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Formal SME's Financing For Rural Poverty Reduction – Study Of Selected Local Government Areas In Kwara State.

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Abstract

Recent development projects in Nigeria have been concentrated in the urban areas with no regards for rural areas. This has resulted in poor economic growth and high concentration of poverty in the rural areas. In an attempt to address this, rural SMEs development has become paramount. This study investigates the relationship between SMEs financing and rural poverty reduction. A survey of 120 SMEs were undertaking across two local government areas on strata of agro-allied, manufacturing and trading/service with the aid of self-administered questionnaires. A total of 80 copies of correctly filled and returned questionnaires were analyzed using correlation and t-test analyses. The results of the findings reveal the correlation coefficient between SMEs finance and poverty reduction equals 0.685 i.e. 68.5%. This implies that SMEs financing have a positive correlation with rural poverty reduction, as an increase in the formal leads to corresponding decrease in the later. The study concludes that formal and informal financing available to rural SMEs operators are grossly inadequate to sufficiently cater for their financial needs. It is further concluded that poor access to finance is not the only SMEs constraint as others includes low managerial skill; infrastructural inadequacy; poor policy support and information asymmetry. The study recommends among others that the government should provide a platform for credit guarantee that will be responsible to provide collateral for rural SMEs.

Keywords: *Small and Medium Enterprises (SMEs), SMEs financing, Rural poverty, Rural economic, Job creation*

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Introduction

Issues relating to poverty reduction have become very crucial in the economic advancement of most developing nations. In an attempt to address this, many developing economies of the world have adopted different policy measures. The Asian tigers- Hong Kong; Indonesia, Malaysia, Singapore, South Korea, Thailand have adopted the SMEs measure as a tool for job creation, poverty reduction and the rapid economic development recorded cannot be over emphasized (Fatai, 2011). Poverty is a household name in Nigeria as majority of her population live below the poverty line of two (2) dollars per day. It is worth to note that Nigeria remains the only member of the Organization of Petroleum Exporting Countries (OPEC) that is categorized among the world's poorest twenty countries (Adeola, 2001). An analytical attempts made in measuring poverty in Nigeria revealed that 69% of Nigerians were living in relative poverty, 60.2% in absolute poverty, 56.6% on one dollar a day and 92.5% in subjective poverty (Nigeria Poverty Profile, 2012).

In an attempt to address the increasing rate of poverty in Nigeria, the federal government has initiated different policies and structural programmes between 1977 till date. These programmes include: Directorate of Food, Roads and Rural Infrastructure (DFRRI), Better Life Programme (BLP), National Directorate of Employment (NDE); People' Bank of Nigeria (PBN); Community Bank (CB) now (MCB); Family Support Programme (FSP); Family Economic Advancement Programme (FEAP); Poverty Eradication Programme (PEP) National Economic Empowerment and Development Strategy (NEEDS), Community Action Programme for Poverty Alleviation (CAPPA) in 1996 and National Poverty Eradication Programme (NAPEP) in 2001. However, Adepoju (2007) posit that many of these programmes have not succeeded at addressing poverty due to poor policy implementation, hence, majority of Nigeria population especially at the rural communities still live in abject poverty.

As the discussion on developing SMEs increases towards global poverty reduction, several studies have assessed the roles of SMEs on economic growth in developing economies. A number of studies from the international bodies such as African Development Bank, World Bank, International Finance Corporate among others have revealed the enormous potentials in creating a formidable SMEs policies and initiatives at addressing increasing rate of poverty in the Sub Sahara Africa. The World Bank report "Making Finance Work for Africa" (2006) found that there is a positive correlation between access to private credit for SMEs and GDP per capita. IFC Report "Access to Finance in Sub-Sahara Africa" (2013) also asserts that access to finance is essential for inclusive economic growth (employment generation and poverty reduction) in Sub-Saharan Africa. More so, problems and challenges of SMEs development in Nigeria have been well covered in literatures e.g. (Adepoju, 2003; Ayodele, 2009; Oba & Onuoha, 2013; Etuk, Etuk & Baghebo, 2014). Furthermore, studies have also examined how SMEs financing can improve their operations thus enhancing job creation and poverty reduction in Nigeria e.g. (Olaitan, 2006; Kadiri, 2012; Onakoya *et al.* 2013; Gbandi & Amissah, 2014).

