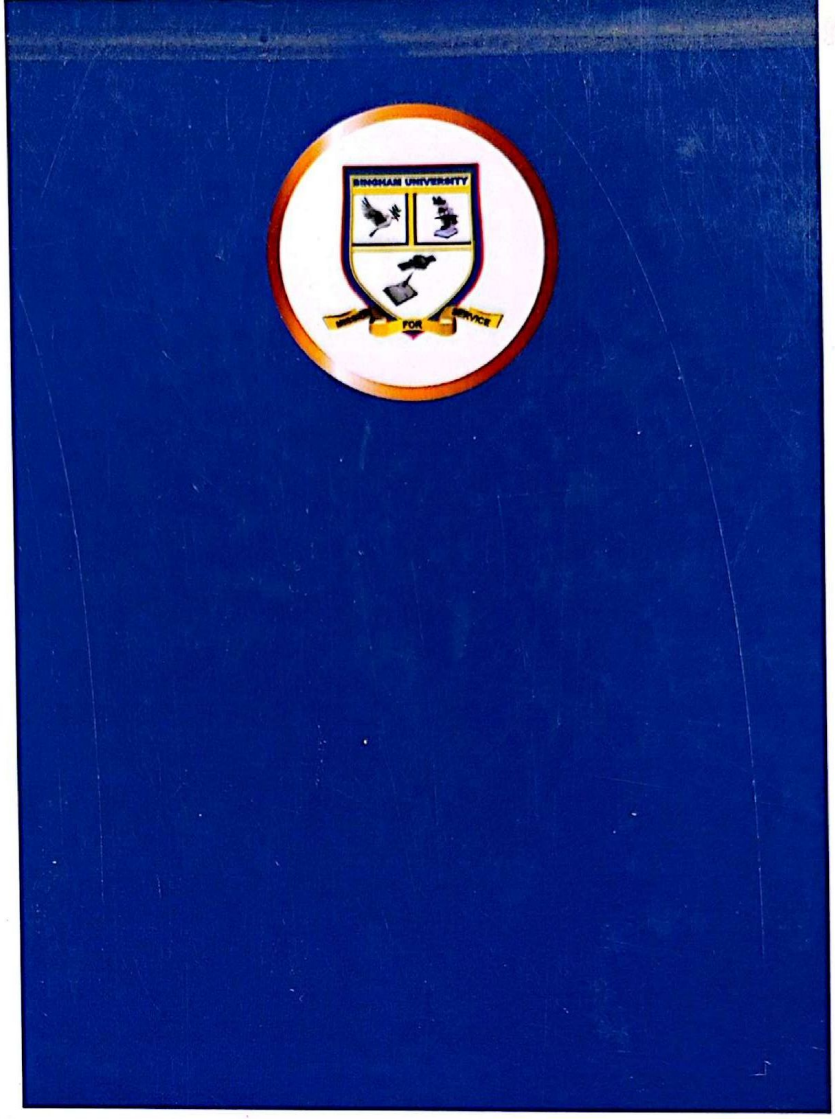


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BANK HIGH INTEREST RATE AND BUSINESS PERFORMANCES OF SMALL AND MEDIUM SCALE ENTERPRISES (SMES) IN OSUN STATE, NIGERIA.

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Abstract

The extent to which high interest rate affect the business performance of SMEs in Nigeria has been a subject of debates. The objective of this study is to investigate effect of high bank interest rate loan on business performance of SMEs in Osogbo metropolis Osun state Nigeria . To achieve this objective a well designed questionnaires on a five (5) likert scale were randomly administered to the selected SMEs in Osogbo metropolis . The data collected were analyzed using regression analysis. Two hypotheses were formulated and tested , and the results of the study revealed that high interest rate has negative impact on business performance of SMEs as most of the SMEs find it very difficult to pay back the loan . The study therefore recommended that there is need for government to rejig all SMEs financing policies to make it more effective and equal mandates banks to give low single digit interest rate to SMEs to enhance their respective business operations and performance.

