International Journal of Innovative Development and Policy Studies 7(2):10-18, April-June, 2019
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The Impact Of Bank Lending On The Growth Of Small And Medium Scale Business Enterprises In Nigeria: An Empirical Study Of Selected Enterprises In Delta State, Nigeria

[1]ONORIODE Humphrey & [2]OKOH Lucky

Department of Business Administration and Management, Delta State Polytechnic, Ozoro, Nigeria
[1]Onoriodehumphery@yahoo.co.uk; 08030720558
[2]luckyokoh81@yahoo.com; 08037919609

ABSTRACT
This study was carried out to investigate the impact of bank lending on the growth of small and medium scale business enterprises in Nigeria. An empirical study of selected small and medium scale enterprises in Delta State, Nigeria. A set of structured questionnaire was used as the instrument of data collection and administered on 100 small and medium scale business enterprises in Delta State, Nigeria, randomly selected using Taro Yamane sample size from a population of 100 is 80 respondents at 95% confidence level Data analysis was made and the hypotheses formulated were tested using the Pearson moment correlation co-efficient at 0.05% level of confidence. The result revealed that positive and significant relationships exist between bank credit facilities and the growth of small and medium scale business enterprises in Nigeria. The result also revealed that positive and significant relationship exist between accessibility to bank loans facilities and the performance of the small and medium scale business enterprises in Nigeria. The data collected also revealed that small and medium scale business enterprises growth was hindered as a result of inability to access funds from financial institutions as a result of stringent policies required by banks and other financial institutions. It was concluded that for the Nigeria economy to grow to attain the required socio-economic development, the SMEs must be given the necessary financial support to grow the SMEs must be accorded the desired support of the financial institutions to grow rapidly and contribute their quota to the development of Nigeria. Based on the findings and conclusion drawn, it was recommended that necessary bank financial assistance should be given to the sector in order to accelerate the growth of small and medium scale business enterprises in the country in order to reduce the current unemployment as well as reducing the rural –urban migration.
Key words: Banking, Lending; Finance, SME; Access; Growth and Unemployment,

INTRODUCTION
In recent times small and medium scale enterprises have been recognized as the cornerstone of the modern economy. Evidence around the world has shown that small and medium scale enterprises provide an effective means of stimulating indigenous entrepreneurship, enhancing greater employment opportunity per unit of capital invested in aiding the development of local technology. Through their wide dispersal they provide an effective means of reducing rural - urban migration and enhancing resource utilization. In addition, by producing intermediate products for use in large enterprises, small and medium sized businesses contribute to the strengthening of industrial linkages.

Typically, small enterprises are known to adapt with greater ease under difficult and changing circumstances because their low capital intensity allows product lines and inputs to be changed at relatively low cost.

Also, they enjoy a competitive advantage over large enterprises in servicing dispersed local markets and producing various goods with low scale economies for much markets as well as serving as veritable means of mobilization and utilization of domestic savings (Nnanna 2007). Their development can deepen the manufacturing sector and foster sustainable industrial growth, thus enhancing industrialization in particular and economic development in general.

In view of the above, since the 1970's developing countries including Nigeria have shown greater interest in the promotion of the growth of small and medium scale enterprises (SMES) policies of assistance, especially in the areas of finance, extension and advisory services, training and provision of infrastructural Nigerian government for the development of (SMES) to enhance mobilization of domestic savings and investment, personnel development and more equitable income distribution (Anyanwu, 1996) Inspite of the government's interests and support for the sub-sector in the recent past, the lack of adequate financing and infrastructural constraints as well as wide spread poverty continued to hamper the development of the sub-sector. Thus, this study is therefore aimed at carrying out an empirical study on impact of Bank lending on the growth of small and medium scale business enterprises in Nigeria; An empirical study of selected SMEs in Delta State with a view to identifying the need for bank lending or credit in enhancing the growth of small and medium scale business enterprises.

Statement of the Problem

Finance is the life wire any economy, whether developed or developing, though human resources is the tool that propels any economic endeavour, but finance is very prominent after human resources. Finance is also known as capital, credit and so forth. Finance is important to the survival and growth of small and medium scale business enterprises. The rate of unemployment in Nigeria is high and over 50% of the youths in the urban areas are unemployed (Agboola 2013). This situation has assured a worrisome dimension of economic and social crisis as there has arisen a relationship between rising criminality and unemployment. This is the more reason why those at the leadership position in the country should urgently do something to increase the support for SMEs and business start-up through capacity buildings and funding as finance is very vital to the SMEs. In Nigeria, the small and medium enterprises are found wanting probably because most of the SMEs cannot access loans from the banks for their operations and growth. This may be due to institutional impediment posed by financial houses, including the Central Bank of Nigeria (CBN).

