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RESEARCH ARTICLE

Small Business Funding and Survival of SME'S in Nigeria: A Regression Analysis

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ABSTRACT

The study examined small business funding and survival of SME'S in Nigeria. The study specifically examined the effect of Government Enterprise and Empowerment programme (GEEP), Cassava bread support fund MSMES Survival fund and textile survival fund on the profit for the year of SMES in Nigeria. Data for the study was sourced from published article of bank of industry, result of the analysis shows that Government Enterprise and Empowerment programme (GEEP) has significant effect on profit for the year of SMES in Nigeria. It was also observed that cassava bread support fund has a significant effect on profit for the year of SMES in Nigeria. The study further shows that MSMES survival fund does not have significant effect on profit for the year of SMES in Nigeria. It was equally observed that textile survival fund affects profit for the year of SMES in Nigeria based on the findings, the study recommended among others that SMEs leaders should not avoid external finance as part of sources of finance to developing their businesses.

Keywords: *Small Business Funding; SMEs in Nigeria; MSMES Survival Fund: Textile Survival Fund*

Introduction

The government of Nigeria established policies to support financing SMEs because the SMEs will contribute to economic growth of the country (Allen and Rose, 2016). Banks in Nigeria have the same criteria for funding SMEs; however, the banks provide funding based on collaterals. SMEs with 5M Naira in capital can have access to bank financing in Nigeria (Berger and Udell, 2016). Bank lending is the primary source of external finance to SMEs; however, banks determine the limit of a funding offer to an SME after assessing capital base and collateral (Berger, Klapper and Udell, 2011).

The SME sector continues to fall short of expectation in contributing to Nigeria's economic development. Capital market imperfections, private placements, domestic banking, and strict supervision restrict access to funding by SMEs. At the early stage of SMEs' investments, angel investors, bootstrapping, and venture capitals (VC) finance provide individual investors a variety of capital portfolios. For instance, Maldivian SMEs use various approaches of bootstrapping to sustain existing investments and start-ups (Tambunan, 2015).

Angel investors and VC businesses usually meet face-to-face with initiators of SMEs who seek sponsorship, and conduct a due diligence assessment of the potential success of the venture before investing in the project (Smallbone and Welter, 2011).

Funding through informal sources facilitate access to liquidity; however, sources from the banking sector are often difficult to obtain (Sandberg, Vinberg & Pan, 2012). Banks traditionally ignore SMEs in developing countries because of the risk and limited nature of investment.

Small and Medium Enterprises (SMES) are very critical to the development of any economy. The important role of SMEs to the development of the economy of any nation is even more evident when the economies of developing nations are considered. The SMEs have played very important roles in the development of many Asian countries and indeed the Asian giants. The economic boom in some of these Asian countries which is not unconnected to SMEs have lifted hundreds of millions of people out of poverty and created tens of millions of new middle-class consumers (Kwon and Hahn, 2010). SMEs are responsible for driving innovation and competition in many economies. In India, the SMEs account for about 39% of manufacturing output and 33% of total exports. SMEs

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possess great potential for employment generation, improvement of local technology, output diversification, development of indigenous entrepreneurship and forward integration with large scale industries (Komppula, 2014).

SMEs in Nigeria have limited access to short-term credit from banks because of the absence of collateral security, poor record keeping, poor creditworthiness, and inadequate project proposals. The Nigerian banking regulations require banks to use 10% of their pretax earnings to fund SMEs. The general business problem is that the lack of bank credit negatively affects some SME business leaders, which hampers SMEs' growth and development in Nigeria. The specific business problem is that some SME leaders are unaware of the sources of funds necessary for the growth and development of their businesses.

The key issues affecting the SMEs in Nigeria can be grouped into four namely; unfriendly business environment, poor funding, low managerial skills and lack of access to modern technology. Lack of access to modern technology and low managerial skills (which may be due to lack of funds to acquire relevant technology and hire skilled staff) can be checked if the SMEs are properly funded. Financing of SMEs in Nigeria is therefore very critical if they are to perform the growth and developmental role in the nation's economy. Proper financing of SMEs in is an essential tool for promoting and leveraging small and medium enterprises development in Nigeria. It is against this backdrops that this study tends to examine small scale business funding and survival of SME'S in Nigeria.

The aim of this research work is to carry out a regression analysis on small scale business funding and survival of SME'S in Nigeria. The specific objectives of the Study include the following;

1. To examine the effect of Government Enterprise and Empowerment programme (GEEP) on the profit for the year of SMES in Nigeria.
2. To ascertain the effect of cassava bread support fund on the profit for the year of SMES in Nigeria.
3. To evaluate the effect of MSMES Survival fund on the profit for the year of SMES in Nigeria.
4. To determine the effect of textile survival fund on the profit for the year of SMES in Nigeria.

