

**The Factors that Influences Small and Medium
Enterprises towards Obtaining Credit Financing
from Banks in Nigeria**

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ABSTRACT

The purpose of this study is to examine the factors that Influences Small and Medium Enterprise towards obtaining credit financing from the Banks in Nigeria. The use of the questionnaire instrument to collect data from a sample of Small and Medium Enterprise (SME) Owners looking at their perception in relationship to obtaining bank credit was employed.

The country Nigeria is a developing nation, the second biggest economy in Africa and it is well contributed to by the SMEs sector and Banking sector as well. Due to the situation of inadequate finance for the growth and development of SMEs, this thesis tries to look into some inherent characters that appear as factors which are significant to the relationship with the banks and SMEs in terms of credit finance. With the use of the software SPSS 17.0 analysis was done by one way ANOVA and independent t-test with variables on the SMEs perception toward obtaining loan from banks. The analyzed results showed a relationship that is significant to the wide ranging literature review.

Keywords: SMEs, Banks, Credit, Finance, Nigeria.

ÖZ

Bu çalışmanın amacı, küçük ve orta ölçekli işletmelerin Nijerya bankalarından kredi almasını etkileyen faktörlerin incelenmesidir. Küçük ve orta ölçekli işletmelerde anketler yapılarak, işletme sahiplerinin banka kredisi alınması ile ilgili gözlemleri baz alınarak veri elde edilmiştir.

Nijerya gelişmekte olan bir ülke olup, Afrika kıtasında ikinci büyük ekonomiye sahiptir ve küçük ve orta ölçekli işletmelere ve bankacılık sektörüne yardımcı olmaktadır. Küçük ve orta ölçekli işletmelerin büyüyüp gelişmesi için yeterli finansal katkıyı alamaması göz önünde bulundurularak, bu kez kredi finans sektörü ile bu işletmeler arasındaki çok eskiye dayalı faktörleri incelemektedir. Software SPSS 17.0, ANOVA ve bağımsız T testi kullanılarak küçük ve orta ölçekli işletmelerin bankalardan kredi alınması ile ilgili görüşleri incelenmektedir. Analiz sonuçları, bu iki sektör arasında ki ilişkinin çok geniş ve kapsamlı çok öneme haiz bir alana yayıldığı gözlemlenmiştir.

Keywords: Küçük ve Orta ölçekli işletmeler, Bankalar, Kredi, Finans, Nijerya.

Dedicated to my entire family

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Chapter 1

INTRODUCTION

1.1 Aim of the Study

There is a vast need for the growth of SMEs in Nigeria considering the impact they can make on the economy. SMEs make tremendous contributions to the society and economy in form of employment, income generation, entrepreneurial skills, and innovations. SMEs are very important in the renaissance of every country's economy in alleviating poverty and also helpful in other socially related issues. In the future, SMEs will continually be the vehicle for better and more sustainable growth for developing countries, whereas in developed countries it aid stability and replenishment in the structure of their economy. Little wonder that there have been a progressive increase in interest of the policy maker, government parastatals, researchers and also business associations in the growth and development of the SMEs .This is why the major challenge of SMEs is really important to understand and examine (Fayomi and Abereijo, 2005).

1.2 Scope of the Study

The banking sector is widely known as the financial institution of every country and one of its roles in the economy is promoting entrepreneurship which can be relatively defined to be small scale enterprise. Increase in competition in the banking sector due to globalization has made the SMEs to be focused on as a prospect for profitable market as they are privately executed business. The SMEs in any countries' economy contribute greatly to their development and growth. The GDP of the country has a

better value to show with the SMEs innovation and contributions included in it. This is because more of the local domestic productions are consistent with the SMEs. Apparently, several studies have identified that SMEs are challenged with inadequate finance which is a vital component for their growth in Nigeria as well as every other nation. The establishment of this fact is why this study seeks to examine the factors that Influences SME toward obtaining credit financing from the Banks in Nigeria.

1.3 Limitations of the Study

The challenge majorly faced at the period of this study is one that is widely obvious which has to do with the security conditions of Nigeria. Considering the situation in the country, it was quite a challenge to get responses as several of the respondents are scared and not comfortable in giving out data's because of any uncertainty that they had logical and superstitiously presumed.

Chapter 2

LITERATURE REVIEW

2.1 Definition of Small and Medium Scale Enterprises

This chapter will discuss the definitions of Small and Medium Scale Enterprises (SMEs), how they are characterized and the relevant roles they play in the growth and development of the economy in a nation.

In the definition of SMEs, there are variances from countries to countries with their different economic activity and stages of development (Biggs, 2002). Diverse formula to lay hold of a final and acceptable definition has been put forward to this ends; definition by asset, turnover, and employment are the features to which SMEs can be explained (Gibson & Van der Vaart, 2008). Burgess and Steinghoff (1986) (p.10) defines SME's as "A small business which is independently owned, operated, and not dominant in its field". It is defined by Europe commission with the use of 'Assets', 'Turnover' and 'Employees' as a business of not more than 43 million Euros for an annual balance sheet, a turnover of not more than 50 million Euros annually and employees not fewer than 250 people. Other definitions are approached by the types of sector of production and services which the SMEs are performing. (Azimzadeh, 2013). Some examples by employees and turnover, according to different sectors of the economy are:

Table 1. Definition of SMEs

Sector	Definition
Manufacturing	200 employees or less
Construction	25 employees or less
Mining & Quarrying	25 employees or less
Retailing	Turnover of 50,000 pound or less
Miscellaneous	Turnover of 50,000 pound or less
Services	Turnover of 50,000 pound or less
Motor Trades	Turnover of 100,000 pound or less
Wholesale Trades	Turnover of 200,000 pound or less
Road Transport	Five vehicle or less
Catering	All excluding multiples and brewery-managed houses

Source: (the Bolton Committee 1971) Burgess and Steinghoff (1986, p.15)

Some major financial institutions also have different perceptions to the definition of SMEs even though it is still based on the same feature such as definition (International trade center, 2009) by assets, turnover and employees. Some of these institutes are as follows:

Table 2. Definition of SMEs

Institution	Maximum number of Employee	Maximum Revenues or Turnover (\$)	Maximum asset (\$)
World Bank	300	15000000	15000000
MIF-IADB	100	3000000	-
Africa Development Bank	50	-	-
UNDP	200	-	-

Source: Gibson, T. & Van der Vaart, H. J. (2008, p. 5)

However, the definition differs among scholars, economic sectors and institutions as different stages of countries are put into consideration. The definition of SME in developed countries like Australia, USA, and Canada among others will not be appropriate and acceptable for developing countries such as Nigeria, Kenya, and

India because of their purchasing power parity exchange rate (Schmitt and Lane, 2009).

A scheme under the control of Central Bank of Nigeria (CBN) in year 2010 defined SMEs to have asset base of N5million (N: Naira) to N500million (Naira: Nigeria currency) which is equivalent to \$31,250 to \$3,125,000 (American Dollar) with employees size of eleven (11) to three hundred (300). For the purpose of this research, enterprise of not less than 5 employees will be considered.

2.2 Characteristics of SMEs

From the argument of the definitions, there is an understanding about the diversity of the concept of SMEs. This implies that the characteristics according to different perceptions might as well be different. However, there are some common factors that can be used to characterize SMEs (Sha, 2006). Some of which are:

- Levels of technology
- Market share
- The size of capital
- Type of ownership

2.2.1 Level of Technology

SMEs have a low technology capacity due to the fact that they don't invest much in the aspect of research and development (Hargreaves, 2011). Through research and developments (R & D), technology was borne and the trend of increase in technology is still powered by the research and development initiatives. R & D is highly cost intensive in terms of the measure of time and the money involved. (Metz and Turkson, 2000).

2.2.2 Market Share

Market share deals with the size of the market and a particular portion that the SMEs are servicing with their products and business services. The size of the market shares are relatively small compare to the large corporations (Warren and Susman, 2004).

2.2.3 Size of Capital

SMEs require small amount of funds to start their ventures and they are not heavily mechanized, while some are not mechanized at all (Chong, 2007). Machineries and building constructions are capital intensive, SMEs that requires such machines and construction of buildings will do this on a small scale level which will not be as capital intensive as the large industries which does their on a larger scale (Ogechukwu, 2011). The disadvantages of this size of capital for SMEs is that they will only enjoy little benefits of economies of scale, also they may be limited to loan access from banks because of insufficiency of collateral (Addotei, 2012).

