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ADEQUACY OF FUNDING AND GROWTH OF SMALL AND MEDIUM ENTERPRISES (SMEs) IN NIGERIA

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Abstract

The study examined the adequacy of funding and growth of small and medium enterprises (SMEs) in Nigeria. The cross-sectional research was adopted and primary data (questionnaire) formed the major instrument of data collection. Three hundred and thirty-one (331) questionnaires were administered, out of which 309 were fully completed and retrieved. The data obtained in the fieldwork were analysed using both descriptive (mean, standard deviation, simple percentages) and the inferential (simple regression) statistical tools. Findings indicated that, while venture capital and business angels significantly affected SMEs growth, bank overdraft and trade credit had insignificant effect on the growth of SMEs. Given the findings, it was recommended among others that SMEs should discourage the use of trade credits and bank overdraft in funding SMEs. Also, there should be good policies by the government aimed at encouraging venture capital and business angels to promote SMEs growth.

Keywords: Small and Medium Enterprises (SMEs), Venture Capital, Business Angels, Trade Credits and Bank Overdraft.

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Introduction

Background to the Study

Prior to the early 1960s, many economists viewed the continued existence of small-scale industries in less developed countries as justified by scarcity of capital and administrative experience. It was often argued that with economic growth, the small traditional type of enterprise would, in one sector after another, be superseded by

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modern forms of large-scale production. In order to ensure an orderly transition, small industries were seen to deserve support, but mainly in sectors where modern methods could not be immediately applied (Olawale, *et al,* 2019). In the mid-1960s, a new approach to small and medium-scale enterprise (SME) development began to emerge due to a number of factors. First, there was growing concern over low employment elasticity of modern, large-scale production. It was claimed that even with more optimal policies, that form of industrial organization was unable to absorb a significant proportion of the rapidly expanding labour force (Osemeke & Edobor, 2019). Second, there was widespread recognition that the benefits of economic growth were not being fairly distributed, and that the use of large-scale capital-intensive techniques was partly to blame. Third, empirical diagnosis showed that the causes of poverty were not confined to unemployment, and that most of the poor were employed in a large variety of small-scale, low-productivity activities. Thus, it was thought that one way to alleviate poverty could be to increase the productivity of those engaged in small-scale production (Ossai, 2017; Jayeola, *et al,* 2018).

Furthermore, they were also thought to be capable of providing a new dynamic of economic growth. The new objective was not just to stop the retreat of but to promote the small-scale sector (Bakhtiari, *et al,* 2020). The change in approach was accompanied by a shift of focus on a "Rurally Orientated Small Holder" (ROSH) industrialization strategy well-articulated by Abdulahi, *et al,* 2015; Adebiyi, *et al*, 2017.

Statement of Problem

Across the geo-political regions, cities and towns in Nigeria, there are hundreds/thousands of SMEs scattered everywhere. Most of them have great potential for turning into full blown production/ manufacturing or service enterprises that would greatly affect the macroeconomic environment if properly funded and skilfully managed. But what you see in Nigeria today is that most of these SMEs are managed and funded solely by the owners or family and in some cases assisted by friends. The result is either a complete collapse or that they remain at a puppet stage for decades. Sufficient capital needed to stay in business is often unavailable to SMEs in Nigeria, so, they are often forced to close shops because they are not able to access the necessary funds (Adebisi & Olayinka, 2013; and Gbandi & Amissah, 2014). Banks find it challenging to cover the high costs of credit associated with lending to SMEs because of the weak capital base, poor financial records of SMEs, performance and market competition (Adebisi & Olayinka, 2013; Vasilescu, 2014, and Adebisi, *et al,* 2017). This is not healthy for national economic development as the growth and development of SMEs contribute positively to the overall GDP of a nation.

Yang, *et al* (2012) embarked on a literature review of SMEs risk management practices in South Africa, while Gbam (2017) looked at the subject of SMEs in Abuja and Plateau State. Amidst these literatures, to the best of the researcher's knowledge, none looked into the

variables that were adopted in the funding of SMEs such as venture capitals, trade credits, business angels and bank overdrafts. Hence, there is a gap in the knowledge. Besides, not much has been done in relation to SMEs in Edo State and, in particular, the Benin Metropolis. Based on those indices, this study, therefore, sought to fill the gap by looking at the adequacy of funds and its relationship with the growth and development of SMEs in Nigeria, with particular reference to some selected SMEs within the Benin Minneapolis in Edo State, Nigeria.

Research Hypotheses

In this study, the following null hypotheses (Ho_{1-4}) were tested:

- **Ho_1.** Venture Capital has no significant effect on the growth and development of SMEs in Nigeria.
- **Ho_2.** Trade Credit has no significant effect on the growth and development of SMEs in Nigeria.
- **Ho_3.** Business Angels have no significant effect on the growth and development of SMEs in Nigeria.
- **Ho_4.** Bank Overdraft has no significant effect on the growth and development of SMEs in Nigeria.

Scope of the Study

The study examined the effect of funding on the growth of SMEs in Nigeria. However, the study was determined in scope to employees of the selected SMEs in Benin City, Edo State. Four (4) variables or measures of SMEs funding were developed such as Business Angels, Venture Capital, Trade Credit and Bank Overdraft. In view of this, the unit of analysis comprised employees of the selected SMEs in 2020-2021, within Benin Metropolis, Edo State, in collaboration with the University of Benin Micro Finance Bank, Benin City, Edo State.

