CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Finance has been identified in many business surveys as one of the most important factors determining the survival and growth of small and medium enterprises (SMEs) in both developing and developed countries. (UNCTAD, 1995, 2001; SBA, 2000). A well stable and robust economic growth cannot be achieved without putting in place well focused programmes to reduce poverty through empowering the people by increasing their access to factors of production. The latent capacity of the poor for entrepreneurship would be significantly enhanced through the provision of microfinance services to enable them engage in economic activities and be more self-reliant; increase employment opportunities, enhance household income, and create wealth (Central Bank of Nigeria, 2010).

Microfinance is about providing financial services to the poor who are traditionally not served by the conventional financial institutions. There are three features that distinguish microfinance from other formal financial products. These include: (i) the smallness of loans advanced and or savings collected, (ii) the absence of asset-based collateral and (iii) simplicity of operations.

Microfinance is a form of financial development that has its primary aim is alleviate the poverty of the poor who are generally remained un-served or were offered improper financial service (Mohammad, 2007). It can also be viewed as the process of providing the economically active poor and low income households with financial services such as credit, savings opportunities, micro-leasing, micro insurance and small payment transfers (Central Bank of Nigeria, 2006). The global importance of Microfinance Institutions in poverty reduction, grass root business financing has created a compelling need to design strategies for providing financial service to the vulnerable, poor, and low income group on a sustainable basis. Moreover, it strives to provide a framework for making financial services available, on a sustainable basis, to such groups of economic units. Furthermore, it provides a vibrant micro finance sub-sector that provides the necessary stimulus for national growth and economic development (Olumide, 2011). In the view of Okoli (2014) micro finance banks are institutions established to provide financial services to improve the economic development through entrepreneurship and development of small and medium enterprises.

Small and medium enterprises can be explain as the mini-industries or a non-subsidiary, independent firm which employ fewer than a given number of employees. The small and medium scale enterprises have been generally acknowledged as the bedrock of the industrial development of any country (Yerima, 2007).

Ofoegbu, Akanbi and Joseph (2013) agree that SMEs are the panacea for the economic development of many developing countries including Nigeria. They believe that interest on SMEs would contribute to creation of jobs, reduction in income disparity, production of goods and services in the economy, as well as providing a fertile ground for skill development and acquisition. SME serves as a mechanism for backward integration and a vehicle for technological innovation and development especially in modifying and perfecting emerging technological breakthroughs. Williams, (2015) stated that SMEs contribute to improved living standards, bring about substantial local capital formation and achieve high level of productivity and capability. SMEs are recognized as the principal means of achieving equitable and sustainable industrial diversification and dispersal. Therefore, small and medium scale enterprises play important economic and social roles in employment creation, economic growth and development, important linkages with larger enterprises, social security, creativity and innovations, financial markets profitability and growth (Olumide, 2011). In developing countries like Nigeria, small and medium scale enterprises have been fully recognized by government as the main engine of economic growth and major factor in promoting private sector development and partnership (Adeusiyi, 2007).

Ajakaiye (2013) states that the Central Bank of Nigeria (CBN) has initiated a project for baseline economic studies to develop integrated information system for SMEs to foster better implementation of small and medium industries equity investment scheme (SMES) but there was poor financial backup to the system. In the view of Yeboah, Asirifi and Adigbo (2014), access to finance allows SMEs to undertake productive investments to expand their businesses and to acquire the latest technologies, thus ensuring their competitiveness and that of the nation as a whole. However, poor functioning financial systems can seriously undermine the microeconomic fundamentals of a country, resulting in lower growth of income. Though Nigeria's SMEs (generally an umbrella term for firms with less than 250 employees), at present experience a lot of problems and hardship, as a result of the economic downturn. There are a number of bottlenecks, including serious undercapitalization with difficulty in gaining access to bank credits and other financial markets; corruption and lack of transparency (although this is general challenge in Nigerian society); very high bureaucratic costs; but most damagingly, a seemingly lack of government interest and support for the roles that SMEs play in national economic development and competitiveness (Taiwo, Onasanya, Agwu and Benson, 2017). If Nigeria is to achieve the millennium development goals by 2025, one of the sure ways is to enhance the capacity of its SMEs. The three core issues identified by the millennium development goals such as hunger, poverty, literacy, maternal and mortality rate would not be achieved unless the problems of SMEs are clearly tacked (Ogundele, 2007).

Adeyemi (2016) on this trend, stated that the challenges and the problem of small and medium scale enterprises are tied to some economic variables and the challenges that generally characterized the nation's economy. Some of the challenges and problems include high level of unemployment, high poverty incidence, and low industrialization capacity, lack of finance, inconsistent government policies and inadequate infrastructure and insecurity of the business climate among others. Nevertheless, the internal characteristics of small and medium scale enterprises too have also interact with some economic variables to undermine the capacity of the economy (Nasiri, 2014). Issues of low level of entrepreneurial skills, poor management practices, inadequate equity capital and lack of information among other problems. In spite of these problems and challenges, the current economic reform process ongoing in Nigeria aimed at reducing poverty, unemployment and strengthening of basic institutions and sub sector of the economy target at improving and enhancing the capacity of small and medium scale enterprises is beginning to show a renew optimism on the enterprises as instrument of economic growth and development (Nnanyere, 2010). The only programme that comes to mind is, in the aftermath of the Structural Adjustment Programme (SAP) riots of 1989, the establishment of the Peoples' Bank under the headship of the late Tai Solarin. The bank did help to an extent by giving out loans to existing micro businesses, as well as those willing to start up by providing the necessary part-finances. However, as with all other Nigerian public institutions, with no vision and no sense of direction, it has since joined the rank of the non-functioning public organizations. Attempts made to address the problem of SMEs in Nigeria include direct lending by various financial institutions, specification of credit guidelines by the Centra Bank of Nigeria to banks lending to SMEs, the establishment of rural banking programmes and indirect lending to SMEs at concessionary rates through participating banks (Inang and Ukpong, 1992; Inegbenebor, 2006). Further schemes include the establishment of the Second-tier Securities market, the merger of the Nigerian Bank for Commerce and Industry, the Nigerian Industrial Development Banks and the National Economic Reconstruction Fund into the Bank of Industry to provide cheap financial and business support services to SMEs and the establishment of Small and Medium Enterprises Equity Investment Scheme (SMEEIS), through the initiative and support of the Bankers' Committee for effective innovations (Nnanyere, 2010).

According to Shang (2013) innovative approach to SME funding is the setting up of a Micro, Small and Medium Enterprises Development Fund' (MSMEDF) from which the funding needs of micro, small and medium enterprises were to be addressed. The fund was to be managed by microfinance banks and other microfinance institutions. During this process microfinances are viewed and widely perceived as a development approach with significant potential for poverty reduction and economic empowerment for small and medium scale entrepreneurs.

On this basis, Mosley (2011) confirmed that Microfinance institutions enabled entrepreneurial development and enhanced income earnings thus an improved living standard. In Nigeria, however the case is different as a result of poor performance of Microfinance institutions towards provision of credit and savings services to entrepreneurial, poor innovative strategies, poor provision of small loans especially in rural areas and inability to attain to government recommended policy towards SMEs. Various interventions have been made to cater for the peculiar needs of SMEs. These interventions include institutional support, training in the relevant skills, tax concessions, technological acquisition and liberalized access to credit and innovation schemes (Obadan and Agba, 2006). Therefore it is against this background that the study seeks to examine the small and medium scale enterprises (SMEs) financing and microfinance policy in the South Eastern States of Nigeria.

1.2 Statement of the Problem

The current problems of hunger, poverty and unemployment in Nigeria have undermined the capacity of the economy, as such small and medium scale enterprises (SME) are seen as mechanism for intervention to addressing these long term problems of the economy. Unfortunately, SME have not been able to propel economic growth and development which are quintessential to mitigating the effects of poverty, hunger, unemployment and low standard of living on the economy. The challenge of addressing this onerous problems of hunger, poverty and unemployment are even more worrisome when considering the actualization of the millennium development goals in the country. Small and Medium Scale Enterprises have been widely acknowledged as the springboards for sustainable economic development (Ogwu, 2012). In particular, developing countries including Nigeria, have since the 1970s shown increased interest in the promotion of small and medium scale enterprises for three main reasons: the failure of past industrial policies to generate efficient self-sustaining growth; increased emphasis on self-reliant approach to development and the recognition that dynamic and growing SMEs can contribute substantially to a wide range of developmental objectives (Olorunshola, 2003). The main objectives are to increase efficient use of resources, employment creation, mobilization of domestic savings for investments, encouragement, expansion and development of indigenous entrepreneurship and technology as well as income distribution, among others (Anderson, 1982).

It is clearly stated by Nwachukwu (2015) that the promoters of small and medium enterprises are people with ideas, dreams and imaginations but majority of the entrepreneurs lack the needed financial means to translate their dreams and aspirations into concrete reality terms that will earn them the desired wealth. In spite of the roles played by SMEs in the Nigerian economy, the sub-sector has continued to suffer from other numerous challenges. These challenges include inability of most SMEs operators to understand, appreciate and utilize information for project selection, lack of access to finance, lack of collateral, high cost of production, non-availability of production infrastructures which lead to poor requisite skill development and low job creativity, poor financial service accessibility which leads to poor production output and quality output. These problems hinder the development of SMEs especially in the South East of Nigeria. Also failures in bank release of loans coupled with the economic recession, inefficiency in the administration of incentives which discourage rather than promotes SMEs growth has drastically reduce the development of SMEs to a very low level in Nigeria.

In addition, there may be challenges hindering microfinance banks granting of loans to SMEs. These challenges may includes poor skill development possessed by SMEs, lack of supportive governance framework, non-availability of individual vital information to enable bank process request immediately, lack of collateral provision by SMEs, social and environmental problems due to high rate of business failure as the result of poor resources and production infrastructure based on the state of the economy, attitudinal disposition towards made-in-Nigeria goods, low educational background of the SMEs, poor managerial skills of SMEs and poor entrepreneur skill. All these have made the financing of SMEs by microfinance banks a difficult one. In spite of the potential importance of SMEs in any economy, high mortality rate among established SMEs is a matter of major concern in developing economies, including Nigeria. International Finance Corporation (IFC) reported in 2002 that only two out of every 10 newly established businesses survive up to the fifth year in Nigeria. The report was corroborated by Small and Medium Enterprise Development Agency of Nigeria (SMEDAN) that only 15% of newly established businesses survive the first five years in Nigeria and this is a pointer to the fact that there is a problem. Consequently, programmes of assistance in the areas of finance, extension and advisory services, training and provision of infrastructure were designed by the government for the development of SMEs to enhance the attainment of improved SMEs (Cruch and Vania, 2011). This then explains the reasons for the various policy measures put in place by the

Federal Government to assist the Small Scale Enterprises over the years. These policies, according to Ogbuehi (2013) included:

> *Small Scale Industries Credit Scheme (SSICS) set up in 1971 by the Federal Ministry of Industry, National Economic Reconstruction Fund (NERFUND), Facilitating and guaranteeing external finance through the World Bank, African Development Bank and other international institutions willing and capable of assisting SMEs in Nigeria; e.g. World Bank SME II Loan Scheme, The Agricultural Credit Guarantee Scheme Fund (ACGSF) - operated by CBN, approved by Decree No. 20 of 1977, The Trust Fund Model - by CBN, introduced in 2001, The Interest Draw Back Programme by CBN, commenced in 2002 with initial capital of N2.0 billion, The Family Economic Advancement Programme (FEAP), Better Life for Rural Women Programme (BLP) etc*.

With all these measures however, the full potentials of the SMEs in the developmental process have not been realized (Ogbuehi, 2013). To address the situation, the Microfinance Policy, Regulatory and Supervisory Framework (MPRSF) for Nigeria was launched by CBN in 2005, to provide sustainable financial services to micro and small scale entrepreneurs. The policy among other things, addresses the problem of lack of access to credit by small business operators who do not have access to regular bank credits. It is also meant to strengthen the weak capacity of such entrepreneurs, and raise the capital base of microfinance institutions. The core objective of the microfinance policy is to make financial services accessible to a large segment of the potentially productive Nigerian population, which have had little or no access to financial services and empower them to contribute to rural transformation. It is against this backdrop that the researcher intends to find solutions to the myriad of problems of SMEs**.**

1.3 Objectives of the Study

The broad objective of the study is to examine how the microfinance policy of government affects the financing of small and medium scale enterprises in the South Eastern States of Nigeria, 2001 to 2017.

The specific objectives are to:

1. Examine the relationship between timely access to loan and innovative growth of SMEs in South East Nigeria.
2. Determine the relationship between production infrastructure and requisite skill development of SMEs in South East Nigeria .
3. Ascertain the relationship between collateral provision and production capacity of SMEs in South East Nigeria .
4. Determine the relationship between financial service accessibility and job creativity of SMEs in South East Nigeria.
5. Ascertain the relationship between loan accessibility and youth empowerment of SMEs in South East Nigeria.

1.4 Research Questions

The following research questions guided the study;

1. How does timely access to loan relate with innovative growth of SMEs in South East Nigeria?
2. To what extent does production infrastructure affect requisite skill development of SMEs in South East Nigeria?
3. How does collateral provision relate with production capacity of SMEs in South East Nigeria?
4. How does financial service accessibility relate with job creativity of SMEs in South East Nigeria?
5. To what extent does loan accessibility relate with youth empowerment of SMEs in South East Nigeria?

1.5 Hypotheses (Null Forms)

The following hypotheses which were stated in null form guided the study

1. There is no significant relationship between timely access to loan and innovative growth of SMEs in South East Nigeria.
2. There is no significant relationship between production infrastructure and requisite skill development of SMEs in South East Nigeria.

3. There is no significant relationship between collateral provision and production capacity of SMEs in South East Nigeria.
4. There is no significant relationship between financial service accessibility and job creativity of SMEs in South East Nigeria.
5. There is no significant relationship between loan accessibility and youth empowerment of SMEs in South East Nigeria.

1.6 Significance of the Study

This study has both theoretical and practical significance. Theoretically, the study will serve as a reference point to future researchers who may embark on the related topics. The study shall also contribute to the body of knowledge on SME financing and in particular on the appropriateness or otherwise of microfinance funding for SMEs. This study contributes to the existing financial theories regarding the improvement of SMEs.

Practically, this study will be very useful to various stakeholders especially the key participants in the SME financing system: banks, industrialists and government agencies. The study will be of immense assistance to public policy makers, academics and researchers concerned with researching, designing and determining appropriate strategies to grow SMEs or boost employee productivity in the public sector.

The findings of the study will reveal to the banks the importance of SMEs to economic development thereby encouraging banks to grant SMEs access to loans and as such yielding more profit to banks. The findings of the study will be of immense benefit to the industrialists as SMEs will patronize the industries during the production of their own goods. The findings of this study will also be of great benefit to the government as it will reveal the importance of SMEs to economic development and youth empowerment.

Indeed, this study will be of immense benefit to the society as it will reveal the importance of microfinance to SMEs as it helps to increase creativity, employment opportunity and production capacity.

1.7 Scope of the Study

This study focuses on small and medium scale enterprises (SME) financing and microfinance policy in the south eastern states of Nigeria. The study covered all the registered SMEs in the Small and Medium Enterprise Development Agency of Nigeria (SMEDAN) within the selected five States in South East namely: Abia State, Anambra State, Ebonyi State, Enugu State and Imo State. The time frame for the study is a period of sixteen years (2001– 2017). The study will examine timely access to loans with respect to innovation of SMEs, financial service accessibility with regards to quality (production) output of SMEs, infrastructure with regards to requisite skill development of SMEs, collateral provision as it affects production capacity of SMEs, loan accessibility as it improves expansion capacity of SMEs, financial service accessibility as it improves job creativity of SMEs, loan accessibility as it helps youth empowerment of SMEs in South East Nigeria.

1.8 Limitations of the Study

This study which focused on Small and Medium Scale Enterprises Financing and Microfinance Policy in the South Eastern States of Nigeria faced several challenges which include the challenges of sourcing for material during the research. The researcher also experienced the challenge of data collection as some of small and medium scale enterprises found it difficult to release such relevant information.

1.9 Operational Definition of Terms

Microfinance is the provision of financial services adapted to the needs of low income people such as micro-entrepreneurs, especially the provision of small loans, acceptance of small savings deposits, and simple payments services needed by micro-entrepreneurs and other poor people (USAID, 2000).

Small Scale Enterprises (SSE) are those with fixed assets above N1 million but not exceeding N10 million, excluding land but including working capital

Medium Scale Enterprises(MSE) are those with fixed assets, excluding land but including working capital, of over N10 million but not exceeding N40 million.

Youth Empowerment

Youth empowerment is a process where children and young people are encouraged to take charge of their lives through skill development. Youth empowerment can also be viewed as the process whereby young people gain the ability and authority to make informed decisions and implement change in their own lives and the lives of other people.

Loan

Loan is the process or act of giving money, property or other material goods to another party in exchange for future repayment of the principal amount along with interest or other financial charges.

Production Capacity

This can be explain as the volume of production by a manufacturing plant using the available resources in a specific time period. Productive capacity is the maximum possible output of an economy.

Job Creation

Job creation can be defined as work done for which an individual receive regular payment. It can also be explain as post position, vacancy, placement, appointment or opening for a qualified candidate to amply

Micro saving

Micro savings is a branch of microfinance, consisting of a small deposit account offered to lower-income families or individuals as an incentive to store funds for future use.

Skill acquisition

Skill acquisition is a process by which a symbolic domain in the culture is changed. New Songs, new ideas, new machines are what Skill acquisition is all about (Mihaly 2009). Skill acquisition is the ability to make or otherwise bring into existence something new, whether a new solution to a problem, a new method or device, or a new artistic object or form.

Production Capacity

This can be explained as the volume of production by a manufacturing plant using the available resources in a specific time period. Productive capacity is the maximum possible output of an economy.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

This chapter reviewed related studies on small and medium scale enterprises (SME) financing and microfinance policy. Views of scholars are reviewed under the following sub-headings;

2.1 Conceptual Review

2.1.1 Small and Medium Scale Enterprise

2.1.2 Financial Needs of SMEs

2.1.3 Concept of Microfinance

2.1.4 Nexus between SMEs and Microfinance

2.1.5 Microfinance Policy for Nigeria

2.1.6 Participation of Existing Financial Institution

2.1.7 Loan

2.1.8 Youth Empowerment

2.1.9 Skill Acquisition

2.1.10 Job Creation

2.1.11 Production Capacity

2.2.1 Empirical Review

2.2.2 Summary of Review of Related Literature

2.2.3 Gap in Literature

2.3.1 Theoretical Framework

2.3.2 Application

2.1 Conceptual Review

2.1.1 Small and Medium Scale Enterprise (SMEs) Financing

The concept of SMEs is relative and dynamic. The definitions change over a period and depend, largely, on a country's level of development. There is no universal definition of small-scale industry. Each country tends to derive its own definition based on the role SMEs are expected to play in that economy and the programmes of assistance designed to achieve that goal. Varying definitions among countries may arise from differences in industrial organization at different levels of economic development in parts of the same country (Sule, 1986).

Indeed, defining small business has always been very difficult and controversial. The term 'small business' covers a variety of firms (Hertz, 1982; Nguyen and Bellehumeur, 1983) and it is used loosely in most of the literature. According to Peterson, Albaum and Kozmetsky (1986), a small business is one which is independently owned and operated and which is not dominant in its field of operation. Yerima, (2007) used specific criteria to operationalize the small business, from the perspective of value added, value of assets, annual sales, and number of employees. Annual sales and number of employees are most often used to delimit the category. The problem of definition confronts all researchers as well as operators in the field.

A review of the literature on Small and Medium Scale Enterprises (SMEs) shows that the definition of SMEs significantly varies from country to country depending on factors such as the country's state of economic development, the strength of the industrial and business sectors, the size of SMEs and the particular problems experienced by SMEs (Harabi, 2003). Hence, there is no uniform or universally accepted definition of SMEs (Investment Climate Assessment (ICA), 2009). In Nigeria, parameters such as asset base (excluding land), the number of workers employed and the annual turnover are used for the classification of SMEs. Carpenter (2001) maintains that there is no one definition for SMEs; they are defined in Nigeria and other countries based on one or all of the following: the size or amount invested in assets excluding real estate; the annual turnover and the number of employees.

Prior to 1992, different institutions in Nigeria adopted varying definitions of SMEs. The institutions included the National Council on Industry (NCI), Federal Ministry of Finance, Central Bank of Nigeria, National Association of Small and Medium Enterprises, Centre for Industrial Research and development and the National Economic Reconstruction Fund (Aruwa, 2004). In 1992, the NCI streamlined the definition of industrial enterprises to bring in uniformity and provided for its review every four years. The definitions were revised in 1996 as follows (NCI, 1996): Small Scale Enterprises(SSE) are those with fixed assets above N1 million but not exceeding N10 million, excluding land but including working capital, while Medium Scale Enterprises are those with fixed assets, excluding land but including working capital, of over N10 million but not exceeding N40 million.

