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EFFICACY OF GOVERNMENT FUNDING STRATEGIES AND MSMEs PERFORMANCE IN NIGERIA: AN EMPIRICAL ANALYSIS

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Abstract

This study seeks to empirically analyze how government funding strategies have influenced or leveraged performance of Micro, Small and Medium Enterprises (MSMEs in Nigeria. It examines the effectiveness of government funding strategies on the various categories of businesses and to enable us take a decision on the level of impact the funds have had on their performance. Data were sourced by means of structured questionnaire with answer options arranged in a Likert 5-point rating scale showing respondents agreement or disagreement ranging from Strongly Disagree, Disagree, Neutral, Agree to Strongly agree and the response options were weighted 1, 2,3, 4 and 5 respectively. Data obtained were presented in a table and Pie charts and were empirically analyzed by Pearson Product-moment correlation coefficient (r). Findings from the empirical analysis were robust. The r value for MSMEs businesses stood at - 0.911, - 0.883 and 0.751 respectively. The large positive r value for Medium scale firms reveals a clear distinction that by natural competition, a large number of the facilities provided by government are being usurped by them because of their vantage position of being relatively large, an indication too, that they are capable of growing on their own. The empirical results also reveal the acute financial deficiency of Micro and Small scale businesses with minimal survival chances. We therefore recommend that Medium scale firms should be eliminated from MSMEs category to enable government focus on Micro and Small enterprise (MSEs), the core base engines of the economy. This way, their survival rate will be improved upon with implication to garner ability for creating more employment and adding maximally to national income

Introduction

Micro, Small and Medium Enterprises (MSMEs) activities are crucial in every economy globally. They exist in all sectors of developed, developing and emerging world economies. In every nation's economy, there are few big corporations, a large number of Medium enterprises, larger number of Small enterprises and Micro enterprises have the largest number. MSMEs thus constitute the base of economic activities and thus their importance in the growth process of a nation's economy is enormous. Deductions from literatures evidenced that no standard definition exists for MSMEs; rather, nations adopt definition(s) that suits their economy. Ogechukwu (2009), affirmed that the meaning of MSMEs differs from country to country, that indeed, no generally established definition of MSMEs has been given. Different authors and scholars express differences in MSMEs definition with respect to Capital out-lay, Sales turnover, Workforce , Fixed capital investment, Market share, Level of development, Availability of machineries, et, cetera, In Nigeria the legislation of MSMEs policy in 2007 provided a somewhat acceptable definition. According to the national Policy:

1. Micro Enterprise is a firm that employs less than 10 persons and has assets (excluding lands and buildings) less than N5million.
2. Small Enterprise is a business that employs between 10 and 49 persons and has assets worth more than N5 million but less than N50 million.
3. Medium Enterprise is a commercial undertaking that employs between 50 and 199 persons and has assets worth more than N50 million but less than N500 million.

To drive the goal of this study, we have adopted the National Policy on MSMEs definition to serve as our working definition. Despite their importance and contributions particularly in the area of job creation and entrepreneurial development, there is an observed dwindling performance in the operations of a large proportion of MSMEs. It has been observed that most MSMEs easily liquidate or go out of business for lack of funds to execute their activities. In Nigeria, the issue of deficiency of easy access to funds to augment business activities is supreme and it has considerably limited MSMEs' contributions to national income.

Akingunola (2011) contends that poor economic conditions which also imply poor finance and inadequate infrastructures are identified as crucial factors limiting the operations of MSMEs in Nigeria. However, as part of its developmental functions to promote economic growth, the Central Bank of Nigeria (CBN) has at various times instituted different funding Schemes to augment MSMEs activities. It is against this premise that this study seeks to empirically examine how efficient government strategic funding channels have facilitated MSMEs operational performance in Nigeria. Below, we attempt to discuss some of the government funding plans for MSMEs in Nigeria at various times.

Government Funding Strategies for MSMEs in Nigeria

Government has adopted hosts of laudable plans of action to provide finance for MSMEs activities in Nigeria over the past four decades. They are either as credit facility or other debt instruments or equity participation. In this research, the funding plans, strategies and initiatives so far adopted by the Nigerian government shall be categorized into two broad headings namely:

a) Institutional Credit Schemes and
b) Collaborating Government Funding Strategies

Below is a succinct review of some of the Institutional Credit Schemes and the Collaborating Government Funding Strategies.