LITERATURE REVIEW

The literature review encompassed both the conceptual and theoretical frameworks, which were discussed as follows:

Conceptual Issues

A concept is viewed as symbolizing a phenomenon which helps to communicate its findings. The process of conceptualization arises out of the abstraction and generalization of sense impression. (Oyedokun, 2020).

Adequacy of Funding of SMEs Variables of the Study

Venture Capital

Venture capital is one of those fundamental means of funding SMEs in both developed and developing nations of the world. The term, venture capital, encompasses the

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provision of investment finance to SMEs in the form of equity or quasi-equity instruments not traded on the Nigerian Stock Exchange (Abereijo & Fayomi, 2005).

Trade Credits

In SMEs funding, trade credit is an alternate way. Trade credit occurs when SMEs purchase goods and services by means of deferred payment (Maduagwu, ***et al*** 2017). Trade credit is a short-term credit and payment which is due in thirty to ninety days. If payment is not made within the stipulated period, interest charges are imposed. Funding SMEs via trade credit is a universal practice other than conventional bank lending. It is one of the most external significant methods of funding SMEs in most developed and developing countries (Gbam, 2017). Trade credit is an impulsive type of SMEs funding, and it arises directly from ordinary transactions of the business.

Business Angels

A business angel is one of the fundamental sources of funding in promoting SMEs growth and development in both developed and developing nations of the world. Business angels are those individuals who have high net-worth and are willing to invest in new SMEs without having any personal family connections in order to have some stocks in such SMEs (Mason & Harrison, 2008). (Abbasi, *et al,* 2017) asserted that business angels played a dynamic role in SMEs funding by providing small amounts of loans to them, particularly in their early stages of growth and development.

Global statistics showed that business angels offered almost similar amounts of funding offered by financial institutions to finance the activities/operations of SMEs (Sohl, 2012).

Bank Overdraft

In literature, another method of funding SMEs is the use of a bank overdraft. A bank overdraft is a means of funding SMEs where the enterprise receives or draws more than what it has in its accounts with a financial institution but does not give up possession, title or profits, and is bound to payback the overdrawn amount with interest at a specified period. A lot of research has been done on SMEs financing through a bank overdraft, and documented evidence shows that bank overdrafts are the main external source of funding for SMEs in both developed and growing economies (see Wu, *et al,* 2008; Ono & Uesugi, 2009 and Abbasi, *et al,* 2017). A bank overdraft is considered to be more expensive as compared to other available sources of funding but it generates huge return for SMEs (Abbasi, *et al,* 2017).

Theoretical Framework

The theoretical framework of this study was anchored on two (2) theories, namely – Theory of Constraints (TOC) and the Solow Neo-Classical Growth Model. The theories were discussed below.

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Theory of Constraints (TOC)

This study was anchored on the Theory of Constraints (TOC). TOC was developed by Goldratt (1990) and it refers to a process that tries to identify the most important limiting dynamic (that is, constraint) affecting the growth and development of an entity and then systematically improves that constraint until it is no longer a limiting dynamic (Ikon & Chukwu, 2018). The five steps in applying TOC include identifying, exploiting, subordinating, elevating, and reapplying. TOC is relevant to our study in that when its five steps are applied by SMEs, it enables them to identify constraints which limit their growth and development and then systematically improve those constraints until they are no longer a limiting dynamic. In the context of SMEs growth and development, the limiting dynamic is adequate funding provided by financial and other institutions. TOC was employed by prior studies (Ikon & Chukwu, 2018; Yang, *et al,* 2019; and Bakhtiari, *et al,* 2020).

Solow Neo-Classical Growth Model

This study was anchored on the Solow's Neo-classical growth model (NCGM). The NCGM model shows the declining returns to labour and capital independently and constant returns to both factors together. The relevance of NCGM model to the study is that there is increasing recognition that in order to experience output growth in all sectors of an economy, there must be an increase in the quantity and quality of savings and investments.

Empirical Studies

Quite a number of studies have been conducted on the subject of SMEs in sub-Saharan Africa and Nigeria in particular. To the best of the researcher's knowledge, there is a dearth of empirical studies as regards adequate funding, growth and development of SMEs in Benin, Edo State, in particular, using venture capital, trade credits, business angels and bank overdrafts in the attainment of SMEs growth and development. In this section, recent empirical studies, particularly the periods 2010-2019, were reviewed. They were done in an ascending order of years.

Osemeke and Edobor (2019) focused on SMEs financing and economic growth in Nigeria using loans to SMEs, loan interests, inflation rates, exchange rates implication on SMEs and economic growth from 1992-2014. The ordinary least square results showed that loans to SMEs had an effect on economic growth while exchange rate had an adverse effect on economic growth in Nigeria.

Olawale, *et al,* (2019) evaluated the impact of the Nigerian financial markets on SMEs using selected SMEs in Gusau, Zamfara State. Questionnaires were administered to two hundred and fifty (250) owners of SMEs in some strategic locations in Zamfara State and the data obtained were analysed via frequency counts, simple percentages and t-test statistical tools. The study established a positive and significant relation between financial markets and SMEs in Gusau Metropolis, Zamfara State.

