ASSESSMENT OF FEDERAL AND STATE GOVERNMENT PARTICIPATION IN THE FINANCING AND PROMOTING OF SMALL AND MEDIUM ENTERPRISES IN KADUNA METROPOLIS, NIGERIA

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Abstract
This study assesses the role of government in financing and promoting small scale business organizations in Kaduna Metropolis, Nigeria. Survey and correlational research design were adopted for the study. Secondary and primary data through Questionnaires were obtained from purposively selected SMEs. Regression analysis and analysis of variance (ANOVA) method were employed in the study. The outcomes show that there is a positive connection between role of government and small-scale business organizations advancement and government plays a significant role on small scale business organizations in Nigeria through their different activities. The investigation recommends among others that government ought to compel banks to put aside certain level of their credit disbursement for loaning to small business organizations and consistently consider the size of the business and profit produced when imposing tax on them. Promoting small and medium scale ventures as a strategy for economic improvement and development has consistently been a significant issue in the development approaches.

Keywords: Institutional Financing; Small and Medium Scale Enterprises (SMEs); Industrial Development.
Introduction
Small and Medium Enterprises (SMEs) assume vital roles in the transition and developing nations (OECD, 2002). These organizations regularly represent over 90% of all organizations outside the white-collar jobs division, establishing a significant wellspring of business and creates a significant domestic and export earnings. OECD (2005) focused on that SME development rises as a key instrument in poverty alleviation endeavors, in this way, SME clearly adds to economic, social development and decrease in poverty. World Bank audit on small business activities sets up the dedication of the World Bank Group to the development of the SMEs sector as a center component in its strategy to encourage economic development, employment and poverty reduction (World Bank, 2012). This is on the grounds that, SMEs establish the main thrust of such industrial development and this is because of their incredible possibilities in guaranteeing enhancement and extension of industrial development as well as the fulfillment of the fundamental targets of development.

SMEs is of immense worry to the government of various nations in the world (Okpara 2000). SMEs in both developing and developed nations play significant roles during the processes of industrialization and economic development, by fundamentally adding to income generation, job creation and catalyzing development in urban and rural areas (OECD, 2005). For example, statistics shows that Africa and Asia have most of their populace living in rural areas where SMEs conveys about 20% - 45% of employment and 30% - 50% of rural family's unit income (Haggblade and Liedholm, 1991). Be that as it may, financing SMEs is a significant impetus and a key achievement factor for the development and sustenance of any economy. Most government and business circles have come to perceive the significance of financing SMEs and have thusly concurred that their development establishes one of the foundations of economic development (OECD, 2015).

Regardless of the various factors that challenge the survival and development of SMEs in both developing and developed nations, finance has been distinguished as one of the most significant factor (UNCTAD, 2001). Accessing finance allows SMEs to build up their organizations and to secure better technologies and innovations for production, along these lines guaranteeing their competiveness, however, there is a gigantic challenge for SMEs all-inclusive with regards to sourcing for starting and extension capital assets
from commercial business banks. Abereijo and Fayomi (2005) noticed that most of commercial bank credits offered to SMEs are regularly likewise constrained to a period excessively short to take care of any sizeable investment. What’s more, banks in many developing nations want to loan to the government as opposed to private sector borrowers in light of the fact that the risk included is lesser and more significant returns are offered (Levitsky, 1997). Such lack of concern for the SMES have swarmed out most private sector borrowers and expanded the expense of capital for them.

Throughout the years, the Federal Government has made different strides, including financial, fiscal and industrial approach measures to advance the development of Small and Medium Scale Enterprises (SMEs). In particular, the Government has been dynamic in regions like subsidizing and setting up of industrial bequests to diminish overhead expenses; building up specialized financial institutions, including the Small Scale Industry Credit Scheme (SSICSs), Nigerian Industrial Development Bank (NIDB), Nigerian Bank for Commerce and Industry (NBCI) to give long term credit; encouraging and ensuring external finance by the World Bank, African Development Bank and other worldwide financial organizations; encouraging the creation of the National Directorate of Employment (NDE), which additionally started the setting up of new SMEs; creation of the National Economic Reconstruction Fund (NERFUND) to give medium to long term local and foreign loans for small, and medium scale organizations, especially those situated in the rural areas; and arrangement of specialized training and consulting services through the Industrial Development Centers.

Despite the strategic importance of SMEs, and the intervention of the government to their financing needs, the growth of the SMEs is not as anticipated. The development and growth of SMEs is marred by inadequate financing and promotion (Ajayi, 2015). Also, credit flow from the deposit money banks to the SMEs has been grossly inadequate in addition to high interest rates, high cost of energy and stringent government policies. The capital-intensive nature of the SMEs has imposed frequent funds requirements. The government intervention programmes and the “Mega banks” that emerged after Nigerian Banking reform would suggest availability of credit/fund to the SMEs (Alashi, 2016). Though funding enhances the SMEs growth, but the reality of the Nigerian context is that the SMEs are bedevilled with scarcity of loanable funds for growth and expansion (Adewunmi, 2016).
It is against this financing issues and challenges identified that this study aims at filling the gap by examining the role of federal and state government in financing and promoting SMEs in Kaduna metropolis.