Keywords: Bank loan, Interest Rate, Business Performance, SMEs Operations

INTRODUCTION

Small and Medium Enterprise SMEs are of necessity to a nation's industrialization process as they assist in regional and local development and accelerate industrialization in rural areas by linking them with the more organized urban sector. SMEs helps achieve fair and equitable distribution of wealth by regional dispersion of economic activities. These enterprises use mainly indigenous resources like local skilled and unskilled labours to develop different types of products and services to fulfil local needs (Mamun, Hossain & Mizan, 2013). Most of the Small Enterprise SMEs are labour intensive businesses in their mode of operations and in many cases, they are able to cover small market segments that are not covered by the larger businesses (Hossain, 2012). The operations of small and medium enterprises SMEs is a major drivers and

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indices for the level of industrialization, modernization, urbanization and also assist in gainful and meaningful employment generation in Nigeria. The SMEs sector is globally regarded as an important driving force for economic growth and employment creation in both developing and developed countries (Ariyo, 2008). According to Ayyagari, Beck, and Demirguc-Kunt (2003), in the high-income countries, the small and medium enterprises SMEs account for over 51 percent of gross domestic product (GDP) and 57 percent of employment whereas in the low-income countries, the corresponding figures are only 16 and 18 percent respectively. SMEs contribute over 50 per cent to the Gross Domestic Product (GDP) in developed countries. In U.S.A., SMEs formed over 50 per cent of the non-farm private GDP and have generated 75 per cent job employment (Imo and Ike 2012).

Similarly, In Nigeria, small and medium scale enterprise SMEs account for about 70% of industrial employment and over 50% of the Gross Domestic Product (Kibet. 2015).

They are equally the driving force of Nigeria economy and an important mainstay of the country in general. In spite of the exploitation of petroleum oil, SMEs provide gainful employment for about 70% of the Nigerian population. Studies showed that the agricultural sector accounts for close to 35% to 40% of the nation's gross domestic product (GDP). Most of the operators in the agricultural sector are small-scale self-employed individuals engaged in agro-allied processing activities such as farming, handicraft, fishing, agro forestry and livestock rearing (Kibet. 2015).

In recognition of the role of SMEs in the economic growth process of Nigeria, difference government dispensation has taken concerted efforts to foster the growth of SMEs and develop entrepreneurship. One foremost way of promoting SMEs is by having easy access to finance. Finance is of high importance to the growth of SMEs. Afolabi (2013) noted that a major gap in Nigeria's industrial development process in the past years has been the absence of a strong and virile SMEs sector attributable to the reluctance of banks especially commercial banks to lend to the sector and on rear occasions when loan are given it is always on double digit interest platform and which is not always favourable to SMEs operations not only in Nigeria so as well in other pat of the world . The global financial crisis have caused the financial institutions to be more cautious and credit processing has become more complex, which makes SMEs find it difficult to both understand the procedures and decisions when it come to the loan accessing and processing. The credit crunch appears to be even more severe among service providers. Many SMEs in the service sector do not own land and equipment, and as a result, it is difficult to provide any form of security or collateral to financial institutions.

Similarly, SMEs in Nigeria generally face difficulties in obtaining finance with lack of collateral and insufficient documents to support loan application. This lack of financial record of accomplishment is the main constraint faced by Nigerians SMEs in accessing financing (Airs, 2007). Commercial banks through their intermediation role meant to provide financial succour to SMEs and lack of this finance has been identified as a threat to the performance of SMEs. Osoba (1987) For SMEs to perform their role in the economy, they need adequate funds in terms of short and long-term loans (Ohachosim, Onwuchekwa &Ifeanyi, 2013). In addition, financial constraint is one of the main reasons SMEs fail in Nigeria. Osoba (1987) also posited that financing strength is the main determinant of small and medium enterprises growth in developing countries. This render these enterprises with no option but to run to financial institutions for assistance, where

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going to those financial institutions brings new phenomena problem of which among them are the high interest rates which is the main issue of this study.
In the Nigerian economy, the minimum rediscount rate (MRR) now monetary policy rate (MPR) is the official interest rate of the Central Bank of Nigeria (CBN), which anchors all other interest rates in the money market and the economy (Ogunbiyi and Ihejirika, 2014). In August, 1987 the CBN liberalized the interest rate regime and adopted the policy of fixing only its minimum rediscount rate to indicate the desired direction of interest rate. This was modified in 1989 when the CBN issued further directives on the required spreads between deposit and lending rates. In 1991, the government prescribed a maximum margin between each bank's average cost of funds and its maximum lending rates. Later, the CBN prescribed savings deposit rate and a maximum lending rate. The removal of the maximum lending rate ceiling in 1993 saw interest rates rising to unprecedented levels in sympathy with rising inflation rate which rendered banks' high lending rates negative in real terms (Ogunbiyi and Ihejirika, 2014).