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Adelekan, *et al,* (2019) examined the nexus between bank loans (measured by access to loan and debt financing) and performance of SMEs (business expansions and outputs) in Lagos State, Nigeria. The descriptive survey design was adopted and a structured questionnaire was administered to three hundred and seventy-two (372) respondents who were chief executives of SMEs. The correlation result revealed that access to loan and debt financing were positively linked with business expansion and outputs of SMEs in Nigeria.

Ikon and Chukwu (2018) used secondary data of SMEs contribution to export, employment, credits to SMEs and money supply to investigate their effects on industrial growth in Nigeria during the period 2002-2016. The regression result revealed that manufacturing SMEs production had a statistical significant effect on industrial growth in Nigeria. It implied that manufacturing SMEs were viable in accelerating industrial growth via their contributions to the economy.

Gulani and Usman (2018) evaluated the challenges of SMEs in financing new or existing businesses in Gombe State. SMEs were randomly drawn from three (3) LGAs namely, Akko, Dukku and Gombe. The chi-square result showed that there was an insignificant difference in the difficulty SMEs faced when accessing finance from diverse means. More so, there was a significant difference on the level of awareness of microfinance institutions by SMEs.

Peter, *et al* (2018) explored the effects of financial assistance on SMEs performance across three states of the Nigerian Federation. Survey and semi-structured interview methods were employed and three hundred and sixty (360) questionnaires were administered to SMEs owners/managers. Descriptive and multiple regression results showed that while financial assistance had a significant effect on SMEs performance, those supports were inadequate, and were faced by stringent, unrealistic bureaucratic details.

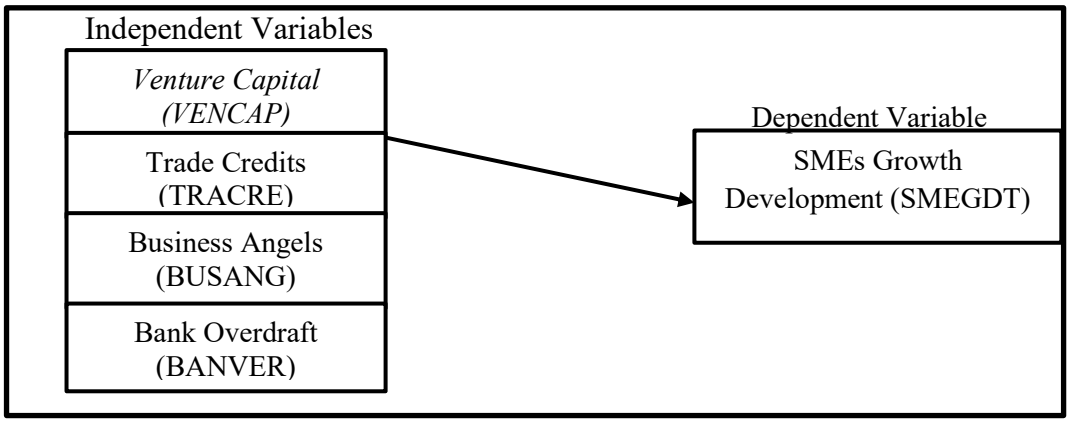
Olaoye, *et al,* (2018) assessed the relationship between bank financing and SMEs growth in Nigeria from 1998-2017 using data of deposit money bank loans to average lending rates, inflation rates and GDP. Descriptive, correlation, regression and Granger causality tests were employed and the study found that deposit money bank loans to SMEs had a negative and an insignificant effect on GDP. Besides, average deposit money bank lending rates to SMEs had a negative and an insignificant effect on GDP while no causal connection was found to exist among deposit money bank loans to average lending rates to SMEs, inflation rate and GDP in Nigeria.

Usman, *et al,* (2018) evaluated the contributions of financial institutions in financing SMEs investment scheme in Nigeria by means of a regression estimation technique. The study found that SMEs investment scheme, if adequately managed considering the volume of funds dedicated to the process, could serve as a fundamental incentive for the growth of the Nigerian economy.

Similarly, Gbandi and Amissah (2014) investigated the financing options for SMEs growth in Nigeria. The financing debt options examined were deposit money banks, microfinance

banks, cooperatives, other financing institutions as well as venture capital and business angels. The study found that while the financing options were able to promote SMEs growth in Nigeria, it had poorly contributed to the growth of the Nigerian economy.

Conceptual Model of Study



Source: Conceptualized from the Literature, 2024

In this study, the independent variables encompassed adequate funding which took the form of venture capital, trade credits, business angels, and bank overdraft while the dependent variable was the growth and development of SMEs. Therefore, the conceptual model buttressed or captured the relationship between the dependent variable (SMEs growth and development) and independent variables (venture capital, trade credit, business angel and bank overdraft).

METHODOLOGY

This study methodology x-rays the research design, population of the study, sample and sampling technique, instrument of data collection, validity and reliability of research instrument, method of data collection, model specification and method of data analysis.

Population of the Study

The population of this study was registered small and medium scale enterprises (SMEs) in Edo State as at 31st December, 2017. The total population of the study was put at two thousand, six hundred and thirty-three (2,633) small enterprises and forty-four (44) medium enterprises, totalling two thousand, six hundred and seventy-seven (2,677) SMEs in Edo State (SMEDAN and National Bureau of Statistics, 2017) in collaboration with the University of Benin Micro Finance Bank, Benin City, Edo State.