The main objective of this study is to access the federal and state government participation in the financing and promotion of small and medium enterprises in Kaduna state as a strategy for enhancing their development.

The specific objectives of this study are to:

i. assess the structure of institutional financing of small and medium enterprises in Nigeria with special reference to some selected intervention schemes of the government.

ii. assess the contribution of the federal and state government in the area of financing and promoting small and medium enterprises.

iii. assess the opinions of some the beneficiaries on federal and state government intervention schemes for SMEs in Kaduna state.

The following null hypotheses are raised for the study:

H0: There is no significant structure of institutional financing of small and medium enterprises in Kaduna state, Nigeria

H1: There is a significant structure of institutional financing of small and medium enterprises in Kaduna state, Nigeria.

The remaining paper is structured as follows; Section 2 presents the review of related literature, empirical and theoretical discussions while section 3 describes the methodology of the study. Results and their discussion are presented in section 4 and finally, section 5 delivers the conclusion and recommendation from the study.

**Literature Review**

**Small- and Medium-sized Enterprises (SMEs)**

There is evidence from the literature that SMEs are of special importance to private sector development and growth (AGI, 2019). Why and how this is true is yet to be fully investigated by various governments in developing economies in their developmental policy circles. According to the literature, many SMEs are established each year but a great number of them are not able to survive a decade from the time of their establishment (Beaver, 2002). A lot of factors contribute to such short lives of SMEs, with some of the major contributors being their nature, behaviour, and characteristics, which burden them with a large number of problems leading to their inability to survive.
against competition coming from large enterprises both within and outside their localities. Large enterprises often attract greater government attention and over-shadow the importance of SMEs in the building of the economies within which they are established. According to the literature, SMEs make up over 90% of enterprises worldwide, and account for between 50 and 60 percent of employment (UNIDO, 2002; JGM, 2012). This means that success or failure on the part of the SME sector has a huge positive or negative effect respectively on the economy.

Contributions of SMEs
SMEs make up over 90 percent of enterprises worldwide (as noted earlier on), most of them are agricultural-led enterprises – a sector known for its labour intensiveness (Kayanula and Quartey, 2010) and most are in rural areas. The sector’s labour-intensive nature helps in creating jobs with very low capital, which tends to attract many people who want to own enterprises. This makes the sector the primary source of employment creation worldwide, spreading jobs over both rural and urban areas of economies, which in turn reduces migration of manpower from the rural to urban areas (Kayanula and Quartey, 2000), and makes income distribution more equitable. Their labour-intensiveness contributes significantly to the provision of jobs to not only the individual employees but also the owner-employer, leading to income generation by individuals (Arthur, 2019), thus enhancing poverty alleviation (Fisher and Reuber, 2007).

Despite the dominance of agriculture-based SMEs in the SME sector, SMEs are seen as the key to the transition from agriculture-led to industrial economies, in the sense that they provide opportunities for self-employment which may generate sustainable livelihoods (UNIDO, 2002). They serve as a mechanism for technological and managerial growth, and are seen as the seedbed for entrepreneurship development, innovation and risk-taking behaviour (UNIDO, 2002; JGM, 2012). SMEs, it has been argued by Fisher and Reuber (2007), are the driving force behind inter-related flows of trade, investment and technology in that they support the building up of systematic productive capacities leading to linkages to large enterprises which attract foreign investment. SMEs also tend to be more flexible than large enterprises. They are the perfect sector for the development of product differentiation, and specialized product niches due to their size and innovativeness,
characteristics that enable them to adapt to changes in market situations (UNECE, 2003; Rogerson, 2004; Fisher and Reuber, 2007). Furthermore, SMEs serve as a resource base for skill acquisition in large and multinational enterprises. They provide a setting in which skills can be accumulated by the individual (Fisher and Reuber, 2007). The above are but a few examples of the important roles SMEs play in contributing to the success and growth of their respective economies. It is in the light of this that this study sets out to investigate the Human Resource Management (HRM) practices of SMEs in Nigeria as one way to strengthen the sector and ensure its potential contribution to its nation's economy.

Constraints of SMEs in general
There are startling statistics on the failure of SMEs’ to effectively play their role as the back bone of their respective economies in much of the business literature (McEvoy, 1984). Despite the wide range of economic reforms instituted to enhance the operational effectiveness of this sector in most nations, they still face a variety of constraints which serve as barriers to their effectiveness in functioning.