Based on the objectives above, the following questions were asked;

1. What are the effects of Government Enterprise and Empowerment programme (GEEP) on the profit for the year of SMES in Nigeria?
2. How does cassava bread support fund affect the profit for the year of SMES in Nigeria?
3. To what extent does MSMES survival fund on the profit for the year of SMES in Nigeria.
4. What are the effects of textile survival fund on the profit for the year of SMES in Nigeria?

The Hypotheses stated in null form are denoted by (H_0):

1. H_0: Government Enterprise and Empowerment programme (GEEP) does not have significant effect on profit for the year of SMES in Nigeria.
2. H_0: Cassava bread support fund does not have significant effect on profit for the year of SMES in Nigeria.
3. H_0: MSMES survival fund does not have significant effect on profit for the year of SMES in Nigeria.
4. H_0: Textile survival fund does not have significant effect on profit for the year of SMES in Nigeria.

Review of Related Literature

Conceptual Review

Government Enterprise and Empowerment Programme (GEEP)

The Government Enterprise and Empowerment Programme (GEEP) is an initiative by the Federal Government of Nigeria to provide financial inclusion and access to micro-credit for Nigerians at the bottom of the economic pyramid. GEEP aims to provide capital to beneficiaries in an easily accessible way to grow their business and on-board these beneficiaries into the formal financial system through bank accounts, mobile wallets, and formal identities (Allen and Rose, 2016).

The GEEP program was launched as one of Nigeria's National Social Investment programs under the management of NSIO to alleviate poverty by providing access to funds for Nigerian entrepreneurs who will otherwise struggle. This program was launched with two broad objectives:

i. **Access to funding:** provide microloans in an easily accessible way to those at the bottom of the pyramid who engage in commercial activities but face significant challenges with access to finance/credit

ii. **Financial inclusion:** through these microloan offers and access to finance, ensure that the beneficiaries are brought under the formal financial sector and can further seize the opportunity to access other credit products from financial service providers.

Berger and Udell (2016) opined that consequently, GEEP launched three products namely: MarketMoni, TraderMoni, and FarmerMoni. In its literal meaning, these names were coined from the pidgin language understood by Nigerians. Evaluation reports are available on request. Early 2020, the world faced the dual shock of a global pandemic (Covid-19), leading to an economic shutdown. In order to understand the impact of the Covid-19 pandemic on the lives of GEEP beneficiaries, RPA through its consultant 60 Decibels, conducted a survey of GEEP beneficiaries to understand beneficiaries' experiences, how they were adjusting to the crisis, and garner insights on how best to support them.

The survey entailed 18 rounds of data collection f(twice per month) from August 2020 to May 2021 from beneficiaries across Nigeria's six(6) geopolitical regions, to understand direct Covid-19 pandemic impacts on households, earning, income, spending habits, financial situation etc. and identify areas of opportunities for high-impact interventions. Over 100 responses were targeted per survey round (Berger, Klapper and Udell, 2011).

Crutzen and Van (2017) opined that that the areas of the focus include:

i. **Coping Mechanisms:** Across rounds, savings emerged (about 75 – 98% of respondents confirmed) as a top coping mechanism for respondents, with a small proportion (between 13-16% of respondents) using more drastic mechanisms such as selling off assets and borrowing from both the formal financial sector and social networks (28 – 35%) – a worrying note on how COVID-19 has compromised household resilience. However, along these mechanisms, 10% of respondents were able to find new income sources to manage the period.
ii. **Impact on Business Income:** Respondents report a persistent concern about COVID-19, driven by an inability to work or earn income. 4 in 5 beneficiaries (over 80%) have suffered a reduction in income.
iii. **Impact on Farming:** Across rounds, FarmerMoni beneficiaries have struggled to acquire inputs and manage with tighter finances. At the last round, 40% of farmers noted that they were unable to acquire inputs, while over 55% admitted to limited finance as a challenge to their farming practice – this provides an opportunity to either expand credit to farmers or work with input providers to tie their products to funding.
iv. **Impact on Business:** Unsurprisingly, impact and lockdown were closely correlated. Given the low demand and supply stemming from closure due to movement restrictions, most beneficiaries experience low income. The government reopening on September 30, allowed business owners the flexibility and freedom to re-open and re-hire employees. At its low point in round 3 (September 30 – October 9, 2020), only about half of employers (49%) were able to cover employee salaries, now 4 in 5 (78%) can do so.
v. **Food consumption and Hunger:** There's been a reduction in consumption and a rise in hunger. Respondents consume less than they did and are more likely to experience hunger today than before the

pandemic. Despite high reports of decreased consumption at the beginning of the project, the most extreme reports dropped by half over the course of data collection. At the last round in May 2021, over 55% admitted to a decrease in food consumption in their households. On average, 3 in 5 respondents went hungry when they wouldn't normally.

