Emerging Issues in MANAGEMENT SCIENCES:

PERSPECTIVES FROM NIGERIA

A Festschrift in honour of
PROFESSOR SIDIKAT LARABA ADEYEMI



Edited by
* PROF. M. A. IJAIYA
* PROF. R. A. GBADEYAN
* DR. T. O. FAGBEMI

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PROF. SIDIKAT LARABA ADEYEMI
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ABOUT THE HONOUREE

Prof. Sidikat Laraba Adeyemi was born in June 17, 1955 into the family of Late Alhaji Bolarin Bello and Alhaja Seliat Bello. She attended Government Girls College, Minna, Niger State for her secondary school education and Ahmadu Bello University, Zaria, for her undergraduate degree programme in Economics and postgraduate degree programme in Business Administration. She had her Pre-Ph.D. programme at the Institute of Science and Technology, University of Manchester, United Kingdom; and she bagged a Ph.D. degree in Management Sciences from the University of Ilorin in 1992.

Prof. S.L. Adeyemi participated in the National Youth Service Corp programme in 1979 and served as a Honourary Graduate Assistant with the Department of Vocational and Technical Education at the Ahmadu Bello University, Zaria. She also had a brief stint with the Federal University of Technology, Minna, Niger State and the Katsina College of Arts, Science and Technology as a Lecturer. While having a flourishing career in teaching and research, she rose through the ranks and became a Professor at the University of Ilorin in the year 2011. She was also a co-winner (with two other scholars) in the UNESCO Small Grant Research Award on Human Rights and Poverty Eradication in the year 2005.

Prof. Sidikat L. Adeyemi is a great mentor and has produced many doctoral students among whom are now Professors, Technocrats, Astute Administrators and Managers in both private and public sector organisations in Nigeria and diaspora.

Finally, Prof. Adeyemi is well travelled and continues to make significant contributions in the mentorship of younger ones within and outside the University system.

EDITORIAL COMMENT

This is the second Festschrift that will be written in honour of our mentors in the Faculty of Management Sciences, University of Ilorin, Nigeria. The first was written in 2013 for Prof Jackson O. Olujide on the occasion of the commemoration of his 60th Birthday, and also as the Pioneer Dean of the Faculty of Management Sciences, University of Ilorin. It is good that this idea has become sustained, and we now have this edition in honour of Prof. Mrs. S.L. Adeyemi, the Pioneer Director Ilorin Business School and the first female Dean for the Faculty of Management Sciences, University of Ilorin Nigeria.

This book is a contribution of chapters from colleagues, friends, and former students of our honoree, who can be described as an academic giant. In the words of John Quincy Adams, if your actions inspire others to dream more, learn more, do more and become more, you are a leader. I am bold to say that Prof. Mrs. S.L. Adeyemi is a leader that is worth celebrating while still alive.

The book generally covered emerging issues in Management Sciences from Nigerian Perspectives. The idea of this book project was conceived by Prof. M.A. Ijaiya immediately after he became the Dean of the Faculty of Management Sciences in August 1, 2019. He inaugurated a Seven Team Ad-Hoc Faculty Book Committee to handle the project comprising Prof. R.A. Gbadeyan as Chairman, and other members include Dr. T.O. Fagbemi, Dr. A. S. Kasum, Dr. O.J. Omolekan, Mr. M. O. Aliyu, Mr A. A. Ishola and Dr. I. B. Abdullahi. My profound gratitude to the Dean, Prof M. A. Ijaiya for the confidence he reposes in the committee. There was a delay in the production of the book due to the ASUU Strike which was later overtaken by the Corona Virus pandemic which nearly scuttles the dream of having the book project completed earlier than this time. The call for paper for the book was sent out on 2nd September, 2019 to prospective contributors; making us to have a total of 21 months 16 days for the book project. I want to salute Dr. T.O. Fagbemi who is the Editor of the book for his cooperation and support in ensuring that we finally have the book in this form. He is committed to the project and coordinates the major activities involved in the production of the book. I also wish to thank our numerous reviewers for their selfless service. They have given the necessary editorial support in making us get a reader-friendly publication. The book has been able to communicate the five methodologies that are required from a publication namely: Facts, Values, Skills, Desires and Action requests. The publication may look, feel and read completely different depending on which of these methodologies is communicated.

Margaret Fuller (1810 – 1850), who is an American critic, teacher, and woman of letters wrote that: today a reader, tomorrow a leader. This explains that for somebody to be a leader, s/he has to read. In other words, a leader must learn from others and that requires reading other people's works. Similarly, this is reiterated by Napoleon Bonaparte (1769 – 1821), a French military and political leader who said: show me a family of readers, and I will show you the people who move the world. This book is, therefore, commend to all lovers of good books and the readers throughout the world for their comments and criticism. It is hoped it will make a good collection in the library. Thank you and wishing you happy reading.

Prof. Rotimi A. Gbadeyan
Editor-in-Chief
June 18th 2021

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DEDICATION

To Professor Sidikat L. Adeyemi – for her invaluable contribution to knowledge and humanity. Thank you for everything.

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CONTENTS

ABOUT THE HONOUREE v
EDITORIAL COMMENT vi
DEDICATION vii
FOREWORD viii
LIST OF CONTRIBUTORS x

PART ONE
FORENSIC MARKETING: A NEW APPROACH TO SOLVING MARKETING PROBLEMS
Rotimi A. GBADEYAN (Ph.D), O.J. OMOLEKAN (Ph.D) 1-19

GREEN HUMAN RESOURCE MANAGEMENT: MEANING, PROCESSES AND PROSPECTS
LAWAL, Azeez Tunbosun (Ph.D.), GUNU Umar (Ph.D) 20-33

ENVIRONMENTAL ISSUES IN OPERATIONS MANAGEMENT: A PRODUCTIVITY EFFICIENCY APPROACH
Olushola J. OMOLEKAN, (Ph.D.); Rotimi A. GBADEYAN, (Ph.D.) 34-41

PART TWO
TECHNOLOGICAL ISSUES IN MANAGEMENT ACCOUNTING: REDEFINING OPPORTUNITIES AND SKILLS-SET
Temitope Olamide FAGBEMI (*Ph.D*) 43-54