Objectives of the Study

The broad objectives of this study is to investigate the impact of Bank lending on the growth of small and medium scale business enterprises in Nigeria.

The specific objectives include:

i. To identify the extent to which bank lending or credit facilitates the growth of small and medium scale business enterprises in Nigeria.
ii. To identify the role din which the accessibility to bank loans enhances the performance of small and medium scales business enterprises in Nigeria.

Research Questions

The following questions were raised to guide the study:

i. To what extent does bank lending or credit facilitates the growth of small and medium scale business enterprises in Nigeria?
ii. Does accessibility to bank loans enhances the performance of small and medium scale business enterprises in Nigeria?

Scope of the Study

The scope of this study was limited to small and medium scale business enterprises ventures in Warri, Ozoro, Oleh, Asaba and Ughelli in Delta State of Nigeria where reliable and accurate data

were easily available at a relative low cost. The emphasis of this study was on bank lending and the growth of small and medium scale business enterprises: An empirical study of Delta State.

REVIEW OF RELATED LITERATURE

Role of Banks in The Development Of Small And Medium Scale Enterprises

1. Commercial Banks contributes to increasing agricultural produce by making loans available to farmers and by participating in the federal Governments CBN Agricultural credit Guarantee scheme fund (ACGSF) and the small scale and medium enterprises scheme. Iganiga, (2001).
2. Commercial banks ensure that funds are used for the intended purpose and for tangible activities that can be seen and appreciated.
3. Commercial banks extend loans to public sectors but it must be realized that for efficient loan management these loans are tied to specific government projects for instance, banks do join hands with state governments in the area of housing development oil and gas. The project approved to financing public sectors is in itself highly productive.

Importance of The Small And Medium Enterprises

According to Adidu (2010), the importance of the small and medium scale business enterprises in Nigeria are as follows:

i. Creation of employment opportunities
ii. Through their wide spread network, means of mitigating rural-urban migration
iii. It creates an effective means of stimulating indigenous entrepreneurship
iv. It creates an opportunity for the development of local technology
v. It creates intermediate products for use in large scale enterprises and thus contributes to industrial linkages.
vi. It creates opportunities to mobilize domestic savings for investments etc.

Factors Militating Against Efficient Administration Of Bank Credit To Small And Medium Scale Enterprise In Nigeria

In practice, banking institutions consider the following as practical problems confronting the financing of small and medium scale business enterprises in Nigeria.;

i. Inadequate qualified professional staff for a long time, many Nigeria banks has lacked experienced professional staff who can evaluate and assess loan applications on SMEs with thoroughness. Also, they do not have adequate skilled resources to monitor projects to endure that their implementations and operations are on course. As a result, their recent attempts at providing credit to SMEs have not been very successful.
ii. Long time – lags between loan applications and approvals / Disbursement. There is a long time –lag between the submission of project proposals and approvals and disbursement (CBN, 1996). These lags have the effect of undermining profitable opportunities, as there are usually notable variations in the parameters used in evaluating project viability mainly to cumbersome administrative procedure and the inability of borrowers to provide the required equity contributions and collateral securities.
iii. Unsound lending practices. Unsound banking practices have contributed to making credit provision to SMEs ineffective. Most times there is no proper evaluation of feasibility reports expected to demonstrate the viability of projects for growth, survival and profitability are refused assistance while some with doubtful profitability are sponsored perhaps because the borrowers are well known to bank officials or the sound judgment of appraising offices have been compromised. Anyanwu (2010) explain that granting of loans to unviable projects has translated into non-performing loans that have played a major role in the distress saga that has bedevilled the banking industry in recent years.
iv. Short-term lending: tendency experience has shown that banks in Nigeria engage mainly in short-term lending as against long term credit to producers. The reason is that banks liabilities are largely made up of short-term deposits. Thus, long term, loans would cause a

mismatch of portfolio as depositors could call without notice for withdrawals. This attitude tends to deprive SMEs the credits needed for establishment and operations.

v. Lack of record keeping: studies have shown that most entrepreneurs do not keep detailed and accurate records of their financial transactions. Banks generally find it difficult to lend money without the entrepreneur's track records of book keeping.

vi. Critical success factors in small business lending. Fertuck (2002) identified poor credit rating due mainly to the borrowers past unimpressive track record of payments or lack of his business reliable history as the most critical perception of risk of failure. The concern for collateral security by bank would have been negligible but for the perception of greater risk of failure among small business firms (Owuala, 1999) small business firms still lack continuity, many collapse with the death of their owners. There may be no succession plans in place, therefore Nigerian Banks for example still view SMEs with a lot of caution when it comes to lending

vii. Low entrepreneurial skill: organizational success is hinged on entrepreneurial skill and management unfortunately, many small business firms lack good exposure to management theories, training / practices which impact negatively on the management competence. Besides they are not in line with modern day financial techniques and practices.

viii. Lack of a business plan. No lender will give out funds without knowing how the loan will be utilized and how it will be repaid.