2.2.4 Types of Ownership

Most SMEs are owned by individuals and in some other cases owned by partners. They are unlimited in their liability; they bear the cost, risk and enjoy the profit of their enterprise (Bodenhorn, 2011). They can be considered as entrepreneurs because in the face of challenges, risk and uncertainty, they see opportunities and create new business ideas . Therefore as a result of the high risk and low capital that the SMEs experiences in business, financial Institutions such as the banks find it difficult to lend them money (Levitsky, 1997).

2.3 Roles of SME's in the Economy

SME's are being recognized as a vital sector in the world economy. They played a great role in the development and industrialization of many economies of different countries both developed, developing and underdeveloped nations

(Savlovschi and Robu, 2011). SME's are found in all sectors of the economy; agricultural sector, manufacturing sector, construction sector among others. Also they form a part of the operating systems of some other larger enterprises. SMEs sector are idea generating which can facilitates sustainable innovations with a very significant contribution to the growth and development of a nation (McIntyre, 2013). They make use of resources efficiently in a different and new process observing a particular opportunity in the economy, and the efficient utilization of these resources is what leads to economic development (Mohammed, 2007). Some of these roles SMEs play in an economy are:

2.3.1 Job Creation

SMEs produces a relatively large share of jobs especially in industrialized countries, though the same cannot be accurately insinuate about this role in developing countries (Savlovschi and Robu, 2011). As for some Asian region, a few of the highest ranked performing economies of the world such as Taiwan and Hong Kong strongly put their trust on small enterprises (Abonyi, 2003). The value of 81% employees altogether in Japan are specialized in SMEs, hiring an average of 9 employees in comparism to 4 employees in the European Union (EU) (Harvie and Lee, 2005). O'Sullivan and Rey, 2011 stated that the role of job creation by SMEs gets higher and it is evident in the secular growth and development as the size and shares of SMEs employees' percentage increase, therefore the small enterprises are very relevant element of generating jobs. In 2010, jobs employment close to 87 million people i.e about 67% of total employment in the non-financial business sector in European Union nations were generated by the SMEs , while 33% were provided by the Large Scale Enterprises (LSEs) (Falkena et al., 2002). The SMEs are growing more than LSEs in the space of 2002 to 2010 looking at their share in

employment rate which has increased the overall number of jobs in the economy, as it has risen to about 1.1 million annually and 0.9 million of these created jobs can be attributed to the micro, small and medium-sized enterprises. (De Kok, et al., 2011).

2.3.2 Innovation

A great number of populace rely on the SMEs directly and indirectly to provide good sustainability and originality in the economy as a whole (Khalique, 2011). SMEs have the ability for innovation which is good for any developed, underdeveloped and developing economy because it will enhance rapid growth in the economy (Chatteji et al., 2013). The ever significant role of SMEs for innovation is correspondent to the birth of network-based modes of innovation. They are involved in knowledge networks not by exploiting only but also as a source of knowledge, and this brings about an increase in the “bridge of innovation”. Organizations involved in activities such as consultancy, engineering, technical services and market research which provides and specializes in knowledge inputs for other services and manufacturing industries are always linked in to these “bridge of innovation” (Winters and Stam, 2007).

SMEs innovations are irregular in distribution but they have potential for increased growth and are vastly dynamic, although a great number of SMEs have little innovations compared to their large counterparts (Hughes and Mina , 2010).

2.3.3 Reduce Poverty

In underdeveloped nations the expansion of SME sector can diminish poverty especially by the increase of employment. SMEs play a vital role for individual such as farmers to counter unfavorable conditions and to put forth a positive impact on poverty reduction (Jiantuo, et al., 2007).

Initiatives marking SMEs and poverty reduction date to the 1960s are tied to the broader civil rights movement in the United State. These efforts are made through entrepreneurial system development programs led by private SMEs with government and NGOs as partners, linking the goals and needs of the business to poverty reduction (Nelson, 2007).

SMEs make a positive involvement in poverty reduction when they provide: employment of jobs, sufficient levels of job quality, and Low-cost goods and services used by the deprived people. The poor people most times lack sufficient employment while, the creation of small enterprises makes employment available. It generates income for the owners of the ventures and for others they employ. They may work but, the income, earnings, rights and social security connected to their work is often not enough to lift them from poverty. So there is need for improvement in job quality to attain the level of acceptable decency they can reach and be comfortable. This is some of the benefits of SMEs; low cost operates in competitive markets, and produces basic items such as food, cloths hereby maintaining the cost of living to be low for the poor (Osotimehin and Olajide, 2012). In some situations, SMEs provide basic amenities in the environment they are established such as water, education, and sanitations which were not provided by the Government sector (Ayeyemi, 2013).

2.4 Obstacles of SMEs Growth and Development

There are some major limitations and barriers that stagnates the rate at which SMEs can grow and develop an economy. The following are the barriers that can affect SMEs growth intentions and their development behavior.

2.4.1 Unfair Competition Policy

When policies are not willingly administered by the policy makers to enhance conditions which will facilitate a fair and equal market field for independent SMEs to protect the integrity of the competitive process, the large enterprises stands as the dictators of the market. SMEs faces obstacles even though they have access to the market, and this is due to the legacy of an enduringly concentrated market structure (Harvie and Lee, 2005). The presence of Large enterprises with a larger market share shows an effect of abusive market conduct on the ability of the small enterprise to participate which is somehow camouflaged by firm that are monopolistic in a subtle manner (Persin, 2011).

There are a few other situations pertaining to the regulatory environment which is not favorable to serve as an incentive to SME development. However, this issue is presently been listened to in a fair degree. Some other disputes revolve around the programmes planned to implement policies to overcome the limitation towards the development of the SMEs sector in the areas of marketing (Sha, 2006).

2.4.2 Inadequate Access to Technology

SMEs are consequently in use of low level of information technology. This condition can be attributed to variables such as inadequate information to make informed decision, the lack of proficiency (digital illiteracy), cost of access to technology, high infrastructure i.e. the cost price and taxation cost (Dai, 2009).

The inadequate access and use of technology today will make SMEs to suffer severe cost in the future and will cause the risk of lagging behind in the market or industry (Berisha-namani, 2009). With adequate technology, SMEs can have

competitive advantages, they will produce high quality products, develop competitive strategies within the market and create business striving conducive environment that would encourage the SMEs competitiveness (Tan, et. al., 2010).

This issue lack of technology cuts into innovation of technology in terms of the small level of capability and production. And this results in low capital/output ratio when it is employed by the SMEs. To this ends, technology is still a primary challenge to the SMEs and there is a need to initiate new ideas to create small scale technologies which will suite SMEs and help in their development (Burhanuddin et, al., 2009).

2.4.3 Inadequate Human Resource Proficiency

It has been recurrently observed that SMEs possess neither competent human resources nor sufficient capacity to train and retrain their employees to their weakness. This is due to the limited scale of the enterprise and the attempt to invest in training and retaining their employees will be a costly venture for the SMEs to execute (Arokiasamy and Ismail, 2009).

However if the SMEs chooses to carry out training programs, there is the risk of losing employees to a larger enterprise which offers more income and career opportunity after the employees have gain experience and skill in the small enterprise (Ugbam and Onwumere, 2012). Also they lack specialized know-how and adequate proficiency in handling matters with logistic arrangements (Kamyabi and Devi , 2011). There is a relevant need in some certain fields even as SMEs for competent labor and personnel, including services with intellectual capacity, information technology and so on (Uden, 2007).

2.4.4 Inadequate Finance

Jackson (2012) points that, the inadequacy in financial matter in the SMEs sector does not only cause risk of failure, but stops them from unveiling the potential in their market sphere. An appropriate financial literacy and management understanding will help SMEs to be future oriented and allow them to constantly grow in their business (Sutton and Jerkins, 2007). Finance is commonly regarded to be the most important factor in business in general, determining their growth and development in both developing and industrialized countries. Adequate right to use finance permits SMEs to carry out dynamic and profitable investments, expanding their businesses and to obtain the most recent technologies putting them in a competitive position in their industry (Fayomi and Abereijo, 2005).

