Impact of Access to Finance on Growth of SMEs: Evidence from Ilorin Metropolis, Nigeria

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ABSTRACT
Small and Medium Scale Enterprises (SMEs) occupy a place of pride in any economy given their contributory role to economic growth and development. However, lack of access to needed financial resources has been a major hindrance to growth of this sub sector. This study investigates the impact of access to finance on the growth of Small and Medium Scale Enterprises (SMEs). Data were drawn from primary sources using questionnaire to elicit responses from sampled SME owners and managers. The study used both descriptive and inferential statistics to analyse the data gathered through the questionnaire. The results revealed a significant positive relationship between access to finance and growth of SMEs. Therefore, the study recommends that the government at all levels, should improve on the funding of SMEs as well as encourage financial institutions to provide credits to or partner with SMEs so as to enable them have sufficient access to finance in order to enhance their growth and contribution to economy.

Keywords: Access to finance, SME growth, Age of firm, Economic growth and development

1. INTRODUCTION

Small and Medium Scale Enterprises (SMEs) have continued to be a popular phrase in the business world. The subsector since Nigeria's independence in 1960s and up to this current dispensation has been given necessary attention for playing a very essential role in the national economy (Ariyo, 1999). This is not unconnected with the fact that Small and Medium Scale Enterprises (SMEs) are no doubt important catalysts for employment generation, poverty reduction and economic growth and development. SMEs are lifeblood of most economies. On the average, SMEs represent over 90% of the enterprises and account for 50 to 60% of employment in most African countries (Ahiawodzi & Adade, 2012). Specifically in Nigeria about 80% of the country's labour force is employed by SMEs (Adelaja, 2007). It has been equally documented that SMEs provide 70% of the industrial sector employment and 60% of the agricultural sector employment. (Odubanjo, 2001 and Usman, 2001 cited in Lawal and Ijaiya, 2007). According to Abor and Quartey (2010) cited in Ahiawodzi and Adade (2012), SMEs have been described as efficient prolific job creators, the seeds of big businesses and the fuel of national economic engine. Also, Nnanna (2002) cited in Lawal and Ijaiya (2007) opined that the earlier view that SMEs belonged to the past has changed because the contributions of SMEs to industrial and economic growth of many countries have attracted global recognition. As a matter of fact, the role of SMEs in the economic growth and development cannot be down-played.

The three tiers of government in Nigeria at the federal, state and local levels have implemented various policies to support SMEs in recognition of their potential roles towards economic growth and development. Since the 1970s, Federal government and other stakeholders in the private sector had been showing very keen interest in SMEs. This could be probably due to the recognition of the great potential for creating job opportunities, enhancing capacity building and promoting the economic development of the nation. In order to take full advantage of maximum benefits accruable from establishment and operation of SMEs, various agencies and specialized financial institutions were set up by both Government and Private participants. These include Small and Medium Enterprises Development Agency (SMEDAN), the defunct Small and Medium Scale Industries Equity Investment Scheme (SMIEIS) Initiative, National Economic Reconstruction Fund (NERFUND), The Nigerian Bank of Industry and Microfinance Banks to mention just a few.

Despite these measures, SMEs are still plagued with myriads of problems, among which is finance. Finance is a major problem that may inhibit the growth of SMEs. Evidently in Nigeria, the problem of lack of access to finance by SMEs are escalated by absence of collateral security, poor feasibility studies, lack of equity contribution and the risk–averse nature of the financial institutions among others. Inability to obtain the needed funds to pursue new businesses and finance expansion hampers the ability of the sector to grow as expected and consequently resulting into collapse of many SMEs in many African countries including Nigeria (Kauffmann 2006). Consequently, the failure of the sector to grow could spell doom on the national economy as its quota contribution to the Gross Domestic Product (GDP) might be drastically undermined. This study therefore examined the nexus between access to finance and growth of SMEs in Ilorin Metropolis of Kwara State, Nigeria. In order to achieve this objective, the hypothesis below stated in null form was tested;

H_O: There is no significant relationship between access to finance and growth of SMEs.