Institutional Credit Schemes

Over the years, Commercial and Development banks were established and encouraged to provide easy route to credit facilities to MSMEs. It was aimed to broaden their scope of activities and contribute meaningfully to economy of Nigeria. Notable banking institutions charged with the responsibility of extending credit facilities to MSMEs include:

- **Nigerian Industrial Development Bank (NIDB).** NIDB emerged from the restructuration of Investment Company of Nigeria (ICON) in 1964. It was chartered to provide medium and long term credit to existing and emerging industrial and mining firms in Nigeria. The reconstruction of ICON to NIDB brought in the Nigerian Government and the World Bank/International Finance Corporation as partners (Nigerian Wiki, 2015).
- **Bank of Agriculture (BOA).** This Bank acquired the name Agricultural Cooperative and Rural Development Bank Limited (NACRDB) in 2000. In 2010, NACRDB was renamed Bank of Agriculture Limited (BOA). BOA is fully government owned and was repositioned into an effective and sustainable national agricultural finance institution.
- **Bank of Industry (BOI).** The Bank is primarily established to promote the growth of MSMEs operations in Nigeria. BOI was aimed to transform and boost the nation's industries by facilitating firm to gain easy access to finance and providing support to new and existing industries business activities. Specifically, BOI is expected to assist in restoring and strengthening ailing industries and promoting new ones (Nigerian Wiki, 2015).
- **Nigerian Export – Import Bank (NEXIM).** NEXIM primary goal was to provide short and medium term loans to Nigerian exporters and also provide short term guarantees for loans granted by Nigerian Banks to exporters. (NEXIM, 2015).
- **Microfinance Banks.** Microfinance banks are established essentially to provide financial services for poor and low-income clients. In Nigeria, the services are offered using diverse methods to deliver very small loans to micro businesses. Little or no collateral security is requires because, a large number of businesses are excluded from financial services in Nigeria.

Collaborating Government Funding Strategies

CBN as part of its developmental role has also adopted different strategies for promoting access to funds for MSMEs in Nigeria. Some of the strategies instituted to fast track the growth and transformation of MSMEs were to provide funds either as credit facilities or through equity participation. These funds were targeted at the preferred economic sectors such as the Manufacturing, Agricultural, Educational sectors and any other activity as may be specified by CBN.

Though some of these laudable strategies instituted to combat the funding menace confronting the MSMEs sector have gone into extinct, they are mentioned here to give credence to government for the efforts made towards developing MSMEs. Collaborating Government Funding Strategies include:

- **National Economic Reconstruction Fund (NERFUND).** This funding body was instituted to grant medium-term as well as long term finance to businesses in the Small and Medium categories for productive purposes. The principal objectives were to increase the volume of goods and services for consumption and export, provide employment, expand production base of the economy et cetera.
- **Agricultural Credit Guarantee Scheme Funds (ACGSF).** This Scheme was initiated by the Military Government in

1977, but commenced operations in 1988. Its guideline provisions stipulate that the Fund was aimed to provide security guarantee for Loans granted by banks for agricultural activities. Loan as designated under the scheme include all Credit facilities such as Overdrafts, Advances, et cetera.

- **Small and Medium Enterprises Equity Investment Scheme (SMEEIS).** According to its guideline, SMEEIS was set up by the Bankers' Committee and it is mandatory that all banks in Nigeria must contribute 10% of their annual profit after tax (PAT) every year for investment in medium and small businesses. The disbursement of the money contributed - the funds were by Equity participation, that is, by acquiring some ordinary shares in the business.
- **Small and Medium Enterprises Development Agency of Nigeria (SMEDAN).** The funding program referred to as SMEDAN was enacted by the SMEDAN Act of 2003. It was targeted at promoting the growth of micro to medium businesses, certainly the MSMEs sector. The Agency positioned itself as the sole and singular shop for MSMEs development to curb poverty. Indeed, well managed MSMEs has the capability to combat or possibly eradicate poverty. It was on this premise that SMEDAN was set up to enhance and facilitate the development MSMEs sector in Nigeria as an effective funding scheme. (SMEDAN 2015)

Statement of the Problem.

There is consensus in economic literatures that MSMEs are very important components of any nation's businesses as they serve as catalysts for increasing economic growth. However, MSMEs are faced with the many problems such as lack of finances to boost their performance. Fatai (2009) argued that a major and obvious challenge facing MSMEs in Nigeria is lack of funds to finance their operations.

For this reason, Nigerian governments in succession have instituted hosts of laudable credit schemes and funding strategies to provide finance to boost MSMEs performance over the past four decades either as credit facility or through equity participation. The basic question therefore is 'how effective are the government funding strategies in influencing MSMEs performance?' It is against this backdrop that this study looks for to empirically evaluate the efficacy or effectiveness of government strategic funding schemes and how they have impacted on MSMEs operational performance in Nigeria.

Hypothesis Formulation

We formulated three null hypotheses to reflect the impact of government strategic funding programms on each of the three categories of businesses under review, namely Micro, Small and Medium. They are:

Ho^1: There is no relationship between government funding strategies and Micro scale enterprises performance in Nigeria.

Ho^2: There is no relationship between government funding strategies and Small scale enterprises performance in Nigeria

Ho^3: There is no relationship between government funding strategies and Medium scale enterprises performance in Nigeria.