Charging a rate of interest on credit is the main source of income for many organizations in micro lending industry. It is the only way by which they can recover their costs financial, operating and risk (Aryeetey and Nissanke, 2010).

Tung and Aycan (2008), insufficient access to financial resources is a significant barrier to the performance and growth of SMEs. These are the major challenges that have accounted for the non- performance and high rates of failure among SMEs in the country. The government has made concerted efforts to increase accessibility to finances, but the targeted programs recorded limited success because of low awareness of the programs (Thwala & Phaladi, 2009, Ogunjuiba and Oluche 2004). Furthermore, high interest rates also pose a constraint to SME performance and development. The interest rate which is between 20 and 25 percent need to be redressed. This is because the spreading between lending and borrowing rates is high in Nigeria, with banks, preferring to give lower rates to blue chips. This calls for more subtlety in handling the differentiation, so that optimal results can be achieved as a spread from all sectors of the economy (Etim, 2010).

The rate is dependent upon the time value of money, the credit risk of the borrower, and the inflation rate. Hence, in view of the above background, the study aimed to draw a wide analytical view on how high interest rate on loans charged by banks affect the operational performance of small medium enterprise in Nigeria

LITERATURE REVIEW AND CONCEPTUAL FRAMEWORK

Interest Rate:

Interest rate is the price charged for borrowed money. Shareholder has to get a loan of money from banks and other financial institutions, which they pay back, with a percentage. The response of savings changes effectively with interest rate, which is at the mind of commercial bank analysis policy, Interest rate is the premium received by the lender after a stated period. From the borrower's point of view, it is the cost of capital at the time of obtaining a loan. In the period of rising and falling interest rate, there is a shift in the demand for and the supply of loanable funds, respectively. Demand decreases periodically where large number of business decides to borrow to finance expansion of their operation leading to a rise in the interest rate.

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Determinants of Interest Rates

The interest rates charged by banks are determined by interest rate on deposits; cost of liquidity; cost of holding cash; and operational costs. The interest on deposits depends on the bank's cash ratio, its overall financial stability and the type of the bank for example whether it is a corporate bank or a network bank. The cost of liquidity covers both the cash, which is maintained by the banks with Central Bank as required cash ratio, and the cash maintained by the banks as the minimum amounts to meet unexpected demand from the customers. Cost of holding cash is derived from the cash held by the banks in form of liquid form to meet day-to-day customer's needs. The banks have to compare the costs of cash outs and the opportunity costs associated with the cash held in liquid form. Operational costs are mainly meant to cover the costs of running the bank and it includes capital costs, staff costs, and technology costs. The base rate charged by the banks takes into account all these factors. The bank can reduce the base rate by improving efficiency.

Generally, banks do charge high interest rates in developing countries where financial market is imperfect as information asymmetry between borrower and lender prevails, credit-worthiness of borrowers is doubtful, value of collaterals is overstated and inefficiency is the common features at institutional level. Nobody precisely knows the degree of such imperfection but all banks are addicted to the policy of high interest rates. This is counter-productive as high interest rates may contribute to loan default. This indicates that banks should determine appropriate lending rates based on proven, not hypothetical, degree of market imperfection. Again, lending rates should be lowered or adjusted very frequently with the level of real-world imperfection which decreases with pace of economic development and growth of an economy (Amonoo, Acquah, & Asmah 2003).