SMEs can be divided into small and medium enterprises (Aruwa, 2004).

The Federal Ministry of Industries defines a medium-scale enterprise as any company with operating assets less than N200 million, and employing less than 300 persons. A small-scale enterprise on the other hand, is one that has total assets of less than N50 million, with less than 100 employees. Annual turnover is not considered in the definition of an SME. The National Economic Reconstruction Fund (NERFUND) defines an SSE as one whose total assets are less than N10 million, but makes no reference either to its annual turnover or the number of employees (Ajakaiye, 2013). These and other definitions of the National Association of Small Scale Industries (NASSI), the National Association of Small and Medium Enterprises (NASME), the Central Bank of Nigeria (CBN) and other institutions are shown in the Table below.

Table 2.1 Definition of SME by Nigerian Institutions

Parameters	Total Assets (N'm)			Annual Turnover (N'm)			No of Employees		
Nigerian Institution	MSE	SSE	ME	MSE	SSE	ME	MSE	SSE	ME
Fed. Min. of Industries.	<200	<50	n.a.	n.a.	n.a.	n.a.	<300	<100	<10
Central Bank	<150	<1	n.a.	<150	<1	n.a.	<100	<50	n.a.
NERFUND	n.a.	<10	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
NASSI	n.a.	<40	<1	n.a.	<40	n.a.	n.a.	3 - 35	n.a.
NASME	<150	<50	<1	<500	<100	<10	<100	<50	<10
Nigeria Industrial	n.a	< 2m	<.1	n.a	n.a	n.a	n.a	n.a	n.a

Source: World Bank, SME Country Mapping 2001

The World Bank Group prescribed the following definition: Micro Enterprises: Employment, 10 or less, Total assets; $100,000 or less, and Turnover; $100,000 or less. Small Enterprises: Employment, 10 – 50, Total Assets; $100,000 - $3m, and Turnover; of $100,000 - $3m. Medium Enterprises: Employment; 50 – 300 staff, total assets; of $3m - $15m, and Turnover; $3m - $15m (World Bank, 2007).

The Nigerian Industrial Policy (1989), defined SMEs as those with total investment of between N100,000 and N2m excluding land and working capital, while micro enterprises and cottage industries were defined as those with investments not exceeding N100,000 excluding land but including working capital (CBN Statistical Bulletin, 2005).

Small and Medium Enterprise Equity Investment Scheme (SMEEIS), a private initiative by the Bankers' Committee defined SMEs as enterprises with an asset base not exceeding $3.85 million (N500 million) excluding land and working capital with staff strength of not less than 10 and not more than 300 (Sanusi, 2003). A common feature of these definitions is that SMEs are usually small, owner or family managed businesses with basic goods and services. SMEs also tend to lack the organizational and management structures, which characterize large-scale enterprise (Williams, 2015). Urban SMEs tend to be more structured than their rural counterparts. The National Policy on SMEs adopts a classification based on the dual criteria of employment and assets (excluding land and buildings), as follows:

Table 2.2 Classification Adopted by SMEDAN for National Policy on MSMEs

	SIZE CATEGORY	EMPLOYMENT	ASSETS (N million) (excluding land and buildings)
1	Micro enterprises	Less than 10	**Less than 5**
2	Small enterprises	10-49	**5 – less than 50**
3	**Medium enterprises**	**50-199**	**50- less than 500**

Source: SMEDAN, 2007, 2012.

According to Aruwa (2004) where there exists a conflict in classification between employment and assets criteria (for example, if an enterprise has assets worth seven million naira (N7m) but employs 7 persons), the employment-based classification would take precedence and the enterprise would be regarded as micro. Employment-based classification tends to be relatively a more stable definition, given that inflationary pressures may compromise the asset-based definition. In choosing these definitions, cognizance was taken of all possible factors, including international comparisons and peculiarities of the various sub-sectors/enterprises (SMEDAN,2007). It is obvious that there is no universal definition of SMEs. Some countries define SMEs according to number of employees; others define them based on the level of assets or turnover or both. However, most definitions are based on a mix of the above parameters. This creates a definite problem for SME operators. Lack of proper definition makes it difficult for them to take advantage of government-assisted programmes meant for them (Aruwa, 2004). In this study small and medium scale enterprises (SMEs) can be explained as those non-subsidiary, independent firms which employ fewer than a given number of employees with an annual turnover / total assets no more than 500 million naira.

2.1.2 Financial Needs of SMEs

Financial needs of small businesses are diverse and context specific. Thus, generalizing the results of the few market studies available is risky, but some patterns seem to be emerging regarding small business needs.

In the early stages of the business life cycle, small firms in developing countries often depend on informal sources of funding and have basic needs, such as managing cash flow through short-term loans and basic savings accounts. A Fine scope pilot study in South Africa showed that most very small businesses need a short-term line of credit to weather brief (sometimes overnight) cash flow gaps (Frontier Associates 2009). The need for a savings buffer can be even more acute, because income is often irregular while business partners can be unreliable. As very small businesses grow, their needs extend beyond short-term lending and savings into other financial products, such as long-term debt, current accounts, transfers, and payments. For example, long-term debt finance is one of the most commonly cited needs of small enterprises (CGAP 2011, IFC 2010), but evidence from banks lending to small businesses suggests that long-term lending is often offered as a way to cross-sell other fee-based products and services, including payments and savings (de la Torre, Martínez Pería, and Schmukler 2010). Small businesses also have many nonfinancial needs that are often unmet. For example, in the 2006–2009 World Bank enterprise surveyed, small enterprises in developing countries cited the lack of electricity as a bigger obstacle than lack of finance. Other key barriers include inappropriate regulations, taxes, and corruption (Cruch and Vania, 2011).

The SMEs often complain that their growth and competitiveness are constrained by a lack of access to financing and the high cost of credit. Recent global economic turmoil and events lend credence to the argument that SMEs are more likely than larger firms to be denied new loans during a financial crisis (World Bank, 2010). In most countries, because competition in the banking sector is limited, banks have not been under pressure to improve their lending to smaller clients. In addition, SME access to the formal financial sector is constrained by the high risks and transactions costs, real or perceived, associated with commercial lending to that segment of the market. Lenders are faced with a lack of reliable information on borrowers, difficulties in enforcing contracts (the result of inadequate legal frameworks and inefficient court systems), and the lack of appropriate instruments for managing risk (Hallberg, 1999).

Often, the problem is compounded by supervisory and capital adequacy requirements that penalize banks for lending to enterprises that lack traditional collateral. In the traditional approach to SMEs development, governments have provided credit to SMEs through first-tier development banks, second-tier credit facilities channeled through banks and other financial institutions, and portfolio requirements on banks, often supplemented by credit guarantee schemes. Subsidized interest rates and guarantees were common in the past and continue to be used in many countries. This reflects a presumption that the high cost of credit is the main constraint facing SMEs, even though there is evidence that SMEs care more about access to credit than its cost (Sakai and Takada, 2000). The traditional approach of subsidized credit also may have been a reflection of the importance of state owned banks in financial markets of developing countries. Direct and subsidized credit programmes have done little to achieve what should be their fundamental objective, which is, increasing the access of small enterprises to financial services. Instead, they inhibit the development of sustainable financial institutions and often foster a "non-repayment culture" among enterprises(Olorunshola, 2003). Low rates of loan recovery push ex-post subsidies even higher than those intended in credit programmes. Credit subsidies also create distortions in financial markets, since they discourage firms from using non-credit forms of financing. The traditional approach has failed to deal with the fundamental problems that raise the cost of credit and make banks reluctant to serve SMEs; the high risks and transaction costs (real or perceived) associated with commercial lending to the small scale segment of the market (Sacerdoti, 2005).

A market-oriented strategy for improving SMEs access to financing focuses on reducing the risks and transactions costs associated with this segment of the markets, strengthening the capacity of financial institutions to serve smaller clients, and increasing competitive pressure in financial markets. The aim is to increase the number of financial institutions that find lending to SMEs to be profitable, and therefore sustainable. Elements of this strategy would include:

- Reducing barriers to entry, for example, by reconsidering capital adequacy requirements and prudential regulations that may be inappropriate for financial institutions serving smaller clients;
- Reducing the risks associated with lending to small businesses, focusing on laws governing the enforcement of contract, forfeiture and collection of collateral, and the use of movable assets as collateral;
- Developing the policy, legal, and regulatory frameworks that are essential to the development of innovative financial institutions and instruments, including venture capital, small equity investments, and leasing;
- Promoting innovation in specialized lending technologies that reduce the administrative costs associated with credit application, monitoring, and payment;
- Strengthening the capacity of financial institutions to evaluate SME creditworthiness in a cost-effective manner, for example, through the use of credit scoring techniques; and
- Providing information on the credit worthiness of potential borrowers, through the establishment of credit bureaus, and ways to help SMEs prepare business plans and financial projections.

2.1.3 Microfinance Policy

Microfinance is the provision of financial services adapted to the needs of low income people such as micro-entrepreneurs, especially the provision of small loans, acceptance of small savings deposits, and simple payments services needed by micro-entrepreneurs and other poor people (USAID, 2000). It is the provision of financial services to the economically active poor who are hitherto un-served by the mainstream financial service provider. Microcredit is commonly defined in terms of loan amount as a percentage of average per capita income. In the context of Nigeria, with a per capita GDP of N42,000 (about $300) in 2003, loans up to N50,000 (about/approximately $350) would be regarded as micro loans, while micro savings are defined as savings accounts with a balance of less than N8,400 (about $50), that is less than 20% of the average annual income per capita (USAID, 2004).

The Central Bank of Nigeria (CBN, 2005) defines microfinance as the provision of financial services to the economically active poor and low income households. These services include credit, savings, micro-leasing, micro-insurance and payment transfer, to enable them to engage in income generating activities. The Microfinance Policy defines the framework for the delivery of these financial services on sustainable basis to the Micro, Small and Medium Enterprises

(MSMEs) through privately-owned Microfinance Banks(Yeboah, Asirifi and Adigbo, 2014).

In another contribution, Ojo (2007) defined microfinance as small scale financial services that are provided to rural/informal small scale operators for farming, fishing, trading, and building of houses and to engage in any other productive and distributive activities. Microfinance and micro financial institutions are intended to fill a definite gap in the finance market and the financial system respectively, to assist the financing requirements of some neglected groups who may be unable to obtain finance from the formal financial system. These neglected groups that constitute the target users of such microfinance are mainly in the informal sector of the economy and are predominantly engaged in small scale farming, commercial/trading and industrial activities.

Mosley (2001) defined microfinance as financial services for poor and low-income clients. In practice, the term is often used more narrowly to refer to loans and other services from providers that identify themselves as "microfinance institutions" (MFIs). These institutions commonly tend to use new methods developed over the last 30 years to deliver very small loans to unsalaried borrowers, taking little or no collateral. These methods include group lending and liability, pre-loan savings requirements, gradually increasing loan sizes, and an implicit guarantee of ready access to future loans if present loans are repaid fully and promptly. According to Gupta (1996), microfinance is a movement that envisions a world in which low-income households has permanent access to a range of high quality financial services to finance their income-producing activities, build assets, stabilize consumption and protect against minor investment risks. These services are not limited to credit, but include savings, insurance, and money transfers.

Yunus (2006) describes microfinance as an amazingly simple approach that has been proved to empower very poor people around the world to pull them out of poverty. It is a financial system that relies on the traditional skills and entrepreneurial instincts of the active poor people, mostly women, using small loans (usually less than US$200), other financial services, and support from local organizations called microfinance institutions (MFIs) to start, establish, sustain, or expand very small, self-supporting businesses. A key to microfinance is the recycling of loan. As each loan is repaid—usually within six months to a year—the money is recycled as another loan, thus multiplying the value of each loan in defeating global poverty and changing lives and communities. He further explains that microcredit refers specifically to loans and the credit needs of clients, while microfinance covers a broader range of financial services that create a wider range of opportunities for success. Examples of these additional financial services include savings, insurance, housing loans and remittance transfers. The local MFI might also offer microfinance in addition to activities such as entrepreneurial and life skills training, and advice on topics like health and nutrition, sanitation, improving living conditions and the importance of educating children.

Gert van Maanen (2004), describes microfinance as ‘‘banking the unbankables, bringing credit, savings and other essential financial services within the reach of millions of people who are too poor to be served by regular banks, due to lack of sufficient collateral." Corroborating this position, Yunus (2003) opines that microcredit is based on the premise that the poor have skills which remain unutilized or underutilized and that it is not the lack of skills that makes poor people poor as charity is not the answer to poverty but only helps poverty to continue. It creates dependency and takes away the individual's initiative to break through the wall of poverty, therefore, the solution to poverty is to unleash financial energy and help individual develop their creative capacity.

Following these views, microloan may be seen as a new tool, a machine, or a shop in the marketplace. Millions of the world’s poor and low-income people have taken advantage of small loans to improve their lives. Over the past three decades, people have used small loans, known as microcredit, to launch new enterprises, create jobs and help economies to flourish. Poor people have proved time and again that they are able to repay these loans in time (United Nations, 2005*).* Yunus (2003) also observes that these loans are character-based rather than collateral-based. Five women group all vouch for one another to get a loan, the women are not only individually responsible, but their group is also liable for the loan. Just as important as making microloans available so is providing business training and life skills classes where borrowers will acquire the skills they need to succeed (Adelante, 2006). Other inerest group such as the Consultative Group to Assist the Poor (CGAP) emerged and confirms that microfinance allows poor people to protect, diversify, and increase their sources of income.

Costa (2007) explains microfinance as a field that focuses on providing a variety of financial services to the poor. Typically, individuals with very little income experience great difficulty in taking advantage of things like savings opportunities and insurance products. Often, low incomes go hand-in-hand with a lack of collateral and credit, making it difficult for the poor to obtain loans, invest and enjoy insurance protection. Barnes (2000) explains that microfinance is aimed at providing financial services in small amounts. For example, it is possible for a person to benefit greatly from a loan of just $50 USD. A bank would probably be uninterested in granting such a small loan and a low-income person could have great difficulty in securing the loan of a larger amount. In such a case, a needy individual might seek a loan from an unsafe source, accepting incredibly high rates and suffering from unfair lending practices. With help from a microfinance institution, however, the individual could secure a loan at a reasonable rate, without suffering unfortunate consequences. Microfinance therefore helps to cushion poor households against the extreme vulnerability that is a feature of their everyday existence and which can push a family into destitution. Loans, savings, transfers, and insurance help to smooth out income fluctuations and maintain consumption even during lean periods and emergencies. Microfinance is thus reported to be capable of giving more people more options, empowering them to make their own choices and build their own way out of poverty (CGAP, 2009*)*. Microfinance seeks to eliminate this problem, providing microinsurance, microloans, and other financial services to low-income people. Often, microfinance services are aimed at helping people to start their own businesses thus creating the opportunity for increased income and greater financial independence. For example, a microfinance loan of less than $100 United States Dollars (USD) could help an individual start a business, creating a new income stream for him and maybe even providing new job opportunities for others. Such a small loan could benefit the borrower in many ways, setting him up to provide food, shelter, and education for his dependents. That microfinance loan could even help the borrower to afford important medicines.

2.1.4 Nexus between SMEs and Microfinance

The Economic and Social Commission of Western Asia (ESCWA, 2002) describes microfinancing as a financial system that enables poor micro entrepreneurs to raise income through productive activities and viable businesses. Its operations and its success depend on the support it gets from the government, the civil society and the financial institutions. The country's investment policy, its economic management, the policy of the financial institutions and the role played by international organizations and NGOs in the country determine the environment in which it operates.

Lack of job opportunities are, however, amongst the primary concerns of those in both rural and urban areas. Few people in developing countries have salaried, formal employment. The majority depend overwhelmingly upon earnings from occasional, low-paid labour or employment in small and medium enterprises or in running micro enterprises themselves. Micro enterprises are usually run from the home and can involve any type of income-generating work such as street-trading, dairy farming and carpentry (Adeusiyi, 2007). To set up or develop such micro enterprises, some amount of capital is required and for about 90% of people living in poverty, the only way is to borrow money from their family, friends or moneylenders. Commercial banks do not usually lend to small business owners because such loans are considered insecure, or unprofitable. Local moneylenders charge high interest rates sometimes between 10% and 100% a month and sometimes more (Opportunity international, 2002).

Microfinance Institutions (MFIs) provide an alternative means for poor people to access basic financial services in a way that seeks to help them to improve their lives and businesses. The term ‘microfinance’ covers a range of financial services offered to poor people. Microcredit involves making small loans to people who do not have the necessary collateral to obtain credit from the formal banking sector (Arewa, 2013). Microcredit is sometimes supported with training and advice to help micro-entrepreneurs to run successful businesses. Micro-savings are crucial to poor and low-income families in order to meet both planned and unexpected needs that may arise. Micro-insurance services can help to provide those living in poverty with a means of tackling costs that might otherwise result in their becoming destitute. Micro leasing is a facility in which the lease is allowed to make periodic payment on an asset while he takes full possession of the asset (Nasiri, 2014)

2.1.5 Microfinance Policy for Nigeria

In December 2005, the Central Bank of Nigeria (CBN) introduced a Microfinance Policy Framework to enhance the access of micro entrepreneurs and low income households to financial services required to expand and modernize their operations in order to contribute to rapid economic growth (CBN, 2011). The rationale was that no inclusive growth can be achieved without improving access of this segment of the economic strata to factors of production, especially financial services.

The basis of this bold initiative in 2005 is still valid. With the benefit of experience spanning over five years of operating the Microfinance Policy, the CBN believes that a review of the Policy to reflect lessons from experience, global economic trends and the envisioned future for small business development in Nigeria has become auspicious(Mohammad, 2007)..

Microfinance services according to the CBN (2011) refer to loans, deposits, insurance, fund transfer and other ancillary non-financial products targeted at low-income clients. Three features distinguish microfinance from other formal financial products: (i) smallness of loans and savings, (ii) absence or reduced emphasis on collateral, and (iii) simplicity of operations. Before the emergence of Microfinance Banks (MFBs) under the Microfinance Policy, the people that were unserved or under-served by formal financial institutions usually found succour in non-governmental organization-microfinance institutions (NGO-MFIs), moneylenders, friends, relatives, credit unions, etc. These informal sources of funds have helped to partially fill a critical void, in spite of the fact that their activities were neither regulated nor supervised by the CBN. This revised policy framework continues to take cognizance of this category of institutions, which have now become key players in the Nigerian microfinance landscape. However, more emphasis would be placed on MFBs because they are under the regulatory and supervisory purview of the CBN.

Thus, the envisioned microfinance sub-sector under the policy regime recognizes the existence of informal institutions and provides for their mainstreaming into the national financial system. The policy also seeks to harmonize operating standards and provide a strategic platform for the evolution of microfinance institutions particularly MFBs. Existing non-deposit taking service providers, which continue to operate outside the purview of regulation and supervision of the CBN, would be Microfinance Policy Framework for Nigeria encouraged to make periodic returns on their operations for statistical purposes to the CBN (Mohammad, 2007)..

Prior to the CBN intervention, the microfinance industry in Nigeria had been confronted by numerous challenges since the launch of the Microfinance Policy Framework in December, 2005. Coming on the heels of the banking sector consolidation, many of those adversely affected found their way into microfinance. Thus, a significant number of the newly licensed MFBs were established or operated like ‘mini-commercial banks’. Also, the erstwhile community banks (CBs) that converted to MFBs did not fare any better.

An assessment of the microfinance sub-sector, following the launching of the policy however revealed some improvements. These include increased awareness among stakeholders such as governments, regulatory authorities, investors, development partners, financial institutions and technical assistance providers on microfinance. Specifically, a total of 866 microfinance banks have been licensed, Microfinance Certification Programme (MCP) for operators of microfinance banks put in place and the promotional machinery beefed up. Accordingly, entrepreneurs are taking advantage of the opportunities offered by increasingly demanding for financial services such as credit, savings, payment services, financial advice and non financial services (Microfinance Policy Framework for Nigeria).

Despite the above development, a large percentage of Nigerians are still excluded from financial services. A study carried out by Enhancing Financial Innovation and Access (EFINA) in August, 2010 revealed that 39.2 million representing 46.3 per cent of the adults in Nigeria, were excluded from financial services. Out of the 53.7 per cent that had access, 36.3 per cent derive their financial services from the formal financial institutions, while 17.4 per cent exclusively patronized the informal sector. Also, the results of the survey revealed that Nigeria was lagging behind South Africa, Botswana and Kenya with 26 per cent, 33 per cent and 32.7 per cent in financial exclusion rate, respectively(Anyasia, 2013).

Several factors have accounted for the persisting gap in access to financial services. For instance, the distribution of microfinance banks in Nigeria is not even, as many of the banks are concentrated in a particular section of the country, which investors perceived to possess high business volume and profitability. Also, many of the banks carried over the inefficiencies and challenges faced during the community banking era. In addition, the dearth of knowledge and skills in micro financing affected the performance of the MFBs. Furthermore, there are still inadequate funds for intermediation owing to lack of aggressive savings mobilization, inability to attract commercial capital, and the non establishment of the Microfinance Development Fund.