vi. **Cash Accessibility:** Compared to the first round of data collection in August 2020, survey findings continue to show a rise in ease of access to cash among clients. 29% of beneficiaries said it was "very easy" to access cash in August 2020, but in round 18 (in May 2021), 57% admit that access to cash has become "very easy".

vii. **Loan Repayment:** Findings show loan repayment as a heavy burden for beneficiaries. More than 3 in 5 active GEEP beneficiaries explained that they struggled to repay their loan.

viii. **Overall Financial Situation:** Households report a worsening in their financial situation since the beginning of the pandemic, highlighting the long-lasting nature of the crisis. At the last round of data collection in May 2021, over 90% of respondents reported a "worse" situation since the pandemic started.

Cassava Bread Fund (CBF)

According to Fantazzini and Figini (2019) cassava bread fund was created by the Federal Government as part of the transformation policy in the agribusiness sector. To ensure that Nigeria becomes the largest cassava processor having occupied the position of largest producer of the commodity in the world, and guarantee the reduction of food import bills; a number of measures including the cassava bread policy were endorsed by the Government. Government's intervention in the Cassava Value Chain by funding Cassava Processors and Bakers would translate to foreign exchange savings and job creation along the cassava value chain and also prevent post-harvest losses.

Jamil & Mohamed (2011) emphasised that the initiative is aimed at providing equipment and working capital support to Master Bakers and High-Quality Cassava Flour (HQCF) processors across Nigeria. The Cassava Bread Development Fund is aimed at the gradual substitution of wheat flour with cassava flour up to 20%. This initiative would translate to foreign exchange savings and job creation along the cassava value chain and also prevent post-harvest losses.

After years of foot-dragging on disbursement of the major portion of the N10b first tranche release from the Cassava bread fund by the Federal Ministry of Agriculture and Rural Development (FMARD), Bank of Industry (BoI) and other stakeholders involved in the project, the scheme appears to be going the way of previous failed interventions of government in food and cash crops production (Jasra, Asifkhan, Hunjra, Rehman & I-Azam, 2011).

Concerned bodies, which include the National Cassava Processors and Marketers Association (NCAPMA); Master Bakers and Caterers Association; and National Cassava Growers Association, appear to have resigned to fate due to lack of information on the fund. Those who spoke with The Guardian claimed the fund has been siphoned or probably stashed away in some accounts where other benefits are derived. The fund, initiated in 2012 and released in principle in 2013, was meant for farmers, bakers, processors and others in the cassava value chain, to enhance productivity. According to report, the disbursement to individuals would be need-specific.

Kalbfleish & Prentice (2012) opined that five years down the lane, reports from beneficiaries and stakeholders are not palatable, as majority has tagged the project a 'fraud'. It was learnt that the approved work-plan of the initiative as spelt out, was to address the following components: Development of robust Cassava Root Supply Chain- 6,400 hectares under development, 5,000 hectares would be established under the Initiative's Mechanisation programme, 29,500 hectares would be established by small scale farmers and linked to SME's for adequate supply of cassava roots and at the right price; support to High Quality Cassava Flour (HQCF) producers through equipment support, provision of working capital and institution of guaranteed minimum price; equipment support and capacity building for Master Bakers to improve the cassava bread production efficiency; and social marketing to create awareness of the cassava bread and ensure its acceptability by Nigerian populace.

Komppula (2014) is of the view that these, a first tranche of N9.999b, from the over N50b that accrued to the account managed between Nigerian Customs Service and Federal Ministry of Finance, was approved by former President, Goodluck Jonathan to execute the following work-plan-Development of Robust Cassava Root Supply Chain-N4.72b; Support to HQCF producers through equipment support-N350m; provision of working capital-N893m; institution of guaranteed minimum price-N450m; Equipment support and capacity building for Master Bakers to improve the cassava bread production efficiency-N2.379b; and Social marketing to create awareness of the cassava bread and ensure its acceptability by Nigerian populace-N1.207b.

Kwon and Hahn (2010) opined that as captured in the approved work plan, development of robust cassava was targeted at making available adequate roots at the right price. Towards this end, N2.14b was domiciled with Bank of Agriculture (BOA), to establish 29,500 hectares of cassava. The balance of N2.58b was directly to be managed by FMARD to develop-6, 400 hectares under development; and 5,000 hectares under the Initiative's Mechanisation programme.