METHODOLOGICAL ISSUES IN ACCOUNTING RESEARCH
Mubaraq SANNI (Ph.D.), Ahmad Bukola Uthman, Abdulai Agbaje SALAMI 55-69

ISSUES IN ACCOUNTING THEORY DEVELOPMENT
ABOGUN Segun (Ph.D.) 70-90

STRATEGIES FOR IMPROVING CANDIDATES' PERFORMANCE IN ACCOUNTING PROFESSIONAL EXAMINATIONS
Khadijat Adenola YAHAYA (Ph.D.) 91-104

IMPACT OF PERFORMANCE AUDIT ON PUBLIC SECTOR GOVERNANCE: STAKEHOLDERS' PERCEPTION IN KWARA STATE, NIGERIA
USMAN, Kazeem Adebayo, FAGBEMI, Temitope Olamide 105-117

FINANCING SUSTAINABLE ENVIRONMENTAL DEVELOPMENT IN NIGERIA: A CONCEPTUAL APPROACH
ADEMOKOYA, Alade Ayodeji (Ph.D.), JOHN, Stephen Alaba 118-128

IMPACT OF AUDIT FIRM TENURE ON THE FINANCIAL REPORTING QUALITY OF LISTED DEPOSIT MONEY BANKS IN NIGERIA
Ramat T. SALMAN (Ph.D.) 129-145

PART THREE
BANK SPECIFIC CHARACTERISTICS, MACROECONOMIC FACTORS AND FINANCIAL STABILITY IN NIGERIAN COMMERCIAL BANKS
Oyebola Fatima ETUDAIYE-MUHTAR (Ph.D) 147-162

EFFICIENT CAPITAL MARKET HYPOTHESIS AND THE APPLICATION OF ARCH AND GARCH
Kamaldeen Ibraheem NAGERI (Ph.D., ACS),Micheal Adebayo AJAYI (Ph.D.)
Taiwo Adewale MURITALA (Ph.D.),Ahmed Oluwatobi ADEKUNLE (Ph.D.) 163-178

NIGERIA AND SME FINANCING EFFORTS: A REVIEW OF THE PAST AND THE PRESENT FOR FUTURE PARADIGM
Lukman Adebayo-Oke ABDULRAUF 179-196

EFFECT OF MICROFINANCE ON FINANCIAL INCLUSION IN NIGERIA
Muftau Adeniyi IJAIYA (Ph.D), Biliqees Ayoola ABDULMUMIN (Ph.D) 197-209

PART FOUR
THE CHALLENGES OF LOCAL GOVERNMENT REVENUE GENERATION IN NIGERIA
ISIAKA, Sulu Babaita (Ph.D.); ISHOLA, Abdulrasaq Ajadi;
ABDULKAREEM, Abdulrazaq Kayode & Ogunlusi Adenike Damilola 211-219

ACTORS IN INDUSTRIAL RELATIONS: PERSPECTIVES ON NIGERIA
ALIYU Mustapha Olanrewaju 220-230

INFLUENCE OF POLITICAL MANIFESTO ON ELECTORATES' TRUST: THE SUBTLE LINK
AREMU, Mukaila Ayanda (Ph.D.), ABDULAZEEZ, Sodiq Olamilekan 231-245

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NIGERIA AND SME FINANCING EFFORTS: A REVIEW OF THE PAST AND THE PRESENT FOR FUTURE PARADIGM

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PREAMBLE

The generation of more economic activities by the Small and Medium Enterprises relies heavily on their extent of accessibility to finance. Laying credence to this, SMEs' financing has been at the forefront of development agenda in Nigeria. The chapter reviews the past and the present SMEs financing efforts of both private and public sector-led institutions in Nigeria with a view to charting the course for future policy improvement.

INTRODUCTION

Small and Medium Scale Enterprises (henceforth SMEs) occupy a center stage in the transformational activities of most national economies, developed and developing, the world over. On average SMEs represent over 90% of the enterprises and account for 50 to 60% of employment in most African countries (Ahiawodzi & Adade, 2012). It has been documented that SMEs provide 70% of the industrial sector employment and 60% of the agricultural sector employment (Lawal & Ijaiya, 2007).

Acknowledging the aforementioned fact, SMEs' financing has been at the forefront of development agenda in Nigeria (Mordi, Anyanwu, Adebusuyi, Odey, Amoo, Mbutor, Adebayo, Akpan, Igue, Ibeagha, Belonwu & Zimboh, 2014). In broad terms, two institutions have been involved in the effort towards ensuring credit delivery to SMEs in Nigeria namely; Private sector-led institutions and Public sector-led institutions (Mordi, *et al* 2014). While the private sector-led institutions are dominated by the deposit money banks and the microfinance banks, the public sector-led institutions are dominated by the schemes and programmes set up by the government to intervene in specialized sectors to improve access to finance by the various SMEs (Mordi *et al* 2014).

When it comes to private sector-led financing, banks, be it Deposit Money or Microfinance; have traditionally been involved in bridging the financing gaps of SMEs. In Nigeria context, Deposit Money Banks (formerly known as commercial banks) and Microfinance Banks have dominated the private credit market for the SME sector as part of their financial intermediation role of channeling financial resources between the surplus and deficit economic units. The paper aimed at reviewing the past and present SMEs' financing efforts in Nigeria with a view to drawing certain evidence-based conclusions and make recommendations for policy improvement.

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CONCEPTUAL CLARIFICATIONS

In Nigerian context, Small Enterprise is categorized as one having its total assets (excluding land and building) exceeding ten million naira but below hundred million naira with total number employees of greater than ten but less than fifty. On the other side of the coin, a medium enterprise is one having total assets (excluding land and building) of more than hundred million naira but not exceeding one billion naira with total workforce of between fifty and one hundred and ninety nine employees (Small and Medium Enterprises Development Agency of Nigeria, 2015).

Financing is concerned with where, *when and how to* access funds to meet a firm's investment needs. The main concern is on determining the optimum proportions of debt and equity capital structure and how such can be achieved (Kurfi, 2003 cited in Koko, 2013). Finance and its access, to enable individuals to do what they desire to do, is gradually being recognised as a significant aspect of economic growth and development. Access to finance is widely considered to be a critical component in the development process based on the accepted belief that it directly improves welfare and encourages growth (Fischer, 2012). This is so because the non- availability of finance could undermine the growth of the firms hence the growth of the nation.