In order to redress this unintended development, the CBN commenced a programme of capacity building, sensitization and awareness on the appropriate model for microfinance banking in December 2007. Maiden, Routine and Target Examinations, as well as nurturing and mentoring of the MFBs were also embarked upon during the same period to inculcate the microfinance concept and assist them to stabilize(Anyasia, 2013).

The impact of the global financial crisis of 2007/2008 on MFBs was more severe than anticipated. Credit lines dried up, competition became more intense and credit risk increased to the extent that many clients of MFBs were unable to pay back their loans owing to the hostile economic environment.

The banking sector reform of 2009 did not leave the MFBs unscathed as many of them experienced panic withdrawals by clients who were under the notion that if the Deposit Money Banks (DMBs) could have challenges, the MFBs would not fare better. The run on some of the MFBs was so severe that they had to close shop(Nnanyere, 2010). The combination of these factors significantly weakened the microfinance sub-sector and its ability to achieve its objectives. It is Microfinance Policy Framework for Nigeria against this background that the 2005 Microfinance Policy was reviewed (CBN, 2005).

Justification for Microfinance Policy

The justifications for the introduction of the Microfinance Policy according to Central Bank of Nigeria (CBN, 2011) are as follows:

1. Weak Institutional Capacity. The prolonged sub-optimal performance of many erstwhile community banks, microfinance and development finance institutions is due to incompetent management, weak internal controls and lack of deposit insurance schemes. Other factors are poor corporate governance, lack of well defined operations, restrictive regulatory and supervisory requirements, among others.
2. Absence of Technological Platform. The absence of appropriate network platform for information communication technology (ICT) to drive down cost and achieve economies of scale is a major impediment to profitable operations.

3. Weak Capital Base. The weak capital base of existing microfinance institutions could not adequately provide cushion for the risk of lending to micro clients.

4. Existence of a Huge Un-Served Market. The size of the un-served market by the existing financial institutions is large. Enhancing financial innovation and access (EFInA), in its Access to Finance Survey in Nigeria in 2008, alluded to the fact that 79 per cent of the total population in Nigeria is unbanked out of which 86 per cent are rural dwellers. Also in 2005, the aggregate microcredit facilities in Nigeria accounted for about 0.2 per cent of Gross Domestic Product (GDP) and less than one per cent of total credit to the economy. This revealed the existence of a huge gap in the provision of financial services to a large number of the economically active poor and low income households. The effect of not addressing this situation appropriately would further accentuate poverty and slow down growth and development.

5. Poor Banking Culture and Low level of Financial Literacy. The primary aim of the microfinance initiative includes promoting inclusive financial system which entails creating sustained financial awareness. Therefore, the target clients for change are those people that equate microfinance with micro-

credit and see banks and other fund providers not as partners in business, but mere sources of loans and advances.

6. Economic Empowerment of the Poor Globally. Micro, small and medium enterprises (MSMEs) are known to contribute to poverty alleviation through their employment generating potentials. In Nigeria, however, the employment generation potentials of small businesses have been seriously constrained by lack of access to finance, either to start, expand or modernise their present scope of economic activities. Delivering on employment generation and poverty alleviation by MSMEs, would require multiple channels of financial services, which an improved Microfinance framework should provide.
7. The Need for Increased Savings Opportunity. Poor people can and do save, contrary to generally held notions. However, owing to the inadequacy of appropriate savings opportunities and products, savings have continued to grow at a very low rate, particularly in the rural areas of Nigeria. The microfinance policy provides the window of opportunity and promotes the development of appropriate (safe, less costly and easily accessible) savings products that would be attractive to rural clients and improve the savings level in the economy.
8. The Increasing Interest of Local and International Investors in Microfinance .Many local and international investors have expressed interest in investing in the country's microfinance sub-sector. Thus, the establishment of a

Microfinance Policy Framework for Nigeria provides an opportunity for them to participate in financing the economic activities of low income households and the economically active poor.

9. Urban Bias in Banking Services. Most of the existing banks are located in urban centres, and several attempts in the past at encouraging them to open branches in the rural areas did not produce the desired results. With a high proportion of the Nigerian population still living in the rural areas, it has become imperative to develop an institutional framework to reach the hitherto unserved population with banking services.

The Microfinance Policy Framework

The Microfinance policy provides a platform to achieve the following specific objectives according to CBN bulletin 2011:

i. Provision of timely, diversified, affordable and dependable financial services to the economically active poor;

ii. Creation of employment opportunities and increase the productivity and household income of the active poor in the country, thereby enhancing their standard of living;

iii. Promotion of synergy and mainstreaming of the informal Microfinance sub-sector into the formal financial system;

iv. Enhancement of service delivery to micro, small and medium enterprises (MSMEs);

v. Mobilization of savings for intermediation and rural transformation;

vi. Promotion of linkage programmes between microfinance institutions (MFIs), Deposit Money Banks (DMBs), Development Finance Institutions (DFIs) and specialized funding institutions;

vii. Provision of dependable avenues for the administration of the microcredit programmes of government and high net worth individuals on a non-recourse basis; and

viii. Promotion of a platform for microfinance service providers to network and exchange views and share experiences.

Policy Targets

Based on the objectives listed above, the targets of the microfinance policy are as follows:

i. To increase access to financial services of the economically active poor by 10 per cent annually;

ii. To increase the share of microcredit as percentage of total credit to the economy from 0.9 per cent in 2005 to at least 20 per cent in 2020; and the share of microcredit as percentage of GDP from 0.2 per cent in 2005 to at least 5 per cent in 2020;

iii. To ensure the participation of all States and the FCT as well as at least two-thirds of all the Local Government Areas (LGAs) in microfinance activities by 2015; and

iv. To eliminate gender disparity by ensuring that women's access to financial services increases by 15 per cent annually, that is 5 per cent above the stipulated minimum of 10 per cent across the board.

2.1.6 Participation of Existing Financial Institutions in Microfinance Activities

Deposit Money Banks:

Deposit Money Bank (DMBs) wishing to engage in microfinance services can continue to do so through a designated Department/Unit and/or offer microfinance as a financial product. Nothing prevents the Holding Company having a DMB as a subsidiary from investing in or owning an MFB.

Non-Governmental Organization-Micro Finance Institutions (NGOMFIs):

This policy recognizes the existence of credit-only, membership-based microfinance institutions, which are not required to come under the regulatory and supervisory purview of the CBN. They are however supervised by the appropriate Ministry. Such institutions shall engage in the provision of microcredit to their targeted population but shall not mobilize deposits from the general public. The registered NGO-MFIs shall be required to forward periodic returns on their activities to the CBN primarily for statistical purposes. NGOMFIs wishing to obtain operating licences as Microfinance Banks shall be required to meet the stipulated provisions in the Regulatory and Supervisory Guidelines for MFBs in Nigeria (Williams, 2015).

Apex Associations of Microfinance Banks and Institutions

The CBN shall support apex associations of microfinance banks and institutions to promote self-regulation, uniform standards, transparency and good corporate practices. The associations shall also serve as Microfinance Policy Framework for Nigeria Page 14 platform for capacity building, product development and marketing, as well as resource sharing. Transformation of the Existing NGO-MFIs and Financial Cooperatives: An existing NGO-MFI or Financial Cooperative which intend to operate as MFB can either incorporate a subsidiary MFB while still carrying out its NGO operations or transform to a MFB. Such institutions must obtain operating licence and shall be required to meet the stipulated provisions in the revised Regulatory and Supervisory Guidelines for MFBs (Olumide, 2011).

Establishment of Microfinance Development Fund (MDF)

In order to promote the development of the sub-sector and provide for the wholesale funding requirements of MFBs and MFIs, a Microfinance Development Fund (MDF) shall be set up by the CBN. The Fund, which shall be professionally managed to guarantee its sustainability, will provide necessary support for the development of the sub-sector in terms of refinancing/guarantee facility, capacity building, financial education, and other promotional activities. The Fund shall be established with a seed fund to be provided by the Federal Government and the CBN and operating fund through soft facilities from international development financing institutions, as well as multilateral and bilateral institutions (Nnanyere, 2010).

Prudential Requirements

The CBN recognizes the peculiarities of microfinance practice and shall accordingly implement appropriate regulatory and prudential regime to guide the operations and activities of the MFBs. Some of the prudential requirements are, compulsory investment in treasury bills, liquidity ratio, capital adequacy ratio, fixed assets/long-term investments, branch expansion, maintenance of capital funds, limit of lending to a single borrower and related party, maximum equity investment holding ratio, provision for classified assets, and unsecured lending limits, amongst others. The details are contained in the revised Regulatory and Supervisory Guidelines for MFBs in Nigeria.

Incentives for MFBs

The new window of opportunity to bring financial services to the underserved and un-banked in the rural areas shall require the support of government and the regulatory authorities.

- Microfinance Development Fund will be established by the Government, CBN and other stakeholders to support the MFBs in rendering financial services to their clients on a sustainable basis. The Fund shall comprise two windows - Commercial and Social. Microfinance Policy Framework for Nigeria Page 18
- Subsidized training/capacity building programmes would be made available to staff of the MFBs.
- The Interest Drawback Programme (IDP) of the CBN would be extended to the MFBs clients in agriculture and allied businesses.
- The CBN in collaboration with relevant Ministries, Departments and Agencies (MDAs) as well as other stakeholders would provide enabling environment for MFBs/MFIs to operate.

The Roles and Responsibilities of Stakeholders

The roles and responsibilities of respective stakeholders shall include, but not limited to, the following:

i. Government

Government shall be responsible for:

a. . Ensuring a stable macro-economic environment, providing basic infrastructure (electricity, water, roads, telecommunications, etc), political and social stability;

b. Creating an efficient land administration system to facilitate ease of transfer of land titles and other property rights to serve the collateral needs of borrowers and financial institutions;

c. Promoting policy in support of consumer protection and financial literacy for microfinance clients;

d. Setting aside an amount not less than one (1) per cent of its annual budgets at Federal, State and Local Governments levels for microcredit initiatives.

ii. Central Bank of Nigeria (CBN) The CBN shall:

a. Continue to oversees the operations of the National Microfinance Policy Consultative Committee;

b. Ensure the implementation of the Microfinance Policy Framework to achieve the stated objectives, targets and strategies;

c. Ensure the emergence of a sustainable microfinance sub-sector through appropriate institutional and regulatory and supervisory framework;

d. Establish the Microfinance Development to provide wholesale funding for on-lending activities of Microfinance Institutions;

e. Develop and support appropriate capacity building programmes for regulators, directors, operators and practitioners in the sub-sector, in collaboration with other stakeholders;

f. Promote financial literacy and consumer protection in partnership with relevant public and private sector development institutions as well as Civil Society Organisations (CSOs); and

g. Undertake periodic reviews of the Microfinance Policy and the Regulatory

2.1.7 Loan

Loan is the process or act of giving money, property or other material goods to another party in exchange for future repayment of the principal amount along with interest or other financial charges. Moreover, loan are for a specific, one-time amount or can be available as an open-ended line of credit up to a specified limit or ceiling amount. The terms of a loan are agreed to by each party in the transaction before any money or property changes hands. If the lender requires collateral, that is outlined in the loan documents (Investopedia, 2017). Most loans also have provisions regarding the maximum amount of interest, as well as other covenants such as the length of time before repayment is required. Loans can come from individuals, corporations, financial institutions and governments. They offer a way to grow the overall money supply in an economy as well as open up competition and expand business operations. The interest and fees from loans are a primary source of revenue for many financial institutions such as banks, as well as some retailers through the use of credit facilities (Nasiri, 2014). In this study loan can be explain as the process of lending money to the small and medium scale enterprise so as to improve their skills, create more jobs, reduce unemployment and improve the economic development.

2.1.8 Youth Empowerment

Youth empowerment is a process where children and young people are encouraged to take charge of their lives through skill development. They do this by addressing their situation and then take action in order to improve their access to resources and transform their consciousness through their beliefs, values, and attitudes. Willaims (2015) defined youth empowerment as the process whereby young people gain the ability and authority to make informed decisions and implement change in their own lives and the lives of other people. it is a means of encouraging youths to do great things for themselves and also to make great impact in their society. Youth empowerment aims to improve quality of life. Youth empowerment is achieved through participation in youth empowerment programmes. These programmes can be through non-profit organizations, government organizations, schools or private organizations. Youth empowerment is different from youth development because development is centered on developing individuals, while empowerment is focused on creating greater community change relies on the development of individual capacity. Therefore in this study youth empowerment can be define as the ability of the of the government or financial institutions to empower the youth either through skill acquisition or financing of SMEs so as to develop the economy. Youth Empowerment involves the following:

- Helping youth identify, utilize and maximize their potentials.

- Helping the youth to develop confidence and self-identity
- Encouraging youth to grow together in accountability
- Imbibing in youth, the eagerness to create a change

2.1.9 Skill Acquisition

Ugwuoba (2015) argued that skill acquisition is the tool of small and medium scale enterprise (SMEs). In addition, both skill acquisition and employment opportunities demand creativity. Skill acquisition is a process by which a symbolic domain in the culture is changed. New Songs, new ideas, new machines are what Skill acquisition is all about (Mihaly 2009). Skill acquisition is the ability to make or otherwise bring into existence something new, whether a new solution to a problem, a new method or device, or a new artistic object or form. Wyckoff (2013) defines creativity as new and useful. Skill acquisition is the act of seeing things that everyone around us sees while making connections that no one else has made. Skill acquisition is moving from the known to the unknown. Culture exerts a negative force on creativity.

According to Onwumere (2000), however, “were it not for creativity, culture itself would not be created.” Innovation is the process of bringing the best ideas into reality, which triggers a creative idea, which generates a series of skill acquisition events. Skill acquisition is the process that transforms new ideas into new value-turning an idea into value. Schumpeter (2008) believes that the concept of Skill acquisition, described as the use of an invention to create a new commercial products or service, is the key force in creating new demand and thus new wealth. Skill acquisition creates new demand and entrepreneur brings the innovation to the market. This destroys the existing markets and create new one, which will in turn be destroyed by even newer products or services. Schumpeter calls this process “creative destructions.”

According to Aldrich, (2009) Skill acquisition is the ability to be trained on a particular task or function and become expert in it. According to International Labour Congress, (2013), Africa had the highest unemployment rate. The truth remain that the major causes of the unemployment among these vibrant youths is lack of skill to back up what they learnt from their institutions of learning. When these graduates were still in school, they did not border to learn at least one single skill, maybe that which is related in computer card designing, typing, plumbing, electric maintenance and others. According to Bosma, (2010) the importance of skill acquisition includes self employment, diverse job opportunities, employment generation, effective function, and crime reduction.

Self-employment: A skill acquired man is a self-employed man. The piece you are reading right now is written as a result of the skill acquired by the writer. There are so many self-employed writers today who do not border themselves about carrying files from one office to another in search of job. Their duty is freelance writing and they make great money from their writing. In the same vein, many successful businessmen and woman whose names are heard in many parts of the world are self-employed. A self employed person can never go hungry because the skill he acquired provides food for him on daily basis. But one who lacks skill acquisition will find it difficult to be self employed because he has nothing to offer. Skills acquired by website designers are what they use on their daily feeding instead of indulging in cyber-threat or online theft which is also related to internet.

Diverse job opportunities: Those who have many skills stand the chance of gaining jobs from many establishments. People who have many skills are being sought after by many companies. They are sought for because they can do many functions due to the series of skills possessed.

Employment generation: skill acquisition provides employment. Many governments are still finding it difficult to provide jobs for the citizens because the citizens are lacking important skills they need. There will be a lot of jobs generated for the citizens of every country if the citizens are well equipped with skills. This is why it is necessary for government to organize skill acquisition programme for the masses as this will go a long way in providing jobs for others(Cope, 2010). Someone who is well equipped on electronics repair can train his fellow citizens.

When these citizens 'mature' in such field, they start earning from the skill they acquired from their masters. This is how the newly trained in that field will train other persons, and employment generation keeps on growing in such circle.

Effective function: Organizations that employ skilful workers to assist in their organizational duties lose nothing at all because there will be always effective functions performed by the employees. This is because the employee has acquired necessary skills needed for him to perform the work as desired by the organization. The knowledge he gained from the training on that specific job makes him to do the organization's works as desired by the management of the organization.

Crime reduction: Skill acquisition reduces the crime rate in many nations. People begin to think on many dirty activities they will do to make money when they do not have anything to call job of their own. But, with acquired skill by an individual, he works and makes money from his acquired skill. This will make him to feel comfortable in life and do not disturb his or herself life in any way (Gibb, 2008).

2.1.10 Production Capacity

This can be explained as the volume of production by a manufacturing plant using the available resources in a specific time period. Productive capacity is the maximum possible output of an economy. According to the United Nations

Conference on Trade and Development (UNCTAD, 2017), number agreed-upon definition of maximum output exists. UNCTAD itself proposes: the production resources, entrepreneurial capabilities and production linkages which together determine the capacity of a country to produce goods and services." Production capacity in this study can be explain as the volume of product that can be generated by a production plan, enterprise or SMEs in a given period by using current issues. These may include the industrial production of SMEs.

2.1.11 Job Creation

Job creation can be defined as work done for which an individual receive regular payment. It can also be explain as post position, vacancy, placement, appointment or opening for a qualified candidate to amply (Hornby, 2011). The creation of employment can be possible if the candidate or personnel has the acquired entrepreneurial, technical or vocational skills needed to create or secure job either in the industry or become self-reliant individual. Employment in the real sense is created for those that need it, desire it and can effectively perform the expected skills to achieve the objective of the company organization. The trained entrepreneur's technical or vocational personnel can decide to be self-reliant and also create job by employing others (Wilson, 2011).

According to Williams (2015) Job Creation is the notion that jobs are created in response to some sort of event or situation. Job Creation also occur when government grew and hired more people to operate in particular firm, or if demand for goods and services grew substantially. For demand to grow, there would need to be a significant base of buyers for those goods and services. There are four primary ways in which the federal government can influence job creation:

1. Interest rate reductions,
2. Government hiring and purchases,
3. Transfer payments, and
4. Tax credits.

The effectiveness of strategies depends on the economic environment of the nation, and thus not every strategy applies for every economic situation. The following are job creation strategies commonly applied at the state and/or federal levels.

2.2.1 Empirical Review

Taiwo, Onasoanya, Agwu, and Benson (2017) explore the roles of micro finance banks and institutions on small and medium enterprises as well as the extent to which the small businesses have benefited from the credit scheme of microfinance banks in Nigeria. Primary data was obtained via interviews conducted in 15 small businesses across Lagos State with their responses summarized in tables. The study finds that though small businesses promote the development of an economy, it has not been given adequate recognition that corresponds with intensity of its contribution. It however notes that both financial and non-financial services provided by microfinance banks and institutions have greatly assisted small businesses in Nigeria and have enhanced the distribution of business skills and the sharing of innovative ideas.

Anochie and Ude (2015) empirically evaluated the performance of the Small and Medium Scale Enterprises (SMEs) Equity Investment Scheme in Nigeria (SMEEIS), the study tries to look into different sources of funds available to small and medium enterprises in Nigeria, the study also looked at the importance of small and medium enterprises in an economy like Nigeria and its comparison to other economies in some countries. It was observed that Small and Medium Enterprises are known as pioneers of industrialization to the extent, they employ high number of employees and also are the determinant of the economic growth of a nation, hence, the need for financing them for efficiency and effectiveness. The panacea for solving problems of economic growth in developing countries has been the centerpiece of industrial development of many countries like Nigeria. Banking sector of the economy with this view tries to solve some of the problems associated in small and medium scale industries. Therefore the study looked into the effectiveness of Small and Medium Enterprise Equity Investment Scheme (SMEEIS) as per initiative of the banker’s committee. It also considered the views of other scholars, bankers’ committee act and also problems facing small and medium enterprises in Nigeria. it moreover delved into the various schemes available to small and medium enterprises with a critical view to the scheme under study (small and medium enterprise equity investment scheme). It found that the program/scheme failed as a result of many factors due to the initiators of the scheme are the beneficiaries. It therefore concludes that the aim of the scheme was not actualized as a result of conditions given by the bankers' committee as per eligibility and other factors like infrastructure, communication facilities, lack of technology, literacy level, stiff competition of Multinational Corporations (MNCs) and Lack of steady power.

Olutoye (2015) studied the effect of bank size on lending to SMEs in Nigeria. Data for the study were obtained from the audited annual reports of three Nigerian banks categorized as regional, national and international banks based on their respective level of capitalization. The results of the regression analysis conducted revealed that there is no significant relationship between bank size and volume of loans that DMIs lend to SMEs. The results of the study specifically revealed a less significant effect on banks' disposition to enhance loan portfolio to SMEs even with growth in banks size arising from consolidation or mergers and acquisition. Going forward banks' regulators should review their policy compliance and monitoring strategies to ensure that small and medium scale businesses have more access to funds from DMIs with increase in size as measured by their capital base.