However, too few studies have linked SMEs financing to poverty reduction especially among the rural dwellers. Recent studies by World Bank (2013), and African Development Bank (AfDB, 2012) have proved that the most vulnerable to the menace of acute poverty were the rural dwellers. They only survive on subsistence agriculture and could not expand due to poor access to finance since local financial systems do not sufficiently cater for the needs of rural SMEs. Consequently, there exists no room for growth or improvement in the standard of living. Furthermore, Kwara state is categorized as one of the poverty-ridden states in Nigerian and least economic performing in the north central part (Kale, 2012). Against this backdrop, this study is embarked on to relate formal SMEs financing to rural operations and to demonstrate how SMEs in Kwara State can be better financed for easy start-up and expansion thus reducing poverty within the state. As a guide to the study, the following research questions and hypotheses were formulated.

Research Questions

i. Is there a relationship between formal SMEs financing and poverty reduction in Ekiti and Oke-Ero local government areas?
ii. Are there other factors that obstruct SMEs growth towards poverty reduction in Ekiti and Oke-Ero local government areas?

Research Hypotheses

i. There is no significant relationship between formal SMEs financing and poverty reduction in the selected local government areas.
ii. Factors such as infrastructure, poor government policy, poor managerial skills and access to information do not contribute to poor SMEs growth in the study area.

Conceptual Clarification

SMEs Conceptualization

The definition of SMEs changes overtime depending on the circumstances because the classification of businesses into large-scale is a subjective and qualitative judgment (Wolfgang, Kenneth, Yan, & Dermot 2014). The European *definition of SMEs* is in the category of Micro, Small and Medium-sized Enterprises (M*SMEs*) made up of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding 50 million euro, and/or an annual balance sheet total not exceeding 43 million euro" for Medium and Small enterprise respectively, European Union (EU, 2005). In Nigeria, the definition of SMEs is based on three major criteria via operating cost, turnover and employees capacity. Accordingly, a small scale enterprise is such whose total operating cost excluding cost of land but including working capital is above N1 million but not exceeding N10 million (Central Bank of Nigeria, 1995). As described above, SMEs are a fundamental part of the economic fabric in developing countries, and they play a crucial role in furthering growth, innovation and prosperity. The definition most relevant and adopted for this study was (National Council of Industry, 1996) which describes SMEs as an industry with a total capital employed of over 1.5 million naira, but not more than 50 million naira, including working capital but excluding cost of land and or a labour size of 11 to 100 workers. This is based on the fact that the study area is a rural setting dominated with businesses that fall within the range.

Banking Financing SMEs

Banking sub-sector is a major player in any financial system and their roles in financial intermediation cannot be over emphasized (Kola & Olalekan, 2011). Banks carry out a number of multifaceted functions which include acceptance of deposits from the public. These deposits are in turn giving as credit to entrepreneurs and business men for productive purposes (Noah, Ijaya & Ijaya, 2009; Kadiri, 2012). In the banking sub-sector, the commercial banks remain the formal source of finance for enterprises. Banks have three social and economic functions: to collect and secure savings and other deposits; to finance the economy by handing out credits; and to facilitate payments and to transfer funds (Gbandi & Amissah, 2014). Their role is to reduce the gap between supply (the money deposited and potentially available) and demand (the money needed for investment) that exists between idle money and productive investment. Recently in Nigeria, there has been a growing concern for poor commercial banks' lending to SMEs. Banks advance four main reasons for their reluctance to extend credit to small enterprises viz, high administrative costs of small-scale lending, asymmetric information, high risk perception and lack of collateral (Noah et al. 2009). Hence, the ratios of commercial banks loans to SMEs total credit have continued to decline almost uncontrollably over the years. The table below shows the ratio of commercial bank lending to SMEs from 1980 to 2006. It can be inferred that from 1987 to 1993, the credit ratio increased to 48.80%. It however began to decrease drastically to 0.98% in 2006 and 0.14% in 2012 (World Bank, 2013). The various reasons put forward for this includes banking sector reform, change in policy and implementation (Kadiri, 2012). In additional, poor accounting system among SMEs operators, poor collateral facilities, weak infrastructural facilities further contribute to poor commercial banking lending to SMEs in Nigeria (Mosani & Fatoki, 2012). On the other hand, it may be reasonable for banks to refuse financing entrepreneurs or SMEs who do not demonstrate adequate ability to repay. While SMEs may need funds for starting and growing their businesses, financial institutions, particularly banks have a duty to ensure the safety of depositors' money and naturally are risk averse. Therefore, there is a need for alternative funding of SMEs in the country which is readily obtained in the non-financial institutions.