REVIEW OF VARIOUS SME FINANCING EFFORTS IN NIGERIA

This section delves into the various SMEs' financing efforts of the Deposit money banks, the Micro finance banks and public sector led intervention through its various programmes, policies and schemes.

The Nigerian Deposit Money Banks (DMBs) and SMEs Financing

Before the deregulation of the financial sector, the Deposit Money Banks have tremendously been involved in SME financing in Nigeria. On one hand, the upsurge in the credit expansion to SMEs sector had been attributed to the CBN credit guidelines mandating all commercial and merchant banks to allocate a stipulated percentage of their total credits to the "preferred sectors" among which is the SMEs while on the other hand, due to the imposition of sanctions, including payment of penalties and mandatory transfer of lending shortfalls by the erring banks for the failure of compliance with the CBN directive, most banks were mandated to comply resulting to credit expansion to SMEs (Mordi *et al*., 2014). With full deregulation of the financial sector in October 1996, the policy of sectoral allocation of credit to the preferred sectors was abolished and this has put commercial banks' credit extension to SMEs on continued sharp declines. According to Adamu (2009), the analysis of deposit money banks' lending to SMEs is better appreciated when the lending trends are examined in terms of the three periods of SME financing policies by the monetary authorities. These periods include the period of mandatory banks' credit allocations of 20% of total credit to SMEs (that is,

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1992-1996); the period of banks' pre-consolidation (that is, 1997-2005); and the post-consolidation period (that is 2006-2019).

In 1992, the CBN kick-started the monetary policy stance of mandatory sectoral allocation of credits to the "preferred" sector of the economy among which is the SME sector. Consequently, DMBs were directed to allocate a minimum of 20% of their total private sector credit to SMEs. As shown in Table 1, the level of compliance of DMBs was quite impressive as 20.4 billion naira out of the total 75.5 billion naira private sector credit representing 27.04 percent was loaned to SMEs. However, banks' involvement in SME lending continued to be on the insignificant regressive decline in the subsequent years. For instance, in 1993, while aggregate total credit was increased to 88.8 billion naira, only 15.5 billion naira (that is 17.4 percent of the total private sector credit) was allocated to the SMEs. Also, only 14.32 percent, 15.86 percent and 16.60 percent of the total private sector's credit were allocated to SMEs in the years 1994, 1995 and 1996 respectively. It is important to note that the cumulative total loan to SMEs between 1992 and 1996 stood at 131.1 billion naira representing a mean percentage of 17.1 which is slightly below the 20 percent threshold.

This partial compliance has been attributed to the preference of banks to pay stipulated penalties rather than channeling the loans to SMEs given the uneconomic nature and cumbersome administration of the loans. However, sanction was later imposed for the mandatory transfer of the lending shortfall to ensure an improved level of compliance (Mordi, *et al*. 2014). The mandatory banks' credit allocations of 20% of their total credit to SMEs wholly-owned by Nigerians had been abolished with effect from 1st October, 1996.

Following the abolition of a minimum 20 percent mandatory credit allocation to SMEs in 1996, the Nigerian government intensified its liberalization policy under the Structural Adjustment Programme (SAP). As a result, the financial market was deregulated to allow forces of demand and supply dictate the market tune. The development ushered in a new banking period tagged "the pre-consolidation period of 1997 to 2005". The period, against the expectation, recorded a downward trend of SMEs' access to deposit money banks' credit. As shown in Table 1, credit allocation to SMEs as a percentage of the total credit to the private sector continued to plummet from 13.12 percent in 1997 to a seemingly ridiculous 2.54 percent in 2005. Cumulative loans to the private sector during the nine-year period amounted to 8,221.5 billion naira out of which only 505.1 billion naira, representing a mean ratio of 6.1% was allocated to SMEs. The major reason adduced for this downward trend in DMBs' lending to SMEs in the pre-consolidation period, is the discontinuance of mandatory banks' credit allocation of 20 percent and all other forms of restrictions and controls to pave way for a free market economy (Lawal & Ijaiya, 2007; Mordi *et al*., 2014). Other institutional issues, which include high loan processing costs, delay in loan disbursement, exchange rate volatility and prohibitive interest rate, have also been cited as responsible for the continual reduction in credit extension to SMEs (see Lawal & Ijaiya, 2007).

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In a bid to build a formidable banking sector, the CBN reviewed the capital base requirements for commercial banks and merchants banks and the development led to the consolidation of banks in the Nigerian banking sector, an exercise that was concluded by the end of the year 2005. The banking consolidation has improved the DMBs' credit delivery to the economy as the aggregate credit to the private sector of the economy in the post-consolidation period (that is, 2006-2019) recorded a geometric increase of more than 11 times its pre-consolidation levels. This may be connected with increase in capital base of DMBs which perhaps improve their lending power. However, SMEs' credit allocation status is paradoxical as the DMBs' loan to the sector as a percentage of total credit continued to fall from 2.54 percent in 2005 to a ridiculous 0.07 percent in 2017 but later increase to 0.71 percent in 2019. Total credit extended to SMEs has continued to reduce sharply from 25.7 billion naira in 2006 to 15.3 billion naira in 2013. Nevertheless, the 2014 increase to 16.1 billion naira though not in the same proportion with the increase in total private sector credit, later declined to 12.9 billion in 2015. This accounted for only 0.08 of the total credit to the economy. Cumulatively, the total DMBs' credit to the economy during the fourteen-year period (2006-2019) amounted to 158,012.2 billion naira with an aggregate loans to SMEs of 373.3 billion naira, representing a meager mean percentage of 0.24%. Despite the emergence of larger banks after consolidation, SMEs' credit allocations had been on the downward trend. This corroborates the conclusion of Avery and Samolyk (2004) that bank consolidation (in the past) had done no more good than harm in credit delivery to SMEs. Also, risk-averse nature of DMBs, which seek adequate collaterals as cover for the perceived risky SME lending is another reason adduced for the decline in SMEs credit extension (Mordi *et al*., 2014). To make the case worse is the fragility of the economic environment and lack of appropriate infrastructure which renders SMEs practice and inefficient (Luper, 2012).