Wang (2013) studied the impact of microfinance on the development of small and medium enterprises (SMEs). The main contribution of this paper is to use survey data collected from 323 SMEs in Taizhou, Zhejiang, the largest home of SMEs in China. The study first shows that microfinance plays a crucial rule in the revenue and profit growth of SMEs. The study then reveals that the SMEs with higher financial risk and lower level of productivity are more likely to seek microfinance. Furthermore, the paper finds that firm characteristics including product innovation efforts and managerial and entrepreneurial attitudes are the keys that determine the likelihood of receiving micro financing.

In the furtherance of this empirical review, Yeboah, Asirifi and Adigbo (2014) examined the role banks play in addressing the finance gap facing SMEs in Ghana. Through a questionnaire survey, data was gathered from sampled Banks and SMEs in Sekondi-Takoradi. The data revealed that banks see SMEs as a profitable segment. Also bank finance enhances the profitability of beneficiary SMEs. This has encouraged a trend of increased bank involvement with the SME sector. However, SME specific factors, high interest rates, collateral requirements, lack of quality information, delays in judicial proceedings and difficulties in disposing collateral restrict further bank involvement with SMEs and the latter's freedom to access bank finance. The authors conclude that all relevant stakeholders must contribute to fostering the trend by helping to mitigate the constraints through the implementation of deliberate policies that enhance trust between banks as lenders and SMEs.

Aldaba (2011) examined the access to finance issues confronting Philippine SMEs based on a survey of firms and commercial banks. The firm survey covering the garments, textiles, automotive, electrical and electronics, and food manufacturing industries highlights the difficulties faced by small and medium enterprises (SMEs) in accessing finance. Financing obstacles posed one of the top four most serious problems for the growth of their businesses. The survey indicates the continued dependence of SMEs on internal sources of financing, not only during their start-up phase but also in the ongoing operations of the business. Close to 41% of the respondents intend to expand the size and scope of their businesses in the next two years. 67% said that internal funds alone are not sufficient to finance the expansion, with the same proportion of firms indicating that they would seek to finance their expansion using a loan. Previous surveys had also showed a substantial proportion of firms that planned to borrow in the future. However, the continuing dependence of firms on internal sources of financing seems to suggest a gap between the plans of firms to borrow and the actual amount of funding made available by banks. SMEs, particularly the smaller ones, have been unable to access funds due to their limited track record, limited acceptable collateral, and inadequate financial statements and business plans. The bank survey showed the same reasons for turning down financial requests: firms' poor credit history, insufficient collateral, and insufficient sales, income or cash flow, unstable business type, and poor business plans. To improve micro, small and medium enterprises' (MSMEs') access to finance, the paper suggests the implementation of the country's (Philippines') Central Credit Information Corporation in order to address informational asymmetries.

Williams (2015) examined the relationship between access to loan and innovation growth of SMEs in Belguim. The aim of the study was to examine the impact of loan on innovative development. The study was guided by two research questions and descriptive survey design was adopted. The population of the study consisted of 14 banks and 55 registered small and medium scale enterprise. The data used was a primary data collected through structured questionnaire. The data collected was analyzed using simple percentage, arithmetic mean and Pearson product moment correlation. The findings revealed that there is a significant relationship between access to loan and innovative growth of SME. The study also revealed that SMEs access to loan helps to improve innovation and as such create more employment.

Ebitu, Basil and Ufot (2016) carried out a study on appraisal of the Micro, Small and Medium Enterprises (SMEs) in Nigeria. The main aim of the study was to expatiate on the growth, challenges and prospects of the SMEs in the country. The study was guided by two research questions and descriptive survey design was adopted. The population of the study consisted of 213 registered small and medium scale enterprise. The data used was a primary data collected through structured questionnaire. The data collected was analyzed using simple percentage, arithmetic mean and Chi-square. The findings revealed that SMEs contribute significantly to economic development in the provision of goods and services, creation of employment and contribute to a high standard of living. The study also revealed that there are some setbacks facing development of Micro, Small and Medium Enterprises in Nigeria. These setbacks include; limited financing, lack of action plan to deal with eventualities, lack of managerial and marketing skill, and lack of research appreciation and technical expertise. The study concluded that SMES is regarded as the catalyst in most developing economies and that it is very crucial to the economic growth and development of Nigeria. As such, it was recommended that government policies should support the establishment, nurturing and growth of SMEs by curtailing or banning importation of certain products, training of young entrepreneurs, establishment of Centers for Entrepreneurial Development and promoting entrepreneurial spirit through the provision of conducive entrepreneurial environment, funding and empowerment programmes.

Obokoh, James, and Ojiako (2016) carried a study on Microfinance banks and small and medium sized enterprises access to finance in Niger Delta, Nigerian.

The aim of the study is to examine the extent to which current microfinance lending impacts on indigenous SME access to finance and how the intermediation services of the microfinance banks (MFBs) contributed to or otherwise to the development of SMEs. The study was guided by three research questions and descriptive design was adopted. The population of the study consisted of 800 indigenous SMEs and 300 were sampled using simple random sampling. The data used was a primary data collected through structure questionnaire. The data collected was analyzed using simple percentage and Z-test with the aid of E-View 7. The findings showed positive contribution of microfinance lending to the development of SMEs. However, it appears that a number of factors including cumbersome process, poorly packaged business plans and perceived high cost of credit still limit the access of indigenous SMEs to credit.

Nwachukwu (2008) examined the impact of financial service accessibility on job creativity in Nigeria. The aim of the study is to examine the impact of financial service accessibility on job creativity of SMEs. The study was guided by four research questions and descriptive survey design was adopted. The population of the study consisted of 70 small and medium scale enterprise. The data used was a primary data collected through structured questionnaire. The data collected was analyzed using simple percentage and linear regression. The findings showed that the financial service accessibility help to improve SMEs and as such increase job creativity.

Yusuf (2015) carried out a study on financing small and medium-scale enterprises for sustainable growth and development in Nigeria. The study was guided by two research questions and descriptive survey design was adopted. The population of the study consisted of 40 registered SMEs and 100 were sampled using simple random sampling. The data used was a primary data collected through structured questionnaire. The data collected was analyzed using simple percentage, arithmetic mean and Logit regressions to analyze a sample of cross-sectional data across 40 enterprises, and testing the hypothesis using the log-likelihood statistics. The study rejects the null hypothesis that the total amount generated by financial institutions and disbursed to SMEs is not positively correlated with the development of the SMEs sub-sector. The study reveals that boardroom politics, loan repayment records, competition, interest rates value of fixed assets and bureaucratic procedures are some of important factors that determine the ability of prospective entrepreneurs in obtaining loans from financial institutions. The study concludes with the recommendations that establishment of functional micro insurance schemes, granting loans to well established firms, removal of all structural and institutional bottlenecks and adoption of the ability to pay criteria in the disbursement of loans are necessary conditions to ensure vibrant SMEs in the country.

Ugwuoba (2015) carried out a study on financing small and medium-scale enterprises for sustainable growth and development in Nigeria. The study was guided by two research questions and descriptive survey design was adopted. The population of the study consisted of 244 registered SMEs and 100 were sampled using simple random sampling. The data used was a primary data collected through structure questionnaire. The data collected was analyzed using simple percentage, arithmetic mean and one way analysis of variance with the aid of statistical package for social science (SPSS, 20). The findings show that Economic growth and development cannot be achieved without putting in place well – focused programmes to create employment opportunities, generation of income and reduction in poverty through SMEs.

Gulani and Usma (2016) financing small and medium scale enterprises (SMES) as a challenge for entrepreneurial development in Gombe State. The study was guided by two research questions and descriptive survey research design was adopted. The population of the study consisted of 311 registered SMEs operating in Gombe state. However purposive and simple random sampling techniques were adopted to draw sample from the population and 90 SMEs were sampled . The data used was a primary data collected through structure questionnaire. Out of ninety (90) questionnaires distributed, Sixty five (65) were returned and analyzed using simple percentage, arithmetic mean and one way analysis of variance with the aid of statistical package for social science (SPSS, 20). The result of the analysis revealed that: There is no significant difference in the difficulties SMEs face when accessing finance from various sources, there is a significant difference in the level of awareness of Micro Finance Institutes by SMEs. The research however, recommends that government policy of initiating various intervention funds for entrepreneurial development should be encouraged; SMEs in the state should be sensitized on the activities of Micro Finance Institutions (MFIs).

Nwoye (2013) carried out a study on financing small and medium scale enterprises (SMES) as a challenge for entrepreneurial development in Abia State in Nigerian. The study was guided by three research questions and expo facto research design was adopted. The population of the study consisted of 711 registered SMEs operating in Abia state. Purposive and simple random sampling techniques were adopted to draw sample from the population and 170 SMEs were sampled. The data used was a primary data collected through structure questionnaire. Out of one hundred and seventy (170) questionnaires distributed, one hundred and Sixty five (165) were returned and analyzed. The findings show that financing small and medium scale enterprises (SMES) has a significant effect on the development of SMEs.

Olowe, Moradeyo and Babalola (2013) examined the impact of Microfinance Bank on Small and Medium Growth in Nigeria. The study was guided by three research questions and descriptive research design was adopted. The population of the study consists of the entire registered SMEs in Oyo State which amount to 1289 SMEs. However, the study was restricted to Ibadan metropolis. Purposive sampling technique was used to select the participating SMEs. Simple random sampling technique was used to select a total of 82 SME operators that constituted our sample size. Pearson correlation coefficient and multiple regression analysis were used to analyze the data. The results from the study showed that financial services obtained from Microfinance Bank have positive significant impact on SMEs growth in Nigeria. The results also revealed that duration of loan has positive impact on SMEs growth but not statistically significant. The results also showed that high interest rate, collateral security and frequency of loan repayment can cripple the expansion of SMEs in Nigeria. The study recommended that Microfinance Bank should lighten the condition for borrowing and increase the duration of their customers' loan and also spread the repayment over a long period of time.

Ezeudu (2010) carried out a survey on appraisal of access to micro credit by the small scale enterprises in Anambra state, Nigeria. The major objective of the study was to determine the aggregate level of micro credit which small scale enterprises accessed from the conventional banks and micro finance institutions between 1996 and 2005. Another objective which the study achieved is to ascertain the rate of success achieved by small scale enterprises in accessing the credit market. The study was guided by four research questions and descriptive research design was adopted. The population of the study consists of thirty selected small scale enterprises drawn from three commercial towns in the state so as to determine their level of access to micro credit. Four hypotheses were formulated and tested based on the objectives stated. Both primary and secondary data were used in the study. The primary data comprise data generated from questionnaire (survey). The structured questionnaire was administered to 300 respondents selected from the 30 small scale enterprises understudied. The managers of micro finance institutions and conventional banks were interviewed based on their experiences in handling micro finance intermediations. The secondary data used came from financial and accounting records of the selected small scale enterprises. Descriptive statistics such as frequency tables, bar charts, pie charts etc were used in the presentation and data analysis. Test statistics such as t-distribution, correlation coefficient, and multiple linear regressions were used to test the hypotheses. Based on the analysis and statistically tested hypotheses, it was discovered that there was significant difference between aggregate level of micro credit accessed by small scale enterprises from conventional banks and micro finance institutions. It was also discovered that there was significant difference between the level of difficulties experienced by small scale enterprises and large scale enterprises in terms of ease access to micro credit from conventional and micro finance Institutions. Also available micro finance accessed by small scale enterprises from micro finance institutions and conventional banks between 1996 and 2005 had significant impact on their performance. The study concluded that the level of access to micro credit by small scale enterprises has not really improved as expected, in spite of the introduction of the 2005 micro finance policy, supervisory and regulatory framework. Strict monitoring of the implementation of micro finance policies was recommended.

Gband and Amissah, (2014) carried out a study on the financing options for small and medium enterprises (SMES) in Nigeria. The study was guided by two research questions and descriptive research design was adopted. The population of the study consists of hundred registered selected small scale enterprises. The data used was a primary data collected using structured questionnaire. The data collected was analyzed using Chi-Square.the findings shows that Small and Medium enterprises act as catalysts in the economic development of the developed and developing countries as it has a strong positive significant impact in economic development. It was recommended that developing countries like Nigeria that require sustained economic growth in their economies must pay attention to the SME sector and harness the great potential to generate employment, improved local technology, output diversification, developed indigenous entrepreneurship and forward integration with large-scale industries that can be provided by the sector.

Nkuah, Tanyeh and Gaeten (2013) carried out a survey on financing small and medium enterprises (SMES) in Ghana, challenges and determinants in accessing bank credit. The general objective of the study is to examine the challenges and determinants of access to bank credit in Ghana by focusing on SMEs in the Wa Municipality. The study was guided by two research questions. The study employed the quantitative approach to research in which the probability sampling criteria specifically the stratified and simple random sampling was employed to select eighty entrepreneurs from the Wa Municipality. The data used was a primary data collected through structured questionnaire. the data collected was analyzed using Pearson Product moment correlation. The findings for the study indicated that there exist significantly, positive relationship between certain attributes of a firm and access to credits. There are also, some financial activities such as business registration, documentation/recording, business planning, asset ownership, and others that also impact heavily on SMEs access to bank credits.

Shang and Wang (2014) examine the impact of Microfinance on the Development of Small and Medium Enterprises in Dehi India. The main objective of the study is to survey data collected from SMEs in Dehi, the largest home of SMEs in India.

The study was guided by two research questions and descriptive research design was adopted. The population of the study consists of hundred registered selected small scale enterprises. The data used was a primary data collected using structured questionnaire. The data collected was analyzed using one way analysis of variance. The findings shows that microfinance plays a crucial rule in the revenue and profit growth of SMEs. The study then reveals that the SMEs with higher financial risk and lower level of productivity are more likely the firms to seek microfinance. Furthermore, the study revealed that firm characteristics including product innovation efforts and managerial and entrepreneurial attitudes are the keys that determine the likelihood of receiving microfinancing.

Adigwe (2012) examine the project finance for Small and Medium Scale Enterprises (SMEs) in Nigeria. The main aim of the study was to examine the system of project financing by micro finance banks in Nigeria. The study was guided by two research questions and descriptive survey design was adopted. The population of the study consisted of 29 registered small and medium scale enterprise. The data used was a primary data collected through structured questionnaire. The data collected was analyzed using simple percentage, arithmetic mean and T-test. The findings revealed that project financing is one of the best methods of seeking to acquire capitals Funds and other tools to finance a planned business activity which will yields profit in order to liquidate the procured fund.

Yeboah, Asirifi and Adigbo (2014) examine the role of Banks in Financing Small and Medium Scale using Universal Banks in Sekondi-Takoradi Ghana. The main aim of the study is to examine the role banks play in addressing the finance gap facing SMEs in Ghana. The study was guided by one research question and descriptive survey design was adopted. The population of the study consisted of 18 banks. The data used was a primary data and through a questionnaire survey, data was gathered from sampled Banks and SMEs in Sekondi-Takoradi. The data collected was analyzed using one way analysis of variance (ANOVA). The findings revealed that banks see SMEs as a profitable segment and that bank finance enhances the profitability of beneficiary SMEs. However, SME specific factors, high interest rates, collateral requirements, lack of quality information, delays in judicial proceedings and difficulties in disposing collateral restrict further bank involvement with SMEs and the latter's freedom to access bank finance. The study recommended that all relevant stakeholders should contribute to fostering the trend by helping to mitigate the constraints through the implementation of deliberate policies that enhances trust between banks as lenders and SMEs.

Mbah (2012) carried out a study on the impact of financial service accessibility on quality output of SMEs in Nigeria. The aim of the study is to examine the impact of financial service accessibility on the production output of the SMEs. The study was guided by two research questions and descriptive survey design was adopted.

The population of the study consisted of 205 registered small and medium scale enterprise. The data used was a primary data collected through structured questionnaire. The data collected was analyzed using simple percentage, arithmetic mean and Z-test with the aid of statistical tool for social sciences (SPSS). The findings revealed that financial service accessibility help SMEs to improve their production output. The study recommends that SMEs should be given access to financial service so as increases the economic development through SMEs.

Khai (2011) examine the impact of infrastructures on the development of requisite skills of SMEs in Malaysia. The aim of the study is to ascertain the relationship between infrastructures and skill development of SMEs. The study was guided by two research questions and descriptive survey design was adopted. The population of the study consisted of 77 small and medium scale enterprise. The data used was a primary data collected through structured questionnaire. The data collected was analyzed using simple percentage, and Pearson correlation. The findings revealed that there is a significant relationship between infrastructures and skill development of SMEs. The study showed that infrastructure helps in the skill development of SMEs and as such provide employment opportunity.

Ozo (2009) carried out a study on bank collateral provision as a retarding process to production capacity of SMEs in Nigeria. The aim of the study is to examine the impact of bank collateral provision on production capacity of SMEs. The study was guided by two research questions and expo facto survey design was adopted. The population of the study consisted of 30 small and medium scale enterprise. The data used was a primary data collected through structured questionnaire. The data collected was analyzed using simple percentage and linear regression. The findings showed that the demand of collateral by banks discourages SMEs as most of them do not have a tangible collateral to present so as to have access to loan.

2.2.2 Summary of Review of Related Literature

This study focused on small and medium scale enterprise financing and microfinance policy in the South Eastern States of Nigeria. The study define small and medium scale enterprises (SMEs) as those non-subsidiary, independent firms which employ fewer than a given number of employees with an annual turnover / total assets no more than 500 million naira. The study explained microfinance banks as those banks that helps the SMEs in the provision of financial services like loan with little interest so as to help in the development of their business. The study also revealed the meaning of loan as the process or act of giving money, property or other material goods to another party in exchange for future repayment of the principal amount along with interest or other finance charges. Loan was seen as a way of helping the growth of SMEs and also as a way of youth empowerment. The study explained youth empowerment as a process where children and young people are encouraged to take charge of their lives through skill development. The study also revealed youth empowerment as the process whereby young people gain the ability and authority to make informed decisions and implement change in their own lives and the lives of other people through production and creativity. Productions was explained as the volume of product by a manufacturing plant using the available resources in a specific time period. Productive capacity is the maximum possible output of an economy. The study also revealed that as SMEs increases, production process increases and as such increases job creation. Job creation was explained as work done for which an individual receive regular payment. It is the post position, vacancy, placement, appointment or opening for a qualified or well skill candidate to amply. Skill acquisition was explained as a process by which a symbolic domain in the culture is changed. The study was anchored on the comprehensive rational model which states that decision-making follows a very rational path. The study reviewed different related studies but none of the studies focused on access to loan and innovative growth of SMEs, financial service accessibility and quality (production) output of SMEs, infrastructure and requisite skill development of SMEs, collateral provision and production capacity of SMEs, loan and expansion capacity of SMEs, financial service accessibility and job creativity of SMEs and loan accessibility and youth empowerment of SMEs in South East Nigeria all put together.

2.2.3 Gap in the Literature

Looking at the other past studies concerning SMEs and their role in the development process, one notices a myriad of problems and challenges they encounter in issues of financing. The government without doubt has come up with a number of policies and established projects and programmes that seemed not to have left significant impact. Microfinance policy was an important policy that was intended to, among others, provide financing needs of SMEs. From the review, Ugwuoba (2015) carried out a study on financing small and medium-scale enterprises for sustainable growth and development in Nigeria. The finding shows that financing of small and medium-scale enterprises has a significant impact on sustainable growth and development. Nwoye (2013) carried out a study on financing small and medium scale enterprises (SMES) as a challenge for entrepreneurial development in Abia State in Nigerian. The findings also reviewed that poor financing has a great impact on entrepreneurial development Olowe, Moradeyo and Babalola (2013) examine the impact of Microfinance Bank on Small and Medium Growth in Nigeria. It was observed that Microfinance Bank has a significant effect on Small and Medium Growth. Also the study carried out by Ezeudu (2010) on appraisal of access to micro credit by the small scale enterprises in Anambra state, Nigeria shows that access to micro credit helps to improve small scale enterprises. Ozo (2009) carried out a study on bank collateral provision as a retarding process to production capacity of SMEs in Nigeria. The findings revealed that provision of bank collateral leads to retarding process to production in Nigeria.