2. CONCEPTUAL FRAMEWORK

2.1 Contributions Small and Medium Scale Enterprises to Economic Development

Small and Medium Scale businesses have been viewed to constitute the very foundation upon which the large businesses were built (Onakoya, Fasanya & Abdulrahman, 2013). However, SMEs have not enjoyed a universally acceptable definition owing to the fact that the concepts “small and medium” have been identified differently by various individuals and organizations such that an enterprise that is considered small and medium in one place is seen differently in another. Even within a country, the definition differs among institutions and often undergoes review and changes over time. The proliferation of divergent perceptions about SMEs which invariably has resulted into absence of a clear cut globally acceptable definition for the concepts and this has thus, made Ekpenyong and Nyong (1992) to conclude that the classification of businesses into large-scale, medium scale or small-scale is a subjective and qualitative judgment.

Okonkwo (1995) cited in Onwumere (2000) cited in Lawal and Ijaiya (2005) had earlier observed that SME is a relative and heterogeneous concept and this causes countries to define it on the basis of quantitative indicators including numbers of employees, sales and capital employed and qualitative indicators including legal status, ownership structure, factor intensity and technology. In countries such as the USA, Britain, and Canada, small-scale business is defined in terms of annual turnover and the number of paid employees. In Britain, small-scale business is defined as that industry with an annual turnover of 2 million pounds or less with fewer than 200 paid employees.

In Japan, small-scale industry is defined according to the type of industry, paid-up capital and number of paid employees. Consequently, small and medium-scale enterprises are defined as: those in manufacturing with 100 million Yen paid-up capital and 300 employees, those in wholesale trade with 30 million yen paid-up capital and 100 employees, and those in the retail and service trades with 10 million yen paid-up capital and 50 employees.

Over the years, in Nigeria, there is no clear-cut definition that distinguishes a purely small scale enterprise from a medium-scale enterprise and the concept has not enjoyed consistency in its definition. The Central Bank of Nigeria, in its Monetary Policy Circular No. 22 of 1988, defined small-scale enterprises as having an annual turnover not exceeding 500,000 naira. In the 1990 budget, the federal government of Nigeria defined small-scale enterprises for purposes of commercial bank loans as those with an annual turnover not exceeding 500,000 naira, and for Merchant Bank Loans, those enterprises with capital investments not exceeding 2 million naira (excluding cost of land) or a maximum of 5 million naira. The National Economic Reconstruction Fund (NERFUND) put the ceiling for small-scale industries at 10 million naira. Section 37b(2) of the Companies and Allied Matters Decree of 1990 defines a small company as one with:

(a) an annual turnover of not more than 2 million naira; and

(b) net asset value of not more than 1 million naira.

Furthermore, Obor (2002) citing Small and Medium Scale Investment Scheme (2001) defined an SME as any industry with a maximum asset base of

N200 million, excluding land and working capital, and with the number of staff employed by the enterprises, not less than 10 and not more than 300. For the purposes of their study, Ekpenyong and Nyong (1992) defined small and medium-scale enterprises as those with investments in machinery and equipment not exceeding 500,000 naira and 2 million naira respectively, with not more than 50 and 100 paid employees, respectively. This definition does not reflect the characteristics of typical Nigerian small-scale enterprises in terms of their capital base and number of employees. The definition may at best relate to medium-scale enterprises. Small-scale enterprises in Nigeria require a separate definition. In this study, the definition of SMEs given by Small and Medium Scale Investment Scheme (2001) has been adopted.