MSMES Survival Fund

Sandberg, Vinberg & Pan (2012) are of the view that the objective of the FG MSME CRM & MIS Platform is to help with the digital registration, on boarding and management of Micro, Small and Medium Enterprises for the Federal Government Survival Fund Program. The program includes Payroll Support, Guaranteed Offtake and MSME Grant. The CRM & MIS Platform will also enable the inventory management of the Guaranteed Offtake Scheme. This program is part of the Economic Sustainability Plan, which aims to support and protect these businesses from the potential vulnerabilities brought about by the COVID-19 pandemic. The COVID-19 crisis and its attendant restriction on movement of people and border closures is causing all components of aggregate demand to fall. The fall in household consumption in Nigeria stems from restrictions on movement, thus causing consumers to spend primarily on essential goods and services; low expectations of future income and the erosion of wealth and expected wealth.

According to Smallbone & Welter (2011) movement restrictions have not only reduced the consumption of nonessential commodities in general, but have affected the income-generating capacity of the population, thus reducing their own consumption expenditure. Nigeria has a large informal sector which contributes about 65 percent of its economic output and a large proportion of the population is clustered around the poverty line thus making them highly vulnerable to falling into poverty due to shocks. The MSME Revolving Guaranteed Off-take Scheme is one of the Federal Government's economic support measures to assist micro and small businesses affected by the pandemic. The Payroll Support Scheme is aimed at MSMEs adversely affected by the pandemic. The scheme will provide Payroll Support to a maximum of 10 employees per qualifying MSME.

In keeping to its promise to support businesses overcome challenges posed by the COVID-19 pandemic, the Federal Government has commence nationwide implementation of MSMEs Initiative namely; the MSMEs Survival Fund with the Payroll support track as the first scheme to rollout (50 Billion Naira) The MSMEs Survival Fund is implemented by the Buhari Administration to help cushion the impact of the COVID-19 pandemic with a view to boosting the economy by saving existing Jobs and creating new job opportunities (Tambunan, 2015).

Textile Survival Fund

According to Berger and Udell (2016) the Nigerian textile sector in the past was the largest employer of labour after government and had always been a major player in the manufacturing sector of the economy as it employed over one million Nigerians and secured captive market of 250,000 tons of raw cotton for growers and generates over N1 billion revenue to the federal government of Nigeria. It was also a major consumer of high percentage of local raw materials such as cotton and polyester.

Report have shown that before 1997 the Nigeria Textile Industry was the second largest in Africa after Egypt with above 250 vibrant factories and over 50 percent capacity utilization (Semshak Gompil 2004). Olumide Abimbola (2015) reported that by the 1970s and the 1980s, the Nigerian textile industry had grown to become the third largest in Africa. Between 1985 and 1991, it recorded an annual growth of 67% and employed about 25% of workers in the manufacturing sector. These eras could be described as the golden period of Nigeria's textile industry.

Some of the textiles companies that enjoyed the boom in the golden era then include Kaduna Textile Ltd (KTL), Arewa Textiles Plc, United Nigerian Textile Plc, Supertex, Nortex Nigerian Ltd and Finetex Nigerian Ltd. Others include Gaskiya Textiles Mill, Kano Textile Ltd, Aba Textiles, Zamfara Textiles Ltd, Asaba Textiles Ltd, African Textile Mill Plc, Tofa Textiles and several others such as Afprint, Atlantic Textiles Mill, Spintex, 5-Stars and Speco Mills Ltd.

The Federal Government has moved the website of its Survival Fund with effect from November 1, 2020. This was disclosed by the Personal Assistant to President Muhmmadu Buhari, Bashir Ahmad on behalf of the Ministry of Industry Trade and Investment via his Twitter handle on Saturday. He tweeted, /"The Ministry of Industry Trade and Investment wishes to inform the general public that due to operational challenges the Survival Fund website will be migrating with effect from tomorrow, Nov. 1st, 2020."

The grant, which is under the MSME Survival Fund, is part of the Nigerian Economic Sustainability Plan Initiated by the Federal Government on the 1st of July, 2020 to assist citizens and businesses operating in Nigeria.

Profit for the Year

Profit for the Year means the profit for the year recorded in the audited consolidated financial statements of the Company for the relevant year provided that (i) any and all expenses or costs to our Company as a result, arising from or in connection with this scheme, or the grant, vesting or exercise of any option under this scheme (ii) all the costs and expenses relating to the Listing, and (iii) the change in fair value of the redeemable convertible preferred shares issued by the Company to Sequoia shall be excluded and disregarded for the purpose of calculation of the profit for year (Jasra, Asifkhan, Hunjra, Rehman & I-Azam, 2011).