METHODOLOGY

All the proprietors of small and medium scale enterprise in Nigeria constituted the population of the study, the number of somewhat infinite. Therefore the researcher decided to limit the target population to only literate small and medium scale entrepreneurs who are involved in productive ventures in Warri, Ozoro, Oleh, Asaba and Ughelli in Delta State Nigeria. A sample size of 80 was selected from a population of 100 using the Yaro Lamerus formula which is given as:

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

Where: n =n sample size sought

e= level of significance = 0.05 pr 95%

N = Population size = 100

$$n = \frac{100}{1+100(0.05)^2}$$

$$\frac{100}{1+0.25} = \frac{100}{1.25}$$

= 80 respondents at 95% confidence level.

The simple random sampling method was used to select the respondents. The researcher made use of survey design. The data used in this study were obtained from both primary and secondary sources of data;The instrument of primary data collected was through the questionnaire and face-to-face interview. The instruments were validated by experts in entrepreneurship and small business managements authenticate the relevance of the instrument. Secondary data were collected from textbooks, journals and publications on small and medium scale business enterprises.

Data collected were collated and analyse using percentages. In addition, the hypotheses formulated were tested using the Pearson Product Moment Correlation Co-efficient and the t-test at 0.05% level of significance.

FINDINGS AND DISCUSSIONS

Table 1 Presented below contain the analytical details relative to our findings from the respondents.

Types of small and medium scale Business enterprises studied.

S/N	Type of Small Business Scale Business Ventures	No. of Small Scale Business Ventures
1	Furniture and cabinet works	5
2	Refuse collection and disposal	5
3	Soap and detergent making	10
4	Photography	5
5	Phone service repair	10
6	Computer Assembly and repairs	8
7	Bakery and confessionary	5
8	Catering and restaurant	7
9	Welding and fabrication	10
10	Paint production	5
11	Roofing sheet	5
12	Automobiles	20
13	Cosmetics and detergents	5
	Total	100

Source; field survey, 2018

Hypotheses Testing And Results

Hypotheses 1

Ho_1: There is no significant relationship between bank lending/ credit facilities on the growth of small and medium scale business enterprises in Nigeria.

A 5-point Likert scale was used with the following response categories.,

Strongly Agree (SA) 5 Points
Agree (A) 4 Points
Undecided (UD) 3 Points
Strongly Disagree (SD) 2 Points
Disagree (D) 1 Point

Table 2. Calculation of Pearson product moment correlation Coefficient

Options	Xpoints	Y responses	XY	X^2	Y^2
Strongly Agree	5	25	200	25	1600
Agree	4	25	100	16	625
Undecided	3	9	27	9	81
Strongly Disagree	2	4	8	4	16
Disagree	1	2	2	1	4
Total	15	80	337	55	2326

Source: Field survey, 2018.

The formula for the Pearson Product Moment Correlation Co-efficient is:

$$r = \frac{N\sum XY - \sum X \sum Y}{\sqrt{(N\sum X^2 - (\sum X)^2\ [N\sum Y^2 - (\sum Y)^2}}$$

$$r = \frac{5(337) - (15)(80)}{\sqrt{((5X55) - (15)^2\ [5\ X2326 - (80)^2}}$$

r = 0.9484

The above result shows that there is positive and significant relationship between bank lending/credit on the growth of small and medium scale business enterprises in Nigeria. But there is a greater need to test further in order to justify the stated hypothesis, in doing so test of significance will be employed

$$T_{cal} = \frac{r}{\sqrt{\frac{1-r^2}{n-2}}} = \frac{0.9484}{\sqrt{\frac{1-0.9484}{5-2}}}$$

T_{cal} = 5.1808

T_{tab} = n-2, α0.05 = 5-2, α0.05 =3x0.05

:. T_{tab} = 2.35

The decision rule here is to reject Ho if t_{cal} is > t_{tab}, Ho is rejected which means that there is positive and significant relationship between bank lending / credit on the growth of small and medium scales business enterprises in Nigeria. This was supported by the view of Nzotta, (2009:61) which stated that Bank credit affects aggregate output and productivity, the pattern of production, the level of entrepreneurship and small and medium scale business enterprises, the realization of aggregate economic performance and economic growth.

