1** Graphic representations of Deposit Money Banks' Loans and GDP.




**Source:** Author's computation, 2022

***Where:***

GDP = Gross Domestic Product

LSMEs = Loans to Small and Medium Enterprises
LPS = Loans to other Private Sector

The graphs reveals that there is correlation in the growth pattern of Deposit Money Banks' Loans to Small & Medium Enterprises (LSMEs); Loans to other Private Sector (LPS) and Gross Domestic Product (GDP). However, GDP grew much more rapidly than the variables LSMEs and LPS. The distorted growth of LSMEs and LPS variables is very likely the reflection of inadequate funding. By implication, we could assert from observed trends that the causal effect exhibited by LSMEs and LPS on GDP growth may have been somewhat minimal. Also, a critical look at the graphs clearly indicates that from 2005, GDP growth rate far exceeded those of LSMEs and LPS variables. While the growth of the independent variables, namely LSMEs and LPS climaxed in 2011 with slight downward but horizontal characteristics, GDP growth climaxed in 2015 at a great height and also exhibited a horizontal curve.

**Analysis of Data**

The regression of the research model produced four parameters namely; Pearson Correlation Coefficient Matrix, t-test Coefficients, Coefficient of determination ($R^2$) and F-Statistics of the ANOVA. These parameters attest to the type and nature of relationship that exist between the explanatory variables and the explained variable**.** The statistical parameters are analyzed as follows.

**Pearson Correlation Coefficient *Matrix***

Table 4.2 presents Pearson correlation coefficient matrix for all the variables. Correlation coefficient serves to measure the strength and direction of the linear relationship between the variable

**Table 4.2**: Pearson Correlation Coefficients

| | GDP | LSMEs | LPS |
|---|---|---|---|
| **GDP** | 1 | | |
| **LSMEs** | .868 | 1 | |
| **LPS** | **.902** | **.996** | **1** |

**Source:** Authors Computation using SPSS, 2022

The table reveals that the coefficients between the explained variable and all the explanatory variables are positive and are relatively very high. This signifies a healthy and strong linear relationship between GDP and the variables LSMEs and LPS. The coefficient between LSMEs and GDP is positive and stood at 0.868 indicating that the strength of their relationship is 86.80%. This connotes that the variable LSMEs has the potential to cause positive changes in GDP. Also, the coefficient between LPS and GDP stood very high at 0.902. This is a near perfect relationship at 90.20 %. This is in accordance with apriorism concept, meaning that the results indicated expected outcome and inferred that a significant change in the volume of loans to the Private sector will have the ability to cause a positive, convincing and significant change in GDP growth in Nigeria.

**t-test Coefficients**

The t-test Coefficients attest to the values, significance and relevance of individual independent variables. These coefficients exhibits the value and magnitude of beta ($\beta$), the slope gradients of the explanatory variables. Table 4.4 shows the results of the t-test Coefficients and it displays that LSMEs coefficient exhibits a negative sign and stood very low at -6.532. The negative sign means that the variable failed the test of relevance and cannot be viewed as significant.

The result though difficult to explain, appears to infer that loans to SMEs sector may not have been adequate to finance viable projects and commercial activities to contribute meaningfully to GDP growth. The proof is that the negative value of LSMEs coefficient implies that the SMEs did not perform well; their performance is retrogressive which may be due to lack of proper funding or financing. Consequently, the variable LSMEs may not have contributed much to GDP growth during the period under review.

**Table 4.4** t-test Coefficients

| Coefficients[a] | | | | | | |
|---|---|---|---|---|---|---|
| Model | | Unstandardized Coefficients | | Standardized Coefficients | T | Sig. |
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 4270191.678 | 2295678.921 | | 1.860 | .076 |
| | LSMEs | -28.723 | 4.397 | -3.942 | -6.532 | .000 |
| | LPS | 29.202 | 3.650 | 4.829 | 8.001 | .000 |
| a. Dependent Variable: GDP | | | | | | |

**Source:** Authors Computation using SPSS, 2022

However, the Coefficient of the variable LPS exhibited positive sign and stood very high at 8.001. This result is robust, conformed to apriorism concept, the expectation that the outcome of the regression estimation came out as envisaged and anticipated. The variable passed the test of significance at all significant levels. It portents that the Private sector may have been better funded and thus may have contributed more to GDP.

**Coefficient of determination ($R^2$)**

According Agbada and Osuji (2011) the Coefficient of determination or adjusted R square ($R^{2)}$ measures the proportion, degree or extent of variations in the explained variable that is being elucidated by the explanatory variables in the estimated model. It explains the goodness of fit of the model. In this study, the $R^2$ value is displayed in table 4.3 and it stood at 0.931.