There is the problem of lack of funds for financing their operations, which makes them vulnerable to external shocks of global market competition cropping up from liberalized trade (Arthur, 2019). SMEs are less able to spend time and effort developing relationships and partnerships with NGOs, governments and other agencies as their counterpart large enterprises do, making it hard for them to shape government policy development affecting their enterprises. They have to compete with large enterprises for raw materials and labour, however, their inadequate financing situation makes them less powerful in the market (Arthur, 2007). They also lack access to current information on the market, due to their inability to conduct research, a factor that limits their ability to identify and exploit new opportunities readily (Arthur, 2007). SMEs are also more likely to struggle with the demands for formal monitoring and appraisal standards to improve their operations. They find it difficult to invest heavily in such activities due to their financial incapability (UNIDO, 2002).

Furthermore, the inability of SMEs to finance operations limits their expansion, which may cause underutilization of most of their equipment and manpower, depriving them of enjoying economies of scale. Lack of economies
of scale in turn may cause per unit cost of their product and services to be high on the global market, contributing to their non-competitiveness in global markets. Whereas large enterprises find it easier to have direct access to international and local capital markets, it is difficult for SMEs to enjoy the same advantage due to the high intermediation costs of smaller projects.

Theoretical and Empirical Review of Federal and State Government Funding Programmes for Development of SMEs In Nigeria
Entrepreneurship activities in developing nations, for example, Nigeria is basically founded on need. The manifestations of Government approaches for SMEs shift from developed economies to developing nations and from nation to nation credited to varieties in social and custom values, the degree amount industry and business settings (Naudé, Szirmai, and Goedhuys, 2011). Sathe (2006) specifically contends that Government guidelines and their bureaucratic methods can obstruct as well as encourage entrepreneurship development, for example, new business start-ups. The Government can come up with policies that can lift and bolster the development of novel products, technologies and business solutions.

On the other hand, Government can moreover appear to upset SME business performance when it presents policies which can confine the self-sufficiency, as well as the entrepreneurial opportunity of some assortment. With an end goal to resolve the rate of failure of SMEs, the Government chose to make the previous organization sector sound, steady, legitimate, dependable, globally competitive, and to reinforce its capacity to give affirmation to the SMEs. Governments build up the structures and systems during which lines can battle against one another. Convulsively the Government will shift these structures and systems cause SMEs to improve the manner in which they work. Performance of SMEs is consequently energetically diminished by Government policies. The Government of the daytime, regularly revise laws in accordance with its political policies. Subsequently, SMEs normally must be constrained to modifications in the legal framework. These policies will cause a generous effect on the competitiveness, aspiration and convenience of SMEs. Radical industry changes, intense guideline, savage challenge among competitors (Werner, Brouthers, and Brouthers, 1996); competitive market, and product related vulnerabilities (Dess and Beard, 1984); unsafe industry settings, overpowering business atmospheres and the absence of exploitable
opportunities (Covin and Slevin, 1989); changing interest conditions and radical developments which thus can cause the organizations innovative capacity to get old (Zahra and Garvis, 2000) appear to be the major issues of environmental hostility. Nevertheless, the introduction of new products has been seen as negatively connected with ROE (return on equity) in threatening environments (Zahra and Bogner, 2000). Covin and Slevin (1989) contends that in exceptionally competitive, unfavourable environments, enterprising direction appears to promote/animate significant levels of firm performance. Notwithstanding such contentions, Zahra (1996) unequivocally asserted that firm working in unfavourable environments might be hesitant to invest vigorously in developing new technologies since hostility disintegrates overall revenues and decreases the resources accessible for development. The point, accordingly, is that the environment wherein the SMEs operate is as basic to survival as subsidizing and funding. Business management ability/capacity is likewise an issue with numerous SMEs – nature of business judgment and cash management discipline. The SME development strategy should, in this manner, be all encompassing.

Various propositions have left the literature and cognizant attempts are as yet required on the role of Governments, through its series of arrangement of economic policies strong challenge inside the market to support an environment that is helpful for fruitful and profitable activities of SMEs (Dandago and Usman, 2011). These propositions encapsulate the Government decision to think about concrete activities to harness savage pricing, bootlegging and importation of low-cost foreign products; reduction of corrupt practices; giving social equity; making available market information; infrastructure improvements; provision of training to SMEs and motivating individual investment.

Theoretical and empirical studies done by Eniola and Ektebang (2014) and Okpara (2011) have built up Government policies that seems, by all accounts, to be progressively steady in deciding the public presentation of the SMEs. Onwukwe and Ifeanacho (2011) affirm that the formality or expenses for consenting to government regulations are amazingly high in Nigeria. Oji (2006) saw that Nigeria has no unequivocal policy for the SMEs sector, the nearest been the Small and Medium Enterprises Development Agency (SMEDAN), set up in 2003 to encourage the development of the small and medium enterprises sector in the nation. Likewise, it was contended that the
poor usage of government policies concerning SMEs had brought about disarray and issue in business decisions just as exhausts the assurance in the government’s ability to execute faithfully its projects (Omoruyi and Okonofua, 2005).