Regardless of the numbers and importance of job creation that they generate, SMEs conventionally is faced with the complexity of acquiring formal credit or equity. The reason is that the maturities of commercial bank loans given to SMEs are mostly limited to a period that may be really short to pay off any substantial investment (Bondinuba, 2012). However, banks in some developing countries have rather customarily lent a lot of amount to the government, because of less risk and higher returns (Levitsky, 1997). This situation is also similar in the Nigerian economy, where banks would prefer to lend their money to government, trade in foreign exchange (FOREX), and financing buying and selling. And this system of the commercial banks has led to the inadequacy in finance for SMEs (Fayomi and Abereijo, 2005). The number of reasons for this kind of situation with the banks includes the following:

- (i) SMEs are seen as high-risk borrowers because they have insufficient assets, their capital is low, exposure to market fluctuations and risk of high failure rate
- (ii) Information irregularity is encountered in SMEs due to inadequate accounting records, financial statements or proper business plan.
- (iii) High managerial/transaction costs of lending or investing little amounts do not make SME financing a beneficial business.

These challenges; low level of technology, inadequate level of skills training, financing limitation has become an increasing obstacle for SMEs to bear because of the rigid global competition, where it is not possible to turn back the clock (Dolfsma and van der Panne, 2007).

2.5 The SMEs and Economy of Nigeria

The negligence of the past industrialization course of action in supporting small medium and large enterprises to enhance economic growth and development has over the years brought about an improved interest in the SMEs, because they are now observed as a channel to industrialization and their activities will result to economic growth in Nigeria (Onasanya, 2012). The Nigerian economy in pursuit of this, has placed SMEs expansion and support a top priority, coming from the understanding that SMEs are the foundation for the continuous growth and development of the country. And as a result, over the years research on financing SMEs has been carried out with the use of primary and secondary data to best increase the knowledge on how to facilitate the rate of growth in SMEs sector (Chizea, 2002).

SMEs businesses are the foundations that the large business enterprises were innovated from. The argument for SME, views them to be much more innovative

than the large enterprise even though the micro economic evidence may be questionable. Small firms in the US has been seen to have higher rate of innovation in technology and in their study consequently, they see SMEs as a helpful vigor for the economy increase and expansion (Dolfsma and van der Panne, 2007).

The significance of SMEs in Nigeria includes; guarantee of fast development, enlarged exploitation of local resources, provision of employment for local administrator and half-skilled employees, decrease of the rural-urban drift, expansion of local machinery, increasing the source of revenue standard of rural populace and so on. In detail, SMEs accounts for the economic expansion in the major industrialized countries of the world today. It has supported in the equilibrium of payment of countries; it lessens over confidence on inputs relative to their assets investment. SMEs and sustainable development of the Nigerian economy are interrelated, just as encouraging SMEs and increase in employment creation are also interrelated (Safiriyu and Njogo, 2012).

The Importance of SMEs as a means of creating Job opportunity and poverty reduction in Nigeria was researched on and the conclusion was that the SME sector is the major vigor towards employment design, creation of wealth, reduction of poverty, income allocation and decrease in income inequality (Ayanda and Laraba, 2011). However, availability of finance is a major pointer of the constraints of SMEs (Brighi and Torluccio, 2007).

2.6 The Nigeria Banking Sector

In general, the financial system is not just an institution but more, it aids payments and gives credit. Banking has to do with all functions that make real resources

available to their ultimate customer and users. It is the “central nervous system” of a market economy and include a number of detach but co-dependent components which all are essential to its effectiveness and efficiency. These include financial intermediaries such as banks and insurance companies, they operate as key agents for assuming responsibility and obtaining financial claims (Sanusi, 2012).

Banks are relevant to the development of economy via their financial services. The role they play as intermediary can be said to be a catalyst for economic growth. The banking industry’s efficiency and effectiveness ultimately is an index of financial stability in any country by the process to which a they can provide credit to the society and economy for activities which facilitate production thereby increasing the rate of the growth of economy and sustainability on a long-term (Kolapo et al., 2012).

The Nigerian economy has gone through domestic and exterior panic in recent years, which resulted in the 2009 bank crisis. Nevertheless there has been rapid growth in the economy with over 7% growth annually since the crisis period. The achievement in the recovery of the financial strength after the crisis, points to the decisive and broad-based strategy reaction by the regime and the Central Bank of Nigeria (CBN). The bank consolidation in Nigeria is the primary policy instrument adopted to correct the deficiencies in the finance sector and this brought about increase in the growth rate of the sector. Consolidation in banking made the banking system more cost efficient hence managing and increasing profitability.

Consolidation is the decrease in the figure of banks and financial institution taking deposit, creating an increase in capacity simultaneously. And this helps to reduce the credit risk of the banks (Somoye, 2008).

Credit risk is an inside determinant of bank act, the higher the introduction of a bank to credit risk, the higher the propensity of the banks to face financial crisis and vice-versa (kolapo et al., 2012). The credit function of banks facilitates the investors to be able to take advantage of desired profitable ideas and ventures, also the main income generator for the banks is the Credit facilitation (Kargi, 2011). Conversely, it exposes the banks to credit risk as that they lose outstanding loans partly or totally due to non-payment from the from customers. This reason is why the SMEs are seen as high credit risk projects because of previous default situations by customer and lack of appropriate asset to cover up for the loss (Odoko, 2008).

2.7 Banking and SMEs in Nigeria

The governments in Nigeria has made efforts, including joining hands with organizations even to the international level such as the United Nations Development Programme (UNDP), the United Nations Industrial Development Organization (UNIDO), to support SMEs, but still SMEs in Nigeria are still in a challenging position adequate financing for their business. This situation led the Banking industry to the introduction of the Microfinance Bank (MfB) in 2004 for the main purpose of giving banking service to the SMEs (Ugoani, 2012). Majorly, the objectives that generated the establishment of these financial systems was in order to make access to finance available to a huge number of potentially industrious Nigerian SMEs with little or no access to monetary aids for productive activities from the traditional or conventional Banks (Anele, 2012).

SMEs are perceived to be vital for economic development, employment creators, and aids in skills acquisition, building capacity and enhancing growth in the Gross Domestic Product (GDP) of Economy (Ugoani, 2010). For the SMEs to have this

kind of significance there is a need for prompt access to finance such as Bank credit. However, there are some evidences that some banks have neglected to play their roles of helping with finance as a result of lack of requisite financial capacity (Chiejina and Adeyeye, 2012).

Nigerian banks in general are raising new and managing funds to improve their capacity to lend through debt and quasi-equity instruments given the slowdown in the equity market but the challenge of collateral stands as limitation to SMEs for easy access to the bank credit service (Saloko, 2012). A form of security insurance is regularly required by the banks before giving out credit (Mohammed, 2007). In the Agricultural sector, SMEs access to credit was introduced by CBN which was called the Agricultural Credit Guarantee Scheme (ACGS) in 1977. It was designed to solve the situations even for borrowers with default probabilities, given everyone an unequal opportunity to obtain credit even when there is insufficient collateral. The major objective of CBN with this agenda was to ease the problems faced by SMEs in obtaining bank-credit (Essein and Akpan, 2007). The plan was purposed to take care of SMEs in agro and agro-allied businesses, and also they were mostly based in isolated and virgin natural areas with large populations (Abumere, et al., 2002).

Credit guarantees are conceptually designed to lure unwilling lenders to release funds to the sector that is disadvantaged such as the SMEs, in order to attain growth and contributing to the economy in diversification and development. And this credit guarantees also intend to develop the conditions of bank credits (Andrew, 1999). In addition to the various programs and policies, independent associations such as the Nigerian Association of SME's (NASMSE) have been formed to help

SMEs in their quest for bank credit. (Onasanya, 2012).