Table 1: Deposit Money Banks' Loan to Small and Medium Scale Enterprises (1992-2019)

Period	[1]Commercial Banks' loan to SMEs (N' Million)	[2]Commercial Banks' total Credit to Private Sector (N' Million)	[3]Commercial Banks' loan to SMEs as a percentage of Total Credit (%)	[4]Period mean (%)
1992	20,400.00	75,456.30	27.04	
1993	15,462.90	88,821.00	17.41	
1994	20,552.50	143,516.80	14.32	
1995	32,374.50	204,090.60	15.86	
1996	42,302.10	254,853.10	16.60	
Aggregate 1992-1996	**131,092.00**	**766,737.80**		**17.1**
1997	40,844.30	311,358.40	13.12	
1998	42,260.70	366,544.10	11.53	
1999	46,824.00	449,054.30	10.43	
2000	44,542.30	587,999.90	7.58	
2001	52,428.40	844,486.20	6.21	
2002	82,368.40	948,464.10	8.68	
2003	90,176.50	1,203,199.00	7.49	
2004	54,981.20	1,519,242.70	3.62	
2005	50,672.60	1,991,146.42	2.54	
Aggregate 1997-2005	**505,098.40**	**8,221,495.12**		**6.1**
2006	25,713.70	2,609,289.40	0.99	
2007	41,100.40	4,820,695.70	0.85	
2008	13,512.20	7,799,400.11	0.17	
2009	16,366.49	9,667,876.68	0.17	
2010	12,550.30	9,198,173.06	0.14	
2011	15,611.70	9,614,445.80	0.16	
2012	13,863.46	10,440,956.33	0.13	
2013	15,353.0	11,543,649.90	0.13	
2014	16,069.30	13,179,598.10	0.12	
2015	12,949.50	13,568,543.70	0.10	
2016	10,747.89	16,500,150.26	0.07	
2017	10,747.89	16,193,858.35	0.07	
2018	44,822.94	15,438,603.87	0.29	
2019	123,932.10	17,436,986.42	0.71	
Aggregate 2006-2019	**373,340.87**	**158,012,227.68**		**0.24**

Source: (1 and 2) CBN Statistical Bulletin, 2019.
(3 and 4) Author's Computation, 2020.

Microfinance Banks (MFBs) and SMEs Financing in Nigeria

To further bridge the finance gap for the SMEs vis-à-vis tapping the huge market for financial intermediation at a micro and rural sector of the economy, the Federal

Government in December 2005 mandated all licensed community banks to transform to microfinance banks licensed to operate as unit banks on meeting the prescribed new capital base and other conversion requirements within 24 months from the date of approval of the policy. With effect from December 2006, all existing community banks were transformed into Microfinance banks. Although the community banks have undergone several reforms since 1992, their metamorphosis to MFBs in 2006 is a fall-out of the bank consolidation (Mordi *et al.*, 2014).

Microfinance was primarily adopted as a means to overcome the acute problem of finance faced by Small and Medium Scale Enterprises in Nigeria and that is a major reason why MFBs are directed by the CBN to lend at least 80 percent of their loan portfolio to the sector (Mordi, *et al.*, 2014). Today, they are the best bet for SMEs (particularly the villagers and other small scale producers) in terms of easy access to credit (Ojo, 2009). As of December 2015, 948 MFBs were reported operating in the country. Meanwhile, Microfinance policy, concerning licensing requirements, was revised in 2011. By the provisions of this policy, MFBs were categorized into three namely; Unit MFBs, State MFBs and National MFBs. Also, the minimum paid-up capital requirements for the Unit MFBs, State MFBs, and National MFBs were placed at 20 million naira, 100 million naira and 2 billion naira respectively. Table 2 depicts the volume of loans and advances of MFBs before and after the community banking era. As shown in the table, between 1992 and 2006, during the community banking period, there was an upward trend in the MFBs loans and advances to the SME sector of the economy except for 1995, 2001 and 2006 when percentage decrease of 0.07 percent, 0.64 percent, and 0.42 percent respectively were recorded. By 2006, when the transformation of community banks to microfinance banks was effected, cumulative loans and advances of banks (community banks) stood at 86.8 billion naira. With effect from 2007 when all community banks have metamorphosed into microfinance banks, the volume of their loans and advances has always been on the rise. This is evident in the percentage increase in the MFBs' loans and advances relative to the prior year except for 2010, 2011 and 2014 when an insignificant percentage decrease of 0.09 percent, 0.13 percent, and 0.12 percent were experienced. The cumulative disbursements from 2007 to 2019 stand at 633.5 billion naira which is 18 times more than the disbursements at the community banking levels. The upsurge in the aggregate loans and advances is not unconnected to the reform in the hitherto community banking which raised the capital base of the new MFBs and mandated the banks to concentrate their lending on SMEs. However, given the increasing trends of MFBs loans and advances, 80 percent of which are required to MSMEs, it is paradoxical to note that their credit delivery to SMEs is still marginal due to a number of challenges encountered by the banks (Mordi *et al.*, 2014). The major challenge faced by MFBs in SMEs lending contracts is a lack of credible information on the borrowers stemming from the absence of a functional and robust registry on customers {Enhancing Financial Innovation and Access (EFInA), 2012}.

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Table 2: Micro Finance Banks' Loans and Advances (1992-2015)

Period	[1] Micro Finance Loans and Advances (N' Million)	[2] Percentage increase/ (decrease) in Microfinance Loan and Advances
1992	135.8	-
1993	654.5	3.82
1994	1,220.6	0.86
1995	1,129.8	(0.07)
1996	1,400.2	0.24
1997	1,618.8	0.16
1998	2,526.8	0.56
1999	2,598.3	0.03
2000	3,666.6	0.41
2001	1,314.0	(0.64)
2002	4,310.9	2.28
2003	9,954.8	1.31
2004	11,353.8	0.14
2005	28,504.8	1.51
2006	16,450.2	(0.42)
Aggregate 1992-2006	**86,839.90**	
2007	22,850.2	0.39
2008	42,753.1	0.87
2009	58,215.7	0.36
2010	52,867.5	(0.09)
2011	50,928.3	(0.13)
2012	80,127.9	0.57
2013	94,055.6	0.17
2014	112,110.15	0.19
2015	187,247.34	0.67
2016	196,194.99	0.05
2017	194,024.94	(0.01)
2018	207,963.32	0.07
2019	262,630.00	0.26
Aggregate 2007-2019	**1,561,969.04**	

