AFRICAN JOURNAL OF MANAGEMENT, BUSINESS ADMINISTRATION & ENTREPRENEURSHIP

FINANCING STRATEGIES FOR THE SURVIVAL OF MICRO, SMALL AND MEDIUM ENTERPRISES (MSMEs) IN NIGERIA

IFEANYI S. MGBATAOGU PhD.
Department of Finance and Banking,
University of Port Harcourt,
Port Harcourt

Article history:

Received: 30 July 2021;
Received in revised form: 2 August 2021;
Accepted: 2 August 2021;

Keywords

MSMEs, Entrepreneurship, Small Business, Financing, Funding, Economic Development

Abstract

A key determinant factor in ensuring the realization and coming into fruition of perceived business ideas and innovation is good strategies and adequate funding. Without adequate funding the best dream will fiddle away and innovations will have still-birth. Thus, this study sets out to address challenges faced by Micro, Small and Medium Enterprises (MSMEs) as they relate smooth operations in general and funding in particular. The appropriate financing strategies for the long term survival and operation of these businesses are x-rayed. From the review of appropriate literature, it became obvious that Nigeria is not bereft of policies and programmes that tend to encourage entrepreneurial spirit and promote the operations of MSMEs including financing opportunities. The challenge therefore is what we can aptly summarize in two words – Efficiency Problem and "Information Blackout". Thus, the study recommends among others that government and its agencies saddled with responsibility of promoting the operations of MSMEs should develop a holistic approach to policies initiated by them to ensure that target beneficiaries are reached. In this regard, they are urged to utilize the opportunity presented by ICT (Mobile Phone) to drive information dissemination. Also, promoters of MSMEs are encouraged to maintain proper accounting record and financial management as a good strategy to attracting funding from the appropriate sources including banks and other nonbank financial institutions.

Introduction

The significance of Micro, Small and Medium Enterprises (MSMEs) in any economy cannot be overemphasized. MSMEs drive innovations and are key drivers of employment generation and export growth, as they are a major source of foreign exchange earnings. Entrepreneurs who promote MSMEs create new businesses; new businesses in turn create jobs, stimulate healthy competition and lend hand to the development of technological changes toward enhancement of productivity. They are indispensable for growth in any economy as they are among other things drivers of employment generation. Oteh, (2011) in the Global Entrepreneurship Monitor 2009, a research program aimed at assessing the national level of entrepreneurial activity in selected countries, conducted an entrepreneurship and economic growth study on 37 countries. According to the study, the economic growth of a country is directly correlated with its level of entrepreneurial activity. The study reveals that, there is a high correlation between economic growth and entrepreneurial activity in industrialized countries.

Studies by the International Finance Corporation (IFC) and PricewaterhouseCoopers (PwC) show that approx. 96% of Nigerian businesses are SMEs compared to 53% in the US and 65% in Europe. About 96% of Nigerian businesses are MSMEs. This is against 53% in the US, 65% in Europe and 91% in South Africa. MSMEs contribute about 48% of GDP and 84% of employment in Nigeria (In South Africa, 52% of GDP and 60% of employment. MSMEs account for 50% of Industrial jobs, constitute about 90% of manufacturing sector in terms of number of enterprises. MSMEs in manufacturing/industrial sector are distributed by clusters within regions in Nigeria Udechukwu (2004).

MSMEs are a very important part of the Nigerian economy. In countries at same levels of development with Nigeria, MSMEs contribute a much higher proportion to GDP than currently observed in Nigeria. Compared to other emerging markets, Nigeria has historically shown lack of commitment to building a strong MSME sector. Most developed economies show consistent commitment to the development of MSMEs by implementing: access to finance and financial incentives, basic and technological infrastructure, adequate legal and regulatory framework, and a commitment to building domestic expertise and knowledge. In light of recent events in the Nigerian macroeconomic environment, MSMEs have compelling growth potential and like other emerging economies are likely to constitute a significant portion of GDP in the near future.

Literature Review

What are MSMEs?