Ratio Of Loans To Sme's By Commercial Bank (N = Million)

YEAR	Commercial Banks Loans to SMEs (N:M)	Commercial Banks Total Credit (N:M)	Commercial Banks Loans to SMEs as % of Total Credit (%)
1990	28,640.80	5,900.00	22.90
1991	32,912.40	7,572.30	23.80
1992	20,400.00	41,810.00	48.80
1993	15,462.90	48,056.00	32.20
1994	20,552.50	92,624.00	22.20
1995	32,374.50	141,146.00	22.90
1996	42,302.10	169,242.00	25.00
1997	40,844.30	240,782.00	17.00
1998	42,260.70	272,895.50	13.60
1999	46,824.00	353,081.00	13.30
2000	44,542.30	508,302.20	8.80
2001	52,428.40	796,1664.80	6.60
2002	82,368.80	954,628.80	8.60
2003	90,176.50	1,210,033.10	7.50
2004	54,981.20	1,519,242.70	3.60
2005	50,672.60	1,899,346.40	2.70
2006	21,201.70	2,385,643.30	0.90
2007	26,481.30	3,821,282.20	0.70
Average	**42,742.10**	**859,778.7**	**15.0**

Source: CBN Statistical Bulletin, Various issues

Rural Poverty in Nigeria

Poverty has been conceptualized in different contexts by (World Bank, 1995, Tollen, 2002; Garry, 2012). Some definitions focus on "absolute poverty", which is interpreted as a lack of resources to meet the physical needs of individual for survival. Others focus on "relative poverty", which is interpreted as a lack of resources to achieve a standard of living that allows people to play roles, participate in relationships, and live a life that is deemed normative of the society to which they belong. The economic context of poverty is inadequate income, while the social context takes into account a broad range of personal, social, economic, cultural and political factors (Garry, 2012). Poverty is described as a severe deprivation of some basic human needs at the individual or household level (Oyeranti & Olayiwola, 2005). In a contrary view, Tollens (2002) observes that poverty is not an intrinsic attribute of people, but a product of livelihood systems and the socio–political forces that shape them. Thus, poverty reduction is highly desirable in developing nations. In the view of World Bank, the concept of poverty extends beyond basic needs to include education, health, risk and vulnerability, voiceless and powerless of individual. However, this concept of poverty is more prominent in the rural areas; hence poverty is a rural phenomenon (World Bank, 1995).

Copenhagen Declaration of 1995 states that - poverty has various manifestations, including lack of income and productive resources sufficient to ensure sustainable livelihood, hunger and malnutrition, ill health, limited or lack of access to education and other basic services, increase morbidity and mortality from illness, homelessness and inadequate housing, unsafe environment, social discrimination and exclusion, lack of participation in decision and in civil, social and cultural life (Oyeranti & Olayiwola, 2005). The focus of MDGs since year 2000 was to eradicate world extreme poverty and hunger and actualize 50% reduction of global poverty by 2015. Oni & Daniyan (2012) however argued that despite several attempts to achieve equitable wealth distribution in Nigeria, efforts at poverty reduction have largely remained unfelt by the poor. The emphasis in most of the government poverty intervention programmes is on provision of physical infrastructure to support the poor and the acquisition of human capital, while, there has been little or no consideration for the institutional mechanism to ensure delivery of support to the poor (Adepoju, 2003). The absence of appropriate local level facility such that will support local trade and promote standard of living and the weakness of existing ones largely alienated the poor from expanding their trade capacity which ultimately and directly affect their welfare.

Table 1: Incidence of Poverty in Nigeria.(2001-2011)

Year	Incidence of poverty (%)
2001	65.6
2002	65.6
2003	70.0
2004	54.4
2005	54.0
2006	54.0
2007	54.0
2008	54.0
2009	54.0
2010	69.0
2011	71.5

Source: CBN Annual Report for various years

Poverty Rate in Nigeria (2009 – 2014)

Nigeria Poverty Rate in % of Population		
	2013-2014	2009-2010
Per capita		
Poverty rate	64.2	62.6
Urban Poverty	52.2	51.2
Rural Poverty	73.4	69
Adult equivalence		
Poverty rate	48.3	46.1
Urban Poverty	36.8	34.3
Rural Poverty	57.4	52.9

Source: National Bureau of Statistics 2014

Challenges of SMEs in Nigeria

The size, nature and characteristics of SMEs have made them vulnerable to certain constraints unlike the large-scale businesses. Kola & Olalekan (2012) assert that there are certain challenges militating against the effective operation of SMEs in Nigeria. Hence, some of the potential opportunities of the sector have not been adequately explored.