The powerlessness of government to execute ideal fiscal strategies and policy irregularities has undermined the development of SMEs in Nigeria. Akinbogun (2008) in his examination look at the effect of infrastructure and Government policies on survival of small-scale ceramic ventures in South-West of Nigeria, and found that infrastructures and Government policies have not energized feasible small-scale ceramic businesses in Nigeria. He noticed that while Nigerian physical environment and individuals’ way of life have been great towards the business enterprises, infrastructures and Government policies have not. This has genuine ramifications for the business performance and survival in Nigeria.

In developed and delivering states, Government policies that effect bolster are an unequivocal factor for SMEs development (Nguyen, 2009). The character and length of Government policies have an immediately impingement on an organization’s performance. The last point is of uncommon significance and profoundly applicable to this subject. SME development doesn’t occur in a void. As per OECD (2013) if the culture of Government, education, administrative and regulatory authorities, banks, the professions and the enormous corporate division needs sympathy with SMEs, at that point it will be unmanageable for the part to survive and grow. The stakeholder environment must, in this manner, be as innovative as the SME sector itself. stakeholder environment and organizations encouraging and supporting entrepreneurship are key areas in the realm of a level playing field and of a strong base for a business organization culture.

Throughout the years, the Federal Government has made different strides, including fiscal, monetary and industrial policy measures to advance the development of Small and Medium Scale Enterprises (SMEs). In particular, the Government has been dynamic in the following aspects:

Funding and setting up of industrial bequests to decrease overhead expenses;

Establishing specialized financial organizations, including the Nigerian Industrial Development Bank (NIDB), Small Scale Industry Credit Scheme (SSICSs), Nigerian Bank for Commerce and Industry (NBCI) to give long term credit;

Facilitating and ensuring foreign funding by the World Bank, African
Development Bank and other global financial institutions; Facilitating the creation of the National Directorate of Employment (NDE), which likewise started the setting up of new SMEs; Creation of the National Economic Reconstruction Fund (NERFUND) to give medium to long term local and foreign credits and advances for small, and medium scale organizations, especially those situated in the rural areas; and Providing of specialized technical training, consulting and advisory services through the Industrial Development Centers (OECD, 2004a).

The review of some of these government initiatives and incentives are outlined as follows:

**Industrial Development Centers (IDCs):** Essentially, the IDC were built up to give expansion administrations and services to the SMEs in such regions as venture evaluation for loans application, training of business visionaries, managerial help, product development, production planning and control, just as other extension administrations (OECD, 2004b).

**Small Scale Industries Credit Scheme (SSICS):** In 1971, the Federal Military Government set up the Small Industries Development Program to offer specialized and financial help for the SMEs. That prompted the making of the Small Industries Credit Fund (SICF), which was officially propelled as the Small-Scale Industries Credit Scheme (SSICS) in the third National Development Plan, 1975-1980 (OECD, 2004a).

**Rural Financial Institution Building Program (RUFIN):** The Rural Financial Institution Building Program (RUFIN) was propelled in 2009 and got operational in 2010. It is a multi year program with the point of realizing food security, wealth and job creation in rural areas of the nation regions (CBN, 2011).

**The National Poverty Eradication Program:** The National Poverty Eradication Program (NAPEP) was acquainted in 2001 with center around eradicating poverty in Nigeria. NAPEP supplemented the National Poverty Eradication Council (NAPEC) and concentrated on an assortment of targets. While the NAPEP site is never again utilitarian, ongoing declarations recommend that NAPEP keeps on dispensing financing (CBN, 2011).

**The Agricultural Transformation Action Plan:** Whilst recently there is constrained data accessible on ATAP, (the Agricultural Transformation Action Plan) it has been declared by the Minister of Agriculture, Dr. Akinwunmi
Adesina, that the activity will concentrate on five yields – rice, cassava, sorghum, cocoa and cotton (CBN, 2011).

**The Nigerian Incentive Based Risk Sharing System for Agricultural Lending (NIRSAL):** The Nigerian Incentive Based Risk Sharing System for Agricultural Lending (NIRSAL) was propelled in 2011 with the end goal of making a "solitary change, one projectile arrangement" to advance the agricultural area (CBN, 2011).

**Bank of Industry:** The Bank of Industry (BOI) was built up in 2001 after the recreation of the Nigerian Industrial Development Bank (CBN, 2011).

**Bank of Agriculture:** The Bank of Agriculture (BOA) is a government possessed organization (CBN 40 percent and Federal Ministry of Finance 60 percent) which is regulated by the Federal Ministry of Agriculture (CBN, 2011).

**The Nigerian Bank for Commerce and Industry (NBCI):** The Nigerian Bank for Commerce and Industry (NBCI) was set up in 1973 to give, in addition to other things, monetary and financial services and administrations to the indigenous business network, especially the SMEs (CBN, 2011).

**Central Bank of Nigeria (CBN):** The Central Bank of Nigeria has since its commencement been instrumental to the advancement and development of Small and Medium Scale Enterprises. The CBN credit rules necessitated that banks dispense a predefined least rate portion of credit to significant divisions including the SMEs at particular loan fees (CBN, 2011).