Amonoo, Acquah, &Asmah (2003) suggested that real rate of interest must be lower than real return on capital. It means that as the financial market becomes more and more efficient with the process of development, lending rates should be lowered than before which may contributes towards reduced level of loan defaults. Failure to do this may result in persistent loan defaults in developing countries. High interest rates can be detrimental to investment and growth. High interest rates do not contribute to banks' growing profitability in the long run. Stiglitz and Weiss (1981) believe that high interest rates are responsible for higher defaults and declining bank profit. Edakasi (2011) in his study established that Equity Bank Uganda customers were aware of the influence of interest rates have on micro-credits with regard to the performance of businesses. The study also established that the most important cause of poor business performance and collapse as being amongst others being high interest rates, limited amount being lent, lack of entrepreneurship skills and high taxes.

Edakasi (2011) further argued that banks and their supervisors have spent considerable time and effort in recent years developing systems for monitoring and managing interest rate risk. Some specific component of interest rate risk arises from the possible effects of changes in market interest rates on bank net interest margins. Such effects can be very large if interest rate risk is not managed carefully.

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Loan Interest Rates and SMEs Performance

Generally, theories agreed that; interest rates yielded by any investment taking into account the following parameters: costs of the transaction. Indeed, interest rates are thus made to keep inflation within a target range for the health of economic activities to safeguard economic momentum, therefore, higher interest rates will mean the cost of loans will go up, which will have a knock-on effect on peoples" disposable income.. People who already have loans will have less disposable income because they spend more on interest payments, thus other areas of consumption tend to fall. Rising interest rates affect both consumers and firms, as the economy is likely to experience falls in consumption and investment as it tend to discourages investment as it makes firms and consumers less willing to take out risky investments and purchases. It reduces however, confidence in the sense that, interest rates have an effect on consumer and business confidence. In this view, it increases incentive to save rather than spend as the higher interest rates make it more attractive to save in a deposit account because of the interest gained.

The crucial role of capital in the economic growth and development process had been recognized that without doubt, every nation in the world today still lay tremendous emphasis on capital accumulation by stressing the need for raising the level of investment in relation to output. This emphasis is traceable to the short-term fiscal policies and national development plans of both the developed and the developing economies over the past four decades. One important trend in developmental process, which has remained consistent since civilization, is that, all developed Nations are industrialized (Udoka and Roland, 2012). Industrialization is associated with heavy investments financed through capital accumulation. Rapid and sustainable real economic growth is a necessary condition for economic development. Meanwhile, for growth to occur there is the need for a relatively stable macro-economic environment which is an indicator for low risk and a condition for attracting investment an boosting entrepreneurial activities. Even though a certain level of lending interest rate and inflation may be important in attracting investment. There is therefore the need to keep lending interest rate and inflation at a manageable limit in order to propel economic growth. The macro-economic policy formulation challenge confronting many developing countries today is how to achieve a single digit inflation, manageable trade and balance of payments deficits and higher savings and investments rates to finance long-term economic growth. In Nigeria, interest rate is determined by the following factors:

1. The investment demand: The higher the level of investment demand the higher the level of interest rates. On the other hand, the lower the investments demand, the lower the level of interest rates.
2. The level of savings (or conversely the level of consumption): The higher the level of savings the lower the interest rate while, the borrower the level of savings, the higher the level of interest rates,
3. Demand for money or the liquidity preference: The higher the money demand, the lower the interest rate while the lower the money demand the higher the interest rates,
4. The quantity of money or money supply: In the Keynesian parlance as we increase money supply the interest rate will reduce.

Furthermore, To create an enabling environment for growth, the Federal Government of Nigeria over the decades has put in place different kind of institutional frame work to promote small scale enterprises in the country. These include the establishment of industrial development centers (IDCS), the small scale industries credit scheme, credit guidelines to financial institution, working for yourself/entrepreneurship development programme (WFYP/EDP) National

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Economic Reconstruction Fund and others. Financial assistance to small business sector is also available in the form of credit scheme i.e. Small Scale and Medium Industries Credit Scheme (SSIC), Small Scale Enterprises loan Scheme (SMES). In 1999 Banker's committee came up with the Small and Medium Industries Equity Investment Scheme (SMIEIS). Through this, banks were mandated to set aside 10 percent of their profit before tax for the purpose of equity financing of small and medium enterprises.