It is often challenging to find a universal definition for MSMEs has often proved very problematic due to the varying sizes and depth of individual country economies. Consequently, different countries through their institutions saddled with promoting the operations of MSMEs have varying definitions. As the IFC (2010) noted, defining SMEs depends on the local banking context and economy size so while international organizations like the World Bank including the IFC tend to set high sales, assets and staff employment thresholds for MSMEs in developed countries, definitions vary by country according to the size of the economies and structure of the corporate sector. On the other hand, thresholds set by local institutions (banks and government agencies) in developing economies like Nigeria tend to be lower. Some of definitions of MSMEs in Nigeria are presented below;

By the CBN

The Central Bank of Nigeria (CBN) has through its various circulars and intervention fund programmes generally defined Micro, Small and Medium Enterprises (MSMEs) as entities with asset base of N5 million and not more than N500 million excluding land and buildings with employees between 11 and 200. However, the Central Bank of Nigeria has not formally stipulated this definition of SMEs for reporting purposes so commercial banks mostly use account debit turnover to determine categories but even such turnover parameter varies widely from bank to bank.

By Commercial Banks

The Nigerian commercial banks' survey describes such SME definition variations in Nigerian banks which mostly use the account turnover criteria noting that "for small enterprises, the median maximum turnover is N60 million, the 1st quartile is N38 million and the 3rd quartile is N322 million, over five times the median" (Goodluck, 2021). For medium enterprises the median turnover is N480million, 1st quartile threshold is N200million while the 3rd quartile threshold is N2,500 million. The 3rd quartile thresholds for both small and medium enterprises lean more towards the World Bank's SME definition.

By SMEDAN

The Small and medium Enterprises Agency of Nigeria (SMEDAN) definition uses employment ability and assets base to categorize micro, small and medium enterprises. Using employment ability enterprises with less than 10, from 10 to 49 and from 50 to 199 are categorized as micro, small and medium enterprises respectively. In terms of assets, less than 5 Million, 5 to less than 50 Million and 50 to less than 500 Million are classified under small, micro and medium sized enterprises in that order.

By BOI

For Bank of Industry, number of employees, assets base, annual turnover as well as loan amounts are criteria for classifying MSMEs. Enterprises with less than or equal to 10 employees, greater than 11 but less than or equal to 50 employees and greater than 51 but less than or equal to 200 employees are micro, small or medium enterprises respectively. Total assets of less than or equal to 5 Million Naira, greater than 5 but less than or equal to 100 Million Naira and greater than 100 but less than or equal to 500 Million Naira in total assets qualify as micro, small or medium enterprises respectively. Annual turnover of less than or equal to 20 Million Naira, less than or equal to 100 Million and less than or equal to 500 Million Naira qualify as micro, small or medium enterprises respectively. In terms of loan ability, less than or equal to 10 Million Naira, greater than 10 but less than or equal to 100 Million and greater than 100 but less than 500 Million Naira are categorized as micro, small or medium enterprises in that order.

MSMEs in Nigeria: Prospects and Challenges

Literature is rife with not only the contribution of MSMEs to economic growth and developments of the economy but also financing strategies and challenges that come with them. In this paper, we attempt a cursory look at MSMEs in Nigeria, Prospects and challenges, with emphasis on issues relating to Financing. The importance of finance and funding in the as a whole and in any entrepreneurial venture in particular cannot be overemphasized. In the absence of appropriate as well as adequate funding, the best dream will fiddle away and innovations will have still-birth. Cultivating the right strategies makes it easy for the Entrepreneur to obtain external funding. Further, adequate funding makes acquisition of skill labour, modern technology, and machinery for creation of value to meet the perceived needs for profit, makes the pursuit of economic advancement worth the while.

Hence, the need to formulate appropriate financing strategy is key.

Okpara (2000) noted that given the huge potentials of MSMEs to bring about social and economic development, government authorities world over are beginning to pay the needed attention and direct resources to promote entrepreneurship of which financing is a focal point. Thus, financing MSMEs has been identified as a major catalyst and an integral success factor for growth and sustainable development in any economy. Following this same line of thought, Olutunla (2001), Taiwo, Falohun and Agwu (2016) argued that both government and corporate authorities have come to appreciate and recognize the importance of financing MSMEs and have consequently realized that their growth and survival constitute one of the foundation of sustainable economic development.

Tracing the origin of challenges posed by inadequate funding, Chinoye, (2008), Akinola (2013) opined that lack of capital for execution of projects/business ventures dated back to industrial era of 18th century when inventors attempted to produce or turn their invention into products in commercial quantities but which lack of finance hampered. He further observed this to be the beginning of separation of users of capital from providers of capital. In the same vein, Ozor (2007) and Taiwo et al. (2016) posited that deregulation is expected to release and give vent to the entrepreneurial spirit, thus assisting in the creation of value and growth the competition and that is exactly what eventually played out as people hitherto in paid in employment or with funds seized the opportunities to venture into the production of goods.

The act of employing various resources for the production of goods and services is termed enterprises.