Sample Size and Sampling Techniques

The sample of this study was drawn from both small and medium enterprises registered with SMEDAN as at 31st December, 2017, the most recent survey conducted by the Agency.

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Importantly, the sample size was obtained using two-staged sampling techniques (Krejcie and Morgan sample size determination formula and stratified random sampling). Given the large population of study, the probability sampling technique based on the Krejcie and Morgan (1970) sample size determination formula was adopted to calculate the actual sample size of the study.

The Krejcie and Morgan's sample size calculation was based on p = 0.05; where probability of committing type I error was less than 5 %orp<*0.05.* The formula was given as:

$$s = X^2NP(1-P) \div d^2(N-1) + X^2P(1-P) \quad \textit{eq. 1}$$

Where: s required sample size; X^2 = table value of chi-square for 1 degree of freedom at the desired confidence level (*0.05* = 3.841); *N* = population size; *P* = population proportion (assumed to be 0.50 since that would provide the maximum sample size); *d* = degree of accuracy expressed as proportion (0.05).

$$s = \frac{3.841 \times 2{,}677 \times 0.5 \times 0.5}{(0.05^2 \times 2{,}676) + 3.841 \times 0.5 \times 0.5}$$

$$s = \frac{2{,}570}{6.69 + 0.96}$$

$$s = \frac{2{,}570}{7.65}$$

$$s = 335.9$$

$$s = 336$$

Given the outcome of the Krejcie and Morgan's sample size determination formula resulting to three hundred and thirty-six (336) sample size, the stratified random sampling method was employed in the distribution of the sample size across the number of small and medium enterprises in Edo State, Nigeria (see Table 3.1).

Table 1: Sample size distribution based on the computed sample size of the small and medium enterprises in Edo State, Nigeria

Enterprises	Population of Enterprises	Percentage (%) Representation	Sample Size
Small	2,633	98.4%	331
Medium	44	1.6%	5
Total	**2,677**	**100%**	**336**

Source: Compiled by the Researcher, 2024

In view of the above, three hundred and thirty-one (331) registered small enterprises were sampled as well as five (5) medium enterprises.

Source of Data Collection

The major instrument of data collection was the questionnaire which was designed to elicit responses on the adequacy of funding of small and medium scale enterprises in Edo State, Nigeria. The researcher adopted the questionnaire method to obtain data on the dependent variable (SMEs growth and development) and independent variable

(indicators of SMEs funding - venture capital, trade credits, business angels and bank overdraft). The questionnaire was divided into two sections, i.e., the first section encompassed socio-demographic information of respondents, which was designed in a close-ended form. The second section was on thematic issues, which included SMEs funding indicators (venture capital, trade credits, business angels and bank overdraft).
The questionnaire was designed on a 5-point Likert scale of Strongly Agree (5), Agree (4), Undecided (3), Disagree (2) and Strongly Disagree (1). Also, in order to reduce fatigue on the part of the respondents, the questions in the questionnaire were precise and at the same time, they retained important information. Thus, the questions were few and not designed to waste the respondents' time.

Model Specification

The simple regression statistical technique was employed to test the formulated hypotheses at 0.05% level of significance with a view to either rejecting or accepting the hypotheses. In view that, the regression model was estimated as follows:

$smes = f\ (vencap, tracre, busang, bankver)$ - *eq. 1*

Equation 1 was the implicit form of the regression model which showed the relationship between the dependent and independent variables. However, equations 3-6 were the explicit forms of the simple regression model:

$smes_i = \alpha_o + \beta_1 vencap_i + \mu_t$ - *eq. 2*

$smes_i = \alpha_o + \beta_1 tracre_i + \mu_t$ - *eq. 3*

$smes_i = \alpha_o + \beta_1 busang_i + \mu_t$ - *eq. 4*

$smes_i = \alpha_o + \beta_1 bankver_i + \mu_t$ - *eq. 5*

Where: *smes*=small and medium scale growth and development; *vencap* =venture capital; *tracre*=trade credit; *busang*=business angel; *bankver*=bank overdraft; αo, β_1 =regression coefficients; and *ut*= Error term.

DATA PRESENTATION AND ANALYSIS

This study sought to investigate the adequacy of funding and growth of selected small and medium enterprises (SMEs) within the Benin Metropolis in Edo State, Nigeria. In order to do that, questionnaires were administered to three hundred and thirty-one (331) registered SMEs operators. Besides, the study's questionnaire focused on four (4) dimensions of SMEs funding, namely, trade credit, business angel, venture capital and bank overdraft. More so, out of the 331 questionnaires administered, three hundred and nine (309) were completed and retrieved, representing 93.4% response rate. The responses from the respondents were subjected to both descriptive (mean, standard deviation, minimum and maximum values, correlation, variance inflator factor and heteroskedasticity test for multi-collinearity) and inferential (ordinary least square with its Best Linear Unbiased Estimates Property) statistics.

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The results of descriptive statistics were further supported by graphical representations, especially in the aspect of the socio-demographic characteristics of respondents. The statistical analysis was done by means of STATA 13.0 version. The results of the study were presented in order of precedence: preliminary analysis (descriptive statistics) came first, closely followed by test of research hypotheses (inferential statistics) and then the discussion of findings concluded the chapter.