Profit describes the financial benefit realized when revenue generated from a business activity exceeds the expenses, costs, and taxes involved in sustaining the activity in question. Any profits earned funnel back to business owners, who choose to either pocket the cash, distribute it to shareholders as dividends, or reinvest it back into the business. Profit is calculated as total revenue less total expenses. For accounting purposes, companies report gross profit, operating profit, and net profit (the "bottom line"). Profitable companies are attractive to investors as profits are either returned to shareholders as dividends or reinvested in the company, increasing stock value (Jamil & Mohamed, 2011).

Theoretical Framework

Pecking Order Theory

The pecking order theory served as the underlying theory that I used to reflect on the sourcing of funds by SMEs in Nigeria. Proponents of the pecking order theory contend that managers prefer financing from retained earnings, followed by debt, and then equity (Serrasqueiro, Nunes, & Armada, 2016). The proponents of the pecking order theory specified funding demands are within the limits of the accessibility of funds because the accessibility of funds is governed by different amount of information asymmetry and related agency costs included in the various sources of finance (Serrasqueiro et al., 2016). Pecking order theory became one of the most influential theories of corporate capital structure, followed by agency theory, information asymmetry, and signaling theory (Degryse, Goeij, & Kappert, 2013; Serrasqueiro et al., 2016).

SMEs seem to adjust their investment plans to the principles of the pecking order approach and could use a form of borrowing ratio to achieve their funding policy, as maintained by the trade-off theory (Chimucheka & Mandipaka, 2015). Variations in debt are not the immediate goal of firms to reach an optimal level of debt (Serrasqueiro et al., 2016). The desire to reach an optimal standard of debt is the outcome of external financing requirements because when private funds are insufficient, firms prefer debt to external equity (Serrasqueiro et al., 2016).

Trade-off Theory

Scholars who developed the tradeoff theory (TOT) have proposed that firms supported by both equities and debts deal with two fundamental concepts of financial and agency costs (Aabi, 2014; Serrasqueiro et al., 2016). According to the TOT, financial leadership consists mainly of maximizing investors' equity by increasing the market value of the company (Aabi, 2014; Serrasqueiro et al., 2016). Proponents of the TOT have suggested that an optimal capital structure maximizes the value of the firm by balancing the prices and benefits of an additional unit of debt (Ghazouani, 2013; Serrasqueiro et al., 2016). In tradeoff theory, the interests of agents are dependable and valuable to the leader (Aabi, 2014). Firms achieve an optimal level of debt by balancing the benefits and costs of debt (Serrasqueiro et al., 2016).

The problems of lack of access to resources by SMEs are mainly the effect of lack of informational transparency (Aabi, 2014). The lack of information transparency on the part of SMEs creates difficulty for external agents to identify their financial circumstances (Aabi, 2014). The information distortion, which characterizes the relationship between banks and SMEs, leads to exposure to credit control (Aabi, 2014). There are conflicts of interest between the various parties involved in financing and borrowing (Aabi, 2014). SMEs have difficulty accessing credit, and the key constraint players are credit institutions (Aabi, 2014).

Empirical Review

Some attempts have been made to subject the above factors to empirical tests. For instance, Akinruwa, Awolusi, Olawunmi and Ibojo (2013) on the determinants of SE performance in Ekiti State found out that 78.7% of the explanatory variables (funds, infrastructure, raw materials, entrepreneur competencies, patronage, channel of distribution, political environment, education, government policies, and technology) used in the survey are significantly related to small and medium enterprise performance. It equally stressed further that a single determinant factor cannot enhance the expected performance of the business. This is consistent with the findings of Sandberg, Vinberg, and Pan (2002) cited in Komppula (2004). This therefore implies that all determinant factors must work as a system and concerted effort must be geared by government towards making the determinant factors readily available in order for SEs to survive in the country.

Oni and Daniya (2012) examined the role of government and other financial institutions in the development of SEs in Nigeria. Employing deductive approach, they concluded that the government still needs to do a lot in terms of policy formulation in order to complement the efforts of financial institutions. Thus, they recommended, among other things, establishment of more micro finance institutions to serve the grass root financial needs of the SEs. The findings of Nwachukwu (2012) point to two main causative factors as to why Nigerian SEs are performing below standard. One is internal and relates to our attitudes, habits and way of thinking and doing things and the other is our environment including our educational system, culture, government, lackluster approach to policy enunciation and poor implementation among others.