In his empirical study, Adelaja (2007) brought to the fore the peculiar features associated with the Small and Medium Enterprises. These features in line with his study can individually and collectively characterize SMEs. These include existence and operation in the form of proprietorship and partnership, though some could be registered as limited liability companies. Their management structure is simple such that ownership and management is concentrated in single or few individuals and they operate in diverse areas of economic activities including manufacturing, agriculture, transportation, communication and service among others. Majority of the SMEs are labour intensive and if need be, involve simple technologies while maintaining informal relationship with their employees. In addition, the sub sector has limited access to financial capital informed by inadequacy of collateral among other factors.

Although SME businesses are averagely small forms of business operations with virtually informal features relative to high profile large firms, their role in enhancing and promoting sustainable growth and development of many economies of the world cannot be down-played and this fact has positioned them as growth engine and formidable catalyst for economic development (Ariyo, 2005). Majority of the economic prosperity enjoyed across the developing and developed economies are products of the SME sub sector. The potential benefits of SMEs to any economy include contribution to the economy in terms of output of goods and services; creation of jobs at relatively low capital cost; provision of a vehicle for reducing income disparities; development of a pool of skilled and semi-skilled workers as a basis for future industrial expansion, among others (Isa & Terungwa, 2012). Also in tandem with this position, Hassan and Olaniran (2011) opined that:

> SMEs employ more workers than their large scale counterparts. They play complementary roles to large scale firms such as a training workshop for developing skills of industrial workers and establishing forward and backward linkages. The spectacular economic development of the Asian Countries like Malaysia and Indonesia are attributed to the rapid development of small and medium scale

> enterprises. In recognition of this, many countries now see SMEs as instrument for fighting poverty and under-development and are re-directing their economic policies towards the development of this class of enterprises (p.215).

From the foregoing, it is convincing that SME subsector has been playing vital role in growing and developing the national economies worldwide, hence the significance of the subsector cannot be down-played.

2.1.1 Growth Determinants of SMEs

In the context of SMEs, the determinants of growth of SMES include; access to credit, age of firm, number of employees, total investment, total income, sales output, educational level, startup capital, asset base and so on (Ahiawodzi & Adade, 2012). The determinants have potentials to individually and/or collectively inform and in large measure, enhance the ability of the SMEs to grow. In this study, the number of employees as a determinant of growth has been adopted. According to Ahiawodzi and Adade (2012), the use of number of employees has been justified on the grounds of its feasibility and it can be easily remembered by the owners of SMEs.

2.1.2 Small and Medium Scale Enterprises and their Sources of Finance

Finance as important as it is, has been regarded as a precondition for the growth of enterprises (Muktar, 2009). Generally, the finance sources available to businesses (either large or SMEs) can be narrowed down to two; vis-à-vis the formal sources and the informal sources. The formal sources could be said to include the borrowing from formal financial institutions (commercial banks, merchant banks, savings banks, insurance companies and development banks) while informal sources include money lenders, landlords, credit and savings associations or cooperative societies. (Ekpenyong 1989). Also in conformity with Ekpenyong (1989), Ewiwile, Azu, and Owa (2011) identified the sources of finance available to SMEs to include the owner-savings and his or her associates including family and friends, partners and shareholders in the venture, banks and lending institutions, the small business administration and financial assistance programme, members of the trade, including suppliers of materials such as manufacturers and wholesalers, and in some instances, customers who prepay their contracts, other businesses, local capitalist, sales finance companies, factor and other sources. Generally from the foregoing, it can be said that SMEs may access from either informal or formal sources.

2.1.3 Access to Finance

Although all the aforementioned financing sources are available to Nigerian businesses, in the real sense, not all the businesses have easy access to them (Koko, 2013). As such availability of the financing instruments should not be construed to mean accessibility. Access to finance has been described by Ahiawodzi and Adade (2012) as the ability of the enterprise to access its finance from all sources (be it internal or external; informal and formal). Kira and He (2012) asserted that since an enterprise has control over its internal finance, access to finance is the ease with which a firm can access and use external finance. Most Nigerian SMEs seem to have limited access to finance as they are usually left at the mercies of their internal capital and informal finance providers. This is owing to difficulty in resolving information asymmetry with the external finance providers who proxy size and ownership structure in inversely for probability of bankruptcy (Cassar, 2004; Hohnyan 2009).