Response Rate

Table 2: Questionnaire Distribution

Questionnaire	Frequency
Distribution	331
Not – Retrieved	16
Retrieved	312
Discarded	3
Useful Response	309

Source: Field Survey, 2024

Table 4.1 showed the questionnaire distribution to respondents: The results revealed that out of the 331 questionnaires distributed, 16 were not retrieved while 312 were fully retrieved. However, 3 were discarded resulting to 309 questionnaires, which we considered good enough for the analysis.

Preliminary Analysis

Table 3: Demographic Variables of Respondents

Ranks	Variables	Respondents	Frequency N=309	Percent (%)
1	Gender	Male	218	70.55%
		Female	91	29.45%
		Total	**309**	**100.0%**
2	Marital Status	Single	117	37.86%
		Married	189	61.17%
		Others	3	0.97%
		Total	**309**	**100.0%**
3	Age	18-37years	103	33.33%
		38-57years	126	40.78%
		58-77years	80	25.89%
		78years & above	-	-
		Total	**309**	**100%**
4	Level of Education	No formal	11	3.56%
		Primary	27	8.74%
		Secondary	62	20.06%
		Tertiary	209	67.64%
		Total	**309**	**100.0%**

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Table 4: Demographic Variables of Respondents (Continued)

Ranks	Variables	Respondents	Frequency N=309	Percent(%)
5	Location of SMEs	Rural Area	113	36.57%
		Urban Area	196	63.43%
		Total	**309**	**100.0%**
6	Operational Years of SMEs	0-5years	146	47.25%
		6-10years	108	34.95%
		11-15years	38	12.30%
		16-20years	17	5.50%
		21years & above	-	-
		Total	**309**	**100.0%**
7.	Sector of SMEs	Agriculture	98	31.72%
		Mining/Quarrying	-	-
		Manufacturing	34	11.00%
		Water Supply	26	8.41%
		Construction	-	-
		Wholesale/Retail	28	9.06%
		Transportation	18	5.83%
		Accommodation	14	4.53%
		ICT	9	2.91%
		Real Estate	5	2.59%
		Admin & Support	9	2.91%
		Education	7	2.27%
		Social Works	-	-
		Arts/Entertainment	51	16.50%
		Total	**309**	**100.0%**
8	Number of Employees	Less than 10	206	66.67%
		10-49	103	33.33%
		50-199	-	-
		200-300	-	-
		Total	**309**	**100.0%**
9	SMEs Capital Source	Personal Savings	151	48.87%
		Loans/BOD	107	34.63%
		Family Source	18	5.83%
		Cooperative/Esusu	33	10.67%
		Grant	-	-
		Total	**309**	**100.0%**

Source: Field Survey, 2024

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Presented in Tables 4.2a-bwere the demographic variables of three hundred and nine (309) registered SMEs operators within the Benin Metropolis in Edo State, Nigeria. The result revealed that 218(70.55%) of the respondents were males while 91(29.45%) were females. On the marital status of respondents, it was shown that 117(37.86%) and 189(61.17%) were single and married respectively while only 3(0.97%) were either divorced or widowed. The data showed that 103(33.33%) and 126(40.78%) of the respondents were within the age brackets of 18-37years and 38-57years respectively while only 80(25.89%) were within the 78years and above age bracket. On the level of education, it was observed that 11(3.56%) and 27(8.74%) of the respondents had no formal education and primary education respectively while 62(20.06%) and 209(67.64%) had secondary and tertiary education respectively. It thus showed that majority of the respondents had tertiary education and were able to comprehend the issues raised in the questionnaire.

Furthermore, it was found that 113(36.57%) of the registered SMEs were domiciled in rural areas while 196(63.43%) were in urban areas. On the operational years of SMEs, it was shown that 146(47.25%) and 108(34.95%) of the SMEs had been in operation for 0-5years and 6-10years respectively, and 38(12.30%) and 17(5.50%) for 11-15years and 16-20years. None of the SMEs had been in operation for more than 20years and above. Also, it was shown that majority of the SMEs were domiciled in the agricultural sector, representing 98(3.72%), followed by arts and entertainment 51(16.50%) while there were few registered SMEs in accommodation, ICT, admin and support services, education, real estate and social works sectors.

In addition, the number of employees of studied SMEs ranged from less than 10, representing 206(66.67%) and 10-49, representing 103(33.33%). It was found that the studied SMEs obtained sourced capital based on personal savings 151(48.87%) and 107(34.63%) from loans and advances from formal lending institutions such as banks and other non-formal lending entities like money lenders. However, 18(5.83%) sourced capital from cooperative societies while 33(10.67%) sourced from family members and associates.

Analysis of Questionnaire Items

Table 5: Descriptive Statistics showing Venture Capital as a Determinant of SMEs Growth

S/N	Items	Mean	Std. Dev.
1	Venture capital is a vital avenue for funding SMEs	2.657	1.446
2	Seed and start-up capitals are profoundly used by SMEs	2.694	1.435
3	Venture capital is used for expansion and buyout by SMEs	2.612	1.386
4	Venture capital assists SMEs in solving numerous funding problems	3.00	1.402
5	Venture capital has no significant effect on the growth and development of SMEs	2.793	1.210
	Aggregate Mean/Standard Deviation	**2.751**	**1.376**

Source: Field Survey, 2024

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Table 4.3 presented the research questions on venture capital of SMEs within the Benin Metropolis in Edo State, Nigeria. The result showed that out of the five (5) items on venture capital, all 5-items scored above 2.50 cut-off point of the mean. It suggested that the five (5) items that scored above the cut-off point determined venture capital among the selected SMEs and were fundamental to the growth of SMEs. Overall, the grand mean (2.751) which was above the cut-off point of the mean was an indication that the selected SMEs considered venture capital as a driver of SMEs growth and development. Furthermore, the results of the question to the respondents if trade capital contributed to the growth of SMEs were presented in Table 4.3.