**Table 4.3** Model Summary

| Model Summary[b] | | | | | |
|---|---|---|---|---|---|
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |
| 1 | .968[a] | .937 | .931 | 7163369.135 | 1.074 |
| a. Predictors: (Constant), LPS, LSMEs | | | | | |
| b. Dependent Variable: GDP | | | | | |

**Source:** Authors Computation using SPSS, 2022

This indicates that 93.10% of variations in GDP were explained by the independent variables namely, LSMEs and LPS. This result is quite robust as per the magnitude or degree of the coefficient and it is in accordance with apriori expectation. It also shows a near perfect relationship between the variables affirming that LSMEs and LPS can be viewed as relevant factors to formulating policies to affect GDP.

**F-Statistics of the ANOVA**

The F-Statistics of the ANOVA shows the overall implication and significance of the regression model, that is, how well the experimented model performed generally. This helps us to make an all-embracing and inclusive inference on the model and draw conclusion on the effects all the independent variables made on the dependent variable.

**Table 4.5** The F-Statistics of the ANOVA

| ANOVA[a] | | | | | | |
|---|---|---|---|---|---|---|
| Model | | Sum of Squares | Df | Mean Square | F | Sig. |
| 1 | Regression | 16726903340357008.000 | 2 | 8363451670178504.000 | 162.986 | .000[b] |
| | Residual | 1128904862099185.200 | 22 | 51313857368144.780 | | |
| | Total | 17855808202456194.000 | 24 | | | |
| a. Dependent Variable: GDP | | | | | | |
| b. Predictors: (Constant), LPS, LSMEs | | | | | | |

**Source:** Authors Computation using SPSS, 2022.

Table 4.5 displays F-Statistics of the ANOVA report. It disclosed that the F-Statistics or coefficient of this research study stood at 162.986. The higher the value of the F-Statistics, the more relevance the overall model result indicates. A coefficient of 162.986 is considered very high to lead us to reject and dismiss the null hypothesis of no relationship and assent to the alternate hypothesis that a relationship exist between SMEs financing and Economic Growth in Nigeria.

**Discussion of Findings, Conclusion and Recommendations**

**Discussion of Findings**

Generally, the findings in the research study affirmed that SMEs have the potential of enhancing economic activities and thus GDP increase growth. The four statistical parameters obtained from the regression of the model attest to this fact. For instance, the Pearson correlation coefficients results showed that GDP has strong linear relationship with the independent variables namely LSMEs and LPS exhibiting high coefficients of 0.868 and 0.902 respectively.

This agreed with apriori expectation. It suggests and presumes that a positive change in the volume of loans to SMEs and the Private sector could have a corresponding positive change in GDP growth and advancement in Nigeria. The t-test Coefficients of the variable LSMEs exhibits a negative sign and stood very low at -6.532 indicating that the variable failed the test of significance. However, the t-test Coefficient of the variable LPS exhibited positive sign and stood very high at 8.001. That the variable LSMEs failed the test of relevance affirmed that some segments of the SMEs may have been underfinanced and underutilized, thus, may not have contributed much to economic growth in Nigeria. However, the LPS variable passed the test of relevance very well indicating that on the average SMEs financing may have played just a moderate role in enhancing the growth of the economy in Nigeria.

However, the adjusted R square ($R^2$) which measures the degree of variations the independent variables had on the GDP stood as high as 0.931. The high value of $R^2$ shows that the variables; LSMEs and LPS explained 93.10% variation in GDP. This is a near perfect result indicating that the model passed the test of significance absolutely to lead us to repel the null hypothesis and maintain the alternate hypothesis; that a relationship exist between the variables. Lastly, the findings or outcome of the research showed that the F-Statistics or coefficient which indicates the overall applicability or significance of the model stood at 162.986. The magnitude or amount of the coefficient is very high to also lead us to reject and brush aside the null hypothesis and retain or accept the alternate hypothesis.

**Conclusion**

The conclusions drawn in this study are derived from the products of the parameters obtained from the estimated model. The value of the correlation coefficients existing between GDP and its explanatory variables; namely LSMEs and LPS were positive and strong. The coefficients were high enough to convince us to draw our conclusion affirming the existence of a strong linear relationship between SMEs financing and Economic Growth in Nigeria. The t – test or coefficient of -6.532 casts doubts as to whether LSMEs can be viewed and accepted as a relevant factor in formulating policies that would affect GDP. However, the Coefficient of LPS variable exhibited positive sign and stood very high at 8.001. This result is robust, conformed to expected results and it passed the test of significance at all significant levels. From this result, we are compelled to conclude that LPS can be considered relevant for formulating policies that affect GDP.

The Coefficient of determination ($R^{2)}$ stood at 0.931 exhibiting a perfect proximity. This affirmed that LSMEs and LPS explained 93.10% variation in GDP. It buttressed our conviction to set aside the null hypothesis and retain the alternate hypothesis. We therefore conclude based on this outstanding result that there is a strong linear relationship between SMEs financing and Economic Growth in Nigeria. Ultimately, the F-Statistics which indicates the general significance of the experimented model stood high at 162.986. The F-Statistics coefficient is high enough to lead us to say no to or discard the null hypothesis and approve or take on the alternate hypothesis thereby concluding the existence of a strong linear relationship between SMEs financing and economic advancement and growth in Nigeria. Overall, the results affirmed a strong and positive association between the variables under discussion and that led us to the conclusion, that a well-financed SMEs sector will enhance economic activities that could lead to greater productivity and growth in Nigeria.