Hypothesis 2:

There is no significant relationship between accessibility to bank loans facilities and the performance of the small and medium scale business enterprises in Nigeria.

Table 3: Calculation of correlation co-efficient

Options	Xpoints	Y responses	XY	X^2	Y^2
Strongly Agree	5	38	190	25	1444
Agree	4	26	104	16	676
Undecided	3	7	21	9	49
Strongly Disagree	2	5	10	4	25
Disagree	1	4	4	1	16
Total	15	80	529	55	2210

Source: Field survey, 2018.

$$r = \frac{5(329) - (15)(80)}{\sqrt{((5X55) - (15)^2\ [5\ X2210 - (80)^2}}$$

r = 0.9228

From the above analysis, the result implies that there is significant and positive relationship between accessibility to bank loans and medium scale business enterprises in Nigeria. But there is also the need to test further so as to justify the stated hypothesis in doing so, test of significance will be employed.

$$T_{cal} = \frac{r}{\sqrt{\frac{1-r^2}{n-2}}} = \frac{0.9228}{\sqrt{\frac{1-0.9228}{5-2}}}$$

T_{cal} = 4.1492

T_{tab} = n-2, α0.05 = 5-2, α0.05 =3x0.05

:. T_{tab} = 2.35

Reject Ho if $t_{cal}$is > t_{tab}

Since t_{cal} is $t_{tab,}$ Ho is rejected which means that there is positive and significant relationship between accessibility to bank loans facilities and the performance of the small and medium scale business enterprises in Nigeria. This finding is in support of the views of Adebayo (2012:150) which stated that with enhance bank finding, improved capacity utilization in the existing small and medium scale business enterprises would be boosted and this would provide an incentive for prospective investors, thereby stimulating productive activities in the economy. The setup activities will in turn facilities employment generation and utilization of local resources for which

small and medium scale enterprises are noted with the attendant multiplier effect on the overall economy.

CONCLUSION

The study examined the impact of Bank lending on the growth of small and medium scale business enterprises in Nigeria. An empirical study of selected small and medium scale business enterprises in Delta State, Nigeria. The study revealed that there is positive and significance relationship between bank lending/credit on the growth of small and medium scale enterprises in Nigeria. There is also significant and positive relationship between the accessibility to bank loans facilities and the performance of the small and medium scale business enterprises in Nigeria. It was concluded that for the Nigerian economy to grow to attain the required socio-economic development, the SMEs must be given the necessary financial support to grow. The SMEs must be accorded the desired support of the financial institutions to grow rapidly and contribute their quota to the development of Nigeria.

RECOMMENDATIONS

In view of the finds and conclusion of the study, the following recommendations were proposed as the way forward for effective banks lending and credit facilities for the small and medium scale business enterprises in Nigeria.

1. The need for professional staff in project financing. There is a need for every bank to establish a project appraisal department staffed with professional who are experienced in the evaluation of feasibility reports monitoring and assessment of industrial performance and who have the ability to design recovered policies for non-performing projects and loans. With a trained professional staff, it is possible to provide financial assistance to SMEs some of the problems of SMEsand banks would be solved by this. Thus paving the way to an improved credit administration system.
2. Reducing time lags between loans applications and approval / disbursement. To reduce the lags there is need to remove cumbersome administrative procedures. Simplification of application for me standardization of documentation and open policy in credit appraisals are needed.
3. Banks should be encouraged to give long –term loans to SMEs. The banking system should be encouraged to promote long term investment through the restoration of macro-economic stability and continued sponsorship of facilities like the NERFUND. This is one of the ways through which government has made long –term loans available to SMEs on softer terms.
4. Addressing the problem of equity contribution and collateral securities, these problems can be addressed by establishing a credit guarantee scheme for SMEs, the scheme would assume a reasonable proportion of credit risks that is traditionally borne by the lending institutions, this would reduce the risks of lending institutions and make them more willing to give credit facilities to SMEs.
5. Restoration of sound banking practices to ensure that only viable loans are given, there is a need to give feasibility report appraisal its prime place project financing only seemingly viable projects loans should be promoted. Again, banks are advise to publish leaflets explaining their lending policy, method of application and collateral securities. These functions could be successfully done only by staff with sound banking experience and integrity
6. Accurate book keeping and accounting practices must be operational in a business to win the approval of lending institutions.
7. A strategic business plan to serve as a framework for the operations of an enterprise and a road map into the future. For a strong financial control function that includes strict financial accounting, budgeting, cash management and cost accounting in the case of manufacturing companies.

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