The Nigerian government has introduced different development support policy programs since the early 1970s to help improve the performance of small and medium business owners and small and medium business investors through financing and to help diversify the country dominance of an over-reliance on the oil sector economy. In line to this, the Federal government policy interventions for the financing of SMEs are generally geared towards improving the expected contribution of the sector to the outgrowth and evolution of the home economic system. Some of the initiated development support strategy programs, aimed at promoting SMEs performance are:

- Small Scale Industries Credit Guarantee Scheme established in the (1971);
- Agricultural Credit Guarantee Scheme established in the (1973); The fund guarantee credit facilities offered to farmers by banks up to 75% of the amount in default net of any security realized.
- National economic reconstruction fund (NERFUND), established in the mid-1980s.
- Agricultural credit guarantee scheme fund (ACGSF), has between 1978 and first quarter of 2011 supported 701,000 beneficiaries with a total loan of N43.12 billion.
- SME II loan facility, the government secured a $270 million loan facility to further compliment other SME financing sources.
- The community banking scheme, established in 1991, with the objective of rural development, financial assistance to star-ups small and medium enterprises.
- The year 2002 saw the Bank of industries (BOI) emerging from the merger of NERFUND and NIDB with the target to provide credit at 10% to the industrial sector including SMEs.
- The microfinance initiative (MFI), introduced in 2005, with a policy to convert all the community banks to microfinance banks.
- The Small and Medium Enterprises Equity Investment Scheme (SMEEIS). As at the end of 2009, the scheme has attracted a total amount of N42.3 billion, with N28.87 equity investment in 336 projects
- Intervention f.unds of N500 billion established in 2010 to improve access to credit by SMEs –N200 billion to refinance and restructure the outstanding credit portfolio of manufacturing SMEs in the country. As of June 2011, the sum of N197 billion had been disbursed to 539 SME projects. – N300 billion off-grid power and airline fund in support of SME clusters.
- N200 billion SME credit guarantee fund – here CBN provides 80% guarantee to deposit money banks (DMB) to boost lending to SMEs. As of June, 2011, only N1.36 billion has so far been guaranteed.

SMEs play a key role in the informal sector in Nigeria. The performance and survival of SMEs depends on the favorable policy that can drive and develop the SME in Nigeria. The Nigerian government in realizing vision 2020 ha put in place, enabling policies in collaborating with a

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number of committed international agencies and NGOs to promote an effective development of the SME sector for Nigeria through credit schemes. In accession to that, the Nigerian government also pursues viable cooperations with other interested stakeholders like States and Local government for the positive growth of the SMEs sector in Nigeria by revolving grants, on more liberal conditions than the banking institutions to aid in satisfying the demands of SMEs. The government efforts at meeting the performance needs of the SME sector towards its contributions to the economic growth, after returned to democracy in 1999, have to put in place a well-intentioned strategic policy, schemes, programs and institutional arrangements designed to provide succor to the performance of the small business sector.

Emperical Review

Bencivenga and Smith (1991) explained that development of banks and efficient financial intermediation contributes to economic growth by channelling savings to high productive activities and reduction of liquidity risks. It also asserted that SMEs and selected macroeconomic variables such as bank interest rate have a long run relationship with SMEs output. Furthermore, commercial bank credit to SMEs, total government expenditure and bank density has direct but insignificant impact on the SMEs.

Ingram (2011) states that interest rates are important because they control the flow of money in the economy. High interest rates curb inflation but also slow down the economy. Low interest rates stimulate the economy, but could lead to inflation. When interest rates are high, people do not want to take loans out from the bank because it is more difficult to pay the loans back, and the number of purchase of real assets goes down. The effects of a lower interest rate on the economy are very beneficial for the consumer. Low interest rates are not beneficial for lenders, who are seeing less of a return on their loan than in times when interest rates are high. Interest rates lower lending rates increase financial inclusion by attracting new borrowers and that the elasticity of demand increases over time (borrowers become more sensitive to pricing over time) (Lydia, 2012). It has been argued that such interest rates can erode surpluses generated by borrowers, leaving them with little net gain. There is also concern that high rates reduce the demand for and uptake of financial services ((Dehejia, Montgomery, and Morduch 2012).