Mudavanhu, Bindu, Chigusiwa, Muchabaiwa (2011) on the determinants of SE failure in Zimbabwe showed that some challenges affect firms in some industries more than they affect firms in other industries. Such challenges include raw material cost which according to the findings affects firms in manufacturing, processing and construction (secondary industries) more than it does to SEs in transport and retail industry. This study also shows that competition from imports increases the probability of failure for firms that are in manufacturing and processing than those that are in construction, transport and retailing. The findings from this study shows that availability of credit is an important factor affecting survival of SEs in entirely all clusters sampled. The findings are in line with the technological capability theory by Lall (2001) which postulates that availability of credit ensures that firms invest in new, state of the art technology that is efficient and cost saving which enables them to withstand competition from both domestic established firms and imports.

Onwukwe and Ifeanacho (2011) used primary data on selected SEs to examine the impact of government intervention on the growth of the SEs in Imo State, and found that policy formulation and implementation constitute a major constraint to growth of the SE sector and, thus, its relevance despite several specialized institutions in charge of micro credit and policy instruments to enhance development of the SEs. Considering a study conducted by Lawal (2011) which was basically a survey of small and Medium scale enterprises in local government in Lagos State and the purpose was to assess the strategic role of SEs in economic development. The result of the analysis conducted sequel to the study shows that international SEs contributed more than domestic SEs in all dimension of strategic importance. In other words, SEs with international presence are stronger and perform better than those without international presence therefore making the former to be more of strategic importance to development than the latter

Islam, and Muhammad (2008) in their study of SEs in Bangladesh found that products and services, the way of doing business, management know-how and, external environment are most significant factors in determining the business success of SEs.Koush (2008) in his study of SE failure in Korea found out that foreign competition is more predatory to SEs that are in manufacturing than domestic competition. This study split the competition variable into domestic competition and competition from imports in order to establish the relative strength of the different competition sources to the determination of SE failure in different industries. Akinbogun (2008) notes that while Nigerian physical environment and people's culture have been favourable towards the business enterprises, infrastructural facilities and government policies have not. Therefore, it examined the impact of infrastructure and government policies on survival of small-scale ceramic industries in South-West of Nigeria, and found that infrastructural facilities and government policies have not encouraged viable small-scale ceramic industries in Nigeria.

Obamuyi (2007) explained that poor credit worthiness, lack of collateral security, poor-project package and the constraint imposed on banks' capital by regulations were among the several factors responsible for banks' attitude of restricted loan portfolio to the SEs.

Methodology

Research Design

The study adopted *ex post facto* research design which provides an empirical solution to research problems by using data which are already in existence.

Area of Study

This study was carried out in Nigeria, with specific reference to small scale industries operating in Nigeria.

Population

The population of the study include all the small scale industries in Nigeria.

Sample Size Determination

The study made use of three selected SMES in Nigeria, data was sourced from published annual reports of BOI and also from the sampled small scale enterprises visited.

Sources of Data

The data used in this study were secondary data which were generated from BOI Published report as at 31 December 2021.

Model Specification

According to Koutsoyiannis (2003), model specification involves the determination of the dependent and explanatory variables which will be include in the model, the theoretical expectations about the sign and size of the parameters of the function. The model specification for this study is related to previous research efforts in the area of study. A considerable number of previous research for instance, Bassey, Arene and Okpukpara (2014) adopted Ordinary least square (OLS). Hence, the Ordinary least square (OLS) is the form of multiple regressions that will be used in this study to determine the relationship between the variables and make predictions as they related to the variables.

The Multiple Regression Model is represented as;

$$\mathbf{Y = a + \beta_1 X1 + \beta_2 X + \beta_3 X + \square_t}$$

This can explicitly be represented as thus:

$$\mathbf{PFY = a + \beta_1 GEEP + \beta_2 CBF + \beta_3 MSF + \beta_3 TSF + \square_t}$$

Where:

Where PFY	= Dependent Variable (profit for the year)
PFY	= Profit for the year
GEEP	=Government Enterprise and Empowerment Programme
CBF	=Cassava Bread Fund
MSF	=MSMES Survival fund
TSF	=Textile Survival Fund

a = Constant

$\beta_1 \beta_2 \beta_3$ = Coefficients

□$_t$ = Error Term

Description of Variables in the Model

In line with the objective of this analysis, the research variables were divided into dependent and independent variables. The dependent Variable of the study is profit for the year (PFY) while the independent variables are Government Enterprise and Empowerment Programme (GEEP), Cassava Bread Fund (CBF), MSMES Survival fund (MSF) and Textile Survival Fund (TSF).

Analytical Procedure

Data were analyzed using Descriptive Statistics and multiple regression. The study was carried out using administrative procedure and extraction of secondary data from company's annual financial reports. This study was subjected to analysis, using Eview and necessary interpretations and recommendations were made for the understanding of the users.