From the reviews above, none of the study focus on small and medium scale enterprises (SME) financing and microfinance policy in the South Eastern states of Nigeria using all the five states in the South Eastern which is the gap the study intend to fill. Also none of the study focus on small and medium scale enterprises (SME) financing and microfinance policy in the South Eastern states of Nigeria with respect to access to loan and innovative growth of SMEs, infrastructure and requisite skill development of SMEs, collateral provision and production capacity of SMEs, financial service accessibility and job creativity of SMEs and loan accessibility and youth empowerment of SMEs in South East Nigeria all put together which is the gap the study intend to fill. Another gap is the fact that the studies were focused mostly on other countries and states in Nigeria and none of the study focus in the South East zone which is often referred to as the hub of Nigerian commerce and manufacturing. Indeed, available statistics reveals that south-east is an undisputable destination of small business organizations in Nigeria after Lagos state. Unfortunately many of the studies have not paid much attention to this area and particularly the role of microfinance in funding its growth and development of SMEs

2.3.1 Theoretical Framework

Comprehensive Rational Model

The study is anchored on the comprehensive rational model which states that decision-making follows a very rational path. In Hostovsky's (2006) opinion, it is about the approach on decision making, developed by classical economy, in which man is taking rational decisions. The decision is assimilated to a single actor reasoning that seeks to maximize the purposes depending on means at its disposal. He has preferences, he establishes its goals, set's some values and chooses their utility. Then searches for available alternatives to solve the problem, alternatives that exhaustively inventoried and whose effects can also worth trying to identify them. In the next phase, it adopts a criteria of choice as objectively as possible, to allow him to identify the best balance between the advantages and disadvantages of each possible alternative. The decisional process presented by the rationalist model, comprises the following distinct and sequential stages (Cloete, & De Coning, 2011):

1. Identifying the values and objectives achieved;
2. Analyzing all possible alternatives for achieving the objectives;
3. Researching and selecting information based on the efficiency or effectiveness of various alternatives;
4. Making a comparison between alternatives and their consequences;

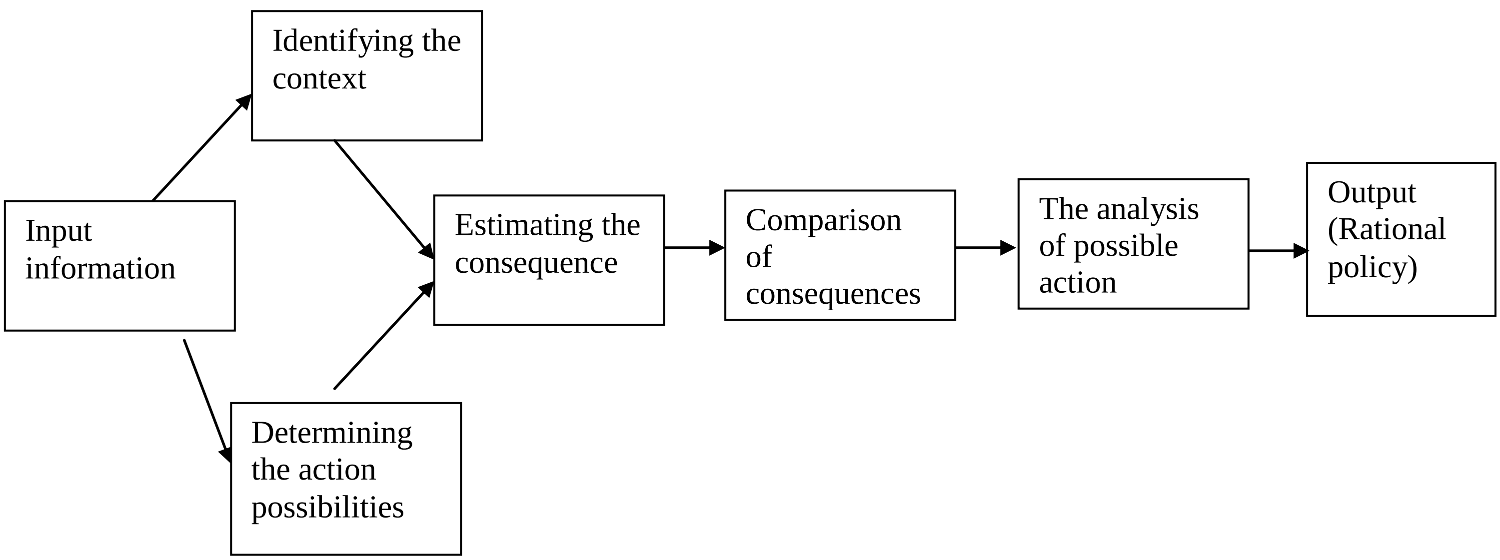
5. Choosing the alternative that maximizes the values and objectives;

6. Implementation;

7. Feedback. The rational actor model has many qualities as decision maker should focus essentially on the problem, the contents of alternatives and preferences, as well as choosing good criteria suitable to the content.

According to Gournay (2001), for the rationalist model, are not taking into account many factors that influence the decision. The first of these factors relates to the number of decision-makers in government. It should be noted that in the rationalist model we do not have to deal with a single decision maker. In public administration there are several decision makers, so more rationalities and values that are involved in the competition (see this and Androniceanu, 2005: 134-139). Basically in the rationalist model, the decision maker must take the decision at the right time. In reality, the decision-maker works with several dossiers in parallel and cannot fully concentrate on a single decision. Gournay (2001) insists that, for adopting a decision, decision makers do not possess the right tools for them, to make future projections of all the effects of a decision. He mentioned that the relevance of a decision is based on the underlying value of the information to, cases in which all information is available are rare and therefore it is difficult to have an objective decision that takes into account all the important aspects. In addition to lack of time, resources and intellectual routine often prevents public decision-maker to consider all possible alternatives of a decision. This questions the rationality of certain decisions of the public administration. The author reminds us that despite all the efforts made in the sense of rationality, it is impossible to foresee all the consequences that would result from such a decision or another. He believes that a rational process of taking a decision demands from the decision makers, objectivity which cannot be achieved, especially in political decisions (Gournay, 1980).

The rationalist model of decision making process in five steps illustrated as below



Source: Réjean, 1980

The basis for a rational-comprehensive model is the rational-comprehensive theory although these are sometimes used interchangeably. The theory is based on economic models for decision-making and is also known as formal theory, rational choice, social choice or public choice (Anderson, 1997).

Turpin &Marais (2006) suggest that the four elements that are contained within the rational-comprehensive theory are intelligence, design, choice and review. In the theory the policy decision makers know all the different policies that are best to implement in response to a certain problem. The very term ‘rational’ suggests a level of calculation, and knowledge on the part of the decision makers. Furthermore they are well informed about what societies value and their different preferences (Cloete& de Coning, 2011). The policy alternatives that exist for a particular problem are those that would be acceptable in that society. The second element which is design, suggests that the policy makers are able to create and analyse all the steps involved in the policy choices. The outcomes of all the policy choices are known and out of these, the policy makers are able to choose the one with the best outcomes and the least cost (Turpin & Marais, 2006). The third element suggests that there are a variety of policy options that policy makers can choose from. The forth says that when this theory is used the past policies and their problems have been analysed (Turpin & Marais, 2006). The policy that would be chosen will reflect learning from past mistakes therefore should be better than the last policy. It is assumed in the theory that policy makers have access to information that will inform them about past problems and their policy solutions (Cloete& de Coning, 2011). The policy makers are then supposed to be able to assess the policy solutions. When choosing their policy they are to be mindful of past policies shortcomings and be careful not to repeat the same mistakes.

The rational-comprehensive model's structure contains input, the various steps forming the process and output. Different resources and data required in rational decision making process form the input. The process includes; establishing and ranking the goals that need to be achieved followed by determination of all possible alternatives for achieving goals and then listing other resources needed. These three steps lead to the prediction of the advantages, disadvantages and required inputs for all the alternatives. Outcomes are predicted for all alternatives and are then compared against each other so that the one with the best predicted outcome can be chosen. The output is a policy which will result in maximum benefit(Anderson, 2003; Cloete& de Coning, 2011; Hahn, 1987).

Anderson (1997) makes reference to one of the earliest use of the rational-comprehensive theory to explain it further. The theory makes its appearance in Anthony Downs Theory of Democracy. Downs creates the idea that voters and political parties make decisions that are likely to have the most positive effect on them. Political parties aimed to attain as much voters by designing policies that people were most likely to approve of

2.3.2 RELEVANCE OF THE THEORY TO THE STUDY

Having shown that the rational comprehensive model investigates the decision making process especially in the governmental system as it affect the economic change, this study therefore applys it to the subject matter as regards to this work.

Moreover, this theory will enable us to actually see a system, as a set of actions, reactions, roles and fulfillment of expectations.

As earlier said, to survive, the system must receive inputs which must be processed. In most cases this will come in form of plans, programmes or policies and their implementation as necessary to produce a desired output or goal. In helping us to understand how inputs are converted to outputs, the comprehensive model theory will provide an in-depth analysis on how and why microfinance policy will impact on Nigeria's SMEs. It is believed that if CBN impresses upon and/or compels microfinance institutions to adhere to the dictates of the Revised Microfinance Policy, Regulatory and Supervisory Framework for Nigeria, 2012, the achievement of the desired out-come in the system is assured. By using the rational comprehensive model theory our attention will focus on evaluating how microfinance has contributed to the funding of SME assets, entrepreneurship development and working capital and noting the fact that the system is interdependent on external environment. Indeed, no organization exists in a vacuum but rather for the interest of the public. Thus, arrangements to fund SMEs through the instrument of Revised Microfinance Policy, Regulatory and Supervisory Framework will definitely metamorphous into a more prosperous small and medium scale businesses, capable of supporting economic development of Nigeria. Hence the rational comprehensive model is therefore a function of various inputs from the environment. The theory will enable us to appreciate the import of this CBN policy directive for appropriate funding of SMEs in Nigeria.

CHAPTER THREE

RESEARCH METHODOLOGY

This chapter outlines the processes and techniques adopted to achieve the objectives of the study as stated in section 1.3. This chapter is undertaken under the following headings: research design, population, sample and sampling technique, sources of data, data collection method, reliability and validity of data collection process, and Techniques of data analysis.

3.1 Research Design

The descriptive survey research design was adopted in this study. According to Nworgu (2015), descriptive survey design is the one in which a group of people and items are studied by collecting and analyzing the data from only a few people considered to be representative of the entire group. Here, data were gathered from a large number of respondents who constituted the sample that was representative of the population of interest. These data collection was important to better understand facts and events, give interpretation and explanation, as well as make predictions about variables. Furthermore, in gathering the data, a cross sectional research design was deployed whereby a onetime observation was made on the elements of the sample on those variables that were relevant to this research.

3.2 Area of the Study

This study was carried out in the South East Nigeria. The South East geo-political zone of Nigeria covers Abia, Anambra, Ebonyi, Enugu and Imo States. The states were created at different times: Abia – 1991, Anambra – 1976, Ebonyi – 1996, Enugu – 1991, and Imo – 1976. More than 30 million people inhabit the South East Nigeria and with a population density ranging from 140 to 390 inhabitants per square kilometre (350 to 1,000/sq mi) it could be the most densely populated area in Africa after the Nile Valley. Altogether South East has an area of some 40,900 to 41,400 km^2 (15,800 to 16,000 sq mi).

The South-east zone shares common boundaries in the east with Akwa Ibom and Cross River States in the South-south geo-political zone. In the south it shares common boundaries with Rivers and Bayelsa States in the South-south geo-political zone. In the west it shares common boundaries with Delta and Edo States in the South-south geo-political zone. And, in the north it shares common boundaries with Benue and Kogi States in the North-central geo-political zone. It is located within the semi-tropical rain forest belt of the south. As it spreads toward the north-eastern direction, its physical features and vegetation change from the tropical rain forest belt to open woodland and then to Savannah land, as it approaches its northern boundary with Benue State and Kogi States in the North-central geo-political zone.

Its climate is comparatively equable. Average temperature of 31oC (87oF) is recorded in the hottest periods from February to April. The rains are seasonal, most of them falling between April and October. The annual rainfall ranges between 152 cm and 203 cm.

The South-east zone is blessed with major rivers, including Adada and Oji in Enugu State, Anambra and Niger in Anambra State and Imo in Imo State. The zone has abundant mineral resources, including Metallic minerals, Ironstone, Bauxite, and Copper; Non-metallic minerals Clay, Fire-clay, Kaolin, Glass sand, Limestone, Calcite, Gypsum, and Dolorite (Quarry stone). Mineral resources in South-east Nigeria include, Petroleum, Natural gas, and Coal. There are also springs in many locations in the zone.

Also abounding in the South-east Nigeria are agricultural raw materials, including Cashew, Cassava, Yam, Cocoyam, Maize, Rice, Citrus, Oil Palm (palm wine, palm oil, palm kernel oil, palm kernel cake, broom, etc.), Pineapple, Castor beans, Pine trees, Soya bean, etc.

Education for manpower development is a serious business in the zone. Each of the five states in the zone enjoys the presence of a federal university and/or a tertiary institution of learning (Federal Polytechnic, Federal College of Education or Federal College of Agriculture) or a Research Institute, as well as one or two unity schools (Federal Government Colleges) or Federal Science & Technical College.

Some states own university and/or other institutions of higher learning, hundreds of secondary schools (including Government Trade Centres, GTC) and numerous primary schools. There are many mission and private owned nursery, primary, secondary and tertiary schools in the zone. Mass literacy programmes have given rise to very effective informal schooling activities in the zone.

Two university teaching hospitals (UNTH, Enugu and NAUTH, Nnewi), National Orthopaedic Hospital, Enugu and Federal Medical Centre, Owerri are top health establishments in the zone. State and private owned hospitals abound. These take care of cases of industrial hazards and accidents within the zone.

Transport and communication networks function in the zone and facilitate industrial development. The zone is linked to other zones by main trunk roads. Main trunks also connect the state capitals. However, many rural communities are yet to be linked to the urban centres. Where rural roads are available, many of them have become death traps, yawning for repairs or reconstruction. Yet, these rural areas house the agricultural and mineral raw materials to serve the industries. A rail line runs from Port Harcourt (capital of Rivers State) in South south zone through Umuahia (capital of Abia State) and Enugu (capital of Enugu State), both of them in South-east zone, to Makurdi (capital of Benue State) in North-central zone. There are two airports (Enugu, capital of Enugu State and Owerri, capital of Imo State) in the zone. Many airlines operate in these airports.

Postal and telecommunication services are available to interconnect the states in the zone and the zone with other zones of Nigeria and with the world. The Federal Radio Corporation of Nigeria (FRCN) and Nigerian Television Authority (NTA) operate in the zone. All the states in the zone have their own radio and television stations. The Minaj Broadcasting International (MBI) is a private television station in Obosi in Anambra State. These stations are well received in neighbouring states, geo-political zones and countries.

The Central Bank of Nigeria and many commercial banks operate in the zone. Government-owned industrial banks also operate in the zone. Mortgage banks, Savings & Loans banks, Community banks, Insurance companies and other financial institutions are in active operation in the zone. There are various federal government companies and parastatals, numbering over 25 in Southeast zone of Nigeria. There are also federal research institutes charged with research and development within the zone, as well as Raw Material Research and Development Centre (RMRDC) in Enugu, headquarter of the former Eastern Region in which South-east zone is located. The RMRDC is charged with stimulating interest in the use of available industrial raw materials and to promote research and development to enhance productive capacity in the zone. The companies and parastatals owned solely or jointly by the governments of the states in South-east zone number over 30.

The people of South-east zone of Nigeria are Igbos. The population is estimated at well over 15.5 million in year 2006 (NPC, 2006). They are friendly and sociable, showing hospitality to strangers. They are known for their enterprising spirit, akin to the Jews. They are very resourceful and hardworking. They have skilled manpower resources readily available in almost every field of human endeavour, including management, commerce and industry. Little wonder, it has been said that the South-east zone "represents the soul and spirit of a territory that is the exclusive preserve of most of the reliable business wizards of Africa's most populous and richly endowed nation." The zone is, therefore, aptly described as "Nigeria's home of business minds." Within the zone are Onitsha – with the 'largest market in West Africa,' Aba – 'the indisputable home of indigenous technology in Nigeria and Africa,' Nnewi – 'the Taiwan of Nigeria', and Abakaliki – 'the food basket of Nigeria' (ECCIMA, 1990:1-2). South-east is certainly the industrial catchment zone for Nigeria.

3.3 Sources of Data

For easy access to much needed information for the completion of this research work, the researcher used both secondary and primary sources for data collection. Primary data were sourced through the use of structured questionnaire that were administered to the respondents areas. While secondary data were obtained through the internet, text books; journal articles; magazine and newspapers. Also, reviews of relevant textbooks, journals, seminar papers, articles and web pages on the internet were extensively used.

3.4 Population of the Study

The population of this study is the entire registered SMEs operating in the five states in the south east Nigeria. Given the paucity of exact statistics, according to Small and Medium Enterprise Development Agency of Nigeria SMEDAN (2017) based estimates the total number of SME operators in the South East Nigeria to be 3144. This figure does not include SMEs that operate in the informal sector.

3.5 Determinant of Sample Size

State	Number	Percentage of Total
Abia	601	19.20
Anambra	943	30.28
Enugu	531	17.05
Imo	592	19.01
Ebonyi	477	15.31
Total	**3144**	**100.00**

Source: SMEs Adapted from SMEDAN, 2017

3.6 Sampling Technique

The sample frame for this study is determined from the population of registered SMEs as published by SMEDAN (2017). Given the population of about 3144 SMEs in the South East zone, the Taro Yamane's formula (Yamane 1967) for sample size determination was employed to reduce the number to manageable size.

Taro Yamane's formula (Yamane 1967) for sample size determination is as follows:

$$n = \frac{N}{1+N(e)^2}$$

Where n = the relevant population sought or sample size

N=Total population

e=Limit of tolerable error

1=Constant

$$= \frac{3144}{1+3144(0.05)^2}, \qquad n = \frac{3144}{1+3144(0.0025)}, \qquad n = 354.87 \cong 355.$$

Sharing the obtained sample size between the various states in the South East zone, proportional allocation technique will be used to ensure that none of these participating units is cheated: The relevant formula goes thus:

$$ns = \frac{N_P \times n}{N}$$

ns = the sample size allocated to each unit

Np = the population size of each unit

n = the total sample size

N = the total population size

The resulting sample allocations are presented in table 3.1 below.

Table 3.1Distribution of Small and Medium Enterprises South-East Nigeria

State	Number	Percentage of Total	Sample of each population
Abia	601	19.20	68
Anambra	943	30.28	106
Enugu	531	17.05	60
Imo	592	19.01	67
Ebonyi	477	15.31	54
Total	**3144**	**100.00**	**355**

Source: SME Adapted from SMEDAN, 2017

The respondents are to be selected from the list of the SME operators for the various states at zonal office of SMEDAN, Enugu a process of simple random sampling.

3.7 Method of Data Collection

The instrument used to collect data for the attainment of the study objectives was be the questionnaire form. This instrument was structured into two sections (A and B). The section A was structured to obtain information on the socioeconomic profiles of the SMEs such location, year of establishment, educational attainment of the owner(s), years of registration with SMEDAN and personal data of respondents. While section B was structured to answer the various core research issues. The questionnaire will be base on a five point likert scale of Strongly Agree (SA)—5, Agree (A)…4, Disagree (D)…3, Strongly Disagree(SD)…2, Undecided (UN)..1.

3.8 Administration and Collection Data Instrument

The researcher is not so familiar with all the terrain of the LGAs and due to the long distance. The researcher made use of five trained enumerators in collaboration with SMEDAN officers at Enugu and in the other capitals of states in the South East. These enumerators was trained on how to administer the instrument, more especially on how to guide the respondents who have little or no knowledge on how to fill the questionnaires appropriately.

3.9 Validation of Instrument Used

The validity of the measuring instrument refers to the degree to which the instrument measures what it is supposed to measure, The measuring instrument that were used in this study (the questionnaire) was carefully designed in a way that enabled the researcher elicit opinionated, factual and interpretive information pertinent to the purpose and objectives of this study. To ensure that the validity of the measuring instrument is maximized, the researcher avoided ambiguous questions. Questions were made short, easy to understand and solicited objective answers from all respondents. In order to authenticate the validity of the instrument, copies of the questionnaire were given three research experts in the Faculties of Management and Education to make their inputs and contributions. Their views were appropriately effected in the instrument.

3.10 Reliability of Instrument used

Reliability is concerned with the degree to which a test instrument consistently measures what it measures. In order to test for the reliability of the research instrument, the researcher used the Cronbach Alpha. Therefore, 20 copies of the research instrument were administered on 20 SMEs in Onitsha North LGA. Their responses were subjected to Cronbach Alpha test at 5% level of significance with conventional threshold of 0.6. That is, the instrument was reliable if Cronbach coefficient is higher than the threshold of 0.6. The tool (Cronbach Alpha) is capable of detecting the strength of each item in the research tool and the possibility of removing unnecessary item in the research tool.

The outcome was subjected to reliability test and the result is presented in the table below:

Table 3.3: Reliability Statistics Result

Cronbach's Alpha Coefficient	Cronbach's Alpha Based on Standardized Items	Number of Items
.807	.801	11

Source: SPSS version 20.

The above table result revealed that, Alpha level of 0.824 is greater than the threshold of 0.6. This indicated high level of internal consistency of the research instrument; as such the research instrument is highly reliable to obtain data for decision making.

3.11 Method of Data Analysis.

The researcher applied descriptive statistics such as percentage, mean and frequency distribution present and discuss data. The inferential statistics such as the Pearson product-moment correlation coefficient was used to assess the degree that quantitative variables are linearly related in a sample and test the formulated hypotheses.