2.2 Theoretical Background

Passive Learning Model

In the Passive Learning Model (PLM) Jovanic (1982) cited in Agaje (2004) as quoting Ahiawodzi and Adade, (2012), a firm enters a market without knowing its own potential growth. Only after entry does the firm start to learn about the distribution of its own profitability based on information from realized profits. By continually updating such learning, the firm decides to expand, contract, or to exit. This learning model states that firms and managers of firms learn about their efficiency once they are established in the industry. Firms expand their activities when managers observe that their estimation of managerial efficiency has understated actual levels of efficiency. As firm ages, the owner's estimation of efficiency becomes more accurate, decreasing the probability that the output will widely differ from one year to another. The implication of this theoretical model is that smaller and younger firms have higher and more viable growth tendency (Stranova, 2001).

The Pecking Order Theory

The Pecking Order Theory was propounded by Myer in 1984. This theory states that firms finance their needs in hierarchical order by first utilizing internal available funds, followed by debt and finally external equity. The main thesis in the pecking order theory is that in the presence of asymmetries of information among the stakeholders; most firms utilize optimal internal sources available to finance their investments before opting to use debt and equity (Donaldson, 1961; Myers & Majluf, 1984; Myers, 1984). The theory is suggesting that the firm will initially rely on internally generated funds including retained earnings and personal contributions, in the absence of information asymmetry; they will turn to debt for additional funds, and finally they will issue equity to cover any remaining capital requirements. The relative costs of various financing options are reflected in the order of preferences. Finance providers often lend credence to age as a proxy for maturity and capacity for repayment (Musamali & Tarus, 2013). It follows therefore that as SMEs age, they tend to hedge out information asymmetry created by the probability of bankruptcy which tends to escalate relative cost of external finance; hence, they have

2.3 Empirical Studies

The question as to whether or not SMEs have access to means of financing their businesses and the nexus between access to finance and SMEs' growth is no doubt, worth considering in academic research.

Ekpenyong and Nyong (1992) demystified the relationship between sources of finance and access to finance among SMEs in Nigeria and found that much of the initial financing for SMEs came from personal savings of the operators themselves and from formal financial institutions, while additional financing came mainly from informal sources. They concluded that, as they develop, SMEs are financed increasingly by the informal financial institutions. The result also showed a complementary relationship between the formal and informal financial institutions, with both providing resources to SMEs.

Atieno (2001) considered the role of institutional lending policies among the formal and informal credit institutions in determining access of small-scale enterprises to credit in Kenya. The results of the study showed that the limited use of credit reflects lack of supply, resulting from the rationing behaviour of both formal and informal lending institutions. The study concluded that given the established network of formal credit institutions, improving lending terms and conditions in favour of small-scale enterprises would provide an important avenue for facilitating their access to credit.

Lawal and Ijaiya (2007) in their study considered SMEs access to commercial banks' credit and their contribution to Nigerian GDP. Using time series linear forecasting model, the study established a link between commercial banks' credit and the contribution of SMEs to GDP via the examination of amount of commercial banks' credit that would be needed to guarantee an increase in the SMEs contribution to GDP in Nigeria between the year 2005 and the year 2014. The study therefore recommended certain policy measures including prudent fiscal and monetary policies, prompt disbursement of funds, transparency and good governance as essential preconditions for the attainment of the forecasted increase in SMEs contribution to GDP.