Literature Review

A core and vital objective of CBN development finance is to formulate and implement appropriate policies and to create suitable market environment for financial institutions to operate efficiently. This is aimed at sustaining effective services delivery targeted at some preferred economic sectors such as rural sector growth and development and indeed general MSMEs sector development. The focus of government on MSMEs appears paramount because they are in every sector or region of the economy helping to stimulate and diversify economic activities. Globally, they have made significant contributions to national income thus helping to boost GDP Increase or economic growth. In the views of Ajose (2010), MSMEs are the pivot or center point of economic activities and transactions and first point of contact for the business world. Indeed, MSMEs help to mobilize savings for investment.

They promote the use of locally sourced raw or basic industrial materials, thus they constitute important organs for poverty reduction. They provide opportunity for gainfully employing low income workers in rural and urban areas. MSMEs operations offer the government the chance of meeting their developmental expectations. This they do by exhibiting potential for extensive usage of raw materials, providing wealth creating channels for rural development, accelerating job creation and facilitating capital formation by mobilizing local savings for production of goods and services.

MSMEs do also provide mundane training and re-training for rural workers to enable these workers to acquire needed skills and knowledge to pilot their affairs. All these provisions and benefits derived from MSMEs ultimately culminate in increase in Gross Domestic Product (GDP).

Thus, owing to the enormous economic benefits derived from MSMEs operations, successive governments in Nigeria have always made provisions for financing these businesses or activities; either through institutional lending or other forms of collaborating credits or through equity participation. Indeed, institutional lending and other collaborating funding strategies has for several years provided huge capital outlay for financing MSMEs in Nigeria. Muritala, Awolaja and Bako (2012), opined that the Government has made a reasonable number of attempts through implementing various funding policies at promoting and developing SMEs in Nigeria. Some notable programs amongst others were SMEDAN, NERFUND, NEEDS, et cetera discussed earlier in this study. On the other hand, so many defunct and existing banking institutions have also been established at one time or the other primarily to cater for the financial needs of MSMEs in the country.

The founding and development of these credit schemes and funding programs suggest that successive Nigerian governments have provided large reservoir of untapped funds for MSMEs operations. We therefore deduce from the foregoing that the problem of funding MSMEs is NOT that of non-availability of funds, but for either lack of awareness of such funds, or complexity of dispensing channels particularly for Micro firms, or modality and requirements to be met to obtain and use the funds. For instance, beside the availability of credit facilities in the banking institutions, the total amount of money set aside under SMEEIS by consolidated banks in June 2009 stood at: N42,024,988,746.00 as shown by the Sectoral distribution of SMEEIS investments in table 2/1.

Table 2. 1: Sectoral Distribution of SMEEIS Investments.

Sectoral Distribution of SMEEIS Investments

A. Real Sector/Enterprise	Investment as at 30th June 2009			
	NO. OF PROJECTS	AMOUNT	% NUMBER	% AMOUNT
Agro – allied (including wood work & water bottling	45	2,311,975,707.58	13.51	8.20
Manufacturing (including printing & publishing	144	8,103,773,769.65	43.24	28.73
Construction (including quarrying)	13	2,786,287,000.00	3.90	9.88
Solid Minerals	3	59,440,000.00	0.90	0.21
SUB TOTAL	205	13,261,476,477.23	61.56	47.02
B. Service-related Sector				
Information Technology & Telecommunications	24	1,821,809,249.04	7.21	6.46
Educational Establishment	7	897,935,000.00	2.10	3.18
Services	74	4,768,855,718.81	22.22	16.91
Tourism & Leisure	23	7,454,001,847.00	6.91	26.43
Others	0	0	-	-
SUB TOTAL	128	14,942,601,814.85	38.44	52.98
C. Micro Enterprises Sector	0	0	-	-
GRAND TOTAL	333	28,204,078,292.08	100	100

TOTAL AMOUNT SET ASIDE UNDER SMEEIS BY CONSOLIDATED BANKS: N42,024,988,746.00
SOURCE: RETURNS FROM BANKING SUPERVISION DEPARTMENT , CBN
SMEEIS STAT TABLE 1

Source: Banking Supervision Department, CBN , Abuja (Assessed 2020)

We attempt to analyze the total amount set aside as follows. Out of this huge sum of money, only,N28,204,078,292.08, representing 67.11% was utilized and distributed to the different sectors, stratum or regions of the economy in all the States and Abuja Capital Territory. However, the sectoral distribution of SMEEIS funds in table 1 appears to reveal a lopsided characteristic in the sense that the Micro enterprise sector had zero allocation.

While 23 projects of a less preferred sector like Tourism and Leisure was allocated N7,454,001,847.00, only 3 projects of Solid Mineral in the preferred Real sector/enterprise were financed with paltry sum of N59,440,000.00. Surprisingly, the MSMEs businesses that the funds were actually set aside for had nothing. By implication, it could also be said that even in the sectors that had meaningful allocations of SMEEIS funds, MSMEs in those sectors may have had nothing to facilitate operations also. Relatively, we can conclude that SMEEIS funds did not impact on Micro and Small enterprises performance.