Results

Data Presentation

The main objective of this seminar paper was to carry out a regression analysis on small scale business funding and survival of SME'S in Nigeria. To achieve this objective, secondary data were collected from the published annual reports and accounts of the selected manufacturing firms in Nigeria for purpose of analysis and test of hypothesis formulated for the study. The data collected are presented in tables appendices.

Table 1: Raw data Extracted from BOI

YEAR	*PFY*	*GEEP*	*CBF*	*MSF*	*TSF*
	N(000)	**N(000)**	**N(000)**	**N(000)**	**N(000)**
2012	21,457,496	5,792,835	6,452,245	360,140	82,683
2013	15,363,401	4,937,703	6,009,914	328,443	100,862
2014	13,649,460	4,840,922	5,801,906	274,893	121,838
2015	9,537,431	4,610,956	5,707,713	284,954	137,705
2016	4,459,545	4,350,258	5,626,165	357,661	171,770
2017	4,298,836	4,328,521	5,596,121	373,660	194,589
2018	5,958,663	5,524,044	6,637,987	341,382	225,017
2019	4,176,545	4,633,322	5,735,400	286,336	239,345
2020	7,269,000	4,633,322	5,735,400	276,486	245,435
2021	2,248,348	2,063,083	5,832,841	912,060	277,161

Source: BOI

Data Analysis

The data collected for the study were analyzed using Multiple Regression Analysis and the results presented in tables 4.2.1 to 4.2.2.

Table 2: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.780(a)	.740	.643	1.28967

Predictors: (Constant), GEEP,CBF, MSF and TSF.
Source: *SPSS Output*

The coefficient of determination R2 which stands at 74% shows the proportion of the total variation in the dependent variable that is explained by the independent variables. This indicates that 74% of the total variation in the profit for the year of SMES in Nigeria is caused by the combined effect of land & building, plants & machinery, MSMES Survival fund and Textile Survival Fund, while the remaining 26% is caused by other factors not included in the model of the study.

Table 3: Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	6155.564	5186.376		2.993	.121
	GEEP	.654	.253	.012	2.342	.000
	CBF	.531	.345	.027	2.452	.000
	MSF	.269	.125	.057	0.965	.128
	TSF	.722	.182	.004	2.737	.000

Source: *SPSS Output*

Test of Hypotheses

The secondary data collected from SMES in Nigeria from 2012 to 2021 was analyzed using multiple regression analysis. Table 3 presents the result of the analysis which was used to test the hypotheses formulated for the study. The coefficients of the multiple regression can be replaced in the multiple regression models as: PFY = 0.654GEEP + 0.531CBF + 0.269MSF+ 0.722TSF +ε

Decision Rule:

Level of significance (α) = 0.05. Reject the null hypothesis if the significant value in the regression coefficient is less than the level of significance (0.05), otherwise accept the null hypothesis. Based on this decision rule, the findings from the test of hypotheses are hereby presented below:

Test of Hypothesis One: Government Enterprise and Empowerment programme (GEEP) has significant effect on profit for the year of SMES in Nigeria. From Table 3, the significant value of land & building in the multiple regression model is 0.000, which is significant at 0.05 level of significance. Based on this, we reject the null hypothesis. This result is also strengthened by the result of the t-statistics. From t-statistics, t-calculated of Government Enterprise and Empowerment programme (GEEP) is 2.342 which is higher than the critical value of t=2.262.

Test of Hypothesis Two: Cassava bread support fund has a significant effect on profit for the year of SMES in Nigeria. From Table 3, the significant value of Cassava bread support fund in the multiple regression model is 0.000, which is significant at 0.05 level of significance. This result is also supported by the result of the t-statistics. From t-statistics, t-calculated of plants & machinery is 2.452 which is again higher than the critical value of t=2.262.

Test of Hypothesis Three: MSMES survival fund does not have significant effect on profit for the year of SMES in Nigeria. From Table 3, the significant value of MSMES Survival fund in the multiple regression model is 0.128, which is not significant at 0.05 level of significance. This result is also confirmed by the result of the t-statistics. From t-statistics, t-calculated of MSMES Survival fund is 0.965 which is less than the critical value of t=2.262.

Test of Hypothesis Four: Textile survival fund affects profit for the year of SMES in Nigeria. From Table 3, the significant value of MSMES Survival fund in the multiple regression model is 0.000, which is significant at 0.05 level of significance. Based on this, **we reject** the null hypothesis which states that Textile Survival Fund do not have any significant effect on profit for the year of manufacturing firms in Nigeria. The result is equally supported by the result of the t-statistics. From t-statistics, t-calculated of Textile Survival Fund is 2.737 which is higher than the critical value of t=2.262.