Infrastructural Inadequacy

The poor state of the country's basic infrastructure has remained unresolved and it generally affects business operations generally. This case is not exceptional in Kwara State. The poor state of infrastructural facilities partly accounts for the slow pace in the growth capacity of SMEs in the State. In a study by Afolabi (2013) on infrastructural challenges of SMEs in Nigeria, it was revealed that productive activities in the manufacturing sub-sector is characterized with dysfunctional physical infrastructure, incessant electric power outage which leads to under-utilization of capacities thus adversely affect the operations of SMEs in Nigeria.

Unstable Policy Environment

In Nigeria, the successive administrations have adopted various policy measures aimed at stimulating, sustaining and supporting entrepreneurship, development in small and medium enterprises. The success of these measures will be dependent on the presence of some key factors such as technology, financial control, proper planning and productivity of labour force. All these factors attest to the fact that creation of enabling policy environment and effective management will assist in the growth and development of SMEs in Nigeria. In Kwara State, unstable SMEs policy has been a major problem. Different administration with different policy which leads to policy inconsistency and implementation has altogether contributed to the failing state of the sector. Kola & Olalekan (2011) recognized that policy inconsistency, poor SMEs incentive schemes, weak policy implementation are among the problems militating against the growth of SMEs in Kwara State.

Poor Access to Information

Information is a key factor to business operations; however, SMEs all over the world have little or no access to certain information that is pertinent to their operations (Hamilton, 1998). SMEs faces difficulties in gaining access to information on the changing global market, technology, new innovation in the industry, price, foreign exchange rate etc. In Kwara State, this is not exceptional as the literacy rate among the SMEs operators is low. Many of the market women, small kiosk owners, etc. do not have access to basic information that can enhance their productivity and sales. Aside the high illiteracy rate among the operators, the relative high cost of sourcing information in the local and foreign markets creates cost-disadvantage for the sector.

Poor Management Skill among Operators

SMEs operators encounter problems in such areas as management, appropriate technological skill acquisition, access to resources and knowledge, harsh policy environment and gender bias (Adepoju, 2003 and Ayodele, 2009). However, these challenges can be handled if the SMEs' operators have the required management skills and keep adequate record of transactions. This was supported by an empirical study conducted by Yahaya, Osemene & Salman (2011). The study reveals that more than 50% of SMEs operators do not follow proper accounting practice in their transactions hence, their failure in the long run.

Review of Relevant Empirical Literatures

Various literatures in recent times have investigated the economic importance of SMEs finance for poverty reduction. For instance, Gbandi & Amissah (2014) examined financing Nigerian SMEs using content analysis of various literatures. The study found that SMEs constitute more than 90% of Nigerian businesses but their contribution to the nation's GDP is below 10%. It is further observed that the informal financing sector provides more than 70% of funds to SMEs. The study further found that there is a need to harness SMEs great potential to generate employment, improve local technology, output diversification, develops indigenous entrepreneurship and forward integration with large-scale industries as these will ultimately reduce poverty.

In a similar study on SMEs financing, Onakoya, Fasanya & Abdulrahman (2013) state that for any developing nations to fully participate into the global economy, economic liberalization, deregulation, and democratization are paramount way to address poverty and inequality. The study which examines the impact of financing small scale enterprises on economic growth in Nigeria used a quarterly time series data from 1992 to 2009. The data were analyzed using econometric estimation techniques and the findings show that loan to small scale entrepreneurs have a positive impact on the economic performance while interest rate has adverse impact. The study further observed that the worst problem confronting SMEs in Nigeria is managerial capacity while access to finance is necessary but not a sufficient condition for successful entrepreneurial and SMEs development.

In a related study, Kadiri (2012) examined employment generation through SMEs and financing. The study emphasizes that employment generation in Nigeria through SMEs is hindered by poor financial accessibility of the sector. A sample size of four hundred SMEs was chosen through the use of multi-stage sampling technique while Binomial (Binary) Logistic Regression was used for statistical analysis. The findings show that the SMEs sector has been unable to achieve its employment generation goal due to its inability to obtain adequate business finance. It was further observed that nearly all the SMEs that were sampled relied on the informal sources of finance as their business startup capital.

A further investigation on SMEs financing and economic growth Akingunola, (2011) identifies SMEs' lack of access to relative cheap and effective source of finance as the major factor hindering their contribution to economic growth in Nigeria. The study assessed specific financing options available to SMEs in Nigeria and contribution with economic growth via investment using the Spearman's Rho correlation test to determine the relationship between SMEs financing and investment level while descriptive statistics was used to appraise financial indicators. The findings revealed that there is significant positive relationship between SMEs financing and economic growth in Nigeria.