Osoba (2007) argued that financing strength is the main determinant of the survival of small and medium enterprises growth in developing countries. Similarly, Yue and Ma (2008) on the issues bordering on the sustainable development of technological innovation in Small and Medium Enterprises (SME), argued that sustainable development of technological innovation in SMEs is a systemic engineering, which involves a number of issues such as technical level, capabilities of key research and develop personnel, availability of fund for research and development and business development etc. Thus, MSMEs need to develop and implement strategy based on their own characteristics and strive to realize sustainable growth in the long run.

Financing MSMEs in Nigeria

To better appreciate this, we as this seemingly simple but important question as it relates to financing any enterprise. Where does a promoter of small business owner go to obtain the needed finance? The source of finance can be categorized into three distinct classifications, namely, short, medium and long term (Olowe, Moradeyo, & Babalola (2013); while according to Enikanselu, (2008), source of finance can be classified into two, that is short and long term. In actual sense, what a business requires is finance but not the class of finance. However, appreciating the class of needs is as crucial as the need itself. Knowing the class will go a long a way to ease the accessibility of needed finance.

Apart from the above classification, we have classified these into micro and macro sources. Macro refers to the formal and external sources. These include the funding arrangements and assistance made available by specialized institutions set up by government in its bid to promote the operations of MSMEs in the country. In other words, they represent the provisions made by government and its agencies for the benefit of the MSMEs in terms of financing and other technical support as well as regular provisions by banks and other non-bank financial institutions. On the contrary, micro sources are 'somewhat' informal and internal to the enterprise.

Macro Source

The commercial banks, merchant banks, and development banks provide the formal sources of finance to SMEs. The financial system in Nigeria is not in short supply of liquidity, but banks have been very reluctant to grant loans to MSMEs, which they regard as a high-risk sector (Taiwo, Falohun & Agwu, 2016). Most of the banks would rather pay the penalty imposed for not meeting the minimum exposure to preferred sectors of the economy than actually run the risk of being exposed to them.

Sadly, even the Microfinance institutions set up for the purpose of providing funding and liquidity to small businesses have not lived up to expectations. Mahmoud (2015) noted that while Microfinance institutions have expanded robustly in number, the size of their credits remains abysmal. Consequently, their current support is far cry and below the scale and level needed for many medium sized projects. Further, the author opined that interest rate on microcredits is quite astronomical which he attributed to high administrative costs in relation to their scale of operations. However, Ofeimun, Nwakoby and Izekor (2018) maintained that micro financing of small businesses by micro finance banks has a great effect in stimulating the economy and recommended that emphasis should be placed on lending to preferred sectors like agriculture and mining so as to stimulate growth of the economy.

The Small and Medium Industries Equity Investment Scheme (SMIEIS) Fund

The formal financial institutions have been organized to finance MSMEs through venture capital financing in the form of a SMIEIS fund. This was in response to the Federal government's desire to promote SMEs as vehicles for rapid industrialization, sustainable economic development, poverty alleviation and employment generation. Venture capital financing supplements or takes the place of credit facilities that the conventional banks are unwilling to give. The provider of the funds may initially part with the funds as a loan, but specifically with the idea of converting the debt capital into equity at some future period in the enterprise. The return from such investment should be high to compensate for the high risk. Venture capital may be regarded as an equity investment where investors expect significant capital gains in return for accepting the risk that they may lose all their equity (Golis, 1998). The Nigerian government's version of venture capital financing of SMEs -SMIEIS, requires all licensed banks in Nigeria to set aside 10% of their pre-tax profit for equity investment and to promotion of small and medium-scale enterprises. The goal is to reduce interest rate burden and other financial service charges imposed under normal bank lending. The reason for the inability of the SMEs to avail themselves of this fund is as a result of conditions beyond most predominant SMEs Aruwa (2004). According to Sanusi (2004), a breakdown of the SMIEIS fund investment by sectoral distribution shows that 68.82% went to the real sector while service related investment accounted for 31.18%. This, he noted, is a sharp reversal from the initial trend recorded under the scheme.

The Bankers Committee has allocated the investment of banks with respect to the fund as 60%, 30%, and 10% of their fund in core/real sector, service-related and micro-enterprises respectively. Analyzing the geographical spread of the SMIEIS fund, Sanusi (2004) reported that Lagos-based investments have gulped 56.63% of the fund, and Abuja and 18 states received the balance 43.47%. The point is about the model of growth of SMEs and financing options available. Golis (1998) submit that venture capitalists do not seek enterprises on the start-up and survival stage but only in the stability and rapid growth stages did the venture capitalists appear. Yet the method of financing remains a critical success factor for SMEs.