The correlation formula is given below:

$$r^2 = \frac{n\sum xy - \sum x \sum y}{(n\sum x^2 - \sum(x)^2)(n\sum y^2 - \sum(y)^2)}$$

$$0 < r^2 < 1$$

In this study, r^2 is used to determine the relationship between the sub-variables.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

In this chapter, data were presented and was analyzed using simple percentage. The hypotheses were tested using statistical package for social science (SPSS) version 23. The analysis was presented section by section and the hypotheses were tested one after the other and discussions of the analysis were carried out.

4.1 Data Presentation

SECTION A:

Table 4.1 Analysis of Distributed Questionnaire

Questionnaire	Number of Respondent	Percentages
Distributed Questionnaire	355	-
Returned Questionnaire	336	95
Unreturned/uncompleted Questionnaire	19	5
Total	355	100

Source: Field Survey, 2018.

From Table 4.1 above, it shows that 95 percent of the distributed copies of questionnaire were completed and returned while 5 percent of the distributed copies of questionnaire were not returned. This shows that the percentage of returned questionnaire was very high.

Table 4.2 Response on Timely Access to loan

S/N	Loan	SA	A	D	SD	U	Total
1	Access to Loan help SMEs to survive market turbulence	200(60%)	99(29%)	10(3%)	15(5%)	5(2%)	336(100%)
2	Access to Loan help SMEs to grow fast	186(55%)	108(32%)	22(7%)	16(5%)	4(1%)	336(100%)
3	Access to Loan increase the confidence of SMEs owners	160(48%)	137(41%)	28(8%)	7(2%)	4(1%)	336(100%)
4	Access to Loan by SMEs reduce unemployment	99(29%)	200(60%)	5(2%)	28(8%)	5(2%)	336(100%)
5	Accessibility to loan help in the expansion of SMEs	155(46%)	127(38%)	42(13%)	12(4%)		336(100%)
6	Provision of loan to SMEs facilitate economic development	167(50%)	138(41%)	23(7%)	8(2%)		336(100%)
7	Provision of loan to SMEs improve their production system	123(37%)	119(35%)	23(7%)	55(16%)	16(5%)	336(100%)
8	Provision of loan to SMEs encourages self employment	166(50%)	110(32%)	33(10%)	12(4%)	15(4%)	336(100%)
9	Provision of loan to SMEs reduce crime rate	156(46%)	133(40%)	18(5%)	21(6%)	8(2%)	336(100%)
10	Provision of loan to SMEs encourages exportation	134(40%)	116(49%)	33(10%)	19(6%)	34(10%)	336(100%)

Source: Field Survey, 2018.

From the analysis in Table 4.2 above, it shows that 60 percent of the respondents strongly agree that access to loan help SMEs to survive market turbulence, 29 percent agree, 3 percent disagree, 5 percent strongly disagree while 2 percent of the respondent were undecided.

The analysis shows that 55 percent of the respondents strongly agree that access to loan help SMEs to grow fast, 32 percent agree, 7 percent disagree, 5 percent strongly disagree while 1 percent of the respondent were undecided if access to loan help SMEs to grow fast

Also the analysis shows that 48 percent of the respondents strongly that agree access to loan increase the confidence of SMEs owners, 41 percent agree, 8 percent disagree, 2 percent strongly disagree while 1 percent of the respondent were undecided.

The analysis shows that 29 percent of the respondents strongly agree that access to loan by SMEs reduce unemployment, 60 percent agree, 2 percent disagree, 2, were undecided while 8 percent of the respondents strongly disagree that access to loan by SMEs reduce unemployment

The analysis shows that 46 percent of the respondents strongly agree that accessibility to loan help in the expansion of SMEs, 38 percent agree, 13 percent disagree, while 4 percent of the respondents strongly disagree that accessibility to loan help in the expansion of SMEs

The analysis shows that 50 percent of the respondents strongly agree that provision of loan to SMEs facilitate economic development, 41 percent agree, 7 percent disagree, while 2 percent of the respondents strongly disagree that provision of loan to SMEs facilitate economic development

Also the analysis shows that 37 percent of the respondents strongly agree that provision of loan to SMEs improve their production system, 35 percent agree, 7 percent disagree, 5, were undecided while 16 percent of the respondents strongly disagree that provision of loan to SMEs improve their production system

Also the analysis shows that 50 percent of the respondents strongly agree that provision of loan to SMEs encourages self employment, 32 percent agree, 10 percent disagree, 4, were undecided while 4 percent of the respondents strongly disagree that provision of loan to SMEs encourages self employment

Also the analysis shows that 46 percent of the respondents strongly agree that provision of loan to SMEs reduce crime rate, 40 percent agree, 5 percent disagree, 2, were undecided while 6 percent of the respondents strongly disagree that provision of loan to SMEs reduce crime rate

Also the analysis shows that 40 percent of the respondents strongly agree that provision of loan to SMEs encourages exportation, 49 percent agree, 10 percent disagree, 10, were undecided while 6 percent of the respondents strongly disagree that provision of loan to SMEs encourages exportation.

Table 4.3 Response on Innovation

S/N	Innovation	SA	A	D	SD	U	Total
11	SMEs Development encourages youth empowerment	102(30%)	156(46%)	33(10%)	25(7%)	20(6%)	336(100%)
12	SMEs creation gives youth opportunities	187(56%)	123(37%)	7(2%)	8(2%)	11(3%)	336(100%)
13	SMEs gives youth opportunity to utilize their skill and talent	176(52%)	109(32%)	28(8%)	23(7%)		336(100%)
14	SMEs increases job security	137(40%)	77(23%)	52(16%)	42(13%)	28(8%)	336(100%)
15	Opening of new SMEs lead to job creation	148(44%)	143(42%)	15(5%)	20(6%)	10(3%)	336(100%)
16	SMEs encourage development of infrastructures	167(50%)	126(37%)	10(3%)	33(10%)		336(100%)
17	SMEs encourage economic development	147(44%)	147(44%)	22(6%)	16(5%)	4(1%)	336(100%)
18	SMEs encourage economic stability	160(47%)	137(41%)	28(8%)	4(1%)	7(2%)	336(100%)
19	SMEs improve social welfare	200(60%)	99(29%)	10(3%)	15(5%)	5(2%)	336(100%)
20	SMEs help in the development of new ideas	186(55%)	108(32%)	22(7%)	16(5%)	4(1%)	336(100%)

Source: Field Survey, 2018.

From the analysis in Table 4.3 above, it shows that 30 percent of the respondents strongly agree that SMEs Development encourages youth, 46 percent agree, 10 percent disagree, 6 percent were undecided while 7 percent of the respondent strongly disagree that SMEs Development encourages youth.

The analysis shows that 56 percent of the respondents strongly agree that SMEs creation gives youth opportunities, 37 percent agree, 2 percent disagree, 3 percent were undecided while 2 percent of the respondent were strongly disagree that SMEs creation gives youth opportunities.

The analysis also shows that 52 percent of the respondents strongly agree that youth opportunity to utilize their skill and talent, 32 percent agree, 8 percent disagree while 7 percent of the respondent were strongly disagree that youth opportunity to utilize their skill and talent.

The analysis shows that 40 percent of the respondents strongly agree that SMEs increases job security, 23 percent agree, 16 percent disagree, 8 percent were undecided while 13 percent of the respondent strongly disagree that SMEs increases job security.

The analysis shows that 44 percent of the respondents strongly agree that Opening of new SMEs lead to job creation, 42 percent agree, 5 percent disagree, 3 percent were undecided while 6 percent of the respondent strongly disagree that Opening of new SMEs lead to job creation.

The analysis shows that 50 percent of the respondents strongly agree that SMEs encourage development of infrastructures, 37 percent agree, 3 percent disagree, while 10 percent of the respondent strongly disagree that SMEs encourage development of infrastructures.

The analysis shows that 44 percent of the respondents strongly agree that SMEs encourage economic development, 44 percent agree, 6 percent disagree, 1 percent were undecided while 5 percent of the respondent strongly disagree that SMEs encourage economic development

The analysis shows that 47 percent of the respondents strongly agree that SMEs encourage economic stability, 41 percent agree, 8 percent disagree, 2 percent were undecided while 1 percent of the respondent strongly disagree that SMEs encourage economic stability.

The analysis shows that 60 percent of the respondents strongly agree that SMEs improve social welfare, 29 percent agree, 3 percent disagree, 2 percent were undecided while 5 percent of the respondent strongly disagree that SMEs improve social welfare.

The analysis shows that 55 percent of the respondents strongly agree that SMEs help in the development of new ideas, 32 percent agree, 7 percent disagree, 1 percent were undecided while 5 percent of the respondent strongly disagree that SMEs help in the development of new ideas.

Table 4.4 Response on Production Infrastructure

S/N	Infrastructure	SA	A	D	SD	U	Total
21	SMEs encourage the development of infrastructure	136(41%)	123(37%)	33(10%)	35(10%)	9(2%)	336(100%)
22	Financing of SMEs encourage economic development	138(41%)	167(50%)	23(7%)	8(2%)		336(100%)
23	Development of infrastructure encourages SMEs	128(38%)	143(43%)	25(7%)	33(10%)	7(2%)	336(100%)
24	Building of new training centres for skill development improves SMEs	137(41%)	144(43%)	20(6%)	16(5%)	10(3%)	336(100%)
25	Development of internal resources improve SMEs	108(32%)	139(41%)	33(10%)	17(5%)	39(12%)	336(100%)
26	Government building of new roads encourages SMEs	103(31%)	177(53%)	16(4%)	10(3%)	30(9%)	336(100%)
27	Provision of constant electricity improve the development of SMEs	151(45%)	128(38%)	20(6%)	17(5%)	10(3%)	336(100%)
28	Provision of machines improve the development of SMEs	98(29%)	171(51%)	23(7%)	14(5%)	30(9%)	336(100%)
29	Improve infrastructure helps in the development of SMEs	123(37%)	119(35%)	23(7%)	55(16%)	16(5%)	336(100%)
30	Steady light and constant provision of infrastructure minimize cost in SMEs	167(50%)	109(32%)	33(10%)	12(3%)	15(4%)	336(100%)

Source: Field Survey, 2018.

From the analysis in Table 4.4 above, it shows that 41 percent of the respondents strongly agree that SMEs encourage the development of infrastructure, 37 percent agree, 10 percent disagree, 2 percent were undecided while 10 percent of the respondent strongly disagree that SMEs encourage the development of infrastructure.

The analysis also shows that 41 percent of the respondents strongly agree that of Financing of SMEs encourage economic development, 50 percent agree, 7 percent disagree, while 2 percent of the respondent strongly disagree that Financing of SMEs encourage economic development

The analysis also shows that 38 percent of the respondents strongly agree that Development of infrastructure encourages SME, 43 percent agree, 7 percent disagree, 2 percent were undecided while 10 percent of the respondent strongly disagree that Development of infrastructure encourages SME.

The analysis also shows that 41 percent of the respondents strongly agree that Building of new training centres for skill development improves SMEs, 43 percent agree, 6 percent disagree, 3 percent were undecided while 5 percent of the respondent strongly disagree that Building of new training centres for skill development improves SMEs.

The analysis also shows that 32 percent of the respondents strongly agree that Building of new training centres for skill development improves SMEs, 43 percent agree, 10 percent disagree, 3 percent were undecided while 12 percent of the respondent strongly disagree that Development of internal resources improve SMEs.

The analysis also shows that 31 percent of the respondents strongly agree that Government building of new roads encourages SMEs, 53 percent agree, 4 percent disagree, 9 percent were undecided while 3 percent of the respondent strongly disagree that Government building of new roads encourages SMEs.

The analysis also shows that 45 percent of the respondents strongly agree that Provision of constant electricity improve the development of SMEs, 38 percent agree, 6 percent disagree, 3 percent were undecided while 5 percent of the respondent strongly disagree that Provision of constant electricity improve the development of SMEs.

The analysis also shows that 29 percent of the respondents strongly agree that Provision of machines improve the development of SMEs, 51 percent agree, 7 percent disagree, 5 percent were undecided while 9 percent of the respondent strongly disagree that Provision of machines improve the development of SMEs.

The analysis also shows that 37 percent of the respondents strongly agree that Provision of machines improve the development of SMEs, 35 percent agree, 7 percent disagree, 5 percent were undecided while 16 percent of the respondent strongly disagree that Provision of machines improve the development of SMEs.

The analysis also shows that 50 percent of the respondents strongly agree that Steady light and constant provision of infrastructure minimize cost in SMEs , 32 percent agree, 10 percent disagree, 4 percent were undecided while 3 percent of the respondent strongly disagree that Steady light and constant provision of infrastructure minimize cost in SMEs.

Table 4.5 Response on Skill acquisition

S/N	Skill acquisition	SA	A	D	SD	U	Total
31	SMEs improves youth ability to solve their problems	148(44%)	143(43%)	15(4%)	20(6%)	10(3%)	336(100%)
32	SMEs encourages Skill development	147(44%)	137(41%)	22(6%)	16(5%)	14(4%)	336(100%)
33	Financing of SMEs encourages youth creativity	160(48%)	118(35%)	28(8%)	17(5%)	13(3%)	336(100%)
34	Financing of SMEs encourages youth empowerment	141(42%)	117(35%)	33(10%)	25(7%)	20(6%)	336(100%)
35	Financing of SMEs encourages youth learning of hand work as such reduces crime	148(44%)	142(42%)	17(5%)	18(5%)	11(3%)	336(100%)
36	Financing of SMEs encourages economy development by reducing unemployment	137(40%)	109(32%)	28(8%)	23(8%)	39(11%)	336(100%)
37	Financing of SMEs create employment opportunities	150(44%)	114(34%)	20(6%)	22(6%)	30(9%)	336(100%)
38	Financing of SMEs encourages skills training	148(44%)	143(43%)	15(5%)	20(6%)	10(3%)	336(100%)
39	Financing of SMEs encourages youth engagement in development of new ideas	156(46%)	133(39%)	18(5%)	21(6%)	8(2%)	336(100%)
40	Financing of SMEs encourages youth develop their skills	133(40%)	116(34%)	34(10%)	19(6%)	34(10%)	336(100%)

From the analysis in Table 4.5 above, it shows that 44 percent of the respondents strongly agree that SMEs improves youth ability to solve their problems, 43 percent agree, 4 percent disagree, 3 percent were undecided while 6 percent of the respondent strongly disagree that SMEs improves youth ability to solve their problems.

The analysis also shows that 44 percent of the respondents strongly agree that SMEs encourages Skill development, 41 percent agree, 6 percent disagree, 4 percent were undecided while 4 percent of the respondent strongly disagree that SMEs encourages Skill development.

The analysis also shows that 48 percent of the respondents strongly agree that financing of SMEs encourages youth creativity, 35 percent agree, 8 percent disagree, 5 percent were undecided while 3 percent of the respondent strongly disagree that Financing of SMEs encourages youth creativity.

The analysis also shows that 42 percent of the respondents strongly agree that financing of SMEs encourages youth empowerment, 35 percent agree, 10 percent disagree, 6 percent were undecided while 7 percent of the respondent strongly disagree that financing of SMEs encourages youth empowerment.

The analysis also shows that 44 percent of the respondents strongly agree that financing of SMEs encourages youth empowerment, 42 percent agree, 5 percent disagree, 3 percent were undecided while 5 percent of the respondent strongly disagree that financing of SMEs encourages youth learning of hand work as such reduces crime.

The analysis also shows that 40 percent of the respondents strongly agree that financing of SMEs encourages economy development by reducing unemployment, 32 percent agree, 8 percent disagree, 11 percent were undecided while 8 percent of the respondent strongly disagree that Financing of SMEs encourages economy development by reducing unemployment.

The analysis also shows that 44 percent of the respondents strongly agree that financing of SMEs create employment opportunities, 34 percent agree, 6 percent disagree, 9 percent were undecided while 6 percent of the respondent strongly disagree that Financing of SMEs create employment opportunities.

The analysis also shows that 44 percent of the respondents strongly agree that financing of SMEs encourages skills training, 43 percent agree, 5 percent disagree, 3 percent were undecided while 6 percent of the respondent strongly disagree that financing of SMEs encourages skills training.

The analysis also shows that 46 percent of the respondents strongly agree that financing of SMEs encourages youth engagement in development of new ideas, 39 percent agree, 5 percent disagree, 2 percent were undecided while 6 percent of the respondent strongly disagree that financing of SMEs encourages youth engagement in development of new ideas.

The analysis also shows that 40 percent of the respondents strongly agree that financing of SMEs encourages youth develop their skills, 34 percent agree, 10 percent disagree, 10 percent were undecided while 6 percent of the respondent strongly disagree that financing of SMEs encourages youth to develop their skills.

Table 4.6 Response on Collateral

S/N	Collateral	SA	A	D	SD	U	Total
41	Collateral provision discourages SMEs	122(36)	161(48)	17(5)	20(6)	16(5)	336(100%)
42	SMEs find it difficult to provide tangible collateral	110(33)	170(51)	17(5)	26(8)	13(4)	336(100%)
43	Provision of collateral makes the SMEs more serious with their business	70(21)	222(66)	20(6)	14(4)	10(3)	336(100%)
44	Provision of collateral draw the owner of the SMEs closer to the microfinance banks	190(57)	100(30)	10(3)	23(7)	13(4%)	336(100%)
45	Provision of collateral encourages microfinance banks to gives out more loans	167(50)	112(33)	25(7)	20(6)	12(3)	336(100%)
46	Microfinance request of collateral reduces the risk of the SMEs from running away	158(47)	143(42)	10(3)	13(3)	12(3)	336(100%)
47	With collateral provision SMEs have more access to loans	142(42)	139(41)	17(5)	20(6)	18(5)	336(100%)
48	With collateral provision youth understands the risk financing SMEs as such make them to work hard	122(36)	141(42)	17(5)	19(6)	36(10)	336(100%)
49	Collateral provision facilitate loan of SMEs	110(33)	162(48)	27(8)	20(6)	13(4)	336(100%)
50	Collateral provision reduce crime and fraud in financing SMEs	70(21)	200(59)	10(3)	24(7)	32(9)	336(100%)

Source: Field Survey, 2018.

From the analysis in Table 4.6 above, it shows that 36 percent of the respondents strongly agree that Collateral provision discourages SMEs, 48 percent agree, 5 percent disagree, 5 percent were undecided while 6 percent of the respondent strongly disagree that Collateral provision discourages SMEs.

Also the analysis shows that 33 percent of the respondents strongly agree that SMEs find it difficult to provide tangible collateral, 51 percent agree, 5 percent disagree, 4 percent were undecided while 8 percent of the respondent strongly disagree that SMEs find it difficult to provide tangible collateral.

Also the analysis shows that 21 percent of the respondents strongly agree that Provision of collateral makes the SMEs more serious with their business, 66 percent agree, 6 percent disagree, 3 percent were undecided while 4 percent of the respondent strongly disagree that SMEs Provision of collateral makes the SMEs more serious with their business.

The analysis also shows that 57 percent of the respondents strongly agree that provision of collateral draw the owner of the SMEs closer to the microfinance banks, 30 percent agree, 3 percent disagree, 4 percent were undecided while 7 percent of the respondent strongly disagree that provision of collateral draw the owner of the SMEs closer to the microfinance banks.

The analysis also shows that 50 percent of the respondents strongly agree that Provision of collateral encourages microfinance banks to gives out more loans, 33 percent agree, 7 percent disagree, 3 percent were undecided while 6 percent of the respondent strongly disagree that Provision of collateral encourages microfinance banks to gives out more loans.

The analysis also shows that 47 percent of the respondents strongly agree that Microfinance request of collateral reduces the risk of the SMEs from running away, 42 percent agree, 3 percent disagree, 3 percent were undecided while 3 percent of the respondent strongly disagree that Microfinance request of collateral reduces the risk of the SMEs from running away.

The analysis also shows that 42 percent of the respondents strongly agree that Microfinance request of collateral reduces the risk of the SMEs from running away, 41 percent agree, 5 percent disagree, 5 percent were undecided while 6 percent of the respondent strongly disagree that With collateral provision SMEs have more access to loans.

The analysis also shows that 36 percent of the respondents strongly agree that With collateral provision youth understands the risk financing SMEs as such make them to work hard, 42 percent agree, 5 percent disagree, 10 percent were undecided while 10 percent of the respondent strongly disagree that With collateral provision youth understands the risk financing SMEs as such make them to work hard.

The analysis also shows that 33 percent of the respondents strongly agree that Collateral provision facilitate loan of SMEs, 48 percent agree, 8 percent disagree, 4 percent were undecided while 6 percent of the respondent strongly disagree that Collateral provision facilitate loan of SMEs.

The analysis also shows that 21 percent of the respondents strongly agree that Collateral provision reduce crime and fraud in financing SMEs, 59 percent agree, 3 percent disagree, 9 percent were undecided while 7 percent of the respondent strongly disagree that Collateral provision reduce crime and fraud in financing SMEs.