According to Onyeche and Oladunjoye (2013), SMEDAN is a government agency established purposely to provide financial support for MSMEs. Presently, a whole lot of support is thus available for business owners to access, but many are not even aware of it, let alone know the requirements and methodology of how to acquire it. Referring to the Minister of Trade and Investment, Dr. Olusegun Aganga's speech in one of SMEDAN occasions, Onyeche and Oladunjoye (2013) reported that about 17.28 million MSMEs in the country are employing more than 32 million people. Of this number, 96 percent are Micro businesses or enterprises. They continued that only six percent of these Micro firms' funding is from organized lenders like Bank of Industry (BOI), Bank of Agriculture (BOA), et cetera; and thus affirming that most of Micros get their funding from personal savings and contributions from families and friends'. This confirmed the consensus opinion in economic literatures that deficiency in approach to source finance is the core reason for MSMEs dwindling performance and minimal contributions to the Nigerian economy. Even though the funds are available, they are beyond the reach of these small business firms that constitute the base of economic activities. This view is affirmed by Akingunola (2011) who argued that the problem of inadequate access to funding or finance has hampered Small and Medium scale enterprises' contribution to the economy and has affected their productivity and ancillary functions. Also in his opinion, Iorun (2014) posits that the problem of funding SMEs is not so much the sources of funds but the accessibility. Sagagi (2006) noted though some substantial and huge sum of amount has been invested on the development of funding policies for MSMEs growth, very little improvements have been so far achieved'.

Explaining the reasons for the inability of MSMEs to access funds, Adepoju (2003) posits that factors inhibiting funds accessibility by the SMEs are the stringent conditions set by financial institutions, the lack of adequate collateral and credit information, and the cost of accessing funds'. The twain problems of lack of awareness mentioned above and inability to access funds appears to be very pronounced amongst Small and Micro business firms. It is based on this that this study seeks to empirically evaluate the effectiveness of government funding schemes and strategies on the various categories of MSMEs businesses and to assess the level of impact they have had on their performance in Nigeria.

Methodology

Research Design and Data Analysis techniques

The research design utilized for this review is referred to as Survey design. Our target population consists of firms operating within the confine of Micro, Small and Medium Enterprises (MSMEs) in Nigeria and our sample was drawn from four commercial cities of Warri, Asaba, Benin City and Lagos. We based the sample size of each category of business under review on the theoretical evidence suggesting that Micro trades constitutes the largest number of business firms in any economy, followed by the number of Small scale firms and Medium sale firms are least in number. Based on that premise, a sample size of 300 firms comprising of 150 Micro scale firms, 100 Small scale firms and 50 Medium scale firms were derived. Structured questionnaires were employed to obtain our data using Random Sampling Technique. Section A of the questionnaire focused on demographic characteristics and statistics of our sample population and Section B contains the questions with answer options.

The study made use of Likert scale because Likert items are utilised to measure respondents' attitudes to a particular question or statement. Sauro (2011) opined that a Likert five point rating scale ranging from strongly disagree to strongly agree can be weighted 1 to 5 respectively and that while presenting data obtained, the score column may contain the numerical equivalent scores to the respondents answers (i.e. the weight) and the nominal column depicts the frequency of respondent's answers.

On the other hand, **Boone and Boone (**2012) contend that to properly analyze Likert data, it is appropriate to employ any of the following statistical tools: the Pearson's Product moment correlation coefficient (r), *t*-test, ANOVA, and regression procedures. The response options to the questions are presented in a Likert 5-point rating scale showing respondents agreement or disagreement ranging from 'Strongly Disagree, Disagree, Neutral, Agree to Strongly agree' and the response options were weighted 1, 2,3, 4 and 5 respectively. The response frequencies were presented using table and Pie charts and analysis is by Pearson's Product-moment correlation co-efficient (r).

Theoretical Framework and Model Specification

Usually, economic variable measurement seeks to ascertain whether or not there exists any relationship between the variables being measured and to decide the direction and strength of the relationship. According to Oaikhenan and Udegbunam (2004), Correlation coefficient helps to define the strength of the association existing between two variables X and Y and the type of relationship (positive or negative).

A coefficient with positive sign is said to have positive value and indicates a positive linear relationship while that with a negative sign have negative value and indicates a negative linear relationship. The Pearson's Product-moment correlation coefficient (r) which measures the strength of the linear relationship between two variables X and Y is given by the formula.

$$r = \frac{\sum\left(X-\overline{X}\right)\left(Y-\overline{Y}\right)}{\sqrt{\sum\left(X-\overline{X}\right)^2 \sum\left(Y-\overline{Y}\right)^2}} \qquad \ldots \quad \ldots. \quad \ldots. \quad \ldots. \quad \ldots (1)$$

Where:

r = Pearson's Product-Moment Correlation Coefficient (PPMCC)
X = Numerical equivalent score to the respondents answers (i.e. the Weight attached)
Y = Response frequency of respondent's answers.
$\sum$ = Summation sign
$\overline{X}$ = Mean of Weights attached to response options
$\overline{Y}$ = Mean of Response frequency of respondent's answers.