2.8 The Nigerian Government Participation and Policy in SME

Government involvement mainly in the economy is as a supervisory agent for Business, with the common plan of aiding to sustain a condition that allows self-assurance; understanding and enable the stimulation of activities of project, so that there is a platform of respect for the rules of competition (Magbagbeola et al., 2010). In these conditions, the responsibility of business is multi-farious and categorized as; Participatory role, Regulatory role, and facilitatory role. Some administrative regulatory actions in trade and what the objectives is to attain are;

- (a) To generate an atmosphere that will endorse enterprises to thrive in.
- (b) To control, sustain and evenly allot public and common burden with the understanding of the difference in dimension of diverse business venture and their activities in the economy of the nation.
- (c) Protecting the interest of the customer against activities of trade that are exploitative i.e (sub-standard of dangerous goods).
- (d) Government possess authority over business as a major tasks towards implementing all events within her reach which includes business.
- (e) Government manages and support trade to generate profits, the profits which proceed in the form of registration fee, duties fees, Levies on educational and so on.
- (f) To encourage more domestic and indigenious business activities (Onuoha, 1999).

Through suitable and planned control, government enlarges the tendency for larger home-grown involvement in economic trade actions. This form of legislative power in business actions is presented in diverse ways popularly known as

the law. Significant laws and declaration, act and status are mostly used for the purpose of controlling and regulatory objectives. The following few decrees and act along with several others are directed towards modifying, developing, maintaining sanity and discipline business key players small and large enterprises in Nigeria (Magbagbeola et al., 2010).

1. Business names registration: Act 1961, No. 1
2. Trade Mark registration number: Act 1961, No. 29
3. Factories: Act Capt. 1966
4. Control in exchange rates: Acts 1961, No. 16
5. Nigerian Standard Organization: Acts 1971, No. 36
6. Trade Union act: Act 1973, No 31
7. Pre-shipment inspection of import: Act, 1978, No. 36
8. Import prohibition order: in 10, 1979 and many more.

Nigeria Bank of Industry was established by the Nigerian government in October 2001. Proceeding from the merger of the National Economic Industrial Development Bank (NIDB), and the Nigerian Bank for Commerce and Industry and the National Economic Reconstruction Fund (NERFUND) (Tijani, 2004). Majorly the plan is to offer the essential monetary help and incentives to facilitate and enhance institution of large, medium and mostly SME's, and to aid development and diversification of presented industries. It's activities include recruitment of Fund, job appraisals, financing, execution and investment activities.

The small and medium industries equity investment scheme (SMIESIS) was established on the 19th of June, 2001. It is required of banks in Nigeria to set to

make provision with 10% of their Profit before paying tax for equity investment in SME. Direct monetary help and credits to SMEs by mean of a group of sponsors, for example the small scale industrial credit scheme, and the NERFUND Scheme (Ogechukwu, 2011).

Direct policy by the government consist of direct investment and the establishment of SMES promotions institutions or agencies (example: technological development institutions, credit lending institutions, technical and management institutions) and the provision of infrastructural facilities such as industrial estates, nationalization of foreign firms and the provision of incentives and subsidies for the promotion of small and medium scale companies. Indirect public policy includes the regulatory provision, encouraging savings and reinvestment, restricting imports of consumer goods, introduction of measures that protect SMES and the provision of various incentives and inducements to small scale industries (Tijani, 2004).

Chapter 3

METHODOLOGY

3.1 Aims and Objectives of the Research

The aim of the study is to measure the factors that will influence the SMEs from obtaining bank credit in Nigeria. In this chapter, considering the whole scope of this study, an assessment of the chapter 2 (literature review) direct us to examine this study aim. With a straight illustration of the support of a developed study hypothesis and conceptual research model; with a clear definition of the variables.

3.2 Sampling Method

The research method used was a quantitative study and the respondents are owners of SMEs who were randomly selected. This is done via the use of Likert and dichotomous scaled questionnaires data was obtained from the respondents.

3.3 Population of the Research

This study is focused on the country Nigeria, one of the largest countries in the West African region with thirty six (36) states. However for the purpose of this study four states were selected; Abuja, Lagos, Kano and Onitsha. In this selected regions, the study could find more SMEs population sample size.

Lagos state: This is the largest metropolis in Nigeria and it is also referred as the biggest commercial region of the country. It has a population of 24,000,000 (Adewuyi and Akinade, 2010).

Abuja: This is the capital of Nigeria and also a commercial city. It is vital for this study.

Kano: This state has a metropolitan population which makes it the second largest city in Nigeria. It's the highest commercialize city in the North.

Onitsha: This is a business city in Anambra state, south east of Nigeria. It is one of the biggest trading regions in Nigeria.

3.4 Data Collection

Primary data for this research study was collected through questionnaires that were self-administered in August, 2013 from Owners of SMEs in four major commercial cities in Nigeria. In all, the questionnaires were given out to 250 sample population and 181 respondents were able to fill and return the papers correctly (useable) that stand for 72.4% distributed questionnaires.

3.5 Dependent Variables of the Model and their Definition

The following below are the dependent variables of the model used in this thesis and their definitions:

3.5.1 SME's Accessibility perception

This study investigates on access to finance issues in relation to the definition and measurement on the part of the SMEs. Few studies have shown that SMEs are victimize in term of credit rationing behaviors of financial services provider, therefore accessing credit finance is now a problem (Mazanai and Fatoki, 2011).

SME financing is also limited by inadequate data, infrastructure for collateral and deficient information about credit. Making of Policy for the SMEs is rigorously limited by the inadequate data which is supposed to facilitate a better understanding of the challenges and routine of the current initiatives. For

loans to be collateralized, regulations is requisite and also to place boundary on the types of acceptable collateral. This existing credit information system does not attend to the requests of the SME sector (Isern, et al., 2009).

3.5.2 SME's Awareness Perception

The study of SME's and understanding of awareness is at all times significant to guarantee that SMEs organization can rise to be successful and competitive in the industry (Mansor, et.al., 2012). The idea of awareness looks to discover how customers find knowledge about products or services and to what extent they may be lacking information about the product or services (Kotler and armstrong, 2004). The process of awareness has to do with consumers getting familiar with a service and product through advertising, promotion and some other marketing communications means with the company brand, product and services, and informing people about its special features and benefits and showing how it is different in functional or symbolic sense to competitive brands (Shimp, 1997).

The majority of SME owners in Nigeria are aware of the variety of financing options inclusive of loan credit from banks that are obtainable to them. However, a study reveals that the level of this awareness of SME owners is fairly on the low side, because they might only be aware on a surface level of the financial options, not having an in-depth knowledge of what it requires (Gadenne et al., 2009).

3.5.3 SMEs Risk Perception

The significance of risk management is at present escalated above issues such as long-term and short-term financing constrains. Proclaiming the existence of a risk management strategy is insufficient, SMEs needs to seriously take on in

the practice of risk management to deal with major risks that they could experience in the present economic conditions, the combination of credit crisis risk, fluctuating commodity prices, increased government debt and many other economy variable which can make impact on the enterprises (Plourd, 2009). Risk and risk management is a key concern for all companies, especially SMEs because they display the most sensitive reaction to business risk and competition (Alquier, 2006).

In SMEs, the management of risk is left to the owner's opinion toward what he considers as threats and opportunities to the business. Although risk management principles are common to all types of enterprises, the risk perception of the owner and his mind-set towards risk management influences the sufficiency of the business's risk management dealings to be used (Watt, 2007). The enterprise can end up losing money if the business goes down in value due to some economic conditions and if the business have use credit service of financial institution, the losses would be greater than self-invested owned money. Also whether the enterprise makes profit or not, the enterprise will still pay back the loan plus interest. This situation could be perceived by the owner-manager to be risky (Yolande, 2012).

3.5.4 Political Policy

There have been a lot of planned measures set by the government, lawmaking agency and the private sector to support SME's in Nigeria. A lot of specialist distinguishes marketing and finance as the main crisis and significant answer to the enlargement of SME's (Ogechukwu, 2011).

There are needed government policies that should match what SMEs considers as the significant business conditions such as improved business regulation:

simplification, better assessment for new legislation, Public-Private-Consultations, Promotion of entrepreneurial learning, Support in export promotion and financial support (Fanelli, 2011).

Chapters 4

ANALYSIS, EMPIRICAL FINDINGS AND DISCUSSION

4.1 Reliability Test

This refers to how dependable and consistent the items on the questionnaires are. For the purpose of this research, we measured it to be when Cronbach's Alpha is greater than 0.65. With the aid of SPSS application, the reliability test of questionnaires i.e. the Cronbach's Alpha is 0.740 with the number of 36 items which implies that the items are reliable.