In another empirical study on SMEs and regional economic development, Agwu & Emeti (2014) investigated issues, challenges and prospect of SMEs in Port-harcourt City, Nigeria. The study adopted a descriptive research design using 120 randomly selected registered operators of SMEs in Port-Harcourt City, and data collected were analyzed using descriptive statistics. The findings show that poor financing, inadequate social infrastructures, lack of managerial skills and multiple taxation were the major challenges confronting SMEs in Port-Harcourt City, Nigeria. The study also found that government commitment and intervention programmes through the provision of financial assistance; social infrastructures and favorable taxation policies will forestall various challenges of SMEs in Nigeria.

In a study of household poverty, Olorunsanya, Falola & Ogundeji (2011) made a comparative analysis of the poverty status of the urban and rural households in Kwara State, Nigeria. The study obtained a sample size of 250 household respondents in urban and rural settlements of the state and descriptive statistics, weighted average and logistic regression models were the tools employed for the analyses. The study concludes that the prevalence of poverty is more pronounced among the rural households, female-headed ones, those with no formal education, and households with farming as their only occupation. Poverty level was also discovered to increase with household size, low per capita income, low educational status and living in the rural settlements.

Theoretical Framework

Several theories have been used in literature to explain SMEs financing. Among these are the Credit Rationing Theory by Stiglitz and Weiss (1981) and Pecking Order Theory (POF). These theories focused on general SMEs financing and order of ranking various sources of finance. However, this study adopts systems theory as propounded by Von Bertalanffy in 1937. The system theory originated from the natural sciences in an attempt to understand sets of objects, the relationships between those objects, and their environments. This theory has been widely applied to other fields of study e.g. sociology and other behavioural science researches. For the purposes of this study, we adopt the definition provided by Ackoff's that a system is a set of two or more interrelated elements with the following properties: Each element has an effect on the functioning of the whole. More so, each element is affected by at least one other element in the system, likewise, possible subgroups of elements also have the first two properties (Ackoff, 1981). System theory therefore, carefully explains how each component relates with each other to achieve target result. In this context, an economy is a system with different sub-systems. Each of these sub-systems must work together as they contribute to the general output of the whole system (economy). Accordingly, SMEs, people, regulatory institutions, infrastructure, government, agencies and parastatals, financial institutions, the public among others are components of the whole (economic) system. However, each of these units contributes to the overall performance of the whole system. Hence, they must jointly work towards achieving aggregate economic performance.

Methodology

A survey research design was utilized to generate data for this study. The population of interest consists of all Small and Medium Enterprises that were registered with the Corporate Affairs Commission and remit their tax to Ekiti and Oke-Ero local government authorities within the last three years. The population frame is 257 as contained in the documents made available at the local government secretariats as at February, 2015. A survey of 120 questionnaires was undertaken across the selected Small and Medium Enterprises. The questionnaire was designed to generate responses on questions relating to relevant variables – SMEs financing and poverty reduction. The questions were based on a 5-point Likert attitude scale. Each level of the scale is represented as 5, Strongly Agree, 4, Agree, 3, Undecided, 2, Disagree and 1, Strongly Disagree. Out of the 120 questionnaires distributed, a total of 80 which is 66.7% were correctly filled and returned. The data were analyzed by Statistical Package for Social Sciences (SPSS) 16.0 version, using correlation and t-test analytical tools. The reliability of the data were tested using Cronbach's Alpha Reliability Test and the result shows 0.594 which means that the instruments used in gathering the data were reliable and therefore exhibited internal consistency among items (questions) measuring each construct in the questionnaire.

Test of Hypothesis I, (Correlation analysis)

		SMEs Finance	Poverty Reduction
SMEs Finance	Pearson Correlation	1.000	.685**
	Sig. (2-tailed)		.000
	N	80	80
Poverty Reduction	Pearson Correlation	.685**	1.000
	Sig. (2-tailed)	.000	
	N	80	80

The table above shows the correlation coefficient between SMEs finance and poverty reduction and it equals +0.685. More so, each variable correlates perfectly with itself, as evidenced by the coefficients of +1.00 at the intersection of a particular variables' row and column. These show that the relationship between the two variables are strongly positive correlated.