**World Bank – Assisted SME II Loan Project:** In request to additionally extend credit assignment to the SMEs, the Federal Government, in 1989, arranged a program of Financial support with the World Bank to supplement different wellsprings of financing the SMEs (CBN, 2011).

**The National Economic Reconstruction Fund (NERFUND):** Following the appropriation of the Structural Adjustment Program (SAP) in 1986 and the consequent tightening of monetary policy, numerous SMEs thought that it was hard to secure finance for their working capital and investment purposes. This was created to solve that problem (CBN, 2011).

**State Governments:** Most State Governments, through their Ministries of Commerce and Industries just as the state possessed Finance and Investment Companies, gave specialized and financial support to SMEs (World bank, 2012).

**The National Directorate of Employment (NDE):** Established in 1986, the NDE is another program by which the government has advanced the development of SMEs. In January 1987, NDE propelled various projects to create self-
employment. These were (I) Small Scale Industries (SSI), (ii) Agriculture (iii) Youth Employment and Vocational Skills Development and (iv) Special Public Works (World bank, 2012).

**The Youth Empowerment Scheme (YES):** This plan was solely intended to engage youths economically and it comprise of three (3) programs as follows: Capacity Acquisition Programme (CAP); Mandatory attachment Programme (MAP) and Credit Delivery Programme (CDP) (World bank, 2012).

**Small and Medium Scale Enterprises Development Agency of Nigeria (SMEDAN):** The Small and Medium Enterprises Development Agency of Nigeria was built up by the SMEDAN Act of 2003 to promote the development of Micro, Small and Medium Scale Enterprises (MSMEs) area of the Nigerian economy. (World bank, 2012).

**Small and Medium Industries Equity Investment Scheme (SMIEIS):** The SMIEIS is the most recent of the plans intended to handle the issues of financing Small and Medium Industries in Nigeria which requires all banks to save 10 percent of their pre-tax for value interest in SMEs (World bank, 2012).

**International Financial Assistance:** Governments have kept on moving toward global financial organizations, for example, the World Bank and its associates, United Nations Agencies and the African Development Bank (ADB) to source capital for the SMEs (World bank, 2012).

**The Second Tier Securities Market (SSM):** In request to streamline the stringent posting prerequisites for sourcing assets in the capital market, the Second Tier Securities Market (SSM) was set up in 1985 to help small and medium estimated indigenous enterprises in getting to assets from the capital market for extension and modernization (World bank, 2012).

**Technical, Training and Extension Services Programmes:** Institutions, for example, the Industrial Training Fund (ITF), Raw Materials Research and Development Council (RMRDC), Federal Institute of Industrial Research, Oshodi (FIIRO), Project Development Agency (PRODA), and Center for Management Development (CMD) have in their exercises upheld the advancement of SMEs in the nation (CBN, 2011).

**Theoretical Framework**

Among the key theoretical perspectives in Entrepreneurship literature today are many theories. This study adopted the Resource Based theory.

**Resource Based theory**
The work on Resource Based theory propounded by Penrose (1959) in her work "The theory of the Growth of the firm". The resource-based perspective on firm depends on two suppositions: Resource diversity and Resource immobility. Resource diversity: This relates to whether a firm claims an resource or ability that is likewise possessed by various other competing firms, at that point that asset can't give a competitive advantage. Resource immobility: This alludes to a resource that is hard to get by competitors, on the grounds that the cost of developing, getting or utilizing that resource is excessively hard. The previously mentioned suppositions are utilized to decide if an entrepreneur can make a sustainable competitive advantage by giving a structure to deciding if a process or innovation gives a genuine advantage over the market Place. The resource-based view hold that small scale businesses is encouraged when there are capacities and resources which the business person either has or can get and send in sustainable way. Penrose (1959) contended that it is just with proper resources and abilities that can be sent in a practical way over a long term that entrepreneurs accomplish sustainable competitive advantage and achievement.

The theory holds that an entrepreneur makes resonating progress when there is acceptable comprehension of the resource potentials, through great vision, instinct and creative act, an entrepreneur picks a specific business where resources that are significant, uncommon, difficult to duplicate and resources that are non-substitutable, the entrepreneur won't just have the option to succeed however appreciate long term competitive advantage and economic achievement. Without feasible competitive advantage entrepreneurs successes are quickly as competitors rapidly wreck the fruitful result of the underlying effort (Udu, 2008).

The theory laid accentuation on the requirement for an entrepreneur to have the necessary capacities and resources as essential condition fundamental for accomplishing a sustained competitive advantage. The previously mentioned addresses the requirement for small scale enterprises to be proactive giving the changing business environment. In the light of the previous, small scale organizations that desire to make due in a changing business environment must have an extraordinary skill that would ensure great comprehension of the economic environment in attempt to accomplish a sustained competitive advantage.