To be eligible for equity funding under the scheme, a prospective beneficiary shall:

i) Register as a limited liability company with the Corporate Affairs Commission and comply with all relevant regulations of the Companies and Allied Matters Act (1990) such as filling of annual returns, including audited financial statements;

ii) Comply with all applicable tax laws and regulations and render regular returns to the appropriate authorities (Bankers Committee Revised, 2005). Aruwa (2005) laments that, given the developmental stage of Nigeria's dominant SMEs; it is difficult for them to meet any of these requirements. Consequently, SMEs in Nigeria do not have the capacity to access funds from SMEEIS.

Funds from Specialized Financial Institutions

It is pertinent to recognize government efforts at improving the capital base of SMEs through creation of specialized and developed institutions and specific directives of these and other formal financial institutions, as well as the Central Bank of Nigeria (CBN), targeted towards increased lending to indigenous (SMEs) borrowers. Other efforts are the non-governmental organizations (NGOs) finance supply targeted at the informal sector especially the SMEs sector. The recent government efforts at meeting the needs of the sector include the following:

i. The reconstruction of the former NIDB in the year 2001 to Bank of Industry (BOI) and the merger of Nigerian Bank for Commerce and Industry (NBCI) and the National Economic Reconstruction Fund (NERFUND) with the newly created Bank of Industry.

ii. As part of government efforts at addressing the financing needs of micro entrepreneurs, a micro-finance policy was launched by the Federal Government in December, 2005.

Other sources of SMEs Financing

The government of Nigeria coupled with assistance of World Bank and the

African Development Bank has tried in the past to really assist SMEs through their various loans and credit schemes designed to finance SMEs; some of which are:

i. World Bank SME loan scheme,
ii. African Development Bank Export Stimulation Loan (ADB/ESL) scheme;
iii. CBN Re-Discounting and Re-Financing Facility (RRF);
iv. Bank of Industry (BOI) and
v. the Graduate Employment Loan Scheme (GELS) initiated by the National Directorate of Employment (NDE).

Micro, Small and Medium Enterprises Development Fund (MSMEDF)

The CBN launched the MSME Development Fund on August 15, 2013 with a share capital of N220 billion. The Fund was established in recognition of the significant contributions of the Micro, Small and Medium Enterprises (MSME) sub-sector to the economy and the existing huge financing gap. Ten (10) percent of the Fund has been devoted to developmental objectives such a grants, capacity building and administrative costs while ninety (90) percent commercial component will be released to Participating Financial Institutions(PFIs) at 2% for on-lending to MSMEs at a maximum interest rate of 9% per annum. Eligible activities to be financed include agricultural value chain, services, cottage industries, artisans, trade and commerce and any income generating business as may be prescribed by the CBN from time to time.

Micro Sources

Perhaps the most compelling and always readily accessible is the enterprise personal savings. It is most often found to be the take-off capital. However, this source is largely found to be inadequate for the purpose of expansion and diversification.

Other sources are as follows:

Trade Credit

Trade credit is a business-to-business agreement in which a customer can purchase goods without paying cash immediately, and paying the supplier at a later scheduled date. This is a cheap form of finance as it attracts no conditionality than supplier reposing confidence. This is a helpful tool for growing business, when favourable terms are agreed with the supplier. It effectively minimizes the pressure of immediate payment on cash flow and thus helps in managing the capital requirements of the enterprise.

Advance Payment

At times, the supply of finance could be from customers pending production and supply of goods to the customers' stores. In fact, this could be of great assistance in financing working capital need of entrepreneurs, free of cost.

Overdraft

This is a special arrangement between an entrepreneur and his or her bankers to overdraw his/her demand (current) account. Under this arrangement, the account can be overdrawn at any time during the period of the facility but must revert to credit position on or before the end of the facility period. It is easier to obtain and cost friendly than loan to the entrepreneur as interest is only payable on actual amount with which the account is overdrawn and for the very number of days at which the account stands overdrawn. As good as this, yet all tenets of lending will be observed before the drawdown by the entrepreneur.

Bankers' Acceptance

When a banker is not willing to grant direct short term credit facility but consider the entrepreneur lending proposition viable, they could help facilitating discounting of accepted bill of exchange in money market. The bill will arise in the course of normal trading activities with the entrepreneur's customer who had taken possession of goods for payment to be affected at a later date. The entrepreneur draws a bill on the customer and after acceptance by the customer; the entrepreneur can then approach the banker for immediate cash assistance either directly from the banker or from other source in money market using the bill as collateral. It is not just the bill as collateral but the bill becomes first source of the credit facilities.