Oaikhenan and Udegbunam (2004) noted that though r formula in equation 1 above may appear simple, it is nonetheless burdensome numerically to compute. To eliminate difficulties in computation, an alternative and less burdensome equation for r is given as:

$$r = \frac{\sum xy}{\sqrt{\sum x^2 \sum y^2}} \qquad \ldots \quad \ldots \quad \ldots. \quad \ldots \quad \ldots \quad \ldots \quad (2)$$

Where

x = $X-\overline{X}$ and
y = $Y-\overline{Y}$

The Decision rule

We made use of equation 2 for the computation of data obtained. Based on Oaikhenan and Udegbunam (2004) theory above, the Decision rule adopted is stated as below. Given that *X* relates to *Y*;

- If r = 0, there is zero correlation or linear relationship.
- The closer r is to 1, the stronger the positive relationship while the closer r is to 0, the weaker the positive relationship.
- If r has a negative sign, it indicates negative relationship.

Data Presentation And Analysis

Data Presentation

Among the host of questions fielded in the questionnaire, three basic statements reflecting awareness and impact of government credit schemes and funding strategies on the three categories of businesses under review, namely Micro, Small and Medium were made to enable us test the hypotheses formulated. The Statements are:

Statement 4: I am aware of all government credit schemes and funding strategies for MSMEs and they have made significant impact on the performance of Micro scale businesses in my locality.

Statement 8: I am aware of all government credit schemes and funding strategies for MSMEs and they have made significant impact on the performance of Small scale businesses in my locality.

Statement 12: I am aware of all government credit schemes and funding strategies for MSMEs and they have made significant impact on the performance of Medium scale businesses in my locality.

The responses obtained are presented as follows. Of the 150 questionnaires distributed to Micro firms, all were retrieved for analysis. 96 questionnaires were retrieved from 100 distributed to Small firms and 45 were retrieved out of 50 questionnaires distributed to Medium firms. The Response Frequency (RF) in Value and Percentages are shown on table 4.1.

Table 4.1: Response Frequency (RF) in Value and Percentage

	Micro Firms		Small Firms		Medium Firms	
	Response Frequency	Percentage %	Response Frequency	Percentage %	Response Frequency	Percentage %
Strongly Agree	4	3%	5	5%	16	35%
Agree	6	4%	12	13%	18	40%
Neutral	8	5%	7	7%	5	11%
Disagree	56	37%	28	29%	3	7%
Strongly Disagree	76	51%	44	46%	3	7%
Total	150	100%	96	100%	45	100%

Source: Field Survey, 2020

For clarity and to appreciate the distinct characteristics of the categories of businesses under review, their Response Frequencies (RF) in value and percentage shown on table 2 are re-presented in figures 4.1, 4. 2 and 4.3 for Micro, Small and Medium scale firms respectively.

Response Frequencies for Micro Scale firms

Figure 4.1 is the Pie Chart showing the response frequencies to Statement 4 which was designed to find out the awareness and impact of government credit schemes and funding strategies on Micro scale business performance in Nigeria.

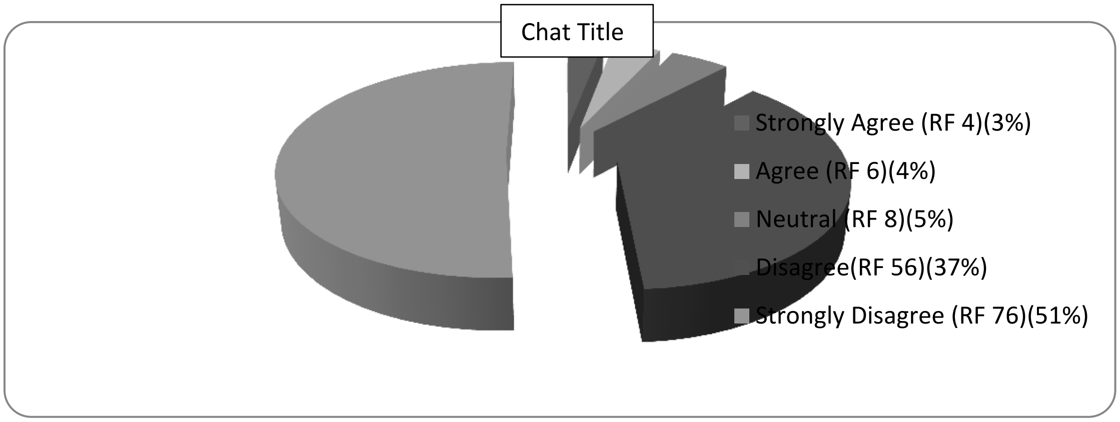

Figure 4.2: Pie Chart depicting the Response Frequencies in value and percentages for Small firms

Source: Field Survey, 2020.