**Methodology**
The study employed correlational and survey design and the variables of study which are entrepreneurship (independent variable) measured with entrepreneurial skills and the dependent variables such as job creation (new venture creation, expansion of existing firms and creation of new markets) and innovativeness constructed as development of new products/services, new methods of doing things, and modification of existing products/services and as well technology. The population consists of all government interventions and programmes like Industrial Development Centers (IDCs), Small Scale Industries Credit Scheme (SSICS), Rural Financial Institution Building Program (RUFIN), The National Poverty Eradication Program, The Agricultural Transformation Action Plan, The Nigerian Incentive Based Risk Sharing System for Agricultural Lending (NIRSAL), Bank Of Industry, Bank Of Agriculture, Central Bank of Nigeria (CBN), The National Economic Reconstruction Fund (NERFUND), The National Directorate of Employment (NDE), The Youth Empowerment Scheme (YES), Small and Medium Scale Enterprises Development Agency of Nigeria (SMEDAN), Small and Medium Industries Equity Investment Scheme (SMIEIS) (CBN, 2019). For this research, a total of 10 government intervention programmes will be purposively studied. The sample size therefore, is 10. The primary data has been obtained through copies of structured questionnaires. Secondary source was obtained from financial statements, Annual reports and other relevant documented information provided by the organization during the course of the study. A multiple regression model based on Ordinary Least Square (OLS) technique would be employed in determining the impact of SMEs financing on economic growth in Nigeria. In order to obtain robust estimates, this study would include real interest rate, inflation and money supply as related control variables.

**Model Specification and Description of Variables**

The model is specified as follows:

\[
\text{LOG}(RGDP) = \lambda_0 + \lambda_1 \text{LSM}ES + \lambda_2 \text{RINTR} + \lambda_3 \text{INF} + U_t
\]

(1)

Where;

RGDP = Real Gross Domestic Product (a proxy for economic growth)
LSMES = Loans to SMEs
RINTR = Real Interest Rate INF = Inflation
\(\lambda_0\) = Intercept of relationship in the model
$\lambda_1 - \lambda_3 = \text{Coefficient of each exogenous or explanatory variable.}$

In order to capture the direction of causality between SMEs and economic growth, the Granger causality test would be employed. It can be stated thus:

$$\text{RGDP}_t = \sum_{i=1}^{\lambda_1} \alpha_i \text{LSMEs}_{t-i} + \sum_{j=1}^{\lambda_3} \beta_j \text{RGDP}_{t-j} + U_{1t}$$

(2)

$$\text{LSMEs}_t = \sum_{i=1}^{\lambda_1} \lambda_i \text{LSMEs}_{t-i} + \sum_{j=1}^{\lambda_3} \delta_j \text{RGDP}_{t-j} + U_{2t}$$

(3)

Where $U_{1t}$ and $U_{2t}$ are assumed be uncorrelated.

And also, ANOVA analysis technique was used to test the hypothesis.

**Data Presentation, Analysis and Discussion**

**Stationarity Test**

In order not to run a spurious regression, a stationary test was carried out. The Augmented Dickey-Fuller (ADF) test was used for this analysis since it adjusts for serial correlation. If the calculated ADF test statistic is greater than the MacKinnon critical values (both in absolute term) at the chosen level of significance, we would reject the null hypothesis of non-stationarity and accept the alternative hypothesis of stationarity. The result is summarized in table 1 below.

**Table 1: Adf Test Statistics**

<table>
<thead>
<tr>
<th>Variable</th>
<th>Adf Test Statistics</th>
<th>0.05 Level</th>
<th>Order of integration</th>
</tr>
</thead>
<tbody>
<tr>
<td>RGDP</td>
<td>-9.401019</td>
<td>-2.897678</td>
<td>I(2)</td>
</tr>
<tr>
<td>LSMEs</td>
<td>-4.944154</td>
<td>-2.897678</td>
<td>I(0)</td>
</tr>
<tr>
<td>RINTR</td>
<td>-4.145574</td>
<td>-2.900670</td>
<td>I(1)</td>
</tr>
<tr>
<td>INF</td>
<td>-3.217670</td>
<td>-2.901217</td>
<td>I(0)</td>
</tr>
</tbody>
</table>

*Source: SPSS Output, 2019*

The result from table 1 above clearly show that second differencing is sufficient in modeling this study.

**Cointegration Analysis**

Theoretically, it is expected that a regression involving non-stationary time series variables may produce spurious (non-meaningful) results. Cointegration tests prove that the combination of such variables has a longterm relationship (Eigbiremolen, 2013). Economically speaking, two
variables will be cointegrated if they have a long-run or an equilibrium relationship between them (Gujarati, 2003). The Johansen 2 likelihood ratio test statistics, the trace and maximal eigenvalue test statistics, were utilized to determine the number of cointegrating vectors. The decision rule is to reject the null hypothesis if the probability (P value) is less than percent (0.05). The result is summarized in the tables 2 and 3 below.