Bank Loan

This is a term credit facility granted to an entrepreneur by his/her bankers to finance a specific need of a business and with definite repayment programme which could runs for over twelve months. Generally, bankers will want to measure all loans/advances propositions with canon of good lending.

Hire Purchase

When an equipment such as heavy machinery, tractor or other similar items are needed for production activities such that a banker is not comfortable to finance such equipment can be procured through hire purchase agreement. The vendor sells and delivers the machine for entrepreneur's use for installment payments. The ownership however remains with the vendor until last installment is effected but actual possession of the equipment is that of hirer. This source is costly than some other sources but could be most appropriate for contingent of time.

Factoring of Debtors

This is an arrangement made by an entrepreneur with a firm (factor) to buy over the book debt of the enterprise for commission. The factor will out rightly pay for entrepreneur say 95% (or certain percentage as may be agreed) of the debt. It could be arranged in such a way as for the factor or make immediate payment of 70% of the book debt and 25% when the debt is fully recouped from various debtors of the entrepreneurs. However, the mode of purchase will be mutually agreed by the parties. This arrangement may be with recourse, and this is to say that the entrepreneur will make good any recouped below agreed percentage while without recourse indicate that the factor bears fully the consequence of default of any of the debtors in the assigned book debt.

Leasing

This is more or less an agreement to rent an equipment or item by the entrepreneur. "It is a contract between owner of an asset (lessor) and the user of the asset (lessee) granting the user or lessee the exclusive right to the asset, for an agreed period in return for the payment of rent" Olowe, 1998. It was also defined by Mustapha and Fabunmi (1990) as an arrangement whereby the lessor convey to the lessee, in return of rent, the right to use an asset for an agreed period of time. There are two types of leasing: Finance leasing where it involves a medium term period for right of usage and the contract is not cancellable and Operating lease which only exist for short period of the asset's life span and is cancellable. The rent will be for a fixed period of time (time that almost cover the whole of useful life span of the item) after which the equipment revert back to the lessor (if financial leasing), it is also possible to have a clause of first right of recourse for the lessee to be given preference to buy the asset at a nominal price. This is usually embraced by entrepreneur as a means of acquiring right to use of asset without direct commitment of funds for its acquisition. In some instances, it could be that the enterprise has acquired the assets but find a leasing company to buy same and lease back the asset to the firm. Whichever way, it provides finance for the smooth operation of the firm

Venture Capital

Venture capital is a form of private equity and a type of financing that investors provide to startup companies and small businesses that are believed to possess growth potentials.

Rin and Penas, (2009) explained capital venture as a specialized form of intermediation whose success in supporting innovative companies through provision of finance and monitoring and advice. Over 80% of new businesses fail during the first year of operation. Lack of funding turns out to be one of the common reasons. Money is the bloodline of any business. The long painstaking yet exciting journey from the idea to revenue generating business needs a fuel called capital.

Here are top 10 early stage startup investors and VC fully operational in Nigeria; Venture Platform, GreenHouse Capital, SPARK Capital, Growth Capital Fund, LeadPath Nigeria, GreenTree Investment Company, Microtraction, Lagos Angel Network (LAN), EchoVC Partners, SLA Accelerator etc.

Debenture

This is source for long term loan directly from the outside the financial institutions. It is a mean where a large scaled enterprise with high credit rating offers debts for sale to the public. Such debt when contacted is acknowledged under the enterprises zeal. At the times such debts could be convertible to equity at maturity or settled – off (discharge by redemption)

Preference share

This is a class of shareholders that are partly regarded as partial (but not) owner of the enterprise as they have no voting right in the affairs of the enterprise. Their income is fixed as agreed from on-set unlike the real owners.

Retained Earning

This is pool of undistributed profits earned over the years and plugged back to support the capital base of the enterprise. It is most risk-free and stress free source of finance especially for a profitable enterprise.

Owners' Equity

This could be from private savings of the entrepreneur and supplemented with borrowings from friends, relatives or Cooperative Society the entrepreneur belongs for initial take. When it is as stated then the available funds will be inadequate to execute any reasonable entrepreneur's innovation and generated business idea. However, when entrepreneur (like in the case of bluechip enterprises) could approach capital market for equity the coast is clear to obtain funds as much as external environment dictate.