4.2 Independent T-test and One way ANOVA

Independent T-test is used to analyze and compare values of two set that has no relationship between them. While one way ANOVA means one way analysis of variance, a method in statistics used to distinguish component in observing a set of variation of values.

4.3 Factor Variables, Hypothesis and the Interpretation

The factor variables which were used to analyze the dependent variables for this research are:

The types of business

The types of Ownership of the enterprise

The Life span of Business

The Number of Employees of the SMEs

The Annual Turnover of the Business

The types of Bank Account the SMEs Owner use

The size of capital of the Enterprise

Membership of Association of the SMEs

The Age of the SMEs owner

The Education background of the SMEs owner

The gender of the SMEs owners

The marital status of the SMEs owners

4.4 Hypothesis Formulation

This thesis is going to make use of the null hypothesis (Ho) and alternate hypothesis (Ha) to interpret the ANOVA and Independent t-test analysis.

Ho: There is NO significance in dependent variable according to factor variable of the SME owners.

Ha: There is significance in dependent variable according to factor variable of the SME owners.

We reject 'Ho' when significance calculated is less than 0.10 which implies that there is an influence by the factor variable on the dependent variable.

4.5 Analysis and Interpretation

- **The types of business**

51.4 % SMEs respondents are into the line of service while 48.6% are into the line of production.

Table 3. Independent T Test for type of business

	Levene's Test for Equality of Variances	
	F	Sig.
Perceived Accessibility (PA)	10.225	.002
Perceived Awareness (PAW)	23.739	.000
Perceived Risk (PR)	1.459	.229
Political policy (PP)	24.760	.000

The table above shows the significance calculated for the Perceived accessibility (PA) to be 0.002 and it is less than 0.10, we reject the Ho which says there is NO significance in PA according to type of business of the SMEs and conclude that there is significance. This implies that type of business as a factor of the SMEs has an influence on their perceived accessibility to obtaining bank credit loans.

The Perceived awareness (PAW) significance calculated is 0.000 and it is less than 0.10, we therefore reject the Ho which says there is NO significance in PAW according to type of business of the SME owners and conclude that there is significance in the perception of awareness by SME owners. This implies that the type of business as a factor of the SMEs has an influence on their perceived awareness to obtaining bank credit loans.

Perceived Risk (PR) show a significant value of 0.229 and it is greater than 0.10, we therefore fail to reject the Ho which says there is NO significance in PR according to the type of business of the SMEs. And this implies that the type of business as a

factor of the SMEs has no influence on the perceived risk to obtaining bank credit loans.

Since significance calculated for Political policy (PP) is 0.000 and less than 0.10, we REJECT the Ho which says there is NO significance in PP according to type of business of the SMEs, and conclude that there is significance in the perception of political policy by SMEs. This implies that type of business as a factor of the SMEs has an influence on their perceived political policy to obtaining bank credit loans.

The type of business of SMEs will not be considered to be a major factor because not all the dependent variable was significant to influence the SMEs toward obtaining bank credit loans

- **The types of Ownership of the enterprise**

66.3% of the SMEs owners are sole proprietors while 33.7% are into partnership.

Table 4. Independent T -Test on Types of Ownership of the Enterprise

	Levene's Test for Equality of Variances	
	F	Sig.
Perceived Accessibility (PA)	2.023	.157
Perceived Awareness (PAW)	14.612	.000
Perceived Risk (PR)	31.061	.000
Political policy (PP)	.349	.555

The Perceived accessibility (PA) significance calculated is 0.157 and it is than 0.10, so we fail to reject the Ho which says there is NO significance in PA according to type of ownership of the SMEs. The implication of this is that type of ownership as a factor of the SMEs has no influence on their perceived accessibility to obtaining bank credit loans.

The Perceived awareness (PAW) significance calculated is 0.000 and it is less than 0.10, we therefore reject the Ho which says there is NO significance in PAW according to type of ownership of the SMEs and conclude that there is significance in the perception of awareness by SMEs. This implies that type of ownership as a factor of the SMEs has an influence on their perceived awareness to obtaining bank credit loans.

Perceived Risk (PR) shows a significant value of 0.000 and it is less than 0.10, we therefore reject the Ho which says there is NO significance in PR according to the type of ownership of the SMEs and conclude that there is significance in the perception of risk by SMEs. This implies that the type of ownership as a factor of the SMEs has an influence on the perceived risk to obtaining bank credit loans.

Since significance calculated for Political policy (PP) is 0.555 and it is greater than 0.10, we fail to reject the Ho which says there is NO significance in PP according to type of ownership of the SMEs, implying that type of ownership as a factor of the SMEs has no influence on their perceived political policy to obtaining bank credit loans.

As a result of the difference in the significance of all the dependent variable (PA, PAW, PR, and PP), we will not considered type of ownership of SMEs as a factor

variable to be a major factor significant to influence the SMEs toward obtaining bank credit loans

- **The Life span of Business**

5.5 % of the SMEs have been in business for 1year, 26.5% for 1-5years, 55.8 % for 5-10 years, 12.2% for 11 to 20 years.

Table 5. ANOVA for Life span of Business

	Sum of Squares	Df	Mean Square	F	Sig.
Perceived Accessibility (PA)	18.716	3	6.239	12.640	.000
	87.362	177	.494		
	106.078	180			
Perceived Awareness (PAW)	.583	3	.194	.788	.502
	43.613	177	.246		
	44.196	180			
Perceived Risk (PR)	6.620	3	2.207	7.025	.000
	55.595	177	.314		
	62.215	180			
Political policy (PP)	.580	3	.193	.772	.511
	44.276	177	.250		
	44.856	180			

The Perceived accessibility (PA) significance calculated is 0.000 and it is less than 0.10, so we reject the Ho which says there is NO significance in PA according to the life span of the SMEs and conclude that there is significance in the perception of accessibility by SMEs. The implication of this is that life span as a factor of the SMEs has an influence on their perceived accessibility to obtaining bank credit loans.

The Perceived awareness (PAW) significance calculated is 0.502 and it is greater than 0.10, we therefore fail to reject the H_0 which says there is NO significance in PAW according to life span of the SMEs. This implies that life span as a factor of the SMEs has no influence on their perceived awareness to obtaining bank credit loans.

Perceived Risk (PR) shows a significant value of 0.000 and it is less than 0.10, we therefore reject the H_0 which says there is NO significance in PR according to the life span of the SMEs and conclude that there is significance in the perception of risk by SMEs. The implication is that the life span as a factor of the SMEs has an influence on the perceived risk to obtaining bank credit loans.

Since significance calculated for Political policy (PP) is 0.511 and it is greater than 0.10, we fail to reject the H_0 which says there is NO significance in PP according to life span of the SMEs, implying that the life span as a factor of the SMEs has no influence on their perceived political policy to obtaining bank credit loans.

As a result of the difference in the significance of all the dependent variable (PA, PAW, PR, and PP), we will not considered the life span of SMEs as a factor variable to be a major factor significant to influence the SMEs toward obtaining bank credit loans

- **The Number of Employees of the SMEs**

67.4% of the SMEs respondent has an employee size of 1-9 while, 32.6% has 10-20 number of employees.

Table 6. ANOVA number of Employees of the SMEs

	Sum of Squares	Df	Mean Square	F	Sig.
Perceived Accessibility (PA)	25.614	1	25.614	56.981	.000
	80.464	179	.450		
	106.078	180			
Perceived Awareness (PAW)	3.047	1	3.047	13.256	.000
	41.149	179	.230		
	44.196	180			
Perceived Risk (PR)	.159	1	.159	.459	.499
	62.056	179	.347		
	62.215	180			
Political policy (PP)	.007	1	.007	.028	.868
	44.849	179	.251		

The Perceived accessibility (PA) significance calculated is 0.000 and it is less than 0.10, so we reject the Ho which says there is NO significance in PA according to the number of employees of the SMEs and conclude that there is significance in the perception of accessibility by SMEs. The implication of this is that number of employees as a factor of the SMEs has an influence on their perceived accessibility to obtaining bank credit loans.

The Perceived awareness (PAW) significance calculated is 0.000 and it is less than 0.10, therefore we reject the Ho which says there is NO significance in PAW according to number of employees of the SMEs and conclude that there is significance in the perception of awareness by SMEs. This implies that number of employees as a factor of the SMEs has an influence on their perceived awareness to obtaining bank credit loans.