Source: (1) CBN Statistical Bulletin, 2019
(2) Author's Computation, 2020

Government Intervention through various funding policies and schemes for SMEs in Nigeria

Successive governments in Nigeria have been leaving no stone unturned towards developing the SME subsector by taking various steps including funding and setting up industrial estates, the establishment of specialized financial institutions, facilitating and guaranteeing of bilateral and multilateral finance for SME development, provision of technical training and advisory services. According to Adamu (2009), government intervention efforts could be categorized into two namely; Institutional arrangement and Financing Programmes. The institutional arrangement on the one hand includes the

Bank of Industry (BOI) Nigerian Export-Import Bank (NEXIM), Bank of Agriculture (BOA), Nigeria Investment Promotion Commission (NIPC) and Entrepreneurship Development Centers (EDCs).

On the other hand, government financing programmes for SMEs usually take two dimensions, namely; direct and indirect. Government direct financing involves funding the SMEs vis-à-vis the dispensation of cash, equipment, and other forms of capital to various SME promoters. Indirect government involvement in SME financing takes the form of providing a guarantee to a third party to provide finance to SME promoters in a particular sector or subsector of the economy. These SME financing programmes include:
Small-Scale Industries Credit Scheme (SSICS), CBN rural banking programme, The Agricultural Credit Guarantee Scheme Fund (ACGSF), Agricultural Credit Support Scheme (ACSS), Commercial Agricultural Credit Scheme (CACS), Small and Medium Scale Enterprises Credit Guarantee Scheme (SMECGS), Manufacturing Restructuring/Refinancing Facility, World Bank SMEs I Loan Project, World Bank SMEs II Loan Project, Small and Medium Enterprises Equity Investment Scheme (SMEEIS), Agribusiness/Small and Medium Enterprises Investment Scheme (AGSMEIS) among others (Oke, 2019).

(i) Institutional Arrangements

The Nigerian government has made institutional arrangements by creating enabling institutions that directly or indirectly provide finance for SME operations. Some of the institutions established by the Nigerian government to provide direct finance for SME operations over the years include the following;

The Bank of Industry (BOI)

The bank, a product of the defunct Nigerian Industrial Development Bank (NIDB), the Nigerian Bank for Commerce and Industry (NBCI) and the National Economic Reconstruction Fund (NERFUND) was established in 2000 to provide credit to the industrial sector by rendering financial assistance for the establishment, expansion, diversification, and modernization of large, medium, and small projects. It also has the mandate of rehabilitation of ailing industries. The percentage of the BOI annual lending to MSMEs has always been on the increase, for instance, it increased to 96% (representing N114.3 billion) by December 2010 from 35% in 2005. Also, as at December 2010, BOI had successfully been involved in some specialized development funds which included, N500 billion Intervention Fund for the Power and Aviation Sectors and the Refinancing/Restructuring fund to the Manufacturing Sector introduced in September 2010 by the CBN, the Federal Government's $500 million AfDB Small Business Development Loan introduced in December 2010, N100 billion Cotton, Textile and Garment Industry Reviving Scheme introduced in 2009; N10 billion Rice processing Special Intervention Fund in 2010; N18 billion National Automotive Development Fund, among others (Oke, 2019).

Nigerian Export-Import Bank (NEXIM)

The oil glut of 1970s through 1980s inflicted a devastating impact on the Nigerian economy. To reduce the level of reliance on crude oil as a major source of government revenue, the Nigerian government deemed it fit to develop the non-oil private sector to serve as an alternative boost to foreign exchange earnings. The Nigerian Export Import Bank (NEXIM) was established by Decree 38 of 1991 to manage and administer several credit facilities introduced specifically to boost Nigeria's non-oil export sector. The bank began full operations on 2nd January 1991 to offer facilities in the areas of trade finance, project finance, treasury operations, export advisory service, and market information.

Bank of Agriculture (BOA)

To further ameliorate the funding problem experienced by SMEs, the Bank of Agriculture was set up in October 2000. The bank is a product of the defunct Peoples Bank of Nigeria (PBN), Nigerian Agricultural and Cooperative Bank (NACB) and Family Economic Advancement Programme (FEAP). It is joint ownership of the Federal Ministry of Finance Incorporated (MOFI) and the Central Bank of Nigeria (CBN) with a shareholding ratio of 60 and 40% respectively. The bank has a thrust to finance agriculture as well as small and medium enterprises. To achieve this, it was mandated to allocate 70% of its total credit for microcredit activities while 30 % is offered for macro credit activities. The bank offers affordable credit facilities to Nigerians with little access to conventional banks' credit facilities. It also accepts savings deposit from customers and encourages banking habits at the grassroots. The bank's lending rate for microcredit agricultural firms is 12%, while its rate for working capital for SMEs involved in agricultural production is 14%. For SMEs to benefit from BOA's lending they are required to have a minimum of 6 months deposit account relationship with the bank. The bank's average deposit rate is 2%.

Apart from the establishment of financial institutions that offers direct credit to SMEs, some assistance institutions have also been set up to facilitate the flow of funds to SMEs via capacity building and provision of enabling environment for the sector to thrive. These include;

Small and Medium Scale Enterprises Development Agency of Nigeria (SMEDAN)

As part of its intervention efforts to promote the development of micro, small and medium enterprises (MSME) sector of the Nigerian economy, the Nigerian government established SMEDAN in the year 2003. The agency has the core mandate which includes the following:

i. stimulating, monitoring, and coordinating the development of the MSMEs sector;
ii. initiating and articulating policy ideas for the growth and development of MSMEs;

iii. promoting and facilitating development programmes, instruments and support services to accelerate the development and modernization of MSME operation;
iv. serving as a vanguard for rural industrialization, poverty reduction, job creation and enhance sustainable livelihoods;
v. linking SMEs to internal and external sources of finance, appropriate technology, and technical skills as well as to large enterprises;
vi. promoting information and providing access to industrial infrastructures such as layouts, incubators, and industrial parks;
vii. intermediating between MSMEs and the Government; and
viii. working in concert with other institutions in both public and private sectors to create a good enabling environment for businesses in general, and MSME activities in particular.