Financing/Funding Strategies

As with varying definitions so also is financial and funding strategies appropriate in MSMEs. The strategies that could provide effective funding depend largely on size, sector and ownership structure. Also, other extraneous factors have to do with the enterprises intend to do with the funding. Questions as fund to embark on capital project, packaging of product for exportation will definitely require distinctive funding strategies. The strategies for takeoff funding will not be appropriate for working capital needs of an enterprise.

Decisions about expanding, hiring, buying new equipment and new inventories all depend upon expectations about the future. Modern economic theory assumes that firms (and their owners) are rational agents who incorporate expectations of the future into decisions made in the present. In this framework, a business owner's plans to hire, make capital expenditures, or buy inventories, are driven by expectations regarding future sales of the firm, with more positive outlooks leading to greater investment and expansion in the current period. Firms will not invest in equipment that is not expected to "pay for itself (just as they will not hire workers who are not expected to "earn their pay" without added value to the firm).

The mere knowledge of various ways to obtain finance is not sufficient. There must be appropriate strategy to access the needed finance. Most enterprises could not key in to various source of finance in Nigeria as they do not understand how and what it requires obtaining the funding to promote their business ideas.

This paper explores as much as possible various financial strategies available for entrepreneurship in Nigeria to take advantage of business opportunities, to implement a new innovation or to improve existing process. Obtaining finance at appropriate time is as important as funding itself and this requires planning.

Benefits for Financing/Funding Strategies

The creativity, originality and innovation that MSMEs bring will remain a dream without adequate funding to bring it into realities. Idea generated needs to be implemented and implementations require finance hence the need for all entrepreneurs to know where to go to for required finance. Sourcing for finance at inappropriate time will expose business to failure for lack of finance, obtaining finance at high cost, loss of business opportunity etc. Working within strategies makes it easy to obtain funds from outside the business as apparatus for accessibility would have been in place.

MSMEs' promoters should therefore among others embrace the following strategies that will make obtaining funding a lot easier:

Cash Flows Statement or Cash Budget

There is need to ascertain shortfall that may arise in working capital ahead of time require cash flows statement. Cash flows statement will assist in determining exact amount of funds that will be required to financial inventories and others short term needs of the enterprise. Again, it also presents the business promoter with the idea as to when exactly will the need arise, the knowledge of which will ensure that proactive measures are taken.

Choosing the "Appropriate" Bank for Relationship

Different banks have different products that address the needs of their clients. Some banks are more MSMEs-friendly than others. Thus, they design various products that are geared promoting the thriving of small businesses. In this regard, obtaining credit facilities from these banks when there is need to do so becomes less stringent for the entrepreneur.

Capital Structure Choices - Good Credit Risk Rating

It is advised that a small business promoter builds his capital around owner's equity and retained earnings. The essence of this is that building capital structure around these two will foster negotiating opportunity when need for external funds arises. Akinola (2013) shared this same thought when he argued that in starting a new business, the entrepreneur will do well by either having an angel investor to inject equity funds/finance to stabilize the venture early stage operations.

Knowledge of Specialized Finance Institutions and Government Agencies

Knowledge they say is power. In this regard, it is very crucial for MSMEs owners to be aware of and avail themselves of various financial services of various specialized institutions. This will create consciousness of funding opportunities. Some government agencies are established for this purpose and are willing to assist with technical knowhow and funding for viable business opportunities. Some of these agencies include;

Bank of Industries (BOI): for various types of credit be it short, medium or long term financing wide range of enterprises' financing needs. The Nigerian Export-Import Bank (NEXIM) for enterprises into international trades and Bankers' Scheme known as' The Small and Medium Industries Equity Investment Scheme (SMIEIs) which is appropriate for venture capital.

Transparent Financial Records

It is very essential for entrepreneurs especially for the Micro, Small and to some extent the Medium Scale enterprises to ensure their accounting transactions are kept on double entry principle. The account if audited, will provide proof of accountability within the enterprise and moreso, prospective creditors will be able to access the firm's need and capability to service such when granted. It will also enhance credibility of the firm to the outside word.

Membership of Trade Association/Cooperatives

Opportunities in form of ease in access of credit facilities, Information sharing and economies of scale that come with cooperatives are enormous. Membership of cooperatives will afford the MSME promoter the opportunity to be able to leverage on this in having access to current information both those that relate to operations within the economy and also those that relate a new financing opportunities.