In their study on the impact of micro finance institution on the development of SMEs in Nigeria, Suberu, Aremu and Popoola (2011) found that a significant number of the small scale enterprises benefited from the microfinance institution loan even though only few of them were suitable to secure the required amount needed. Interestingly, it was also found that the microfinance institutions have grown phenomenally in the last ten years. Majority of the small scale enterprises acknowledged positive contributions of microfinance institutions loan towards promoting their market excellence and overall economic company competitive advantage. Rather than tax incentives and financial supports, the study recommended that the government

facilities such as electricity, good road network, and training institutions to support small scale enterprises in Nigeria.

In addition, Kadiri (2012) examined the role of finance in the contributions of Small and Medium Scale Enterprises (SMEs) to employment generation in

Nigeria. Using Binomial Logistic Regression Analysis tools for statistical analysis, the study observed that the sector was unable to achieve this goal due to its inability to obtain adequate business finance for the sector. It was observed that virtually all the SMEs that were sampled relied on the informal sources of finance to start their business. As a way out, the study suggested the need for the integration of the activities of the formal with that of the informal financial institutions.

Ahiawodzi and Adade (2012) examined the effect of access to credit on the growth of Small and Medium Scale Enterprises (SMEs) in the Ho Municipality of Volta Region of Ghana by using both survey and econometric methods. The survey involved a sample of 78 SMEs in the manufacturing sector from the Ho Municipality. Both survey and econometric results showed that access to credit exerts a significant positive effect on growth of SMEs in the Ho-Municipality of Ghana- the main policy implication of the study therefore is that the government should try hard to meet the credit needs of the SMEs in the country for a speedy economic growth.

Though SME financing has attracted a number of researchers' interest as evident in the extant literature, there has been little study undertaken in the area of access to finance and its effects on the growth of SMEs in Nigeria and more specifically research in this area is close to nonexistent in Ilorin metropolis which is the administrative and commercial capital of Kwara in which most the SMEs in the State have their main offices. This research aims at addressing this gap in the literature.

3. METHODOLOGY

Research Design

The current research adopted the positivist approach with the use of a survey design. Survey design is "a research technique in which information is gathered from a sample of respondents using a questionnaire" (Tariq, 2009 p.37). This method is usually adopted when the researcher does not intend to control any of the samples used for the study (Asika, 2006). In this study, however, the researcher's interest is in studying the perception of respondents (mainly the SMEs Entrepreneurs and or their managers) through the distribution of self-administered copies of questionnaire on a cross-sectional basis to the selected samples in order to harness information for the purpose of analysis and making useful deductions therefrom.

Population and Sample Size

The population of interest of the study consists of all the SMEs operating in Ilorin who are members of Kwara Chamber of Commerce, Industry, Mines and Agriculture (KWACCIMA). KWACCIMA registered SMEs are chosen because Corporate Affairs Commission (CAC) registration and business operations within the standard required by Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) are preconditions for KWACCIMA membership. Presently, the total number of SMEs that registered with Kwara Chamber of commerce, Industry, Mines and Agriculture (KWACCIMA) is 260.

A sample size of ninety (90) SMEs was chosen using stratified sampling technique. This sampling method is informed by the relative homogeneity of SMEs characteristics and the residential structure of the enterprise under study. Ogunbameru (2003, p.106) is of the opinion that a sample size of about one third is a good representation of the entire population.

Type and Sources of Data

Every research work has a framework for collecting data. Its function is to ensure that the required data are collected accurately and economically. Basically, in this study, primary data were collected. The choice of this method is to increase the commitment of the stakeholder. To obtain the required data/information, a detailed questionnaire was prepared and administered to the respondents-owners and managers of SMEs in Ilorin metropolis.

Method of Data Analysis

The study used both descriptive and inferential statistics for the analysis of data gathered through the questionnaire. The descriptive statistics in the study include the frequencies and percentages, while Pearson's correlation and regression analysis are used for inferential statistical analysis.