Perceived Risk (PR) shows a significant value of 0.499 and it is greater than 0.10, so we fail to reject the H_0 which says there is NO significance in PR according to the number of employees of the SMEs. The implication is that the number of employees as a factor of the SMEs has no influence on the perceived risk to obtaining bank credit loans.

Since significance calculated for Political policy (PP) is 0.868 and it is greater than 0.10, we fail to reject the H_0 which says there is NO significance in PP according to number of employees of the SMEs, implying that the life span as a factor of the SMEs has no influence on their perceived political policy to obtaining bank credit loans.

As a result of the difference in the significance of all the dependent variables (PA, PAW, PR, and PP), we will not consider the number of employees of SMEs as a factor variable to be a major factor significant influencing the SMEs toward obtaining bank credit loans.

- **The Annual Turnover of the Business**

Table 7 below shows the percentage of the annual turnover of the business while table 8 shows the ANOVA annual turnover of the business.

Table 7. Percentage of Annual Turnover of the Business

In Naira (160 naira = 1 dollar)	Frequency	Percent
Below 500,000	19	10.5
500,001-1,000,000	10	5.5
1,000,001-2,000,000	46	25.4
2,000,001-4,000,000	74	40.9
4,000,001-8,000,000	32	17.7
Total	181	100.0

Table 8. ANOVA Annual Turnover of the Business

	Sum of Squares	Df	Mean Square	F	Sig.
Perceived Accessibility (PA)	34.949	4	8.737	21.620	.000
	71.129	176	.404		
	106.078	180			
Perceived Awareness (PAW)	6.013	4	1.503	6.929	.000
	38.183	176	.217		
	44.196	180			
Perceived Risk (PR)	18.225	4	4.556	18.229	.000
	43.990	176	.250		
	62.215	180			
Political policy (PP)	13.704	4	3.426	19.357	.000
	31.151	176	.177		
	44.856	180			

The perceived accessibility (PA) shows significance calculated value to be 0.000 and it is less than 0.10, so we reject the H_0 which says there is NO significance in PA according to Annual turnover of the SME and conclude that there is significance in the perception of accessibility by SME owners. This implies that the annual turnover of the business as a factor of the SMEs has an influence on their perceived accessibility to obtaining bank credit loans.

Since significance calculated of the perceived awareness is 0.000 and it is less than 0.10, we REJECT the Ho which say that there is NO significance in PAW according to Annual turnover of the SME and conclude that there is significance. And this implies that the annual turnover of the business as a factor of the SMEs has an influence on their perceived awareness to obtaining bank credit loans.

The perceived risk significance calculated value is 0.000 and it is less than 0.10, therefore we reject the Ho which says there is NO significance in PR according to Annual turnover of the SMEs and conclude that there is significance. And this implies that the annual turnover of the business as a factor of the SMEs has an influence on their perceived risk to obtaining bank credit loans.

The calculated significance value of Political policy (PP) is 0.000 and it is less than 0.10, therefore we reject the Ho which says there is NO significance in PP according to annual turnover of the SME, and conclude that there is significance in the perception of political policy by SME owners. This implies that the annual turnover of the business as a factor of the SMEs has an influence on their perceived political policy to obtaining bank credit loans.

The annual turnover will be considered as a major factor of influence on the SMEs obtaining loan from bank because it is significant to all the dependent variable (PA, PAW, PR, and PP).

- **The Types of Bank Account the SMEs Owner uses**

0.5% of the SMEs owner has a savings account while 89.5% have a demand account, none of the respondent had a fixed Account.

Table 9. ANOVA of Types of Bank Account the SMEs Owner uses

	Sum of Squares	Df	Mean Square	F	Sig.
Perceived Accessibility (PA)	6.779	1	6.779	12.220	.001
	99.299	179	.555		
	106.078	180			
Perceived Awareness (PAW)	.365	1	.365	1.493	.223
	43.831	179	.245		
	44.196	180			
Perceived Risk (PR)	.036	1	.036	.103	.749
	62.179	179	.347		
	62.215	180			
Political policy (PP)	.911	1	.911	3.712	.056
	43.944	179	.245		
	44.856	180			

From the above table, we can see that the perceived accessibility (PA) significance calculated is 0.001 and it is less than 0.10, we reject the H_0 which says there is NO significance in PA according to types of bank account of the SME and conclude that there is significance in the perception of accessibility by SME owners. Implying that the type of bank account of the business as a factor of the SMEs has an influence on their perceived accessibility to obtaining bank credit loans.

Since significance calculated for Perceived awareness (PAW) is 0.223 and it is greater than 0.10, we fail to reject the H_0 which says there is NO significance in PAW according to type of bank account of the SMEs, implying that the type of bank account as a factor of the SMEs has no influence on their perceived awareness to obtaining bank credit loans.

Since significance calculated for Perceived risk (PR) is 0.749 and it is greater than 0.10, we fail to reject the H_0 which says there is NO significance in PR according to the type of bank account of the SMEs, implying that the type of bank account as a factor of the SMEs has no influence on their perceived risk to obtaining bank credit loans.

The political policy (PP) significance calculated is 0.056 and less than 0.10, so we reject the H_0 which says there is NO significance in PP according to types of bank account of the SME, concluding that there is significance in the perception of political policy by SME owners. And this implies that the type of bank account of the business as a factor of the SMEs has an influence on their perceived political policy to obtaining bank credit loans.

We cannot consider the type of bank account to be strong factor because not all the dependent variables are significant to it.

- **The size of capital of the Enterprise**

The table 10 below shows the percentage of respondent's size of capital for the enterprises while, table 11 shows the ANOVA of size of capital of the enterprise.

Table 10. Percentage of respondent size of capital

In Naira(160 naira = 1dollar)	Frequency	Percent
Below 500,000	19	10.5
500,001-1,000,000	29	16.0
1,000,001-2,000,000	18	9.9
2,000,001-4,000,000	34	18.8
4,000,001-8,000,000	71	39.2
8,000,000-12,000,000	10	5.5
Total	181	100.0

Table 11. ANOVA of size of capital of the Enterprise

	Sum of Squares	Df	Mean Square	F	Sig.
Perceived Accessibility (PA)	29.106	5	5.821	13.235	.000
	76.972	175	.440		
	106.078	180			
Perceived Awareness (PAW)	18.390	5	3.678	24.942	.000
	25.806	175	.147		
	44.196	180			
Perceived Risk (PR)	26.017	5	5.203	25.156	.000
	36.198	175	.207		
	62.215	180			
Political policy (PP)	16.471	5	3.294	20.310	.000
	28.384	175	.162		
	44.856	180			

The above table shows the perceived accessibility (PA) significance calculated value to be 0.000 and it is less than 0.10, so we reject the Ho which says there is NO significance in PA according to the size of capital of the SMEs and conclude that there is significance in the perception of accessibility by SME owners. This implies

that the size of capital of the business as a factor of the SMEs has an influence on their perceived accessibility to obtaining bank credit loans.

The significance calculated value of the perceived awareness is 0.000 and it is less than 0.10, so we reject the H_0 which says that there is NO significance in PAW according to size of capital of the SME and conclude that there is significance. And this implies that the size of capital of the business as a factor of the SMEs has an influence on their perceived awareness to obtaining bank credit loans.

The perceived risk significance calculated value is 0.000 and it is less than 0.10, therefore we reject the H_0 which says there is NO significance in PR according to size of capital of the SMEs and conclude that there is significance. And this implies that the size of capital of the business as a factor of the SMEs has an influence on their perceived risk to obtaining bank credit loans.

The calculated significance value of Political policy (PP) is 0.000 and it is less than 0.10, therefore we reject the H_0 which says there is NO significance in PP according to size of capital of the SME, and conclude that there is significance in the perception of political policy by SME owners. This implies that the size of capital of the business as a factor of the SMEs has an influence on their perceived political policy to obtaining bank credit loans.

The size of capital is a major factor of influence on the SMEs obtaining loan from bank because it is significant to all the dependent variable (PA, PAW, PR, and PP).

- **Membership of Association of the SMEs**

49.7% of the SMEs are members of a business association while 50.3% are not registered member of any business association.