To ensure wider coverage in the discharge of its assigned functions, the Agency has established Industrial Development Centres (IDCs) in 22 states of the federation (this includes Bauchi, Ogun, Lagos, Sokoto, Niger, Edo, Ondo, Kano, Abuja, Katsina, Enugu, Oyo, Adamawa, Plateau, Cross River, Port- Harcourt, Kwara, Kaduna, Osun, Borno, Benue, and Imo states) (Oke, 2019).

Nigeria Investment Promotion Commission (NIPC)

NIPC is a Federal Government Agency in Nigeria established by NIPC Act No. 16 of 1995 to encourage, promote, and coordinate investments in Nigeria. The Commission provides services for the grant of business entry permits, licenses, authorizations and incentives in a one-stop-shop environment. The services are provided in a coordinated, streamlined, efficient and transparent manner to meet the needs of investors. The commission is said to have done quite well over the years. It has created the one-stop investment centre, which allows investors the opportunity to register their businesses on the spot without any hassle (Joshua, Joshua & Danpome, 2013).

Entrepreneurship Development Centers (EDCs)

CBN has established these centers as part of its capacity-building efforts for the SME subsector. Presently, 6EDCs have been established in each geopolitical zones of Nigeria. The centres are intended to build the entrepreneurial spirit of the country's youth population to enable them to contribute effectively to the sustainable development of the economy. The first three centers (Onitsha, Kano, and Lagos) were established in April 2008. In 2012, three more centers, were located in Makurdi, Maiduguri, and Calabar which makes the number swell to six. In addition to the existing six satellite EDCs located in 6 states, three new satellite centers were approved. Since the inception of the programme, a total of 41,441 individuals have been trained, 106,933 counseled, while 10,895 jobs had been created. In the same period, 1,034 trainees were able to obtain loans valued at N220.04 million from banks (CBN, 2012).

(ii) Government Direct Financing Programmes for SMEs

Government financing programmes for SMEs usually take two dimensions, namely; direct and indirect. Government direct financing involves funding the SMEs vis-à-vis the dispensation of cash, equipment, and other forms of capital to various SME promoters. Indirect government involvement in SME financing takes the form of providing a guarantee to a third party to provide finance to SME promoters in a particular sector or subsector of the economy. The Nigerian government SME financing programmes include the following;

Small-Scale Industries Credit Scheme (SSICS)

Concerned with the need to develop the SME subsector in the interest of national economic development, the government introduced the small-scale industries credit scheme in 1971 as a revolving grant by both the federal and state governments to assist in meeting the credit needs of small-scale enterprises on concessionary terms. The management onus was vested in the states' ministries of industry, trade, and cooperative. The scheme did not see the light of the day as it was marred by a high rate of repayment default occasioned by funding the projects that are not worthwhile and viable enough to warrant funding.

The Central Bank of Nigeria (CBN) interventions for SMEs

The central bank of Nigeria through its special credit programmes has over the years been of an immense instrument for the promotion of improved finance access for SMEs in the country. The thrust of the schemes according to CBN Bullion (1992) can be grouped into three in line with Central Bank guidelines for Small and Medium Scale Enterprises under the bank's monetary policy guidelines of 1988 as follows:

Special loans for Small and Medium Scale Manufacturing Activities

In 1970, the Central Bank of Nigeria expanded its credit policy guidelines to incorporate Small and Medium Scale Enterprises with effect from January 1971. With this directive, at least 35% of the commercial and merchant banks' total loans and advances were expected to be given to indigenous borrowers while they are in the same vain mandated to allocate at least 10% of their total loans and advances to Small and Medium Scale Enterprises. More so, in April 1980, loans and advances available to Small and Medium Scale Enterprises rose from 10% to 20% in January, 1991with stringent penalties for noncompliance.

Special loans for Small and Medium-scale Agricultural Activities

The CBN prescribed that not less than 15% of commercial and 10% of merchant banks' credit be granted to agricultural activities. The loans were to be granted on concessionary terms where the banks were to grant relatively low-interest rates with

grace periods on agricultural loans as follows: one year for small-scale peasant farming, four years for cash crop farming, five years for medium and large-scale mechanized farming and seven years for ranching.

CBN Rural Banking Programme

The essence of this programme is to reduce the problems of poor access to credit by Small and Medium Scale Enterprises in the rural sector. To encourage banking habits nationwide and channel funds into rural development, the CBN introduced the Rural Banking Scheme in June 1977. The programme was structured into three different phases-1977-1980, 1980-1985 and 1st August 1985 through 31st July 1989. As at end of June 1992, 765 of the 766 branches stipulated by the CBN had been opened. Also, in its bid to solve the problem of inadequacy of credit to the rural-based small-scale industries the CBN mandated that not less than 50% of the deposits mobilized from the rural areas be advanced as a credit to rural borrowers.

The Agricultural Credit Guarantee Scheme Fund (ACGSF)

The Agricultural Credit Guarantee Scheme Fund (ACGSF) was established in 1977 with a capital base of three billion Naira and it took off in April 1978 under the management of the CBN, while a Board of Directors was constituted for policymaking. The scheme was designed to guarantee credit disbursement to the agricultural sector particularly the Nigerian farmers (Ijaiya, Abdulraheem, and Ijaiya, 2009). It also provided some form of guarantee against risks inherent in agricultural lending. In case of default, the lending banks are expected to exhaust all legal means of loan recovery, including foreclosure and realization of any security pledged for a loan, before the ACGSF pays 75% of guaranteed loans in default.

Agricultural Credit Support Scheme (ACSS)

The scheme was established to provide necessary funding for large scale agricultural projects. The scheme, which is an initiative of the Federal Government and the CBN with the active participation of the bankers' committee, has a prescribed fund of N50 billion (~£200 million). ACSS was introduced to enable farmers to exploit the untapped potentials of Nigeria's agricultural sector, reduce inflation, lower the cost of agricultural production, generate surplus for export, increase Nigeria's foreign earnings as well as diversify its revenue base. At the national level, the scheme operates through a Central Implementation Committee (CIC) while at the Federal Capital Territory (FCT) and State levels, the Scheme operates through State Implementation Committees (SICs) instituted to ensure the unhindered realization of objectives for which the scheme is established. Funds are disbursed to farmers and agro-allied entrepreneurs at a single-digit interest rate of 8.0% under the scheme. At the commencement of the project support, banks will grant loans to qualified applicants at a 14.0% interest rate. Applicants who pay back their facilities on schedule enjoy a rebate of 6.0%, thus reducing the effective rate of interest to be paid by farmers to 8.0%. A total sum of

N876.89 million has since been paid as a rebate to 46 projects since the scheme took off.