Table 4.7 Response on Production capacity

S/N	Production capacity	SA	A	D	SD	U	Total
51	Financing of SMEs encourage high production of SMEs	160(48)	130(38)	18(5)	13(3)	15(4)	336(100%)
52	Increase in production capacity as a result of effective financing of SMEs encourages skill development	152(45)	107(32)	20(6)	35(10)	23(6)	336(100%)
53	Increase in production capacity as a result of effective financing of SMEs encourages adoption of more machines	150(45)	126(37)	16(3)	34(10)	10(3)	336(100%)
54	Financing of SMEs encourages employment of more work	158(47)	185(55)	10(3)	13(3)	12(4)	336(100%)
55	Financing of SMEs encourage exportation of produce good	109(32)	189(56)	11(3)	10(3)	17(5)	336(100%)
56	Financing of SMEs leads to development of new product	155(46)	130(39)	25(7)	8(2)	18(5)	336(100%)
57	Financing of SMEs increase production and such encourages market stability	156(46)	128(37)	32(9)	20(6)		336(100%)
58	Financing of SMEs reduces cost of production	120(36)	140(42)	28(8)	33(10)	15(4)	336(100%)
59	Financing of SMEs reduce cost of goods	152(45)	107(32)	21(6)	23(6)	33(10)	336(100%)
60	Increase in production capacity as a result of effective financing of SMEs encourage economic development	141(42)	126(37)	16(4)	34(10)	19(5)	336(100%)

Source: Field Survey, 2018.

From the analysis in Table 4.7 above, it shows that 48 percent of the respondents strongly agree that financing of SMEs encourage high production of SMEs, 38 percent agree, 5 percent disagree, 4 percent were undecided while 3 percent of the respondent strongly disagree that financing of SMEs encourage high production of SMEs.

The analysis also shows that 45 percent of the respondents strongly agree that Increase in production capacity as a result of effective financing of SMEs encourages skill development, 32 percent agree,6 percent disagree, 6 percent were undecided while 10 percent of the respondent strongly disagree that Increase in production capacity as a result of effective financing of SMEs encourages skill development.

Also the analysis shows that 45 percent of the respondents strongly agree that Increase in production capacity as a result of effective financing of SMEs encourages adoption of more machines, 37 percent agree, 3 percent disagree, 3 percent were undecided while 10 percent of the respondent strongly disagree that Increase in production capacity as a result of effective financing of SMEs encourages adoption of more machines.

Also the analysis shows that 47 percent of the respondents strongly agree that Financing of SMEs encourages employment of more work, 55 percent agree,3 percent disagree, 5 percent were undecided while 3 percent of the respondent strongly disagree that financing of SMEs encourages employment of more work.

Also the analysis shows that 32 percent of the respondents strongly agree that financing of SMEs encourage exportation of produce good, 56 percent agree,3 percent disagree, 5 percent were undecided while 3 percent of the respondent strongly disagree that financing of SMEs encourage exportation of produce good.

Also the analysis shows that 46 percent of the respondents strongly agree that financing of SMEs leads to development of new product, 39 percent agree, 7 percent disagree, 5 percent were undecided while 2 percent of the respondent strongly disagree that Financing of SMEs leads to development of new product.

The analysis also shows that 46 percent of the respondents strongly agree that financing of SMEs increase production and such encourages market stability, 37 percent agree,9 percent disagree, while 6 percent of the respondent strongly disagree that financing of SMEs increase production and such encourages market stability.

The analysis also shows that 36 percent of the respondents strongly agree that financing of SMEs reduces cost of production, 42 percent agree, 8 percent disagree, 4 percent were undecided while 10 percent of the respondent strongly disagree that financing of SMEs reduces cost of production.

The analysis also shows that 45 percent of the respondents strongly agree that financing of SMEs reduce cost of goods, 32 percent agree, 6 percent disagree, 10 percent were undecided while 6 percent of the respondent strongly disagree that financing of SMEs reduce cost of goods.

The analysis also shows that 42 percent of the respondents strongly agree that Increase in production capacity as a result of effective financing of SMEs encourage economic development, 37 percent agree, 4 percent disagree, 5 percent were undecided while 10 percent of the respondent strongly disagree that Increase in production capacity as a result of effective financing of SMEs encourage economic development.

Table 4.8 Response on Job creation

S/N	Job creation	SA	A	D	SD	U	Total
61	Financing of SMEs create more jobs opportunities	182(54)	99(29)	22(6)	16(5)	17(5)	336(100%)
62	Effective financing of SMEs reduces crime	149(44)	122(36)	23(7)	14(4)	28(8)	336(100%)
63	Effective financing of SMEs encourage economic development	150(45)	142(42)	10(3)	15(4)	19(5)	336(100%)
64	Effective financing of SMEs empower youth	153(46)	128(38)	11(3)	18(5)	26(8)	336(100%)
65	Effective financing of SMEs reduces organizational violence	152(45)	126(37)	18(3)	19(6)	21 (6)	336(100%)
66	Effective financing of SMEs encourages self employment	122(36)	147(44)	22(6)	17(5)	28(8)	336(100%)
67	Financing of SMEs helps in the creation of new ideas	141(42)	122(36)	23(6)	38(11)	12(10)	336(100%)
68	Financing of SMEs attract foreign investors	182(54)	99(29)	24(7)	14(4)	17(5)	336(100%)
69	Financing of SMEs increase countries export	149(44)	122(36)	23(6)	14(4)	28(8)	336(100%)
70	Effective financing of SMEs increases economic development	150(45)	144(43)	10(3)	13(3)	19(5)	336(100%)

Source: Field Survey, 2018.

From the analysis in Table 4.8 above, it shows that 54 percent of the respondents strongly agree that financing of SMEs create more jobs opportunities, 29 percent agree, 6 percent disagree, 5 percent were undecided while 5 percent of the respondent strongly disagree that Financing of SMEs create more jobs opportunities.

The analysis also shows that 44 percent of the respondents strongly agree that effective financing of SMEs reduces crime, 36 percent agree, 7 percent disagree, 8 percent were undecided, while 4 percent of the respondent strongly disagree that effective financing of SMEs reduces crime.

The analysis also shows that 45 percent of the respondents strongly agree that effective financing of SMEs encourage economic development, 42 percent agree, 3 percent disagree, 5 percent were undecided, while 4 percent of the respondent strongly disagree that effective financing of SMEs encourage economic development.

The analysis also shows that 46 percent of the respondents strongly agree that effective financing of SMEs empower youth, 38 percent agree, 3 percent disagree, 5 percent were undecided, while 4 percent of the respondent strongly disagree that effective financing of SMEs encourage economic development.

The analysis also shows that 45 percent of the respondents strongly agree that effective financing of SMEs reduces organizational violence, 37 percent agree, 3 percent disagree, 6 percent were undecided, while 6 percent of the respondent strongly disagree that effective financing of SMEs reduces organizational violence.

The analysis also shows that 36 percent of the respondents strongly agree that Effective financing of SMEs encourages self employment, 44 percent agree, 6 percent disagree, 8 percent were undecided, while 6 percent of the respondent strongly disagree that effective financing of SMEs encourages self employment.

The analysis also shows that 42 percent of the respondents strongly agree that financing of SMEs helps in the creation of new ideas, 36 percent agree, 6 percent disagree, 10 percent were undecided, while 11 percent of the respondent strongly disagree that financing of SMEs helps in the creation of new ideas.

The analysis also shows that 54 percent of the respondents strongly agree that financing of SMEs attract foreign investors, 29 percent agree, 7 percent disagree, 5 percent were undecided, while 4 percent of the respondent strongly disagree that financing of SMEs attract foreign investors.

The analysis also shows that 44 percent of the respondents strongly agree that financing of SMEs increase countries export, 36 percent agree, 6 percent disagree, 8 percent were undecided, while 4 percent of the respondent strongly disagree that financing of SMEs increase countries export.

The analysis also shows that 45 percent of the respondents strongly agree that effective financing of SMEs increases economic development, 43 percent agree, 3 percent disagree, 5 percent were undecided, while 3 percent of the respondent strongly disagree that effective financing of SMEs increases economic development.

Table 4.9 Response on Financial service accessibility

S/N	Financial service accessibility	SA	A	D	SD	U	Total
71	Financial service accessibility by SMEs help in the expansion of SMEs	158(47)	119(35)	26(8)	13(3)	20(6)	336(100%)
72	Financial service accessibility by SMEs reduce unemployment	152(45)	120(36)	17(5)	33(10)	14 (4)	336(100%)
73	Financial service accessibility of SMEs facilitate economic development	182(54)	107(32)	10(3)	20(6)	17(5)	336(100%)
74	Financial service accessibility of SMEs improve their production system	141(42)	122(36)	23(6)	36(10)	14(4)	336(100%)
75	Financial service accessibility of SMEs encourages self employment	119(35)	166(49)	15(4)	17(5)	19(7)	336(100%)
76	Financial service accessibility of SMEs reduce crime rate	177(53)	100(30)	23(6)	10(3)	26(8)	336(100%)
77	Financial service accessibility of SMEs encourages exportation	138(41)	146(43)	10(3)	23(7)	19(6)	336(100%)
78	SMEs accessibility to financial helps in their survive of market turbulence	156(46)	121(36)	26(8)	13(3)	20(5)	336(100%)
79	Financial service accessibility of SMEs helps them to grow fast	152(45)	126(37)	21(6)	24(7)	13 (3)	336(100%)
80	Financial service accessibility increase the confidence of SMEs owners	180(53)	109(32)	10(3)	20(6)	17(5)	336(100%)

Source: Field Survey, 2018.

From the analysis in Table 4.9 above, it shows that 47 percent of the respondents strongly agree that financial service accessibility by SMEs help in the expansion of SMEs, 35 percent agree, 8 percent disagree, 6 percent were undecided while 3 percent of the respondent strongly disagree that financial service accessibility by SMEs help in the expansion of SMEs.

The analysis also shows that 45 percent of the respondents strongly agree that financial service accessibility by SMEs reduce unemployment, 36 percent agree, 5 percent disagree, 4 percent were undecided, while 10 percent of the respondent strongly disagree that financial service accessibility by SMEs reduce unemployment.

The analysis also shows that 54 percent of the respondents strongly agree that financial service accessibility of SMEs facilitate economic development , 33 percent agree, 3 percent disagree, 5 percent were undecided, while 6 percent of the respondent strongly disagree that financial service accessibility of SMEs facilitate economic development.

The analysis also shows that 42 percent of the respondents strongly agree that financial service accessibility of SMEs improve their production system, 36 percent agree, 6 percent disagree, 4 percent were undecided, while 10 percent of the respondent strongly disagree that financial service accessibility of SMEs improve their production system.

The analysis also shows that 35 percent of the respondents strongly agree that financial service accessibility of SMEs encourages self employment, 49 percent agree, 5 percent disagree, 7 percent were undecided, while 5 percent of the respondent strongly disagree that financial service accessibility of SMEs encourages self employment.

The analysis also shows that 53 percent of the respondents strongly agree that financial service accessibility of SMEs reduce crime rate, 30 percent agree, 6 percent disagree, 8 percent were undecided, while 3 percent of the respondent strongly disagree that financial service accessibility of SMEs reduce crime rate.

The analysis also shows that 41 percent of the respondents strongly agree that financial service accessibility of SMEs encourages exportation, 43 percent agree, 3 percent disagree, 6 percent were undecided, while 7 percent of the respondent strongly disagree that financial service accessibility of SMEs encourages exportation.

The analysis also shows that 46 percent of the respondents strongly agree that SMEs accessibility to financial helps in their survive of market turbulence , 36 percent agree, 8 percent disagree, 5 percent were undecided, while 3 percent of the respondent strongly disagree that SMEs accessibility to financial helps in their survive of market turbulence.

The analysis also shows that 45 percent of the respondents strongly agree that financial service accessibility of SMEs helps them to grow fast, 37 percent agree, 6 percent disagree, 3 percent were undecided, while 7 percent of the respondent strongly disagree that financial service accessibility of SMEs helps them to grow fast.

The analysis also shows that 53 percent of the respondents strongly agree that financial service accessibility increase the confidence of SMEs owners, 32 percent agree, 3 percent disagree, 5 percent were undecided, while 6 percent of the respondent strongly disagree that financial service accessibility increase the confidence of SMEs owners.

Table 4.10 Response on Youth empowerment

S/N	Youth empowerment	SA	A	D	SD	U	Total
81	Provision of loan helps SMEs to create more jobs opportunities	120(36)	150(45)	18(5)	29(7)	19(5)	336(100%)
82	Provision of loan to SMEs reduces crime	145(43)	126(38)	15(4)	30(9)	20 (6)	336(100%)
83	Provision of loan to SMEs encourage economic development	190(56)	99(29)	21(6)	10(3)	16(5)	336(100%)
84	Provision of loan to SMEs helps youth to be more engage with their business as such reduces organizational violence	134(40)	120(36)	38(11)	32(10)	12(3)	336(100%)
85	Provision of loan to SMEs encourages youth empowerment	157(47)	108(32)	32(10)	18(5)	11(3)	336(100%)
86	Financing of SMEs encourages self employment	155(46)	120(36)	23(7)	20(6)	18(5)	336(100%)
87	Financing of SMEs helps youth in the creation of new ideas and development of their skills	160(48)	133(39)	13(3)	13(3)	17(5)	336(100%)
88	Financing of SMEs attract foreign investors to empower the youth	128(38)	150(45)	28(8)	20(6)	10(3)	336(100%)
8	Financing of SMEs increase youth creativity	142(42)	126(37)	21(6)	34(10)	13 (3)	336(100%)
90	Effective financing of SMEs increases economic development	179(53)	99(29)	21(6)	20(6)	17(5)	336(100%)

Source: Field Survey, 2018.

From the analysis in Table 4.10 above, it shows that 36 percent of the respondents strongly agree that provision of loan helps SMEs to create more jobs opportunities, 45 percent agree, 5 percent disagree, 5 percent were undecided while 7 percent of the respondent strongly disagree that provision of loan helps SMEs to create more jobs opportunities

The analysis also shows that 43 percent of the respondents strongly agree that provision of loan to SMEs reduces crime, 38 percent agree, 4 percent disagree, 6 percent were undecided, while 9 percent of the respondent strongly disagree that provision of loan to SMEs reduces crime.

The analysis also shows that 56 percent of the respondents strongly agree that provision of loan to SMEs encourage economic development, 29 percent agree, 6 percent disagree, 5 percent were undecided, while 3 percent of the respondent strongly disagree that provision of loan to SMEs encourage economic development.

The analysis also shows that 40 percent of the respondents strongly agree that provision of loan to SMEs helps youth to be more engage with their business as such reduces organizational violence, 36 percent agree, 11 percent disagree, 3 percent were undecided, while 10 percent of the respondent strongly disagree that provision of loan to SMEs helps youth to be more engage with their business as such reduces organizational violence.

The analysis also shows that 47 percent of the respondents strongly agree that provision of loan to SMEs encourages youth empowerment, 32 percent agree, 10 percent disagree, 3 percent were undecided, while 5 percent of the respondent strongly disagree that provision of loan to SMEs encourages youth empowerment.

The analysis also shows that 46 percent of the respondents strongly agree that financing of SMEs encourages self employment, 36 percent agree, 7 percent disagree, 5 percent were undecided, while 6 percent of the respondent strongly disagree that financing of SMEs encourages self employment.

The analysis also shows that 48 percent of the respondents strongly agree that financing of SMEs helps youth in the creation of new ideas and development of their skills, 39 percent agree, 3 percent disagree, 5 percent were undecided, while 3 percent of the respondent strongly disagree that financing of SMEs helps youth in the creation of new ideas and development of their skills.

The analysis also shows that 38 percent of the respondents strongly agree that financing of SMEs attract foreign investors to empower the youth, 45 percent agree, 8 percent disagree, 3 percent were undecided, while 6 percent of the respondent strongly disagree that financing of SMEs attract foreign investors to empower the youth.

The analysis also shows that 42 percent of the respondents strongly agree that financing of SMEs increase youth creativity, 37 percent agree, 6 percent disagree, 3 percent were undecided, while 10 percent of the respondent strongly disagree that financing of SMEs increase youth creativity.

The analysis also shows that 53 percent of the respondents strongly agree that effective financing of SMEs increases economic development, 29 percent agree, 6 percent disagree, 5 percent were undecided, while 6 percent of the respondent strongly disagree that effective financing of SMEs increases economic development.

4.2 Test of Hypotheses using Pearson Product Moment Correlation, Z-Test and One Way Analysis of Variance (ANOVA) with the aid of Statistical Package for Social Science (SPSS Version 23)

Decision rule: We accept the null hypothesis when the probability value is greater than the alpha value, otherwise we reject it.

Significant level = 0.05

Hypotheses I

H_0: There is no significant relationship between timely access to loan and

innovative growth of SMEs in South East Nigeria.

.H_1: There is a significant relationship between timely access to loan and innovative growth of SMEs in South East Nigeria.

Descriptive Statistics

	Mean	Std. Deviation	N
Timely access to Loan	3.6203	.31306	355
Innovation growth	3.4189	.27248	355

Source: SPSS, output, 2018

Correlations

		Timely access to Loan	Innovation growth
Timely access to Loan	Pearson Correlation	1	.157**
	Sig. (2-tailed)		.003
	N	355	355
Innovation growth	Pearson Correlation	.157**	1
	Sig. (2-tailed)	.003	
	N	355	355

**. Correlation is significant at the 0.01 level (2-tailed).

From the analysis above, it shows that the probability value (0.003) is less than the alpha value (0.05), the researcher therefore reject the null hypothesis and conclude that there is a significant relationship between timely access to loan and innovative growth of SMEs in South East Nigeria with a correlation value of 0.157.

Hypotheses II

H_0: There is no significant relationship between production infrastructure and requisite skill development of SMEs in South East Nigeria.

.H_1: There is a significant relationship between production infrastructure and requisite skill development of SMEs in South East Nigeria.

Descriptive Statistics

	Mean	Std. Deviation	N
Product infrastructures	3.0856	.30121	355
Requisite skill development	3.3344	.37500	355

Source: SPSS, output, 2018

Correlations

		Product infrastructures	Requisite skill development
Product infrastructures	Pearson Correlation	1	.135*
	Sig. (2-tailed)		.011
	N	355	355
Requisite skill development	Pearson Correlation	.135*	1
	Sig. (2-tailed)	.011	
	N	355	355

*. Correlation is significant at the 0.05 level (2-tailed).

In testing the second hypothesis, the analysis shows that the probability value

(0.011) is less than the alpha value (0.05), the researcher therefore accepts the alternative hypothesis and concludes that there is a significant relationship between production infrastructure and requisite skill development of SMEs in South East Nigeria with a correlation value of 0.135.

Hypotheses III

H_0: Collateral provision does not have any significant effect on production capacity of SMEs in South East Nigeria.

.H_1: Collateral provision have a significant effect on production capacity of SMEs in South East Nigeria.

Descriptive Statistics

	Mean	Std. Deviation	N
Collateral provision	3.7251	.27611	355
production capacity	3.0566	.54837	355

Source: SPSS, output, 2018

Correlations

		Collateral provision	Production capacity
Collateral provision	Pearson Correlation	1	.111**
	Sig. (2-tailed)		.001
	N	355	355
Production capacity	Pearson Correlation	.111**	1
	Sig. (2-tailed)	.001	
	N	355	355

**. Correlation is significant at the 0.01 level (2-tailed).

In testing the third hypothesis, the analysis shows that the probability value (0.001) is less than the alpha value (0.05), the researcher therefore accepts the alternative hypothesis and concludes that there is a significant relationship between collateral provision and production capacity of SMEs in South East Nigeria with a correlation value of 0.111.

Hypotheses IV

H_0: Financial service accessibility does not have any significant effect on job creativity of SMEs in South East Nigeria.

.H_1: Financial service accessibility have a significant effect on job creativity of SMEs in South East Nigeria.

Descriptive Statistics

	Mean	Std. Deviation	N
Product infrastructures	3.0018	.65129	355
Requisite skill development	3.8620	.58705	355

Source: SPSS, output, 2018

Correlations

		Product infrastructures	Requisite skill development
Product infrastructures	Pearson Correlation	1	.097*
	Sig. (2-tailed)		.049
	N	355	355
Requisite skill development	Pearson Correlation	.135*	1
	Sig. (2-tailed)	.049	
	N	355	355

*. Correlation is significant at the 0.05 level (2-tailed).

In testing the second hypothesis, the analysis shows that the probability value (0.049) is less than the alpha value (0.05), the researcher therefore accepts the alternative hypothesis and concludes that there is a significant relationship between financial service accessibility and job creativity of SMEs in South East Nigeria with a correlation value of 0.97.

Hypotheses V

H_0: There is no significant relationship between loan accessibility and youth

empowerment of SMEs in South East Nigeria.

.H_1: There is a significant relationship between loan accessibility and youth empowerment of SMEs in South East Nigeria.