Table 6: Descriptive Statistics showing Trade Credit as a Determinant of SMEs Growth

S/N	Items	Mean	Std. Dev.
1	Trade credit is a universal practice by SMEs other than conventional bank lending	2.960	1.373
2	Trade credit is one of the most external significant sources of funding SMEs	2.520	1.423
3	Trade credit is a vital source of funding for start-up SMEs	2.504	1.421
4	Trade credit aids SMEs in solving funding problems	2.556	1.475
5	Trade credit has no significant effect on the growth and development of SMEs.	2.737	1.275
	Aggregate Mean/Standard Deviation	**2.655**	**1.393**

Source: Field Survey, 2024

Table 4.4 presented the research questions on trade capital among the selected SMEs within the Benin Metropolis in Edo State, Nigeria. The result showed that all five (5) items on trade capital scored above 2.50 cut-off point of the mean. It implied that the 5-items that scored above the cut-off point determined the trade capital of the selected SMEs and were vital metrics for assessing trade capital. Overall, the grand mean (2.655) which was above the cut-off point of the mean was an indication that the selected SMEs considered trade capital as a driver of SMEs growth and development. Furthermore, the respondents were asked if business angel contributed to the growth of SMEs and the results were presented in Table 4.4.

Table 7: Descriptive Statistics showing Business Angel as a Determinant of SMEs Growth

S/N	Items	Mean	Std. Dev.
1	Business angels play a dynamic role in SMEs funding.	2.742	1.356
2	Business angels offer almost similar amounts of funding. offered by financial institutions to finance SMEs operations.	2.861	1.388

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3	Business angels assist SMEs to increase the flow of finance by contributing directly to their growth and development.	2.558	1.442
4	SMEs find it cumbersome to find suitable business angels.	2.590	1.470
5	Business angel aids SMEs in solving funding problems	2.986	1.302
	Aggregate Mean/Standard Deviation	**2.607**	**1.392**

Source: *Field Survey, 2024*

Table 4.5 presented the research questions on business angel as a determinant of SMEs growth among the selected SMEs within the Benin Metropolis in Edo State, Nigeria. The result showed that all the five (5) items on business angel scored above 2.50 cut-off point of the mean. It means that all the 5-items were good indicators for assessing business angel among the selected SMEs. Overall, the grand mean (2.607) which was above the cut-off point of the mean was an indication that the selected SMEs considered business angel as a driver of SMEs growth and development. Furthermore, the respondents were asked if bank overdraft contributed to the growth of SMEs and the results were presented in Table 4.5.

Table 8: Descriptive Statistics showing, A Bank Overdraft as a Determinant of SMEs Growth

S/N	Items	Mean	Std. Dev.
1	A bank overdraft is an alternate method of funding SMEs	2.089	1.444
2	SMEs do not rely heavily on bank overdrafts due to their huge costs.	2.694	1.435
3	SMEs consider bank overdrafts common place in funding.	2.612	1.386
4	A bank overdraft aids SMEs in solving funding problems.	3.000	1.402
5	A bank overdraft has no significant effect on the growth and development of SMEs.	1.793	1.310
	Aggregate Mean/Standard Deviation	**2.438**	**1.395**

Source: Field Survey, 2024

Table 4.6 presented the research questions on bank overdraft as a determinant of SMEs growth among the selected SMEs within the Benin Metropolis in Edo State, Nigeria. The result showed that out of the five (5) items on bank overdraft, three (3) scored above 2.50 cut-off point of the mean while two (2) items were below the cut-off point of the mean. More so, the grand mean (2.438) which was below the cut-off point of mean was an indication that the selected SMEs did not consider bank overdraft as a driver of SMEs growth and development. Furthermore, respondents were asked on a holistic view if the SMEs funding contributed to the growth of SMEs and the results were presented in Table 4.6.

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Table 9: Descriptive Statistics showing Growth of SMEs

S/N	Items	Mean	Std. Dev.
1	Over the years, SMEs have experienced unprecedented growth.	2.510	1.460
2	The growth of SMEs largely depends on venture capital.	2.684	1.489
3	SMEs growth essentially depends on trade credits.	2.793	1.418
4	The growth of SMEs is broadly enhanced via business angel.	2.984	1.273
5	The growth of SMEs is supported by bank overdrafts.	1.745	1.590
	Aggregate Mean/Standard Deviation	**2.543**	**1.486**

Source: Field Survey, 2024

Table 4.7 presented the research questions on SMEs growth among the selected SMEs within the Benin Metropolis in Edo State, Nigeria. The result showed that out of the four (4) measures of SMEs growth, three (business angel, trade credits and venture capitals) scored above 2.50 cut-off point while one (bank overdraft) scored below the mean benchmark. It suggested that all the three (3) measures of SMEs growth drove SMEs growth except bank overdraft. Overall, the grand mean (2.543) which was above the cut-off point of the mean was an indication that the selected SMEs considered certain measures as drivers of SMEs.