Response Frequencies by Medium

Figure 4.3 represents the Pie chart of the response frequencies to Statement 12 designed to evaluate the impact of government credit schemes and funding strategies on Medium scale business performance in Nigeria.

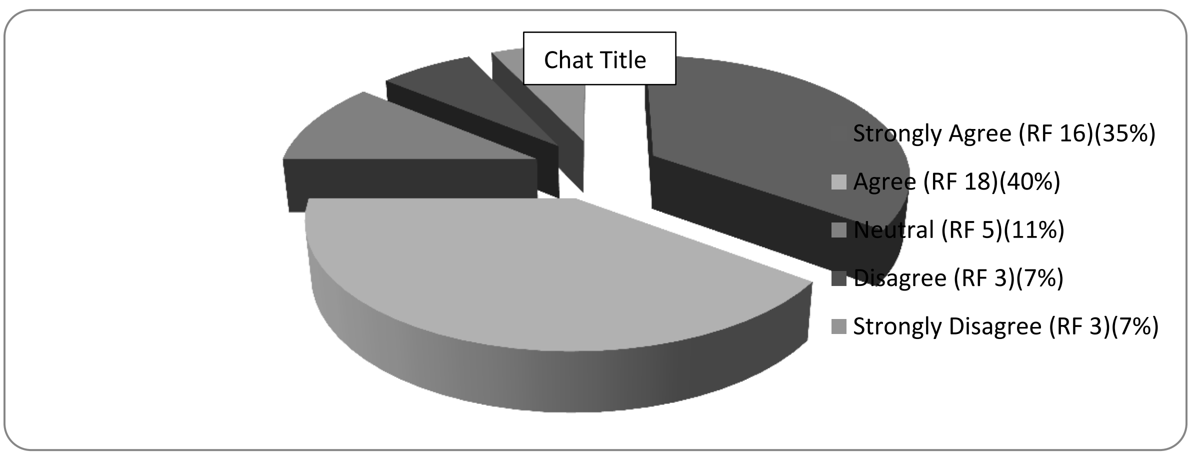

Figure 4.2: Pie Chart depicting the Response Frequencies in value and percentages for Small firms

Source: Field Survey, 2020.

Response Frequencies by Medium

Figure 4.3 represents the Pie chart of the response frequencies to Statement 12 designed to evaluate the impact of government credit schemes and funding strategies on Medium scale business performance in Nigeria.

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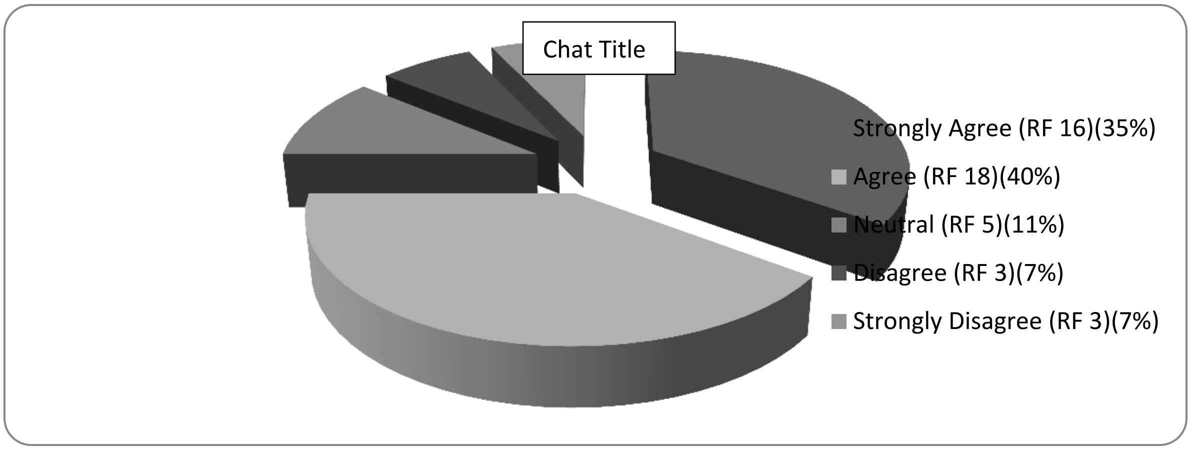

Figure 4.3: Pie Chart of Responses Frequencies in value and percentage for Medium firms
Source: Field Survey, 2020

Data Analysis and Testing of Hypothesis

For the purpose of drawing logical conclusion, this study tested three hypotheses formulated in section one as follows.

Hypothesis 1: Computation of PPMCC (r) for Micro firms.