**Recommendations**

Based on the conclusion, it implies that to facilitate a more rapid development or expansion in the economy, it will require putting in place an efficient strategy for the allocations of financial resources to SMEs.

These resources primarily are credit facilities, usually loans that could be accessed easily by SMEs. We therefore recommend in strong terms that all economic stakeholders, monetary and regulatory authorities in particular should formulate policies aimed at improving credit facilities to SMEs and entrench modalities for repayment that would not hamper or jeopardize their operations.

In the light of policy implication, we recommend that policy makers and governments should seek to understand the factors hindering the advancement, expansion and survival of SMEs in Nigeria and so help to design policies and programs that could actively stimulate and generate funding for them. We also advocate and recommend that Government should provide assistance and encouragement to prospective entrepreneurs, the activists and innovators in SMEs businesses and also give them the enabling environment to work.

The need to have quick access to funds or finance, good information about their operations, business opportunities, market, innovative technology, et cetera cannot be overemphasized. Also, the need for proper training and re-training of entrepreneurs is urgent and thus recommended. Informed and knowledge-based entrepreneurs have the potential and ability to increase work efficiency that may lead to reduction of the cost of operations and be versatile and more effective to meet market competitions. These overtimes may culminate into growth in economic activities that would ultimately improve GDP tremendously.

## References


Agbada A.O. (2010). *Banking System Credit as Instrument of Economic Growth in Nigeria,* Bullion Publication of Central Bank of Nigeria, 34,30,35.

Agbonifor, B A (1998). The business enterprises in Nigeria, Lagos. Longman

Ayanda,M. A and Laraba A .S (2011) *Small and Medium Scale Enterprises as A Survival Strategy for Employment Generation in Nigeria.*. Journal of Sustainable Development ISSN 1913-9063 (Print) ISSN 1913-9071 (Online)

Brown, D, Medott and Hamilton (1990). Global perspective perceptions of SME growth constraints in *Nigeria Journal of Small Business Management*, 40 (1), 58-65

Central Bank of Nigeria (CBN), (2011), Central Bank of Nigeria Statistical Bulletin (2011).

Ceren E. and Gokhan O, (2020), Contribution of small and medium enterprises to economic development and quality of life in Turkey, https://www.ncbi.nlm.nih.gov/pmc/articles; (Retrieved 2022)

Mambula, C. (2002). Perceptions of SME growth constraints in *Nigeria Global Perspective*, 40(1), 58-65

Muritala T, Awolaja A and Bako Y.(2012), *Impact of Small and Medium Enterprises on Economic Growth and Development*; American Journal of Business and Management Vol. 1, No. 1, 2012, 18–22.

Saeed H. (2017), Role of Small & Medium Enterprises in Economic Development https://www.linkedin.com/pulse/role-small-medium-enterprises

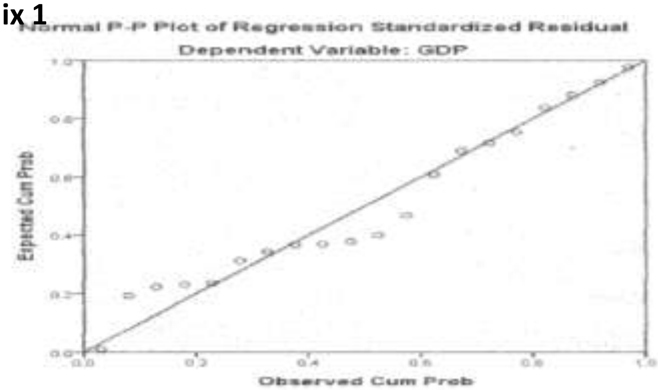
Sagagi, M. S (2006). Enterpreneurship development policy; A renewed perspective for achieving economic development in Nigeria. *Nigerian Academy of Management Journal*, 1 (1), 179-192.

Sanusi, J O (2002), *The importance of Financial Intermediation in Sustaining Economic Growth and Development*: The banking Sector Review (A key note address delivered at the banking seminar organized by te Institute of Directors at the Le'Meridien Hotel, VI, Lagos

Stephen C, Rutger H, and Oscar L. (2019), The role of small- and medium-sized enterprises in the Dutch economy: an analysis using an extended supply and use table. Journal of Economic StructuresVol. 8, No 8.

UNCTAD (1998). Promoting and sustaining SMEs clusters and networks for development, United Nations Conference on Trade and Developments, Geneva, Switzerland. Issues Paper TD/B/COM.3/EM.5/2.

**Appendix 1**




**Appendix 2**