**Table 2: Johansen Unrestricted Cointegration Rank Test (Trace)**

<table>
<thead>
<tr>
<th>Hypothesized No. of CE(s)</th>
<th>Eigenvalue</th>
<th>Trace Statistics</th>
<th>0.05 Critical Value</th>
<th>Prob.**</th>
</tr>
</thead>
<tbody>
<tr>
<td>None *</td>
<td>0.295200</td>
<td>64.23987</td>
<td>47.85613</td>
<td>0.0007</td>
</tr>
<tr>
<td>At most 1*</td>
<td>0.255176</td>
<td>35.90269</td>
<td>29.79707</td>
<td>0.0087</td>
</tr>
<tr>
<td>At most 2</td>
<td>0.105461</td>
<td>12.03951</td>
<td>15.49471</td>
<td>0.1550</td>
</tr>
<tr>
<td>At most 3</td>
<td>0.036506</td>
<td>3.012322</td>
<td>3.841466</td>
<td>0.0826</td>
</tr>
</tbody>
</table>

* denotes rejection of the hypothesis at the 0.05 level **MacKinnon-Haug-Michelis (1999) p-values

**Source:** SPSS Output, 2019

**Table 3: Johansen Unrestricted Cointegration Rank Test (Maximum Eigenvalue)**

<table>
<thead>
<tr>
<th>Hypothesized No. of CE(s)</th>
<th>Eigenvalue</th>
<th>Max-Eigen Statistics</th>
<th>0.05 Critical Value</th>
<th>Prob.**</th>
</tr>
</thead>
<tbody>
<tr>
<td>None *</td>
<td>0.295200</td>
<td>28.33717</td>
<td>27.58434</td>
<td>0.0400</td>
</tr>
<tr>
<td>At most 1*</td>
<td>0.255176</td>
<td>23.86318</td>
<td>21.13162</td>
<td>0.0201</td>
</tr>
<tr>
<td>At most 2</td>
<td>0.105461</td>
<td>9.027186</td>
<td>14.26460</td>
<td>0.2839</td>
</tr>
<tr>
<td>At most 3</td>
<td>0.036506</td>
<td>3.012322</td>
<td>3.841466</td>
<td>0.0826</td>
</tr>
</tbody>
</table>
* denotes rejection of the hypothesis at the 0.05 level **MacKinnon-Haug Michelis (1999) p-values.

**Source: SPSS Output, 2019**

Both the trace statistics (table 2) and Eigen value statistics (table 3) above reveal the rejection of the first and second null hypotheses at 5 percent level of significance based on our decision rule. This implies that there is two cointegrating equations or vectors among the variables of interest. Therefore, there is a long run relationship between the variables. That is, the linear combination of these variables cancels out the stochastic trend in the series. Therefore, the estimates multiple regression model are summarized in table 4 below.

**Table: 4: Regression Estimates**

<table>
<thead>
<tr>
<th>Dependent Variable</th>
<th>Independent Variables</th>
<th>Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td>LOG(RGDP)</td>
<td>CONSTANT</td>
<td>12.69467</td>
</tr>
<tr>
<td>t-statistics</td>
<td>Probability</td>
<td></td>
</tr>
<tr>
<td>136.4748</td>
<td>0.0000*</td>
<td></td>
</tr>
<tr>
<td>11.39712</td>
<td>0.0000*</td>
<td>0.0000043</td>
</tr>
<tr>
<td>2.425954</td>
<td>0.0175*</td>
<td>-0.007350</td>
</tr>
<tr>
<td>0.0037*</td>
<td>INF</td>
<td>-0.002007</td>
</tr>
<tr>
<td>0.000000095</td>
<td>MS</td>
<td>-2.987993</td>
</tr>
<tr>
<td>12.72800</td>
<td>MS</td>
<td>0.0000*</td>
</tr>
<tr>
<td>R²</td>
<td>0.871458</td>
<td></td>
</tr>
<tr>
<td>F-statistics</td>
<td>133.8958</td>
<td></td>
</tr>
</tbody>
</table>

Note: *indicates significance at 0.05 level.

**Source: SPSS Output, 2019**

The result of the regression (table 4) shows that the independent variables (LSMEs, RINTR, INF and MS) jointly explained about 87 percent variations or changes in economic growth. More specifically, the result reveals that SMEs financing (LSMEs) has a positive impact on economic growth. Holding all other variables constant, the growth rate of the economy will increase by 0.0000043 for every 1 unit increase in LSMEs on the average. In addition, the result indicates that LSMEs is statistically significant. That is, SMEs is fundamental in achieving economic growth in Kaduna state.