We wish to reiterate hypothesis 1 as stated in section 1:

Ho[1]: There is no relationship between government credit schemes and funding strategies and Micro scale enterprises performance in Nigeria.

The data in table 4. 2 relating to Micro firms were used to compute Pearson Product-Moment Correlation Coefficient (PPMCC), (r) used for the empirical analysis of hypothesis 1.

Table 4.2: Computation of PPMCC (r) for Micro firms.

	Weights X	Frequency Y	x = X - Ẍ	y = Y - Ȳ	Xy	x²	y²
Strongly Agree	5	4	2	-26	-52	4	676
Agree	4	6	1	-24	-24	1	576
Neutral	3	8	0	-22	0	0	484
Disagree	2	56	-1	26	-26	1	676
Strongly Disagree	1	76	-2	46	-92	4	2116
Total (∑)	15	150			-194	10	4528

Source: Researcher computation, 2020.

Since $\overline{X} = \frac{\sum X}{n} = \frac{15}{5} = 3$

and $\bar{Y} = \frac{\sum Y}{n} = \frac{150}{5} = 30$

From equation 2 above;

$$r = \frac{\sum xy}{\sqrt{\sum x^2 \sum y^2}} = \frac{-194}{\sqrt{10x4528}} = \frac{-194}{212.79} = -0.911$$

Hypothesis 2: Computation of PPMCC (r) for Small firms.

Again, we restate hypothesis 2 as stated in section 1 thus:

Ho²: There is no relationship between government funding strategies and Small scale enterprises performance in Nigeria

The data in table 4.3 relating to Small firms were used to compute PPMCC (r) utilized for the empirical analysis of hypothesis 2.

Table 4,3: Computation of PPMCC (r) for Small firms.

	X	Y	x = X - Ẍ	y = Y - Ȳ	xy	x²	y²
Strongly Agree	5	5	2	-14	-28	4	196
Agree	4	12	1	-4	-4	1	16
Uncertain	3	7	0	-12	0	0	144
Disagree	2	28	-1	9	-9	1	81
Strongly Disagree	1	44	-2	25	-50	4	625
Total (∑)	15	96			-91	10	1062

Source : Researcher computation, 2020.

Since $\bar{X} = \frac{\sum X}{n} = \frac{15}{5} = 3$

and $\bar{Y} = \frac{\sum Y}{n} = \frac{96}{5} = 19$

From equation 2 above;

$$r = \frac{\sum xy}{\sqrt{\sum x^2 \sum y^2}} = \frac{-91}{\sqrt{10x1062}} = \frac{-91}{103.05} = -0.883$$

Hypothesis 3: Computation of PPMCC (r) for Medium firms.

Again, for ease of reference, we reiterate hypothesis 3 as stated in section 1 thus:

Ho³: There is no relationship between government funding strategies and Medium scale enterprises performance in Nigeria

The data in table 4.4 relating to Medium firms were used to compute PPMCC (r) employed for the empirical analysis of hypothesis 2.

Table 4.4: Computation of PPMCC (r) for Medium firms.

	X	Y	x = X - Ẍ	y = Y - Ȳ	xy	x²	y²
Strongly Agree	5	16	2	11	22	4	121

Agree	4	18	1	13	13	1	169
Uncertain	3	5	0	0	0	0	0
Disagree	2	3	-1	-2	2	1	4
Strongly Disagree	1	3	-2	-2	4	4	4
Total (∑)	15	45			41	10	298

Source : Researcher computation, 2020.

Since $\overline{X} = \frac{\sum X}{n} = \frac{15}{5} = 3$

and $\overline{Y} = \frac{\sum Y}{n} = \frac{45}{5} = 5$

From equation 2 above;

$$r = \frac{\sum xy}{\sqrt{\sum x^2 \sum y^2}} = \frac{41}{\sqrt{10x298}} = \frac{41}{54.58} = 0.751$$

Discussion of Findings, Conclusion and Recommendation

Discussion of Findings

We applied the decision rule in section 3.2 and the following inferences were drawn from the results obtained from our empirical estimation. For Micro businesses, the computed Pearson Product-moment correlation coefficient, (PPMCC) (r) stood at - 0.911implying a negative relationship between government funding strategies and Micro firms performance in Nigeria. This result counters apriori expectation. The magnitude of the negative value of r at - 0.911 evidenced that this category of businesses is neither correlated to nor have complementary relationship with government credit schemes and funding strategies.

The negative value of r may have resulted from respondents response rates of 51% and 37% for 'strongly disagree' and 'disagree' respectively to the statement utilized for the analysis of the hypothsis. It implies that 88% of respondents are do not have knowledge of the various government funding strategies for MSMEs. It does means also that the funds have not made meaningful impact on Micro scale enterprises performance in their locality.

The authenticity of the empirical result for Micro businesses is buttressed in the sense that of the N28,204,078,292.08 sectoral distribution of SMEEIS investments in 2009 as revealed in the literature reviewed, nothing was allocated to the Micro enterprises sector.