Discussion of Results

In the test of hypothesis one, the null hypothesis was rejected showing that Government Enterprise and Empowerment programme (GEEP) has significant effect on profit for the year of SMES in Nigeria. This finding when compared with the empirical studies reviewed is consistent with the findings of Akinruwa, Awolusi, Olawunmi and Ibojo (2013) on the determinants of SE performance in Ekiti State.

In the test of hypothesis two, the null hypothesis was also rejected, signifying that Cassava bread support fund has a significant effect on profit for the year of SMES in Nigeria. This finding was compared with the result of some previous studies reviewed and it was found to be consistent with the following studies: Oni and Daniya (2012) on the role of government and other financial institutions in the development of SEs in Nigeria.

In the test of hypothesis three, however, the null hypothesis was accepted, showing that MSMES survival fund does not have significant effect on profit for the year of SMES in Nigeria. This finding is consistent with Onwukwe and Ifeanacho (2011) findings on the impact of government intervention on the growth of the SEs in Imo State.

In the test of hypothesis four, the null hypothesis was rejected to indicate that Textile survival fund affects profit for the year of SMES in Nigeria. This finding when compared with the empirical studies reviewed is consistent with the findings of Obamuyi (2007) on poor credit worthiness, lack of collateral security, poor-project package and the constraint imposed on banks' capital by regulations were among the several factors responsible for banks' attitude of restricted loan portfolio to the SEs.

Summary of the Findings

In the light of the data analysis, findings and discussions, we hereby summarize the findings of the study as follows:

i. Government Enterprise and Empowerment programme (GEEP) has significant effect on profit for the year of SMES in Nigeria
ii. It was also observed that cassava bread support fund has a significant effect on profit for the year of SMES in Nigeria.
iii. The study further shows that MSMES survival fund does not have significant effect on profit for the year of SMES in Nigeria.
iv. It was equally observed that textile survival fund affects profit for the year of SMES in Nigeria

Conclusion

The SMEs in Nigeria account for over 90% of Nigerian business. Policy insight No.7 of the African economic outlook 2004/2005 states that Nigerian SMEs account for some 95% of formal manufacturing activity and 70% of industrial jobs. In spite of this dominance of the Nigerian economy by the SMEs, their contribution to the GDP is only about 1%. The SMEs in Nigeria are distributed in clusters in the regions with Anambra state having the highest number of SMEs in Nigeria. The very poor contribution of SMEs to the economic growth of Nigeria can be attributed to various reasons. However, access to finance by the SMEs is very critical to the success of the SMEs. Empirical evidence shows that finance contributes about 25% to the success of the SMEs. To alleviate the problem of funding, the Federal government and CBN have over the years established many credit institutions with the objectives of improving access to finance by the SMEs. These initiatives appear not to have paid off as the SMEs still contribute well below 5% to the GDP. In other economies in USA, Europe and UK, the contribution to the GDP is well over 40%. The Federal government and its agencies should in addition to setting up these credit institutions put in place policy targeted towards improving business conditions and the business environment.

The informal finance sector IFS provides more than 70% of the funds to the SMEs. What this means is that operators of the SMEs have easy access to funds from IFS. The Federal government should find out the factors that make this possible and incorporate such factors into its policy for improving SMEs access to finance. The Federal government and its agencies should also formulate policies that will encourage SMEs to source funds from the capital market.

Recommendation

1. SMEs leaders should not avoid external finance as part of sources of finance to developing their businesses.
2. SME leaders should keep proper records of their financial transactions, to create confidence in the banks and other financial institutions that could help in financing their businesses.
3. Banks should encourage SMEs by creating awareness of their conditions for granting loans, monitor businesses whenever the banks grant a loan to SMEs, and avoid connivance with the SMEs to defraud. SME leaders should also form an SME guaranty scheme for their members to improve the accessibility to credits from the banks and government assistance.

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APPENDIX I

Raw data Extracted from BOI

YEAR	*PFY*	*GEEP*	*CBF*	*MSF*	*TSF*
	N(000)	**N(000)**	**N(000)**	**N(000)**	**N(000)**
2012	21,457,496	5,792,835	6,452,245	360,140	82,683
2013	15,363,401	4,937,703	6,009,914	328,443	100,862
2014	13,649,460	4,840,922	5,801,906	274,893	121,838
2015	9,537,431	4,610,956	5,707,713	284,954	137,705
2016	4,459,545	4,350,258	5,626,165	357,661	171,770
2017	4,298,836	4,328,521	5,596,121	373,660	194,589
2018	5,958,663	5,524,044	6,637,987	341,382	225,017
2019	4,176,545	4,633,322	5,735,400	286,336	239,345
2020	7,269,000	4,633,322	5,735,400	276,486	245,435
2021	2,248,348	2,063,083	5,832,841	912,060	277,161

Source: BOI