**Structure, Financing and promoting and government intervention of SMEs**
Table 5: Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R square</th>
<th>Adjusted square</th>
<th>Std error of the estimate</th>
<th>Durbin Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.882</td>
<td>0.654</td>
<td>0.596</td>
<td>0.524221</td>
<td>1.82193</td>
</tr>
</tbody>
</table>

Source: Authors’ computation, 2019

Predictors: (Constant), Government Adequate Measures (GAM), Government Initiatives (GI), Taxation (TAX), Government Policies (GP) and Infrastructure Facilities (INF)

Dependent Variable: Small Scale Business (SSB)

According to the model summary in Table 5, the coefficient of determination or correlation coefficient (r) gives a high positive value of 0.882, indicating that there is positive association between government and small scale business. This implies that as government continue to play its role, small scale businesses grow. The coefficient of multiple determination ($R^2$) is 0.654; this implies that there is a fairly strong linear relationship between the role of government and the promotion of small scale business. It can be implied that government accounts for approximately 65 percent of variations in the growth of small scale business operations while the remaining 35 percent is accounted for by factors not specified in the model i.e. error/stochastic term.

Table 6: Coefficients of Regression Parameters

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T-Stat.</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>β</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>.104</td>
<td>.140</td>
<td>.732</td>
<td>.466</td>
</tr>
<tr>
<td>GAM</td>
<td>.255</td>
<td>.080</td>
<td>.247</td>
<td>3.256</td>
</tr>
<tr>
<td>GI</td>
<td>.239</td>
<td>.075</td>
<td>.262</td>
<td>3.310</td>
</tr>
<tr>
<td>TAX</td>
<td>.088</td>
<td>.082</td>
<td>.085</td>
<td>1.035</td>
</tr>
<tr>
<td>GP</td>
<td>.082</td>
<td>.084</td>
<td>.068</td>
<td>.833</td>
</tr>
<tr>
<td>INF</td>
<td>.222</td>
<td>.081</td>
<td>.204</td>
<td>2.608</td>
</tr>
</tbody>
</table>

(*) implies significant at 5% significance level

Source: Authors’ computation, 2019

From Table 6, all the parameters have their coefficients do not exceed unity i.e. 1 and are positively related to the dependent variable. The constant coefficient gives a positive value of 0.104 implying that if all explanatory
variables are held constant, the promotion rate of small scale business increases by 10.4 percent. The coefficient of GAM gives a positive value of 0.255, implying that a unit increase GAM results in 25.5 percent increase in growth of small scale businesses. The coefficient of GI is 0.239, indicating that a unit increase in GI causes 23.9 percent increase in small scale businesses. The coefficient of TAX is 0.088 which indicates that an increase in the value of TAX by a unit leads to 8.8 percent increase in small scale businesses. Also, the coefficient of GP on financial institutions to lend to SSB gives 0.082 units and this indicates that a unit increase in the GP results to 8 percent rise in the small scale businesses’ growth. Similarly, the coefficient of INF is 0.222 and implies that a unit increase in INF causes small scale businesses to grow by 22 percent.

Test of Hypothesis

Table 7: Analysis of Variance (ANOVA)

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>dof</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>16.110</td>
<td>8</td>
<td>2.744</td>
<td>3.222</td>
<td>0.098</td>
</tr>
<tr>
<td>Residual</td>
<td>46.866</td>
<td>34</td>
<td>0.958</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>63.000</td>
<td>36</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Authors’ computation, 2019

ANOVA is used to test whether government play a significant role on small scale businesses. The F test is used to determine the significance by comparing the F-calculated with the F-tabulated. The hypothesis for the test is formulated as:

H0: There is no significant structure of institutional financing of small and medium enterprises in Kaduna metropolis, Nigeria
H1: There is a significant structure of institutional financing of small and medium enterprises in Kaduna metropolis, Nigeria.

Decision Rule: If F-calculated > F-tabulated, accept H1 and reject H0 and if F-cal< F-tab, accept H0 and reject H1.

Table 8: Summary of F-test

<table>
<thead>
<tr>
<th>F-calculated</th>
<th>F-tabulated</th>
<th>H0</th>
<th>H1</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.37</td>
<td>2.57</td>
<td>Reject</td>
<td>Accept</td>
</tr>
</tbody>
</table>

Source: Authors’ computation, 2019

From Table 7, the F-calculated gives a value greater than the F-tabulated. Hence, H1 is accepted and H0 rejected. It is therefore affirmed that government play a significant role on the growth of small-scale businesses.
Conclusion
Pushing ahead, satisfactory and facilitated financing with moderately low interest rate ought to be made accessible and assessable to SMEs across Nigeria, as scarcity of fund has remained the significant bane to their successful activities. Likewise, government should make accessible required infrastructure and motivators like good roads and tax holiday. These would significantly enhance and empower the activities of SMEs and position them to assume their immeasurably significant role in the accomplishment of economic development in Nigeria.

Recommendations
The study made the following recommendations:

i. Efforts ought to be made by the government to channel funds to small organizations towards their growth and development. This should be possible by convincing banks to put aside certain level of their credit appropriation for loaning to small business organizations.

ii. Government ought to consider the capacity to pay tax by small entrepreneurs when actualizing tax strategies on them. This should be possible by contemplating the size of the business and profit produced.

iii. Government ought to consistently provide small scale businesses organizations with the required infrastructural facilities to promote the growth of their business organizations.

iv. Government ought to provide additional agencies meant to grant small SMEs credit and loan facilities as well as financial and technical services.

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