Table 12. Independent T-test for membership of association of the SME's

	Levene's Test for Equality of Variances	
	F	Sig.
Perceived Accessibility (PA)	17.320	.000
Perceived Awareness (PAW)	4.541	.034
Perceived Risk (PR)	22.212	.000
Political policy (PP)	7.765	.006

From the above table, the significance calculated for perceived accessibility is 0.000 and it is less than 0.10, we reject the Ho which says there is NO significance in PA according to being a member of any association to the SMEs, meaning that there is significance in the perception of accessibility by SME. This implies that membership in association for the business as a factor of the SMEs has an influence on their perceived accessibility to obtaining bank credit loans.

The perceived awareness (PAW) significance calculated is 0.034 and it is less than 0.10, we reject the Ho which says there is NO significance in PAW according to being a member of any association to the SME owners, and conclude that there is significance in the perception of awareness by SME. And this implies that membership in association for the business as a factor of the SMEs has an influence on their perceived awareness to obtaining bank credit loans.

Since perceived risk (PR) significance calculated is 0.000 and it is less than 0.10, we reject the H_0 which says that there is NO significance in PR according to being a member of any association to the SMEs, concluding that there is significance in the perception of risk by SME owners. And this implies that membership in association for the business as a factor of the SMEs has an influence on their perceived risk to obtaining bank credit loans.

Political policy significance calculated is 0.006 and it is less than 0.10, we reject the H_0 which says that there is NO significance in PP according to being a member of any association/chamber to the SME owners, and conclude that there is significance. This implies that membership in association or chamber for the business as a factor of the SMEs has an influence on their perceived political policy to obtaining bank credit loans.

All the dependent variable are significant to the factor variable of the SMEs so we can conclude that being a membership in association is a major of SMEs obtaining loan from bank.

- **The Age of the SMEs owner**

The demographic question one; which was about the age of the respondents. 10.5 % of the respondent are between 18-25 years, 45.3% are between 26-35 years, and 44.2% are between 36-50 years. The age 51 and above were not respondent to the study.

Table 13. ANOVA for Age of the SMEs Owner

	Sum of Squares	Df	Mean Square	F	Sig.
Perceived Accessibility (PA)	2,868	2	1,434	2,473	.087
	103,210	178	,580		
	106,078	180			
Perceived Awareness (PAW)	,783	2	,391	1,605	.204
	43,413	178	,244		
	44,196	180			
Perceived Risk (PR)	4,038	2	2,019	6,177	.003
	58,177	178	,327		
	62,215	180			
Political policy (PP)	1,128	2	,564	2,297	.104
	43,727	178	,246		
	44,856	180			

The perceived accessibility (PA) significance calculated is 0.087 and it is less than 0.10, we therefore reject the H_0 which states that there is NO significance in PA according to ages of the SMEs, and conclude that there is significance in the perception of accessibility by SME owners. This implies that age group as a factor of the SMEs has an influence on their perceived accessibility to obtaining bank credit loans.

The perceived awareness (PAW) significance calculated is 0.204 and it is greater than 0.10, so we fail to reject the H_0 which says that there is NO significance in PAW according to ages of the SMEs. And the implication is that age group as a factor of the SMEs has no influence on their perceived awareness to obtaining bank credit loans

Since the Perceived risk significance calculated is 0.003 and it is less than 0.10, so we therefore reject the H_0 which states that there is NO significance in Perceived Risk according to ages of the SME owners, and conclude that there is significance in the perception of risk by SME owners according to age groups. This implies that age

group as a factor of the SMEs has an influence on their perceived awareness to obtaining bank credit loans.

The political policy (PP) significance calculated is 0.104 and it is greater than 0.100, so we fail to reject the Ho which says that there is NO significance in PP according to ages of the SMEs. And the implication is that age group as a factor of the SMEs has no influence on their perceived awareness to obtaining bank credit loans

Age group is not a major factor of influence on SMEs to obtaining bank loan because the dependent variables are not all significant.

• **The Education Background of the SMEs owner**

Demographic question three is on the educational background of the respondent. The result showed that 10.5% were high school graduate, 78.5 % were associate Degree/Bachelor degree and 11.0% were Graduate degree holders.

Table 14. ANOVA for Education background of the SMEs owner

	Sum of Squares	Df	Mean Square	F	Sig.
Perceived Accessibility (PA)	12.989	2	6.495	12.419	.000
	93.089	178	.523		
	106.078	180			
Perceived Awareness (PAW)	1.343	2	.671	2.789	.064
	42.853	178	.241		
	44.196	180			
Perceived Risk (PR)	1.191	2	.596	1.737	.179
	61.024	178	.343		
	62.215	180			
Political policy (PP)	8.188	2	4.094	19.874	.000
	36.667	178	.206		
	44.856	180			

From the above table, we can see that the perceived accessibility (PA) significance calculated is 0.000 and it is less than 0.10, we reject the H_0 which says there is NO significance in PA according to educational background of the SME owners and conclude that there is significance in the perception of accessibility by SME owners. Implying that the educational background of the owners as a factor of the SMEs has an influence on their perceived accessibility to obtaining bank credit loans.

Since significance calculated for Perceived awareness (PAW) is 0.064 and it is less than 0.10, we therefore reject the H_0 which says there is NO significance in PAW according to educational background of the owner of the SMEs, and conclude that there is significance. Implying that the educational background of the owners as a factor of the SMEs has an influence on their perceived awareness to obtaining bank credit loans.

Since significance calculated for Perceived risk (PR) is 0.179 and it is greater than 0.10, we fail to reject the H_0 which says there is NO significance in PR according to the educational background of the owners of the SMEs, implying that the educational background as a factor of the SMEs has no influence on their perceived risk to obtaining bank credit loans.

The political policy (PP) significance calculated is 0.000 and less than 0.10, so we reject the H_0 which says there is NO significance in PP according to educational background of the owners of the SMEs, concluding that there is significance in the perception of political policy by SME owners. And this implies that the educational background of the owners as a factor of the SMEs has an influence on their perceived political policy to obtaining bank credit loans.

Nevertheless we cannot consider the educational background of the owners to be a strong factor because not all the dependent variables are significant to it.

- **The gender of the SMEs owners**

The demographic question two is the gender, the female respondent are 33.1% while the Male respondents are 66.9% .The Implication is the in Nigeria we have more male SMEs owners. The figure below shows this:

Table 15. Independent T-Test for Gender of the SMEs owners

	Levene's Test for Equality of Variances	
	F	Sig.
Perceived Accessibility (PA)	17.473	.000
Perceived Awareness (PAW)	13.670	.000
Perceived Risk (PR)	1.837	.177
Political policy (PP)	14.721	.000

The perceived awareness (PA) significance calculated is 0.000 and less than 0.10, so we reject the Ho which says that there is NO significance in PA according to gender of the SME owners, and conclude that there is significance in the perception of accessibility by SME owners according to gender. This implies that gender of the owners of the business as a factor of the SMEs has an influence on their perceived accessibility to obtaining bank credit loans.

Since significance calculated is 0.000 and less than 0.10, we REJECT the Ho which says that there is NO significance in PAW according to gender to the SME owners,

and conclude that there is significance in the perception of awareness by SME owners according to gender. Implying that gender of the owners of the business as a factor of the SMEs has an influence on their perceived awareness to obtaining bank credit loans.

Perceived risk calculated significance is 0.177 which is greater than 0.10, therefore we fail to reject the H_0 which says that there is NO significance in PR according to gender of the SME owners. This implies that gender of the owner of the business as a factor of the SMEs has no influence on their perceived risk to obtaining bank credit loans.

Since significance calculated is 0.000 and less than 0.10, we therefore reject the H_0 ; there is NO significance in PP according to gender of the SME owners, and conclude that there is significance in the perception of political policy by SME owners. This implies that gender of the owners of the business as a factor of the SMEs has an influence on their perceived political policy to obtaining bank credit loans.

Gender will not be considered as a major factor because not all the dependent variables are significant to the factor variable which is gender; therefore it has no influence on the SMEs obtaining bank loans.

