DETERMINANTS OF DEPOSIT MONEY BANKS CREDIT TO SMALL AND MEDIUM SCALE ENTERPRISES FINANCING IN NIGERIA.

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ABSTRACT

The study examined the determinants of deposit money banks credit to small scale enterprise in Nigeria. Small and medium scale enterprise plays very important roles in the economic growth and development of a nation; it provides employment opportunities, encourages and sustains self-reliance. It is quite unfortunate that despite the numerous roles which small and medium scale enterprise plays in the economy, small and medium scale enterprises still face some challenges of the need for startup capital, the need for working capital and the need for expansion capital. The major objective of this study is to assess the determinants of deposit money banks credit to small scale enterprises in Nigeria. Multiple regression analysis was used to achieve the stated objective. Data was sourced from CBN statistical bulletin. It was revealed that there exist a strong relationship between the dependent variable and independent variable. It was also reviewed in the determinant of SMEs credit equation that the relationship between dependent and Independent variables was statistically significant at 5%. Also, in Anova result p-value is 0.030 which is lesser than 0.05. The study recommends that the Nigerian deposit money banks should mobilized enough deposit and always make loans to small and medium enterprises in other to enhance economy growth and development in Nigeria. There should be guarantee of long term loans to small and medium scale enterprises from the government.

Keywords: *Bank credit, small and medium enterprises, capital, economy, Liquidity ratio, Cash reserve ratio, Bank rate, Deposit rate.*

1. INTRODUCTION

The Nigerian deposit money banks are the most important savings, mobilizing and financial resource allocation institutions. Their functions make them an important sector of the economy and strong pillar in the economic growth and development. Nigerian deposit money banks which are also known as commercials banks are financial institutions that provide services such accepting deposit, giving loans to individuals and business people.

According to Ubom (2006) and Olagunju (2008), the history of small scale enterprise in Nigeria can be traced to the period of our forefathers who were engaged in local farming and trading. At first, they went into farming in order to satisfy their immediate need which is known as subsistence. They did not have to sell any of their produce to other, neither did they have to render any services to others. They consumed all they produced, as the country got populated by more people and given the divergences in human talents, natural and geographical endowments, coupled with the inability of these farmers to satisfy other needs they then diversified into other craft trades to provide their other needs. These resulted to the growth of small scale enterprise activities.

The small scale enterprises also known as small business is a business that employs a small number of workers and does not have a high volume of sales; such enterprises are generally privately owned and operated e.g. sole proprietorship.

In Nigeria, the federal government industrial policy of 1989 defined a small scale business as any business that its total investment is between ₦10000 and ₦200000 exclusive of land including working capitals. The scope of small scale enterprise in Nigeria can be classified into primary industry (extraction) such business include farming e.g. crop farming , fish farming, the secondary industry(manufacturing) such include manufacturing of goods such as steel , food, foot wears and rubber etc. Commerce refers to the exchange activities that facilitates exchange such as retailing , retailing, wholesaling, insurance, transportation and advertising, we also have the services, which are businesses that offer specialized and technical services to customers and business owners such as personal service e.g. car washing, hair dressing, dry-cleaning, the business services e.g. accounting firms, machine repairs and legal practitioners, the entertainment and recreation services e.g. cinemas, drama, dance bands, the consulting services such as management information system (MIS), engineering and risk management and the research and development services. The purpose of this paper therefore is to assess the relationship between small scale enterprises and the Nigerian deposit money banks (commercials).

1.1 PROBLEM IDENTIFICATION

Small scale enterprise plays very important roles in the economic growth and development of a nation. It provides employment opportunities, encourages and sustains self-reliance provides technical inventions and innovations promotes competition in the market which acts as a check in the activities of monopolists, utilize waste product from it firm for further production. It is quite unfortunate that despite the numerous roles which small scale enterprise plays in the economy, the small scale enterprises still face some challenges which can be in three dimensions, namely; the need for startup capital, the need for working capital and the need for expansion capital. The Nigerian deposit money banks remain the biggest source of finance for the small scale enterprises in Nigeria or across the globe. However, many Nigerian deposit money banks are reluctant in financing the small scale enterprise of the challenges, uncertainties and perceived risks. In Nigeria the difficult economic environment absence of appropriate managerial skills and lack of access to modern technology by the small scale enterprise have all contributed to the Nigerian deposit money bank reluctance to finance the enterprise. The result of this reluctance is the steady decline in financing of the small scale enterprises in the country over the years. The CBN (2010) statistics shows that commercial banks advances to the small scale enterprises have been on the decline over the years. The Nigerian deposit money banks loans to small scale enterprise as a percentage of total credits decreased from 48.7% in 1992 to 0.15% in 2010 (Luper 2012).