Model Specification

The model of relationship among the variables for the analysis takes the following form:

$FG_i = B_{0i} + B_1 ATF_i + B_2\ AOF_i + e_i$

Where: FG= Firm Growth,

ATF= Access to Finance,

AOF= Age of the Firm,

$e_{i=}$ error term

$B_{0=}$ intercept, $B_{1,and}$ $B_{2,}$ =coefficients of independent variables

The a-priori expectation of the model is positive relationship between the dependent variable and all the independent variables. To estimate the model, a multiple linear regression analysis was used.

Sample Characteristics

As shown in Table 1, 78.8% of the respondents were males while 21.2% were females. The age grouping indicates that majority of the respondents were in the 41-50 age group with 52.5% and 2.5% were above 61years of age. In terms of the highest academic qualification, 47.5% of the respondents hold a Bachelor degree, 32.5% have a Master's degree and 3.8% hold a primary school certificate. Further analysis shows that majority of the businesses were being operated as sole proprietorship representing 45 %, while 40% of the business were family owned and 3.8% of the business were operated as private limited liability companies. Also in terms of industry, majority of the firms belong to trading industry representing

56.2% while 25% belong to agro allied, manufacturing and food processing, 25% belong to service industry and other category of firms were 1.2%. Also majority of the firm sampled constituting 29.5% have been in operation between 6 to 10 years. In terms of staff strength, the descriptive statistics also shows that majority of the SMEs sampled (72.5%) have a total number of staff between1 to 25. Overall, the academic status, the age of the firms and the staff strength actually reflect the characteristics and business operations peculiar to small scale industries as reported by Ekpenyong and Nyong (1992) ; Obor (2002); and Chukwuemeke (2004).

Table 1: Respondents' Profile

S/N	Characteristics	N	%
Gender	Male Female **TOTAL**	63 17 **80**	78.8 21.2 **100**
Age Of Respondents	21-30 years 31-40 yeas 41-50 years 51-60 years 61years and above **TOTAL**	3 30 42 3 2 **80**	3.8 41.2 52.5 3.8 2.5 **100**
Education	Primary School Secondary/ Technical Certificate OND/NCE BSC/HND MSC/MBA **TOTAL**	3 6 26 38 7 **80**	3.8 7.5 32.5 47.5 8.8 **100**
Business Firm	Sole proprietorship Partnership Family owned business Private Limited Company **TOTAL**	36 9 32 3 80	45.0 11.2 40.0 3.8 **100**
Industry	Agro-allied /Manufacturing/food Trading Service Others **TOTAL**	20 45 14 1 **80**	25.0 56.2 17.5 1.2 **100**
Age of Firm	1-5 years	23	20.5

	6-10 years 11-15 years 16-20 years 21-25 years **TOTAL**	33 20 3 1 **80**	29.5 17.9 2.7 0.9 **100**
Staff Strength	1-25 staff 26-50 staff 51-100 staff 101-200 staff 200 and above **TOTAL**	58 21 1 0 0 **80**	72.5 26.2 1.2 0 0 **100**

Authors' Computation, (2013)

Data Analysis

Prior to the analysis, the data were subjected to a reliability test using cronbach alpha statistics to determine the reliability in form of internal consistency of the research instrument. The questions in questionnaires were rated on a five-point Likert scale, to see if they are measuring the same construct. The result as presented in Table 2 shows that the cronbach alpha statistics is relatively high at 76.4 % implying an acceptable internal consistency among the variables. (Devellis,1991; Field, 2006). Therefore, the instrument used in gathering the data is reliable.

Table 2. Reliability Statistics Test

Cronbach's Alpha	No of Items
0.764	6

Source: Authors' Computation, (2013)

In addition, the correlation analysis as shown in table 3 addresses the multicolinearity concerns among the independent variables. The table shows that none of the independent variables has a correlation coefficient above 0.7. Consequently, the result suggests that multicolinearity problem is not severe or nonexistent (Kenedy, 2008).