Descriptive Statistics

	Mean	Std. Deviation	N
Loan Accessibility	3.6203	.31306	355
Youth empowerment	3.8620	.58705	355

Source: SPSS, output, 2018

Correlations

		Loan Accessibility	Youth empowerment
Loan Accessibility	Pearson Correlation	1	.217
	Sig. (2-tailed)		.000
	N	355	355
Youth empowerment	Pearson Correlation	.217	1
	Sig. (2-tailed)	.000	
	N	355	355

In testing the hypothesis seventh, the analysis shows that the probability value (0.000) is less than the alpha value (0.05), the researcher therefore accept the alternative hypothesis and conclude that there is a significant relationship between loan accessibility and youth empowerment of SMEs in South East Nigeria with a correlation value of 0.217

4.3 Discussion of Findings

The following findings were revealed and discussed from this study.

Discussion of Result from test of hypothesis I

In the course of testing hypothesis one, the analysis revealed that the probability there is a significant relationship between timely access to loan and innovative growth of SMEs in South East Nigeria with a correlation value of 0.157. The analysis also shows that access to loan help SMEs to survive market turbulence, help SMEs to grow fast, increase the confidence of SMEs owners, reduce unemployment, helps in the expansion of SMEs, facilitate economic development, encourages self employment, reduce crime rate and encourages exportation. This was in line with the study carried out by Taiwo, Onasoanya, Agwu, and Benson (2017) which states that timely access to loan has a great impact on the development of small and medium scale enterprise. This was also in support of the study carried out by Anochie and Ude (2015) which revealed that access to loan by

SMEs helps in economic development and increase job opportunity and innovation.

The analysis revealed that SMEs Development encourages youth empowerment, helps in the creation of new opportunities for the youth, gives youth opportunity to utilize their skill and talent, increases job security and that opening of new SMEs lead to job creation. The analysis also shows that SMEs encourage economic development, encourage economic stability, improve social welfare and help in the development of new ideas. This was in accordance with the study carried out by Williams (2015) which states financing of SMEs encourages innovation and helps in the development of new ideas. The study was also in support of the study carried out by Ebitu, Basil and Ufot (2016) as it revealed that financing of SMEs increases innovation development.

Discussion of Result from test of hypothesis II

In testing the second hypothesis, the analysis shows there is a significant relationship between production infrastructure and requisite skill development of SMEs in South East Nigeria with a correlation value of 0.35. The analysis also shows that SMEs encourage the development of infrastructure and encourage economic development. The analysis shows that building of new training centre's for skill development improves SMEs, improves SMEs, government building of new roads encourages SMEs, provision of constant electricity improve the development of SMEs, provision of machines improve the development of SMEs and that constant provision of infrastructure minimize cost of SMEs. This was in accordance with the study carried out by Khai (2011) which states that development of infrastructure and building of new training centre's for skill development improves SMEs. This study was also in line with the study Ebitu, Basil and Ufot (2016) which revealed that provision of constant electricity and provision of machines improve the development of SMEs.

The analysis also shows that financing of SMEs improves youth ability to solve their problems, SMEs encourages Skill development, financing of SMEs encourages youth creativity, financing of SMEs encourages youth empowerment and financing of SMEs encourages economy development by reducing unemployment. It was also observed that financing of SMEs create employment opportunities, encourages skills training, encourages youth engagement in development of new ideas and also encourages youth to develop their skills. This was in accordance with the study carried out by Khai (2011) which states that SMEs encourages Skill development and youth engagement in development of new ideas.

Discussion of Result of test of hypothesis III

In testing hypothesis three, the analysis shows that collateral provision have a significant effect on production capacity of SMEs in South East Nigeria. The analysis shows that collateral provision discourages SMEs, SMEs find it difficult to provide tangible collateral, provision of collateral makes the SMEs more serious with their business, provision of collateral draw the owner of the SMEs closer to the microfinance banks, provision of collateral encourages microfinance banks to gives out more loans, and that Microfinance request of collateral reduces the risk of the SMEs from running away. The analysis also shows that with collateral provision youth understands the risk of financing SMEs as such make them to work hard, collateral provision facilitate loan of SMEs and that collateral provision reduce crime and fraud in financing SMEs. This was in accordance with the study carried out by Ozo (2009) which revealed that provision of collateral draw the owner of the SMEs closer to the microfinance banks and encourages microfinance banks to gives out more loans. This was also in line with the study carried out by Yusuf (2015) which states that collateral provision discourages SMEs as they find it difficult to provide tangible collateral.

The analysis also revealed that that financing of SMEs encourage high production and encourages skill development. It was also observed that increase in production capacity as a result of effective financing of SMEs encourages adoption of more machines, encourages employment of more work, encourage exportation of good, encourages the development of new product, increase production and such encourages market stability. The analysis also shows that financing of SMEs reduce cost of goods and encourage economic development. This was in line with the study carried out by Yeboah, Asirifi and Adigbo (2014) which states that financing of SMEs encourages adoption of more machines and encourages employment of more work. This findings was also in accordance with Wang (2013) which revealed that financing of SMEs encourages encourage exportation of good, encourages the development of new product, increase production and such encourages market stability.

Discussion of Result of test of hypothesis IV

In testing the hypothesis four, the analysis shows that financial service accessibility have a significant effect on job creativity of SMEs in South East Nigeria. The analysis revealed that financial service accessibility helps in the expansion of SMEs, create job opportunities, reduce unemployment, facilitate economic development, improve their production system, encourages self employment, reduce crime rate, encourages exportation, helps in their survive of market turbulence, helps SMEs to grow fast, increase the confidence of SMEs owners and leads to production of quality product. Mbah (2012) also revealed that financial service accessibility helps SMEs helps to survive market turbulence and encourages the growth of SMEs. This was in line with the study carried out by Nwachukwu (2008) which states that financial service accessibility reduce unemployment and facilitate economic development. Research carried out by The study carried out by Olutoye (2015) was in support of the study as it revealed that financial service accessibility encourages innovation, reduce fake product and encourages self employment.

The analysis also shows effective financing of SMEs create more job for the youth, reduces crime, encourage economic development, empower youth, reduces organizational violence, encourages self employment, helps in the creation of new ideas, attract foreign investors, increase countries export and increases economic development. This was in line with the study carried out by Wang (2013) which state that financing of SMEs create more job for the youth and reduces organizational violence. The study was also in line with the study carried out by Ebitu, Basil and Ufot (2016) which revealed that financing of SMEs helps in the creation of new ideas, attract foreign investors, increase countries export and increases economic development.

Discussion of Result of test of hypothesis V

In testing the hypothesis five, the analysis shows that there is a significant relationship between loan accessibility and youth empowerment of SMEs in South East Nigeria with a correlation value of 0.217. The analysis also shows that access to loan helps SMEs to grow fast, increase the confidence of SMEs owners, reduce unemployment, helps in the expansion of SMEs, facilitate economic development, encourages self employment, reduce crime rate and encourages exportation. This was in line with the study carried out by Taiwo, Onasoanya, Agwu, and Benson (2017) which states that timely access to loan has a great impact on the development of small and medium scale enterprise. The analysis revealed that financial service accessibility helps in the expansion of SMEs, create job opportunities, reduce unemployment, facilitate economic development, improve their production system, encourages self employment, reduce crime rate, encourages exportation, helps in their survive of market turbulence, helps SMEs to grow fast, increase the confidence of SMEs owners and leads to production of quality product. Mbah (2012) also revealed that financial service accessibility helps SMEs helps to survive market turbulence and encourages the growth of SMEs.

The analysis also shows that provision of loan helps SMEs to create more jobs opportunities, encourages youth empowerment, helps youth in the creation of new ideas and development of their skills, encourage economic development, reduces organizational violence, attract foreign investors to empower the youth and increase youth creativity. This was in accordance with the study carried out by Obokoh, James and Ojiako (2016) which revealed that access to loan helps SMEs to create more jobs, attract foreign investors to empower the youth and increase youth creativity.

Implications of Findings for Educational Planning

The role small and medium enterprises play in the development of every country is very important. The Nigerian Government is turning to small and medium scale industries and entrepreneurs as a means of developing the economy and solving problems. SMEs have greatly contributed to the Nigerian development in terms of employment, economic growth, marketing of goods and services. Nigerian government should therefore encourage the financing of SMEs by introducing more micro finance banks so as to reduce the high rate of unemployment in the system. This finding has implication for policy planners for the inclusion of ameliorating policies that will reduce the collateral charges place on the financing of SMEs. The policy makers should also reduce the tax rate paid by these SMEs so as to give them room for survival. Also the profitability of small and medium enterprises requires quality service. As such, education, experience and interest in business of entrepreneurs are the characteristic that improve small and medium enterprises. In line with this there is need for proper orientation on entrepreneur's development as regards to the risk and challenge so as to reduce the sudden close up of SMEs. Finally, there is need for development of infrastructures for improvement of skill acquisition, economic development and job creation. This will help the government to ameliorate the crises facing the financing of SMEs in Nigeria.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

In this chapter, the following are presented: summary of findings, conclusion, recommendations, limitation of the study and suggestion for further research.

5.2 Summary of Findings

The following findings were made from the Analysis:

1. There is a significant relationship between timely access to loan and innovative growth of SMEs in South East Nigeria.

   (P value = 0.021 < 0.05, r = 0.157)

2. There is a significant relationship between production infrastructure and requisite skill development of SMEs in South East Nigeria.

   (P value = 0.021 < 0.05, r = 0.135)

3. There is a significant relationship between collateral provision and production capacity of SMEs in South East Nigeria.

   (P value = 0.021 < 0.05, r = 0.111)

4. There is a significant relationship between financial service accessibility and job creativity of SMEs in South East Nigeria.

   (P value = 0.021 < 0.05, r = 0.097)

5. There is a significant relationship between loan accessibility and youth empowerment of SMEs in South East Nigeria

   (P value = 0.021 < 0.05, r = 0.217)

5.3 Conclusion

Base on the findings and discussion of the study, it was observed that there is a significant relationship between timely access to loan and innovative growth of SMEs in South East Nigeria. The study revealed that there is a significant relationship between production infrastructure and requisite skill development of SMEs in South East Nigeria. The study therefore shows that collateral provision have a significant effect on production capacity of SMEs in South East Nigeria. The researcher concludes that there is a significant relationship between timely access to loan and expansion capacity of SMEs in South East Nigeria and that financial service accessibility have a significant effect on job creativity of SMEs in South East Nigeria. The study also concludes that there is a significant relationship between loan accessibility and youth empowerment of SMEs in South East Nigeria. This shows that financing of small and medium scale enterprises has a great impact on skill acquisition, youth empowerment, job creation, production capacity, innovation development and quality of products.

5.4 Recommendations

Based on the findings and conclusion, the following recommendations were made;

1. Commercial banks and microfinance banks should be strongly encouraged to assist small and medium scale enterprises by providing credits on liberal terms. They should liberalize their lending policy. Premium should be attached to good feasibility report and skills rather than physical securities.
2. The Government should urgently tackle the problem of infrastructure development and maintenance. These include electricity, water and efficient transportation system which impact greater on MSE operations
3. Eliminate all structural and bureaucratic bottlenecks that can impede the smooth flow of loans from the lending institutions to SMEs. This is to ensure an unobstructed functioning of all economic machines geared towards growth and development.
4. Government should curtail or stop the importation of certain products that can be produced locally so as to encourage the establishment of more SMEs to flood the markets with Nigerian goods. This will lead to reduction in prices, a higher standard of living and creation employment for the citizenry.
5. Establishment of Entrepreneur Development Institute (EDIS) for managerial and technical skills buildings for the youths and other unemployed Nigerians. Indeed, governments at all levels should encourage skill

acquisition by providing free training centres for youth so as to develop their skills so as to reduce unemployment among young people.

5.5 Contribution to Knowledge

This study is among the first contributions in the area of Small and Medium Scale Enterprises Financing and Microfinance Policy in the South Eastern States of Nigeria. This study contributed to the body of knowledge by building a concept that integrated Small and Medium Scale Enterprises Financing as it relates to Microfinance Policy.

5.6 Suggestions for Further Research

It is suggested that further research should be carried out in this areas.

1. A study of this kind should be carried out in other geopolitical zone so as to know if the findings will yield the same results.
2. Challenges of micro finance banks in financing SMEs should be carried out in each state.
3. There is need to carry out research on Micro finance policy and factors hindering the financing of SME in the six geopolitical zones

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APPENDIX A

QUESTIONNAIRE SURVEY ON SMALL AND MEDIUM SCALE ENTERPRISES (SME) FINANCING AND MICROFINANCE POLICY IN THE SOUTH EASTERN STATES OF NIGERIA, 2001-2017.

School of Postgraduate Studies
Faculty of Management Sciences
Department of Public Administration
Nnamdi Azikiwe University, Awka

Dear Respondent,

I am a research (PhD) student of the Department of Public Administration Nnamdi Azikiwe University Awka, currently conducting a research on the above topic to elicit information on: small and medium scale enterprises (SME) financing and microfinance policy in the south eastern states of Nigeria, 2001-2017.

You have been selected for this study. I therefore, count on your kind cooperation and would be most grateful if you could please complete the questions below. To assure you of the intended confidentiality and anonymity of your response to the questions, your name is not required anywhere in the questionnaire please.
Thanks for your anticipated cooperation.

Yours Sincerely,

Sign: ___________________

Egwuonwu, O.
Researcher

APPENDIX B

SECTION A: Profile of Enterprises

1) Gender (a) Male [ ] (b) Female [ ]
2) **Registration Status of the Enterprise:** a).Sole Proprietor [ ] (b) Partnership [ ] (c). Joint venture [ ] (d). Private Limited Liability Company [ ]
3) **When was your business established?[ ]**
4) **Which year did you register your business with SMEDAN [ ]**
5) **Enterprise Sources of Fund: (a).**Cooperative Society [ ] (b). Loan from Deposit Money Bank [ ] (c). Loan from Bank of Industry [ ] (d). Personal Savings [ ] (e). Loan from Family and Friends[ ]
6) **Enterprise Estimated Capital Outlay: a).** Less than N1, 000, 000 [ ] **(b).** N1,000, 000 – N5,000, 000 [ ] **(c).**N5,000, 001 – N10, 000, 000 [ ] **(d)** N10, 000, 001 – N20, 000, 000 [ ] **(e)** N20, 000, 001 – N50, 000, 000 [ ] **(f).**N50, 000, 001 –N 100,000,000 [ ] **(g)** N100, 000, 001 – N500, 000, 000 [ ] **(h)** Above N500, 000, 000 [ ]
7) **Enterprise Type & Nature (a)** consumer goods production [ ] (b) Agric business & Agro processing [ ] (c). Trading [ ] (d).Craftsmanship [ ] (e).service delivery [ ]

7) **Employee capacity:** a). 1 – 5 workers [ ] (b). 6 – 10 workers [ ] (c).11 – 20 workers [ ] (d). Above 20 workers [ ]
8) **Years of Enterprise Existence:** (a). 11 – 5years [ ] (b). 6 – 10years [ ] (c). 11 – 20years [ ] (d). Above 20years [ ]

SECTION B

Please supply the sales revenue of your establishment in Naira in the following years

2014 ____________________
2015 ____________________
2016 ____________________
2017 ____________________
2016 ____________________

Please supply the net assets of your establishment in Naira in the following years

2014 ____________________
2015 ____________________
2016 ____________________
2017 ____________________
2016 ____________________

SECTION C

Based on your experience as a business operator do you agree that funds from micro finance institutions helped in the financing of the following? (Indicate **Strongly agree (SA), Agree (A), Undecided (UD), Disagree(D), or Strongly disagree(SD)**

Access to loan

S/N	**Loan**	**SA**	**A**	**D**	**SD**	**U**
1	Access to Loan help SMEs to survive market turbulence					
2	Access to Loan help SMEs to grow fast					
3	Access to Loan increase the confidence of SMEs owners					
4	Access to Loan by SMEs reduce unemployment					
5	Accessibility to loan help in the expansion of SMEs					
6	Provision of loan to SMEs facilitate economic development					
7	Provision of loan to SMEs improve their production system					
8	Provision of loan to SMEs encourages self employment					
9	Provision of loan to SMEs reduce crime rate					
10	Provision of loan to SMEs encourages exportation					

Innovation

S/N	Innovation	SA	A	D	SD	U
11	SMEs Development encourages youth empowerment					
12	SMEs creation gives youth opportunities					
13	SMEs gives youth opportunity to utilize their skill and talent					
14	SMEs increases job security					
15	Opening of new SMEs lead to job creation					
16	SMEs encourage development of infrastructures					
17	SMEs encourage the economic development					
18	SMEs encourage economic stability					
19	SMEs improve social welfare					
20	SMEs help in the development of new ideas					

Infrastructure

S/N	Infrastructure	SA	A	D	SD	U
21	SMEs encourage the development of infrastructure					
22	Financing of SMEs encourage economic development					
23	Development of infrastructure encourages SMEs					
24	Building of new training centres for skill development improves SMEs					
25	Development of internal resources improve SMEs					
26	Government building of new roads encourages SMEs					
27	Provision of constant electricity improve the development of SMEs					
28	Provision of machines improve the development of SMEs					
29	Improve infrastructure helps in the development of SMEs					

30	Steady light and constant provision of infrastructure minimize cost in SMEs					

Skill acquisition

S/N	Skill acquisition	SA	A	D	SD	U
31	SMEs improves youth ability to solve their problems					
32	SMEs encourages Skill development					
33	Financing of SMEs encourages youth creativity					
34	Financing of SMEs encourages youth empowerment					
35	Financing of SMEs encourages youth learning of hand work as such reduces crime					
36	Financing of SMEs encourages economy development by reducing unemployment					
37	Financing of SMEs create employment opportunities					
38	Financing of SMEs encourages skills training					
39	Financing of SMEs encourages youth engagement in development of new ideas					
40	Financing of SMEs encourages youth develop their skills					

Collateral

S/N	Collateral	SA	A	D	SD	U
41	Collateral provision discourages SMEs					
42	SMEs find it difficult to provide tangible collateral					
43	Provision of collateral makes the SMEs more serious with their business					
44	Provision of collateral draw the owner of the SMEs closer to the microfinance banks					
45	Provision of collateral encourages microfinance banks to gives out more loans					
46	Microfinance request of collateral reduces the risk of the SMEs from running away					

47	With collateral provision SMEs have more access to loans					
48	With collateral provision youth understands the risk financing SMEs as such make them to work hard					
49	Collateral provision facilitate loan of SMEs					
50	Collateral provision reduce crime and fraud in financing SMEs					

Production capacity

S/N	Production capacity	SA	A	D	SD	U
51	Financing of SMEs encourage high production of SMEs					
52	Increase in production capacity as a result of effective financing of SMEs encourages skill development					
53	Increase in production capacity as a result of effective financing of SMEs encourages adoption of more machines					
54	Financing of SMEs encourages employment of more work					
55	Financing of SMEs encourage exportation of produce good					
56	Financing of SMEs leads to development of new product					
57	Financing of SMEs increase production and such encourages market stability					
58	Financing of SMEs reduces cost of production					
59	Financing of SMEs reduce cost of goods					
60	Increase in production capacity as a result of effective financing of SMEs encourage economic development					

Job creation

S/N	Job creation	SA	A	D	SD	U
61	Financing of SMEs create more jobs opportunities					
62	Effective financing of SMEs reduces crime					
63	Effective financing of SMEs encourage economic development					
64	Effective financing of SMEs empower youth					
65	Effective financing of SMEs reduces organizational violence					
66	Effective financing of SMEs encourages self employment					
67	Financing of SMEs helps in the creation of new ideas					
68	Financing of SMEs attract foreign investors					
69	Financing of SMEs increase countries export					
70	Effective financing of SMEs increases economic development					

Financial service accessibility

S/N	Financial service accessibility	SA	A	D	SD	U
71	Financial service accessibility by SMEs help in the expansion of SMEs					
72	Financial service accessibility by SMEs reduce unemployment					
73	Financial service accessibility of SMEs facilitate economic development					
74	Financial service accessibility of SMEs improve their production system					
75	Financial service accessibility of SMEs encourages self employment					
76	Financial service accessibility of SMEs reduce crime rate					
77	Financial service accessibility of SMEs encourages exportation					
78	SMEs accessibility to financial helps in their					

	survive of market turbulence					
79	Financial service accessibility of SMEs helps them to grow fast					
80	Financial service accessibility increase the confidence of SMEs owners					

Youth empowerment

S/N	**Youth empowerment**	**SA**	**A**	**D**	**SD**	**U**
81	Provision of loan helps SMEs to create more jobs opportunities					
82	Provision of loan to SMEs reduces crime					
83	Provision of loan to SMEs encourage economic development					
84	Provision of loan to SMEs helps youth to be more engage with their business as such reduces organizational violence					
85	Provision of loan to SMEs encourages youth empowerment					
86	Financing of SMEs encourages self employment					
87	Financing of SMEs helps youth in the creation of new ideas and development of their skills					
88	Financing of SMEs attract foreign investors to empower the youth					
89	Financing of SMEs increase youth creativity					
90	Effective financing of SMEs increases economic development					