Commercial Agricultural Credit Scheme (CACS)

The 200-billion naira *Commercial Agricultural Credit Scheme* was established in 2009 by the CBN in collaboration with the Federal Ministry of Agriculture and Rural Development (FMA&RD) to promote commercial agricultural enterprises in Nigeria. The Scheme was funded through N200 billion FGN Bonds issued by the Debt Management Office (DMO). The bonds were to be raised in two tranches of N100 million each. Under this scheme, loans were disbursed to eligible borrowers at a maximum single-digit rate of 9%. The first phase of the tranche of N100 billion, running from May to December 2009, had been raised and passed on to the participating Deposit Money Banks (DMBs) for on-lending to eligible farmers in the agriculture value chain (production, processing, storage and marketing). According to Mordi, *et al.* (2014) the cumulative disbursement from the scheme since commencement to March 2013 totaled N1,199.3 billion, disbursed through 19 DMBs to 271 projects including 30 state governments (who on-lend to their farmers using cooperative societies). By June 2013, The Scheme has funded 292 projects along the agriculture value chain (Sanusi, 2013).

Small and Medium Scale Enterprises Credit Guarantee Scheme (SMECGS)

Another scheme instituted by the Nigerian government to promote access to credit by the SMEs is the Small and Medium Scale Enterprises Guarantee Scheme (SMECGS). It is a N200 billion scheme of the CBN established in 2010 with a view to fast-tracking the development of the manufacturing sector and SMEs by providing up to 80% guarantee for commercial bank loans to SMEs. It is designed in such a way that guarantees are provided on loans granted by participating banks to the SMEs to absorb the bulk of the risk that hitherto hindered the sector access to bank financing. All the deposit money banks and development financial institutions are qualified to participate in the scheme. Since the CBN is sharing the credit risk with the banks by providing guarantees, the scheme's lending rate is pegged at the CBN prime lending rate of banks. By the end of March 2013, forty-seven (47) projects valued at N2.138 billion had been guaranteed (Mordi et al., 2014).

Manufacturing Restructuring/Refinancing Facility

The global financial crisis of 2007-2009 informed the global economic recession which mopped up banks' liquidity affect their lending to the SME sector. In its effort towards ensuring easy flows of credit, the CBN, as lender of last resort, established a refinancing facility of N500 billion out of which N200 billion was for refinancing/ restructuring of banks' existing loan portfolios to the manufacturing sector and SMEs. This is done with a view to fast-tracking the development of manufacturing and SME sectors through improved access to finance. The facility is also aimed at improving the financial

positions of the participating Deposit Money Banks and development finance institutions (DFIs) (excluding the BOI) for improved on lending to SMEs. The facility offered long-term loans for the acquisition of plant and machinery, refinancing of an existing lease, resuscitation of ailing industries, and working capital. The loan limit for a single obligor was fixed at a maximum of N1billion in respect of refinancing/restructuring with an interest rate of 7 per cent payable on a quarterly basis. As of March 2013, a total sum of N235 billion had been disbursed to 535 projects (Mordi et al., 2014).

The National Economic Reconstruction Fund (NERFUND)

In its effort to provide funding succor to SMEs in the country, the federal government established NERFUND. The fund was set up by Decree No. 25 of 1988 as a funding mechanism aimed at bridging the finance gap through the provision of local and foreign funds to small and medium scale enterprises. The fund which became fully effective in 1990 was meant to provide relatively long-term loans (5-10 years) to small and medium scale enterprises at relatively concessionary rates of interest. The fund was later merged with NIDB and NBCI to The Bank of Industry in 2002.

World Bank SMEs I Loan Project

This is a government-sponsored funding programmes to bridge the financing gap of SMEs and promote their growth with the support of multilateral development agencies. The federal government of Nigeria entered into an agreement with the World Bank for a US$41 million SME I loan. The agreement was signed precisely in 1984 and was administered by then NBCI now BoI. 275 projects were approved under the scheme but only a total of 126 projects were financed due to the failure of sponsors of the remaining 149 projects to contribute their counterpart funding. Total disbursement to them amounted to US$21 million or 52 percent of the total projects fund. The projects covered a wide range of industries with agro-allied and manufacturing sectors receiving about 62 percent of the total funds disbursed under the scheme. The projects were also widely distributed across various parts of the country.

World Bank SMEs II Loan Project

The CBN together with the Federal Ministry of Finance has equally negotiated and obtained additional financial assistance from the World Bank to further increase SMEs' access to credit and accordingly promote the growth concern of the subsector. The total cost of the project was US$451.8 million, of which the World Bank provided US$270 million which was managed directly by Small and Medium Scale Enterprises Apex unit within the Central Bank. This financing programme became necessary to further promote the growth of Small and Medium Scale Enterprises in Nigeria. The loan was disbursed through participating banks comprising commercial, merchant, and development financial institutions. Mordi et al. (2014) noted that 187 projects received loan disbursement from 27 participating banks. Total disbursements to projects, from

inception amounted to US$107.1 million or 80.62 per cent of the US$133 million permissible by the World Bank. Through the scheme, 85 new enterprises were established, 102 existing enterprises were expanded, diversified and modernized and it also enabled the creation of 40,000 jobs.

Though the loan under the scheme ceased in 1996, the CBN SMEs Apex Unit has from that time been actively and specifically involved in the administration of the World Bank loan and other related activities to SMEs.