1.2 OBJECTIVES

The broad objective of this study is to examine the determinants of Nigerian deposit money banks credit to small scale enterprises. The specific objective of this study is to access the relationship between Nigerian deposit money banks credit to small scale enterprises and Liquidity ratio, Cash reserve ratio, Bank rate, Deposit rate.

1.3. HYPOTHESIS

Ho: there is no relationship between Nigerian deposit money banks credit to small scale enterprises and Liquidity ratio, Cash reserve ratio, Bank rate, Deposit rate.

Hi: there is relationship between Nigerian deposit money banks credit to small scale enterprises and Liquidity ratio, Cash reserve ratio, Bank rate, Deposit rate.

1.4 JUSTIFICATION FOR STUDY

Several studies had been conducted on the financing of small Scale enterprises by the Nigerian deposit money banks majorly on how the small scale enterprises are satisfied and how they get loan from the Nigerian deposit money banks. However, little of these researches were directed towards the effectiveness and good performance of banks in financing of small scale enterprises in Nigeria. Therefore, going by the present need for research in this area, this study will add value to what is currently obtaining in the banking activities of financing small scale enterprises and hence pave way for improving the current situation. Therefore the study hope to contribute to the provision of information for both present and potential small scale enterprises so as to enable them have access of loan or deposit from the Nigerian deposit money banks and through reduction in the interest rate of loans, so that it will be easy for the small scale enterprises to source for fund and pay back in due time, in order to developed the national economy. Policy makers of the banks and financial institution with necessary information on how to finance and give out loan to small scale enterprises and a view to making strategic decisions that would enhance effective growth of small scale enterprises and also the bank sectors. Lastly, to enable businessmen, student and reader to enable them know the strength and weakness of the Nigerian deposit money banks in financing the small scale enterprises.

2. LITERATURE REVIEW

2.1 CONCEPTUAL REVIEW

2.1.1 CONCEPTS, NATURE AND CHARACTERISTICS OF SMALL SCALE ENTERPRISES:

Small scale enterprise is business that employs a small number of workers and does not have a high volume of sales. Such enterprise are generally privately owned and operated by a sole proprietorship, corporations or partnerships Small scale enterprise have been defined by various people, different associations, government parastatal and government agencies. The definition have been based on costs of investment outlay, number of employees, output, turnover and the purchasing power of the countries' currencies at a particular point in time, while some sources consider any enterprise carrying fewer than 100% on its payroll small, others opine that a business is small if it is privately owned and operated and not diverse in its field of production or services. Particularity, small scale enterprises are characterized by localized market, low capital requirements and relatively simple technology and such kinds of enterprise are dress shop and, local stores. In Nigeria, small scale enterprises are always grouped under small and medium scale enterprises (SMES). According to Cole (1971), small scale enterprise is an enterprise that is owned, controlled, managed by one or two persons, is firmly inflamed in decision making, as an undifferentiated organizational structure, has a relatively small share of the market and employs less than 50 people. The small scale enterprise act 1953 (USA) provides that a small business concern is one which is independently owned and operated and dominant in its field of operation. (Broom and longrecker 1986) the committee on economic development of the United States of America offers a definition which states that a business will be classified as small if it meets two or more of the following criteria they are:

i. The size of the firm is small relative to industry

ii. Management is independent; usually the managers are also owners.

iii. Capital is supplied and ownership is held by an individual or a small group

iv. The area of operation is mainly local workers are in one home or community, markets used not be local. The Nigerian bank for commerce and industry (NBCT) defines small scale enterprise as one with total capital not exceeding ₦750000, excluding cost of land but including working capital. Small scale enterprise has certain characteristics which distinguish them from large scale enterprises and justify separate analysis of them in development, Okoye (2002), pointed that the characteristics of small scale enterprises were summoned after review of a report of financing of small scale enterprise in Nigeria by subcommittee of the national advisory committee on small scale enterprise development, under the chairmanship of DR. A.O Oguntoye and other relevant authorities. The following characteristics were given by the report cited above.