Identification of Appropriate Sources and Choice of Finance

Knowledge of which institution to approach for a specific need is very important as this will ease the time frame to obtain the funding. This also involve knowing the type of facility require for the need i.e. not seeking for short term facilities when the funds are required for asset acquisition or capital project. Some activities may ordinarily look befitting short term facilities but close scrutiny will reveal that it requires both short and medium term facilities.

Business Plan

Having a well prepared and thought out business plan is key. Most financing institutions require a good business plan in analysis any credit request and as critical component of any loan proposal. Business plan clearly spells out the vision of the entrepreneur, how the vision will be executed, and operations of the enterprise. In line with this and buttressing the importance of well written business plan, Akinola (2013) opined that critical review of the following questions by MSMEs will be of immense help in obtaining funds at the right time.

- How much to start the business with?
- What capital contribution can the entrepreneur make? Where to obtain the shortfall? Is it possible to find partner(s) that will buy into the vision of the enterprise?
- What assets are needed for acquisition? Can the assets be acquired through hire purchase or better still through financial leasing?
- What are the necessary maintenance costs?
- Can raw materials be obtained from suppliers on credit without losing much of discount facility?
- Which sources of have best contract term; Cost of funds; any moratorium? Is repayment terms liberal or stringent on draw-down conditionality?
- How much of the needed funds should be for working capital and how much will the enterprise's ability will not support for repayment within less than twelve months?

The Micro, Small and Medium enterprise will found the above useful in other to have access to funds for their innovation and business' financial needs.

Conclusion and Recommendations

Entrepreneurial spirit is like a burning fire that needs to be constantly fan into flame to keep the flame alive and active. The success and fruition of entrepreneurial ideas and dreams is in itself a self-motivating factor for more dreams, ideas and innovation. A key determinant factor in ensuring the realization and coming into fruition of perceived business ideas and innovation is good strategies and adequate funding. Without adequate funding the best dream will fiddle away and innovations will have still-birth. Finance is the grease that nurtures innovation to fruition and an essential ingredient to business success.

It has become obvious that Nigeria is not bereft of policies that tend to encourage entrepreneurial spirit and promote the operations of MSMEs. The challenge is what we can aptly summarize in two words – Efficiency Problem and "Information Blackout". Thus, there are myriads of policies by government and its agencies saddled with the responsibility of promoting and supporting the activities of MSMEs including technical and financial supports. The question remains why is the country lagging behind in indices that show the success of MSMEs' operations despite these lofty policies and programmes? It then bears repetition that the target beneficiaries of these policies and programmes are not adequately and fully reached.

Thus, there's more work to be done by all the stakeholders in the chain of promotion and operations of MSMEs in Nigeria. We recommend the following:

Information Is Key

Government and its agencies saddled with responsibility of promoting the operations of MSMEs should develop a holistic approach to schemes initiated by them and policies to ensure that target beneficiaries are reached. In this regard, they are urged to utilize the opportunity presented by ICT (Mobile Phone) to drive information dissemination. Nigeria has a high mobile phone penetration density even in the remote rural areas of the county. In collaboration with the network providers, information regarding the activities of the agencies can be easily transmitted via text messages, callback ring tones and jingles.

Opinion leaders like religious and traditional leaders should get involved in sensitizing their subjects on the activities and various schemes (both technical and financial) of government and its agencies aimed at encouraging and promoting entrepreneurial skills of teeming Nigerian youths who are hitherto unreached.

Also, political leaders at the grassroots (Local government chairmen and councilors) should own and domesticate these policies by organizing workshops, symposia and programmes aimed at talents hunts to identify, fish-out and expose their enterprising subjects to various opportunities and programmes of government that are geared in supporting entrepreneurial ventures.

On the part of existing MSMEs, maintenance of proper accounting record and financial management will go a long way in ensuring judicious use of scarce funds and lay a solid ground and it is a good strategy to attracting funding from the appropriate sources including banks and other nonbank financial institutions. They should bear in mind that these institutions are also in business to make profit. No serious minded financing institutions will willingly support carelessly presented business ideas no matter how viable it might appear.

Finally, all the bureaucratic and administrative bottle necks which make funds inaccessible to small and medium scale enterprises operators should be minimized. This will encourage some skillful and unlearned entrepreneurs to boldly approach the appropriate financing institutions for funding.