Table 10: Correlation Results for the Dependent and Independent Variables of the Study

	smes	vencap	tracre	busang	bankver
smes	1.0000				
vencap	0.0485	1.0000			
tracre	-0.0027	-0.1247	1.0000		
busang	0.0269	0.1486	0.2327	1.0000	
bankver	-0.0248	0.1105	-0.0235	0.1206	1.0000

Source: Field Survey, 2024

Presented in Table 4.8, was the correlation matrix which was used to test for the presence or absence of multicolinearity among the variables of the study. It was an econometric problem which nullified the result of regression estimates and led to wrong statistical applications. In order to examine the presence or absence of interdependence among the variables under investigation, a pair-wise correlation test was performed. The result showed that there was association between each pair of the variables used. However, the correlation matrix showed that venture capital (vencap r=0.0485) and business angels (busang r=0.0269) were positively correlated with SMEs growth (smes) while trade credit

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(tracre r=0.-0.0027) and bank overdraft (bankver r=0.-0.0248) were negatively correlated with SMEs growth.

The correlation results suggested that venture capital and business angel positively related with SMEs growth while the opposite was the case for trade credit and bank overdraft. More importantly, none of the correlation coefficients exceeded 0.8, an indication that there was absence of multi-colinearity among the pairs of independent variables. More so, in order to verify the above result, a Variance Inflation Factor (VIF) test was conducted. The results were presented in Table 4.8.

Table 11: Variance Inflation Factor Result

Variable	VIF	1/VIF
busang	1.11	0.902322
tracre	1.09	0.918571
vencap	1.06	0.943941
bankver	1.03	0.975235
Mean VIF	1.07	

Source: Field Survey, 2024

Table 4.9, the VIF of the variables (busang= 1.11; tracre = 1.09; vencap = 1.06; bankver = 1.03) did not exceed the standardized VIF level of 10. Besides, the mean VIF (1.07 <10.0) suggested that there was no heteroscedasticity problem between the dependent (smes) and independent variables (busang, tracre, vencap and bankver) of the study.

Test of Research Hypotheses

H_o1: Venture capital has no significant effect on the growth and development of SMEs.

Table 12: Regression Results for Venture Capital and SMEs Growth

Source	SS	df	MS		
Model	1.51522163	1	1.51522163		
Residual	102.974358	307	.335421361		
Total	104.48958	308	.339251882		

Number of obs	=	309			
F(1, 307)	=	4.52			
Prob > F	=	0.0344			
R-squared	=	0.0145			
Adj R-squared	=	0.0113			
Root MSE	=	.57916			

smes	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
vencap	.0121141	.0056996	2.13	0.034	.0008988	.0233293
_cons	3.823264	.0424806	90.00	0.000	3.739674	3.906854

Source: Field Survey, 2024

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Presented in Table 4.10, was the regression result for venture capital (vencap) and SMEs growth among selected SMEs within the Benin Metropolis in Edo State, Nigeria. The R-squared for *vencap* was 0.0145 It suggested that the independent variable explained about 14.5% of the systematic variations in SMEs growth. The f-ratio indicated that venture capital (*vencap* = 4.52 Prob < f = 0.0344) significantly affected SMEs growth. Moreover, the t-value (t= 2.13; p-value = 0.034) showed that venture capital positively affected SMEs growth. The result was further supported by the correlation result (see Table 4.7).

Furthermore, the coefficient for venture capital (.0121141) implied that a unit increase in venture capital would result to 1.2% increase in SMEs growth. Besides, the p-value of *vencap* (0.0000) was an indication that there was a significant relationship between venture capital and the growth of SMEs within the Benin Metropolis in Edo State, Nigeria. Hence, the null hypothesis was rejected and the alternate hypothesis was accepted that venture capital had a significant effect on the growth and development of SMEs.

H_o2: Business angels have no significant effect on the growth and development of SMEs.

Table 13: Regression Results for Business Angels and SMEs Growth

Source	SS	df	MS	Number of obs	=	309
				F(1, 307)	=	3.98
Model	1.33889009	1	1.33889009	Prob > F	=	0.0468
Residual	103.150689	307	.335995731	R-squared	=	0.0128
				Adj R-squared	=	0.0096
Total	104.48958	308	.339251882	Root MSE	=	.57965

smes	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
busang	.0070363	.0035248	2.00	0.047	.0001004	.0139721
_cons	3.839809	.0387036	99.21	0.000	3.763651	3.915967

Source: Field Survey, 2024

Presented in Table 4.11, was the regression result for venture business angels (busang) and SMEs growth among selected SMEs within the Benin Metropolis in Edo State, Nigeria. The R-squared for *busang* was 0.0128, suggesting that the independent variable explained about 12.8% of the systematic variations in SMEs growth. The f-ratio indicated that business angels (*busang*= 3.98 Prob <f = 0.468) significantly affected SMEs growth. Moreover, the t-value (t= 2.00; p-value = 0.047) showed that business angels positively affected SMEs growth. The result was further supported by the correlation result (see Table 4.7).

Furthermore, the coefficient for business angels (.0070363) implies that a unit increase in business angels would lead to 0.7% increase in SMEs growth. Besides, the p-value of *busang* (0.0000) was an indication that there was a significant relationship between

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business angels and the growth of SMEs within the Benin Metropolis in Edo State, Nigeria. Hence, the null hypothesis was rejected and the alternate hypothesis was accepted that business angels had a significant effect on the growth and development of SMEs.