The situation with Small businesses appears similar to the results obtained for Micro businesses. The computed value of PPMCC (r) for Small enterprises stood at – 0.883; implying a negative relationship between government funding strategies and Small enterprises performance in Nigeria. This result also counters apriori expectation, however, the relatively smaller negative value of r for Small businesses indicate that they appear to be more aware of the existence of government funding strategies than Micro firms and that they may have had minimal access to the funds.

The poor empirical result emanates from the response frequency of 44 and 28 respondents representing 46% and 29%

response rates of Small enterprise who' strongly disagree' and 'disagree' respectively with the statement that they are aware of the various government funding strategies for MSMEs and that they have made powerful impact on Small scale enterprises performance in their locality.

Medium Enterprises employing between 50 and 199 persons and has assets worth more than N50 million but less than N500 million are relatively large firms and are viable enough to derive information on government credit schemes. They also have the potentials to produce necessary documents as collateral securities to access the funds. This appears to play out in the computed value of PPMCC (r) for Medium firms which stood at 0.751. The positive value of r for Medium firms is large enough to reject the null hypothesis of no relationship and accept the alternate hypothesis of a relationship between government funding strategies and Medium firm performance. Based on these outstanding results, we therefore conclude that government credit and funding strategies impacted positively on Medium scale enterprises performance in Nigeria

Conclusion

The computed Pearson Product-moment correlation coefficient (r) for Micro and Small firms standing at - 0.911 and – 0.883 respectively provide enough evidence that operators of these two categories of business enterprises do not have the right information or knowledge of government funding strategies and possibly the enablement to access the funds. The major factor that appears to have militated strongly against these two groups of businesses is lack of awareness. Awareness precedes any other conditionality that may have been attached to the various funding strategies and the provision of collateral securities for bank credits. Deductions from the findings led us to conclude that government credit schemes and funding strategies impacted insignificantly on the performance of Micro and Small businesses in Nigeria.

However, the computed PPMCC (r) for Medium scale enterprises exhibited a robust positive value at 0.751. This category of business enterprises appears to be standing on a vantage position financially and economically such that government policy statements are easily brought to their reach. This remarkable position and coupled with the fact that they have the potentials to provide needed collateral security for bank credits serves as a conduit for the funds to flow maximally to them.

The magnitude of the value of r is high enough to conclude that there exists a meaningful and sound relationship between government funding strategies and Medium scale businesses performance in Nigeria. From all the empirical results, we deduce that given equal opportunity of accessibility to information and other relevant support, government funding strategies may equally impact positively on Micro and Small enterprises. Based on this assertion, we conclude generally that there is significant relationship between government funding strategies and MSMEs performance in Nigeria, though the relationship is presently lopsided tilting to Medium enterprises only

Recommendation

The problems and challenges facing MSMEs in Nigeria are numerous and enormous but can be solved efficiently and effectively by a multi-dimensional, concerted and sustained approach by all stakeholders, particularly, the entrepreneurs and government. That-not-withstanding, the empirical results in this study revealed a clear distinction, between Micro and Small firms on one hand and Medium firms on the other hand. While Micro and Small firms exhibited very high negative Pearson Product moment correlation coefficients r at - 0.911, - 0.883 respectively, Medium firms exhibited very high positive coefficient at 0.751. These two extremes implies that while Micro and Small enterprises are deficient financially resulting in dwindled performances, Medium enterprises which are already large receive more of government finances. The empirical results show that Micro and Small enterprises need more assistance from government than Medium enterprises but in reality, Medium enterprises appear to have confiscated all resources.

The empirical results in this study coincide with the conclusion of a research conducted at the University of Indonesia by Lepi T Tarmidi on SMEs in Asia-Pacific Economic Cooperation (APEC) countries. Tarmidi (2005) concludes that 'enhancing the economic performance of SMEs might be a wrong policy because Medium-scale enterprises do not need any assistance any more. They are already independent and hence can grow to a medium sized firms'. The empirical results in this study evidenced that the situation in Nigeria reflects this assertion on APEC countries perfectly.

Therefore based on our empirical result and in order that government should focus more on core small scale businesses, we recommend that Medium scale enterprises should be eliminated from MSMEs category. We therefore strongly recommend that government should work out modalities and focus on the promotion of Micro and Small Enterprises (MSEs). Micro and Small Enterprises (MSEs) are most impoverished and represent the bedrock of economic activities globally and in Nigeria in particular.

It is urgently important that government should come up with modalities for encouraging Micro and Small Enterprises (MSEs). This may include concerted and sustained effort in promoting effective information disseminating system that ensures that beneficiaries are well informed, encourage peer pressure group borrowing system, educate unskilled entrepreneurs on how they can effectively and efficiently manage small businesses and scarce resources, et cetera.

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