Small and Medium Enterprises Equity Investment Scheme (SMEEIS)

Inegbenebor (2006) cited in Oni and Daniya (2012) stated that Small and Medium Enterprises Equity Investment Scheme (SMEEIS) was established to address the financial scourge among SMEs. It was initiated by the Bankers' Committee on the recommendation of the Federal government (through the CBN) to serve as financing succor to SMEs in the country. The scheme, according to the Committee is in response to the government's concern and policy measure for promoting Small and Medium Scale Enterprises as a vehicle for rapid industrialization. Under this scheme, banks are required to set aside 10% of their pretax profit for equity investment in SMEs in the country with a strict penalty for non-compliance. According to Oni and Daniya (2012), a bank's investment in the scheme is conceived to be in the form of equity participation, project packaging/monitoring, advisory services and nurturing of specific industries to maturity. To broaden its scope of funding activities it was renamed Small and Medium Equity Investment Scheme (SMEEIS) in 2005.

Youth Enterprise With Innovation in Nigeria (YouWin)

YouWin is a youth development scheme, established in 2011 by the Goodluck Jonathan - led government to empower Nigerian Youths. The program is a Private and Public initiative that finances outstanding business plans for the young, aspiring entrepreneurs in Nigeria. The program is a joint product of four ministries from the Federal Republic of Nigeria namely; Ministry of Finance, Ministry of Communication and Technology, Ministry of Youth Development and the Ministry of Women Affairs. The execution of this program is to finance the projection of the government of enhancing 3600 entrepreneurship youths in the country. The scheme was done in three editions; the first edition was initiated to sensitize aspiring entrepreneurial Youth on job creation by funding their business plans. The second edition was a Mono-gender version, with Women below the age of 45 years as the target participants while the third edition was Poly-gender, with a record number of awardees of over 2500 youth. The fund granted by YouWin is an equity contribution to the business of selected awardees. Such a person, aside from being a Nigerian Youth, must have a business plan for a registered company with the Corporate Affairs Commission in Nigeria. The fund disbursement is designated through any of the participating commercial banks in Nigeria. In June 2016 alone, the sum of N1.687 billion was paid to 638 beneficiaries

while as at the end of January 2018 a total sum of N11 billion has been distributed to over 1500 beneficiaries in the third edition of the scheme

Trader Moni

TraderMoni is a loan programme of the Buhari-led Federal Government, created specifically for petty traders and artisans across Nigeria. It is a part of the Government Enterprise and Empowerment Programme (GEEP) scheme of the Federal Government, being executed by the Bank of Industry. With TraderMoni, you can receive interest-free loans starting from N10,000 and growing to N100,000 as you pay back. You get N10,000 as the first loan. When you pay back the first loan, you immediately qualify for a second loan of N15,000. After payback of the second loan, you qualify for a N20,000 loan, and then N50,000, and then N100,000. With TraderMoni, the Federal Government wants to change your level by providing continuous loans for your petty business, making each loan bigger to enable you to grow. As at October 2019, the sum of N19.6 billion has been disbursed to 1.95 million Nigerians while the Federal Government has appropriated the sum of N10 billion as grants to support the scheme.

MSME Survival Fund

COVID-19 induced movement restriction and border closures resulted in the fall of all components of aggregate demand thereby crippling most businesses including MSMEs. In the wake of the challenges posed by the pandemic, the Federal Government of Nigeria introduced a Scheme called MSMEs survival Fund initiative of 75billion naira to cushion provide support for MSMEs. The Survival Fund Programmes includes Payroll Support, Guaranteed Offtake and MSME Grant. The payroll Support provides a conditional grant to support vulnerable micro and small enterprises in meeting their payroll obligations between N30,000 and N50,000 per employee per month to safeguard the jobs of up to 10 employees in a 3 month period. Guaranteed Offtake assists businesses in kick starting or rebuilding after the pandemic while MSME Grant is a N75bn run by the Federal Ministry of Industry, Trade and Investment to provide a general grant of N50,000 for small businesses most affected by the COVID-19 pandemic (www.survivalfund.gov.ng).

CONCLUSION

Small and Medium Enterprises (SMEs) sector support the Nigerian economy by providing employment opportunities to most citizens and constitutes a crucial part of enterprises in the private sector. Regrettably, despite various financing efforts put in place by the government (institutional arrangement and financing programmes) and relevant financial institutions, their performance is rated low as they contribute a small percentage to the nation's GDP. Notably, the challenges faced by these Small and Medium Enterprises are not only numerous but are hampering on their growth, making them fail within the first five years in which if steps are not taken, it may threaten the future sustainability of SMEs Nigeria. Some of the identified challenges include the

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absence of infrastructural facilities, lack of credit information, poor management and entrepreneurial skills-based, poor marketing, unplanned business ownership, poor personnel management, lack of strategic planning, and insufficient collateral/stringent conditions to access huge funds from private sector-led institutions. Also, for SME operators that go through non-conventional banks, the high-interest rate is always a burden and eventually, leading to their mortality. As a result of this, most SMEs in Nigeria cannot compete with items or products from other countries, especially China and other Asian major economies. Generally, in terms of the financing efforts, available data revealed fair financing stride by the private sector led financial institutions especially in the post consolidation regime when the belief of better capitalization of banks is held. On the other hand, in spite of the various policies, programmes and schemes designed to ameliorate the challenges associated with paucity of finance, credit delivery to SMEs via government funding is yet to improve. This perhaps is an indication of the ineffectiveness and inefficiency of the said policies, programmes and schemes some of which are even duplicated in others.

From the foregoing, the following recommendations are therefore made:

i. The government through its relevant agencies and financial institutions need to organize seminars continually for SMEs' owners to improve their financial literacy and management capabilities.
ii. Rejuvenation of the existing and establishment of more specialized banks having some tailor made financial windows for SME development.
iii. The need for review of the Deposit Money Banks and Micro Finance banks' SME lending policies for improved financial access.
iv. The financial base of SMEs needs to be broadened to help integrate the operation of the formal financial institutions with that of informal financial agents.
v. Emphasis needs to be laid on good personnel management policy as the success of any enterprise depends on the relationship between the owners and employees.
vi. The government should provide necessary infrastructures to encourage and promote rural industrialization.
vii. SMEs operators should strive to develop their competences in managing and sustaining their businesses by constantly engaging in capacity building, training, research and development.
viii. The need to review some of the existing funding policies, programmes and schemes to correct possible duplication.
ix. The need for the assessment of the impact of the various funding schemes to avoid unnecessary proliferation of numerous unproductive schemes.

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