METHODOLOGY

The study employed survey questionaires to gather primary data from selected SMEs in Osogbo.The population for this study covered the entire SMEs operating in Osogbo metropolis of Osun State. The record of (SMEDAN 2015) Osun state showed that there are two thousand two hundred and seventy two (2272) registered SMEs operating in Osun state, therefore (10%) of the entire population were considered in this study which represent 227 SMEs. As a result only 227 questionnaires were randomly distributed to the registered SMEs in Osogbo metropolis and all were successfully filled and returned. Regression analysis, Anova, F- test were used to establish the relationship between high interest loan and SMEs operations.

Model Specification

The econometric model employed in this study to investigate the impact of high interest loan rate on SMEs business performance followed the lead of previous empirical studies (Asta and Zaneta, 2010). There empirical models follow a standard growth regression form express as:

$Y_t = \alpha + \beta_1 SME + u$ 1

Where y:= Business Performance;

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SME = Small and Medium Enterprises (SMEs) activities;
α = Intercept or constant;
β= Parameters or Co-efficient of explanatory variables; u = Error term;
Therefore, the empirical model for this study is specified as:
$BP = \alpha + \beta_1 HIL + u$ 2
Where: BP = Bussiness Performance
HIL =High Interest Loan
α = Intercept or Constant;
β= Parameters or Co-efficient of explanatory variables; and
u = Error term.

RESULTS AND INTERPRETATION

Test of Hypothesis

H_{o1}: High interest loan does not have any significant relationship on SMEs operations.

Statistical Analysis showing relationship between High interest loan and SMEs Operations

Table 1 Model Summary

Model	R	R^2	Adjusted R^2	Std. Error of the Estimate
1	.914[a]	.836	.835	.281

*p<0.05 a. Predictors:(Constant), High interest loan
b Dependent Variable: SMEs operations.
Source: Author's Computation SPSS Output (2020).:

The model summary table 1 the value of R is .914 which is the correlation between observed and the predicted values of the dependent variables SMEs operation. The coefficient of determination (R^2) values of .836 shows that explanatory variable accounted for over 83.6% of high interest loan, while the remaining 16.4% Small and Medium Scale Performance is explained by other exogenous variables that are excluded in the model. In the same vein , a perusal at the adjusted (R^2) value of 0.835 indicates that after removing the effect of insignificant regression (explanatory variable) about 83.5% variation in SMEs performances is still accounted for the independence variables. Concerning the Standard Error of the estimate whose value is 0.281 is the root mean squared error. There is evidence of positive serial correlation. .

Table 2: Anova

Model	Sum of Square	df	Mean Square	F	Sig
Regression	90.385	1	90.358	1143.629	.000[b]
Residual	17.783	225	.284		
Total	108.167	226			

*p<0.05 a. Dependent Variable: Small and Medium Scale operation
Source: Author's Computation SPSS Output (2020).

Table 2 shows that at 5% level of significant , F – statistic indicates that the overall regression model is highly statistically significant in term of its goodness of fit to determine if any relationship exists between high interest loan and SMEs operation ,($F = 1143.629$, $p < 0.05$) The results provide adequate support for the alternative hypothesis . Therefore reject the null hypothesis (H_o) and accept the alternative hypothesis (H_1) which asserts that high interest loan does have significant relationship on SMEs operation. It can however be noted that the relationship is negative because high interest loan is not always favourable to SMEs Operations.

Table 3: Coefficients[a].

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	95.0% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	.011	.049		.223	.824	-.086	.108
	High Interest Loan	.952	.028	.914	33.818	.000	.897	1.008

a. Dependent Variable: Small and Medium Scale operation

Source: Author's Computation SPSS Output (2020).

Table 3 depicts the contribution of the predictors. In this case, high interest loan contributes with Beta value = .914, $p < .05$ and t-value = 33.818. The contribution is statistically significant . Therefore , since hypotheses one significant is 0.000 which is less than 0.05, The study therefore reject the null hypotheses (Ho) concludes that there is significant relationship between high interest rate and SMEs operations but the relationship is negative because high interest rate affect negatively SMEs operations.

Hypothesis Two: High interest loan does not have any impact on SMEs business performance.
Statistical Analysis showing relationship between High interest loan and SMEs Business performance.