H_o3: Bank Overdraft has no significant effect on the growth and development of SMEs

Table 14: Regression Results for Bank Overdraft and SMEs Growth

Source	SS	df	MS	Number of obs =	309
				F(1, 307) =	0.19
Model	.064463226	1	.064463226	Prob > F =	0.6636
Residual	104.425116	307	.340146959	R-squared =	0.0006
				Adj R-squared =	-0.0026
Total	104.48958	308	.339251882	Root MSE =	.58322

smes	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
bankver	-.025376	.0582908	-0.44	0.664	-.1400761	.0893241
_cons	3.980597	.2328603	17.09	0.000	3.522393	4.438801

Source: Field Survey, 2024

Presented in Table 4.12, was the regression result for bank overdraft (*bankver*) and SMEs growth among selected SMEs within the Benin Metropolis in Edo State, Nigeria. The R-squared for *bankver* was 0.0006, suggesting that the independent variable explained about 0.6% of the systematic variations in SMEs growth. The f-ratio indicated that bank overdraft (*bankver* = 0.19; Prob < f = 0.6636) insignificantly affected SMEs growth. Moreover, the t-value (t= -0.44; p-value = 0.664) showed that bank overdraft negatively affected SMEs growth. The result was further supported by the correlation result (see Table 4.7).

Furthermore, the coefficient for bank overdraft (-.025376) implied that a unit increase in bank overdraft would lead to a 0.25% decrease in SMEs growth. Besides, the p-value of *bankver* (0.664) was an indication that there was an insignificant relationship between bank overdraft and the growth of SMEs within the Benin Metropolis in Edo State, Nigeria. Hence, the null hypothesis was accepted and the alternate hypothesis was rejected that bank overdraft had no significant effect on the growth and development of SMEs.

H_o4: Trade credit has no significant effect on the growth and development of SMEs.

Table 15: Regression Results for Trade Credit and SMEs Growth

Source	SS	df	MS	Number of obs =	309
				F(1, 307) =	0.08
Model	.027632606	1	.027632606	Prob > F =	0.7759
Residual	104.461947	307	.340266928	R-squared =	0.0003
				Adj R-squared =	-0.0030
Total	104.48958	308	.339251882	Root MSE =	.58332

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smes	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
tracre	-.0074684	.0262076	-0.28	0.776	-.0590376	.0441008
_cons	3.909006	.1061957	36.81	0.000	3.700043	4.11797

Source: Field Survey, 2024

Presented in Table 4.13, was the regression result for trade credit (*tracre*) and SMEs growth among selected SMEs within the Benin Metropolis in Edo State, Nigeria. The R-squared for *tracre*was 0.0003, suggesting that the independent variable explained about 0.3% of the systematic variations in SMEs growth. The f-ratio indicated that trade credit (*tracre*= 0.08; Prob < f = 0.7759) insignificantly affected SMEs growth. Moreover, the t-value (t= -0.28; p-value = 0.776) showed that trade credit negatively affected SMEs growth. The result was further supported by the correlation result (see Table 4.7).
Besides, the coefficient for trade credit (-.0074684) implied that a unit increase in trade credit would lead to 0.07% decrease in SMEs growth. More so, the p-value of *tracre* (0.776) was an indication that there was an insignificant relationship between trade credit and the growth of SMEs within the Benin Metropolis in Edo State, Nigeria. Hence, the null hypothesis was accepted and the alternate hypothesis was rejected that trade credit had no significant effect on the growth and development of SMEs.

CONCLUSION AND RECOMMENDATIONS

Conclusion

Globally, small and medium scale enterprises (SMEs) play a fundamental role in generating employment and advancing economic development. The existence of SMEs has been seen as the solution to the problems of slow economic development among developing countries such as Nigeria. On the other hand, while SMEs in Nigeria had experienced slow growth, funding adequacy has been emphasized as the bane of their slow growth of SMEs. The United Nations Development Programme (UNDP, (1997) supports this fact and argued that in order for SMEs to experience rapid growth, there was the need to have adequate funding, hence, this study on the adequacy of funding and growth of SMEs, with particular reference to selected SMEs within the Benin Metropolis in Edo State, Nigeria.
On the basis of the analysis of data, it was concluded that while business angels and venture capital (measures of funding adequacy of SMEs) significantly and positively affected the growth of SMEs, bank overdraft and trade credits (measures of funding adequacy of SMEs) were found to negatively and insignificantly affect SMEs growth in Nigeria. Consequently, the findings, in part, corroborated the results by Gbandi and Amissah (2014) and disagreed, in part, with the findings of Ikon and Chukwu (2018), Oaya and Mambula (2017) and Nwakoby, *et al* (2017).

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Recommendations

Given the findings of the study, the following recommendations were made:

1. The management of SMEs should use more venture capitals for its source of funding since they have been found to be major determinants of SMEs growth. In fact, venture capitals should form a major proportion of the capital base of SMEs.
2. SMEs operators should inculcate the habit of encouraging business angels as a source of funding in order to promote their growth. This can be realized by persuading individuals whose net-worth is high to invest in SMEs stocks.
3. Given the fact that bank overdrafts negatively and insignificantly contribute to SMEs growth in Nigeria, there is the need for SMEs operators to discourage the use of bank overdrafts as much as they can.

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