Table 3: Correlation Coefficient Matrix among the Variables

Variables	FG	ATF	AOF
FG	1		
ATF	0.553**	1	
AOF	0.502**	0.591**	1

Note: *, **, * indicates significance at 1%, 5% and 10% respectively**

Source: Authors' Computation (2013)

Hypothesis Testing

Ho: There is no significant relationship between access to finance and growth of SMEs.

In an attempt to address the research objective raised and to provide evidence for the hypothesis formulated, multiple regression analysis technique was undertaken. As shown in Table 4, R^2 is 0.79. The result of the R^2 shows that 79% variation in the dependent variable can be explained by the independent variable while 21% are taken care of by the error term. The F-Statistics is equally significant at 1% which implies that the model is fit. The analysis also shows a Durbin Watson statistics of 2.1 which seems slightly higher than average benchmark of 2. (Feild, 2005). Consequently, the model is devoid of autocorrelation concern. Overall, the model possesses an averagely higher predictive power.

Table 4: Regression Analysis

Variables	**Coefficient**	**Std Error**	**t-statistics**	**Sig**
ATF	0.424	0.127	3.328	0.001***
AOF	0.141	0.062	2.271	0.026**
Constant	-0.199	0.349	-0.572	0.569
R^2	0.79			
Adjusted R^2	0.63			
F (prob)statistics	0.000			
Durbin Watson	2.1			

Note: *, **, * indicates significance at 1%, 5% and 10% respectively**

Source: Authors computation (2013)

Also, as depicted in Table 4, the regression analysis results, shows a positive relationship between access to finance (ATF) and growth of the firm (FG) at 1% level of significance. This confirms the positive a priori expectation between the two variables. It follows therefore that SMEs' finance accessibility will go a long way in enhancing their growth. Meanwhile, the control variable (AOF i.e. the age of the firm) is also positively related to the dependent variable (FG i.e. the firm growth) at 5% significant level. These findings here are in line with Ahiawodzi and Adade (2012) who also found a positive relationship between the two variables and accordingly align with the Perceived Learning Model and Pecking Order Theory.

Overall, the findings suggest that access to finance together with the length of years in SME business has potential in enhancing the growth of SMEs in Ilorin metropolis as confirmed by the result of the test of hypothesis . This suggests the acceptance of the alternative hypothesis at a significant level of 5%.

NB: The raw data are accessible on request to the author.

5. CONCLUSION

Small and Medium Scale Enterprises play an important role in the economic development of both developed and developing nations. However, access to finance can make or mar their success and consequently the role that they can play in the economy at large. It is against this backdrop that this research was conducted. The proposition of the research was based on the notion that access to finance is a determinant of growth of SMEs given their age of establishment as control variable. Perceived learning model and pecking order theories were used to explain the relationship between the variables of interest. The study adopted a survey research method. Specifically, questionnaires were distributed to sampled respondents who have been selected using stratified sampling techniques to capture the cross-sectional data used in the study. Multiple regressions were carried out to test the impact of access to finance on the growth of SMEs based on the data so collected.

The results of the analysis show a significant positive relationship between access to finance and

growth of SMEs. This means that the better SMEs have access to finance, the better the level of their growth becomes. Also, the age of the firm as a control variable was found to have a significant positive relationship with the growth of the firm. The implication of this is that SMEs tend to do better in business as more year are spent in business. The fact that age is a factor, suggests that the perceived learning model is applicable to the outcome of this study. This brings the research to the submission that access to finance is most probably a necessity for the growth of SMEs. The more finances an SME accesses, the more likely it is for SMEs to grow. As they grow they better in business and eventually are able to better contribute to national economy at large. This agrees with Duru and Kehinde (2012), which pointed out that the role of finance has been viewed as a critical element for the development of small and medium-sized enterprises.

Based on these findings, the study recommends that government, at all levels, should improve on the funding of SMEs as well as encourage and support financial institution to provide credits facilities to or partner with SMEs, so as to enable them have sufficient access to finance in order to enhance their growth and contribution to the economy.

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