References

Adisa, T.A., Abdulraheem, I. & Mordi, C. (2014). The characteristics and challenges of small businesses in Africa: An Exploratory Study of Nigerian Small Business Owners. *Economic Insights – Trends and Challenges,* 3(66), 1-14

Afolabi, M.O. (2013). Growth effect of small and medium enterprises (SMEs) financing in Nigeria. *Journal of African Macroeconomic Review,* 3(1), 193-205

Akinola, A.O. (2013). Entrepreneurship in Nigeria - funding and financing strategies. *European Journal of Accounting Auditing and Finance Research*, 1(4), 115-128

Amit, R., Brander, J, Zott, C. (1999). Venture capital financing of entrepreneurship:

Theory, Empirical Evidence and A Research Agenda.

Aruwa, S.A.S (2004). Financing options for small and medium-scale enterprises in Nigeria. *The Nigerian Journal of Accounting and Research,* 1(2)

Augusto, O. (2004). Beyond bank consolidation effects on banking and real sectors. CBN 4th Annual Monetary Policy Conference, 18-19th Nov. 83-85.

Chinoye, L.E. (2008). Entrepreneurship: Conceptual Approach. Concept Publication Limited. Lagos, Nigeria.

Dagogo, D. W., & Ohaka, J. (2017). Critical evaluation of small business financial strategies in Nigeria: A Panel Study. *International Journal of Finance and Accounting*, *6*(2), 37-4.

Enikanselu, S.A. (2008). The Complete Entrepreneur: Managing the Small Industry.

Feear, J., (1985). The Management of Business Finance. The Bath Press, Avon. Great Britain

Golis, C. (1998). Enterprise and Venture Capital: A Business Builder and Investment Handbook, 3rd edition, Australia: Allen and Urwin

Goodluck, I. J. (2021). Revitalizing rural infrastructures as a catalyst for small and medium enterprises development: The Uromi experience. *Hallmark university*, 112.

Hallberg, K., (2011). A market oriented strategy for small and medium sized enterprises. *IFC Discussion Paper* 4.

Mainoma, M.A. (2005). The nexus between risk and investment decision: Experiences from Nigerian investment climate. *Nigeria Journal of Accounting Research*, 3. 64.

Murtala Aminu, I., & Mohd Shariff, M. N. (2015). Influence of strategic orientation on SMEs access to finance in Nigeria. *Asian Social Science*, *11*(4), 298-309.

Mustapha, R.S. & Fabunmi, B.L., (1990). Finance of International Trade. F& A Publishers Limited. Lagos, Nigeria.

Njoku, S. 2000, „The capital flight challenge for the Nigerian industrial sector‟. Real Sector Digest, Business Day, August 15.

Ofeimun, G. O., Nwakoby, C., & Izekor, O. A. (2018). Effects of microfinance banks on small businesses' growth in Nigeria. *International Journal of Economics and Business Management*, *4*(4), 15-25.

Ojo, A.T. 1984, Banking in Nigeria, London: Graham Burn

Olawale, V.O., Idowu, A.S., Nwogu, J.A. & Yahaya, A. (2019). Impact of Nigeria financial market on small and medium scale enterprises (SMEs) in Nigeria: A survey of some SMEs in Gusau metropolis. *International Journal of Economics and Financial Management, 4(4), 53-61*

Olowe, R.A., (1998). Financial Management: Concept, Analysis and Capital Investment. Brierly Jones Limited. Lagos, Nigeria.

Olowe, F.T., Moradeyo, O.A., & Babalola, O.A. (2013). Empirical study of the impact of microfinance bank on small and medium growth in Nigeria. *International Journal of Academic Research in Economics and Management Sciences*, 2(6), 116-124.

Osoba, A. M. (1987). Small scale enterprises in the development process, in Osoba, A.M. (Eds.). Towards the development of small scale industries in Nigeria. *NISER*, 8- 24

Oteh, A. (2011). Making capital markets work for SMEs in Africa. *The Journal for Capital Markets Industry*. 14(1)

Ozor, B.M., (2007). Impact of deregulation and globalization on accounting for small and medium scale enterprise. *The Nigerian Banker. April – June. Chartered Institute of Bankers of Nigeria*. 15 – 20.

Sanusi, J. (2004). Research study presentation at the national summit on revamping small and medium industries. *Thisday*. 10(3243), 25

Taiwo, J.N. Falohun, T.O. & Agwu, M. E. (2016). SMEs financing and its effects on Nigerian economic growth. *European Journal of Business, Economics and Accountancy*, 4(4)

Udechukwu, I., (2004). Survey of small and medium scale industries and their potentials in Nigeria. *Central Bank of Nigeria's Seminar: Small and Medium Industries Equity*

Yue, F. & Ma, L. (2008). Research on the sustainable development of technological innovation in small and medium enterprises. 1051-1054.