- **The marital status of the SMEs owners**

Demographic question four is the marital status of the respondents, 30.4% are single while 69.6 are married. 0% was divorced. The figure below shows this;

Table 16. ANOVA for Marital Status of the SMEs owners

	Sum of Squares	Df	Mean Square	F	Sig.
Perceived Accessibility (PA)	5.809	1	5.809	10.370	.002
	100.269	179	.560		
	106.078	180			
Perceived Awareness (PAW)	6.101	1	6.101	28.665	.000
	38.096	179	.213		
	44.196	180			
Perceived Risk (PR)	1.169	1	1.169	3.427	.066
	61.046	179	.341		
	62.215	180			
Political policy (PP)	2.688	1	2.688	11.411	.001
	42.168	179	.236		
	44.856	180			

The above table shows the perceived accessibility (PA) significance calculated value to be 0.002 and it is less than 0.10, so we reject the H_0 which says there is NO significance in PA according to the marital status of the SME owner and conclude that there is significance in the perception of accessibility by SME owners. This implies that the marital status of the owners as a factor of the SMEs has an influence on their perceived accessibility to obtaining bank credit loans.

The significance calculated value of the perceived awareness is 0.000 and it is less than 0.10, so we reject the H_0 which says that there is NO significance in PAW according to the marital status of the SME owners and conclude that there is significance. And this implies that the marital status of the owners as a factor of the SMEs has an influence on their perceived awareness to obtaining bank credit loans.

The perceived risk significance calculated value is 0.066 and it is less than 0.10, therefore we reject the H_0 which says there is NO significance in PR according to

marital status of the owners of the SMEs and conclude that there is significance. And this implies that the marital status of the owners as a factor of the SMEs has an influence on their perceived risk to obtaining bank credit loans.

The calculated significance value of Political policy (PP) is 0.001 and it is less than 0.10, therefore we reject the H_0 which says there is NO significance in PP according to marital status of the owners of the SME, and conclude that there is significance in the perception of political policy by SME owners. This implies that the marital status of the owners as a factor of the SMEs has an influence on their perceived political policy to obtaining bank credit loans.

The marital status of the owners is a major factor of influence on the SMEs obtaining loan from bank because it is significant to all the dependent variable (PA, PAW, PR, and PP).

63.5% have applied for business loan within 2009 till 2013 while 36.5 % did not apply. 18.2 % of the owners had their demand for loan granted while 54.7% were rejected. Those that their loans were granted are 16% with the proportion of 10-20% loan to their capital, 1.1% got 30-40% and 40-50% proportion of the capital respectively.

12.7% of the SMEs owners got all they demanded for in their application while 19.9% didn't get all they wanted. A percentage of 37.6 raised capital to establish their business by self-saving, 24.3 % from family, 27.6% from friend/individual and 10.5% from the bank.

Chapter 5

CONCLUSION AND RECOMMENDATION

5.1 Conclusion

This study has formed an awareness of the factors that likely establishes the difficulties of SME obtaining loan credit from banks in Nigeria. We now understand that there are perceptions of the SME influenced by some factors like Age, educational background, turnover, type of business, life span of the business, number of employees, size of capital, membership in business association to how they can obtain and use bank credit.

Perceived accessibility, perceived risk, perceived awareness and political policy as the dependent variable were carefully chosen and were analyzed with the factors above to point out other details to the challenge of credit financing of SME's. Statistical analysis end result brought to light that not every factor that was employed to analyze the perceptions of the SME's was relevant to influence them in obtaining the loan credit.

The end result crystallized that the challenges of SME's credit finance with banks has some underlying Issues to how and why this process seem to be a bottleneck in the economy. The major factor that was an influence to all the perception of the SME's were Marital status, Annual turnover, capital size and the membership of association.

We can deduct from this research that marital status is an eminent factor the bank should be concerned with in ascertaining credit worthiness. And also SMEs owner marital status affects their level of risk and willingness to introduce credit loan into their business for leverage.

Annual turnover shows what the business generates as revenue at the end of the year, and it is significant for how the SMEs relates their business to acquiring loan from the bank. This factor is always a criterion from bank to issue loan to any business so the banks should liaison with the SMEs and not be too strict with this factor so as to promote SMEs obtaining loans.

Although SMEs can startup with little or no capital just as we discuss in the literature review but for expansion and growth they will require increase in capital size which has been proven to be a significant factor in our analysis that influence the SMEs to obtaining loan from the bank. Seeing that this is important for growth and develop of the SMEs, the government should help make easy, transparent policy that will encourage both the bank to loan out the money and also the SMEs to come forward for the loan credit that they require.

SMEs membership in an association is a factor that the bank should use to their advantage to strengthen their relationship with the SMEs, making their service available by collaborating with the association to avoid default in loan payment and encourage SMEs access to finance. Also government should put in place policies that will give to SMEs association a solid structure and foundation to enhance SMEs growth and development.

5.2 Recommendation for Future Research

In contrast, I do suggest that from this study additional research should be carried out, aimed at analyzing the disparity in factors in more comprehensive approach to look into the challenges of SME's obtain loans from the bank. A detailed analysis with a larger sample size can be carried out to unveil more understanding toward the challenges of SMEs using credit finance of banks in Nigeria.

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APPENDIX

Appendix: Questionnaire

(1)- Strongly disagree, (2) - Disagree, (3) - Neither agree nor Disagree, (4) - Agree,

(5) - Strongly agree

Perceive accessibility (PA)	1	2	3	4	5
1..Are the processes for earning bank credit easily comprehensible					
2.It is easy for a good business to obtain financing from the banks					
3.Access to long-term credits (over 2 years) is more important for SMEs than short-term credit					
4. Banks is the most helpful source of finance for your business?					
5. A good collateral is a qualification for getting loans					
6. SMEs association are helpful in promoting access to credits form banks					
7. Chambers of industry and commerce are helpful in promoting SMEs access to formal finance					
8. Mutual guarantee associations aids SMEs in the obtaining loan					
Perceived awareness (PAW)	1	2	3	4	5
1.Banks are responsive to your type of business (SMEs) credit finance requirements					

2.SMEs have not been in Good relationships with banks					
3.My business is too small to have enough information to gain credit from the bank					
4.Information about banks loan requirement are readily available to you					
perceived risk (PR)	1	2	3	4	5
1.The interest rate that bank charges on your type of business are higher than other larger business enterprise					
2.The use of loan will reduce the risk to reward ratio hence increasing profit					
3.The competition you face is biased towards larger business enterprises in contending for bank credits					
4. Credit loan from bank will be a burden to your business?					
Political perception (PP)	1	2	3	4	5
1.The government has strategic plans and policies to promote SMEs					
2.The development of SMEs in a priority of the Government					
3.The responsiveness of the government to the need of SMEs business is high					
4. in most cases, the government's policies are in favor of large enterprises					

- Q1. please specify your type of business
 Services Production
- Q2. please specify your type of business
 Sole proprietorship partnership
- Q3. How long have you been in business?
 Below 1year 1-5years 5-10years 11- 15years 15-20years
- Q4. please specify the number of your employees
 1-9 10-20 21-50 51-100 101-200
- Q5. Please what is your annual turnover (in Naira)?
 Below 500,000 500,001- 1,000,000 1,000,001-2,000,000
 2,000,001-4,000,000 4,000,001-8,000,000 8,000,001-12,000,000
 12,000,000 and above
- Q6. Do you have a bank account? Yes No
- Q7. please specify the type(s)
 Saving Demand Fixed
- Q8. Do you have information about credit loans offer to SMEs by banks?
 Yes No
- Q9 Have you applied for a business loan within 2009 to now?
 Yes No
- Q10. Was your demand granted? Yes No
- Q11. If yes, what was the proportion of the bank loan to your overall capital
 Below 10% 10-20% 20-30% 30-40% 40-50% 50%
 above
- Q12. Did you get all you demanded for? Yes No
- Q13. How did you raise capital to establish your business enterprise?

Self-saving from family from friend/individual from bank

Q14.What is the size of your capital?

Below 500,000 500,001-1,000,000 1,000,001-2,000,000

2,000,001-4,000,000 4,000,001-8,000,000 8,000,001-

12,000,000 12000,000 and above

Q15.Have you ever defaulted in previous loans? Yes No

Q16.Are you a member to any Business Association/chamber? Yes No

Demographic Questions:

Age

18-25 26-35 36-50 51-65 66 and above

Gender

Female Male

Educational Level

High school Graduate Associate Degree/Bachelor Degree

Graduate Degree (Master/PhD)

Nationality

Marital status

Single Married Divorce