Test of Hypothesis I, (One sample t-test)

The table below shows the result of hypotheses two using t-test. It can be deduced that the average response is above 4.02 at standard error of the mean is 0.000 i.e. significant. Five-point Likert-style rating scale of 5 = Very High, 4 = High, 3 = Fair, 2 = Low and 1 = Very Low were used to scale the responses.

One-Sample Test

	$\alpha = 0.05$					
					95% Confidence Interval of the Difference	
	t	df	Sig. (2-tailed)	Mean Difference	Lower	Upper
Infrastructure	4722.870	79	.000	4.475*	4.34	4.61
Poor policy	4713.152	79	.000	4.225	4.09	4.36
Poor mgt skills	5635.110	79	.000	4.370*	4.16	4.58
Information	4416.846	79	.000	4.200	4.02	4.38

The result of the table above shows that p-value is 0.000 while the critical value, $\alpha = 0.05$. This indicates that the probability value (p-value) of 0.000 is less than the critical value of $\alpha = 0.05$ hence, there is a significant relationship between them. With this result, the null hypothesis I is rejected meaning that other factors (such as infrastructure, poor government policy, poor managerial skills and access to information) contribute to poor SMEs growth in the study areas.

Discussions

Findings from literature reviewed established that SMEs development is inevitable in poverty reduction and general growth of modern economies. More so, financing is the centre point for poor SMEs growth in many developing nations, Nigeria inclusive. The result of the empirical findings revealed that there is a significant relationship between formal SMEs financing and poverty reduction. This implies that increase in formal SMEs financing will lead to corresponding increase in poverty reduction i.e. SMEs financing varies adversely with poverty. This agrees with the positions of Safiriyu & Njogo (2012) whose findings revealed that 65% of SMEs challenges are related to financial difficulty. They however claimed that any attempt to address poor access to finance will enhance growth and poverty reduction.

The result of the hypothesis one revealed a moderate positive correlation between formal SMEs financing and poverty reduction equals +0.685. The positive correlations between SMEs finance and poverty reduction indicate that increase in SMEs finance translate to increase in poverty reduction and vice versa. This findings support earlier works of Kadiri, 2012; Onakoya, Fasanya & Abdulrahman (2013); and Agwu & Emeti (2014) whose findings have demonstrated an inverse relationship between SMEs financing and poverty in Nigeria.

The result of the hypothesis two revealed that aside poor access to finance, SMEs encounter several other challenges. Prominent among these are poor infrastructure development, weak government policy support, poor managerial skills and information asymmetry. However, it is essential to note that poor managerial skills and infrastructure contribute more with the mean difference of 4.475 and 4.370 respectively. These findings collaborate with Yahaya, Osemene & Salman (2011), and IFC (2013). While the former found that poor management skills such as basic accounting knowledge contribute to poor performance of SMEs in Kwara state, the later found that poor infrastructure such as electricity, road network among others are the major constraint to SMEs development in Sub-Sahara Africa, Nigeria inclusive..

Conclusion

In view of the findings above, it could be concluded that formal financing is germane to SMEs growth and this is essential for poverty reduction in Nigeria. This implies that the more SMEs access to formal financing, the higher the growth of general SMEs performance and the lower the resulted rate of poverty in Kwara state. In essence, there is an inverse relationship between SMEs finance and poverty rate. The findings also lead us to the conclusion that finance is not the only challenge facing SMEs in the study area. There are other constraints facing such as poor infrastructure development, weak government policy support, poor managerial skills and information asymmetry. Among these, poor infrastructure which is dominated by epileptic power supply and poor managerial skills among operators constitute major SMEs constraints aside finance.

Recommendations

Based on the findings of this study, the following recommendations are presented:

a. Government agencies such as the Chambers of Commerce, National Directorate of Employment, Small and Medium Enterprise Development Agency of Nigeria among others should have grass-root presence and they should be ready to provide managerial and technical advice, information and training services at subsidized rates to existing and prospective SMEs operators.
b. The government should enact favorable SMEs policies and constantly review them so as to strengthen the tie between SMEs, large enterprises and government institutions especially in the area of patronage of locally manufactured goods and services.
c. The banking regulators such as CBN and BOI should ensure formulating and coordinating of incentives and support for SMEs promotion and development through a special funding for SMEs. More so, a clear directives and well-regulated instruction should be given to commercial and microfinance banks on interest rate, mode of loan disbursement among others.
d. The SMEs operators must as well be ready to seek for knowledge through seminar, workshop, training and conferences such that will assist their capacity building and better management skills as this will enhance their business performance.

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