Table 4: Model Summary

Model	R	R^2	Adjusted R^2	Std. Error of the Estimate
1	.732[a]	.536	.534	.472

*p<0.05 a. Predictors:(Constant), High Interest Rate
b Dependent Variable: Small and Medium Scale Business performance

Source: Author's Computation SPSS Output (2020).

The model summary table 4 the value of R is 0.732 which is the correlation between observed and the predicted values of the dependent variables SMEs business performance. The coefficient of determination (R^2) values of .536 shows that explanatory variable accounted for over 83.6% of high interest loan, while the remaining 46.4% Small and Medium Scale business Performance is explained by other exogenous variables that are excluded in the model. In the same vein , a perusal at the adjusted (R^2) value of 0.534 indicates that after removing the effect of insignificant regression (explanatory variable) about 53.4% variation in SMEs business performances is still accounted for the independence variables SMEs business performances. Concerning the Standard

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Error of the estimate whose value is 0.472 is the root mean squared error. There is evidence of positive serial correlation. .

Table 5. Anova

Model	Sum of Square	df	Mean Square	F	Sig
Regression	57.968	1	57.968	259.823	.000[b]
Residual	50.199	225	.223		
Total	108.167	226			

*p<0.05 a. Dependent Variable: Small and Medium Scale Performance

Source: Author's Computation SPSS Output (2020).

Table 5 shows that at 5% level of significant , F – statistic indicates that the overall regression model is highly statistically significant in term of its goodness of fit to determine if any relationship exists between high interest loan and SMEs business performance ,(F = 259.823, p < 0.05) The results provide adequate support for the alternative hypothesis . Therefore reject the null hypothesis (H_o) and accept the alternative hypothesis (H_1) which asserts that high interest loan does have impact on SMEs business performance.

Table 6: Coefficients [a].

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	95.0% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	.314	.083		3.784	.000	.150	.477
	High Interest Rate	-.242	.015	.732	-16.119	.000	.212	.271

a. Dependent Variable: Small and Medium Scale Business Performance

Source: Author's Computation using SPSS (2020).

Table 6 depicts the contribution of the predictors. In this case, high interest loan contributes with Beta value = .732, p < .05 and t-value = 16.119. The contribution is statistically significant . Therefore , since hypotheses two is significant at 0.000 which is less than 0.05, The study therefore reject the null hypotheses (Ho) and accept the alternative Hypothesis (H_1) which concludes that high interest rate have impact on SMEs business performance but the impact is negative because it affect profit margin and equally affect its business operations and performance negatively.

CONCLUSION.

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Findings and results has proven that high interest rate seriously affects and had negative impact on the performance of small and medium business in Osogbo Osun State.

The study identified that high interest loan rate is one the most biting problems being encountered by small and medium scale enterprises in Osun state, it has negative impact on their business and operational performance because most SMEs always find it very difficult to pay the loan back. In addition it reduce the profit of the SMEs. The task of development involves the conversion of finance into the requisite factor inputs, and the efficient deployment of such inputs is being hampered by the high interest rate been charged by various financial institution. The study has also been able to analyze the relative importance of government, banks, other financial institutions and SMEs themselves in financing the sub-sector and highlighted the importance of how the problems encountered in making available adequate and low interest financing available to SMEs .

RECOMMENDATIONS

Based on the findings of the study, the following recommendations have been proffered.

i Government should rejig through various Credit Guarantee and Insurance Schemes it has established to address the problem of SMEs loan applications and disbursement.

ii Government should put policies to favour small and medium sized enterprises by fixing a lower lending rate to enable the sub-sector to strive maximally

iii Certify advisory services on loan and finances should be given to help SMEs to improve their business analysis

iv Government should put in place measures to enhance the availability of finance to SMEs, particularly in the area of institutional credit that would provide affordable medium and long-term loans for expansion and working capital needs.

v . Also since monetary policies have been identified as a veritable vehicle for self-sustaining industrial advancement of indigenous industries, small and medium Scale Enterprises should be fully aware of monetary policies in Nigeria, so that they can take advantage of them to grow their enterprises.

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