i. They are engage in the production of light and consumer oriented

ii. Management of any small scale enterprise is usually independent

iii. The owner (manager) knows and is known by little employees in the firm

iv. They have little or no accounting records

v. the small scale enterprise is operated like a sole proprietorship

2.1.2 THE ROLES AND IMPORTANCE OF THE SMALL SCALE ENTERPRISES IN THE NIGERIAN ECONOMY

Small and medium enterprises pay important roles in the economic growth and sustainable development of any economy (Ariyo 2005). This is manifested in employment generation, rural development, economic growth and industrialization as well as better utilization of indigenous resources. It is generally agreed that small and medium enterprises remain the base bone of the development of any economy and the driving force of national growth. Kpelai (2009) asserts that SMES are the engine room for the growth of any developing economy, because they form the bulk of business activities in developed and developing economics like Nigeria. However, the small scale enterprise contribution to the macro economic development is inhibited by the fact that they have no, or only overpriced access to finance from financial institutions (NDMB) more so the accessibility to funds are the cost of the SMES are responsible for bringing innovation and competition in the economy. The SMES possess great potential for employment generation, improvement of local technology, output diversification, development of indigenous entrepreneurship and forward integration with large scale industries (CBN 2011) Small and medium enterprises play very important roles in the process of industrialization and sustainable economic growth (Ogujiube, Ohuche and Adeuga, 2004, Ariyo, 2005: Ihua, 2009: Aremu and Adeyemi, 2011, Terungwa, 2012) . Since the 1960s to date (SMEs) are being given due recognitions especially in the developed nations for playing very important roles towards fostering accelerated economic growth, development and stability within several economies . They make up the largest proportion of business all over the world and play tremendous roles in employment generation, provision of goods and services, creating a better standard of living as well as immensely contributing to the gross domestic product (GDP) of many countries. SMEs sub-sector came into the mainframe of policy formulation in Nigeria owing to its obvious vital contributions (Obamuyi 2007). Like in developed countries. SMEs have enabled entrepreneurship activities through which employments have been generated and poverty reduction and sustainable livelihood achieved. It makes up of about 97% of businesses in Nigeria and provides average 50% of Nigeria's employment and its industrial output

2.2 THEORITICAL REVIEW

The research is based on the active learning model of Erickon and Pakes which state that an enterprise explores its economic environment actively and invests to enhance its growth under competitive pressure from both within and outside the enterprise. The potential and actual changes over time in response to the outcomes of the enterprise own investment and these of other investor in the same market According to this model of learning, owners or managers of SMEs could raise their efficiency through formal education and training that increases their endowments while the Nigerian deposit money banks may support their activities as stated by the CBN through creation of the enabling environment. Entrepreneurs or manager of SMEs with higher forma education or experience training and with the assistance of the Nigerian deposit money bans would therefore be expected to grow faster than those without these qualities, this implies that SMEs have prospects of experiencing growth and contributing meaningfully to employment generation only when appropriate investments are made into them by all stakeholders, this would best be achieved by the Nigerian deposit money banks through the provision of financial assistance, and government in providing social infrastructure, capacity building of SMEs operations and favorable taxation policies. To understand why mobilizing and allocating funds by the Nigerian deposit money banks to small medium enterprise under certain conditions may be positively related to economic growth, it is necessary to understand the critical function of deposit money banks provides to the SMEs by looking at the supply leading theory and Keynesian theory of consumption, savings, investment and interest rate.

SUPPLY LEADING THEORY: The supply leading theory postulates that the existence of financial institutions like the Nigerian deposit money banks and the supply of their financial assets, liabilities and related financial services in advance of demand for them would provide efficient allocation of resources from surplus units to deficit units, thereby leading to other economic sectors in their growth process (Patrick, 1996).this theory performs two functions first it transfer resources from traditional sectors to modern sectors and second, it promotes and stimulates an entrepreneurial response (SMEs) in the modern sectors. The supply leading financial intermediation can be linked to the term 'innovation finance'. Hence, one of the most significant effects of supply leading approach is that, as entrepreneurs have new access to the supply leading funds. Their expectation increase and new horizons as to possible alternatives are opened, thereby making the entrepreneur to think big. The supply leading theory presents an opportunity to induce real growth by financial means. Its use, analysts believe is more result oriented at the early level of a country's development than later. According to Gerschenkron (1962) 'the more backward the economy relative to others in the same time period, the greater the emphasis on supply leading finance'. According to Keynes, an increase in investment results in an increase in income, while people's propensity to consume will lead to lack of savings, nevertheless in economic market when a function of the individuals is spending, they put back part of the income into the economy. Besides, this theory makes it clear that higher interest rate makes it more expensive for SMEs to borrow money ,which means that enterprises invest less and when they do that, income are reduced such that the amount left over for savings equals the lesser amount now invested. In the theory also, investment and savings have been considered two critical macroeconomics variables with micro economic foundation for achieving price stability and promotion of employment opportunities which contribute to the sustainable economic growth. The conventional perception through which investment, savings and economic growth are related is that savings contribute to higher investments, hence higher GDP growth in short run. The theory finally concludes that the financial institutions especially banks help in the reduction of risk faced by firm and businesses in their process, improve the portfolio of diversification and isolation of the economy from the change of international economic changes. It also provides linkages for the different sectors of the economy and encourages a high level of specialization expertise and economies of scale.

2.3 EMPRICAL REVIEW

The financial institutions like the Nigerian deposit money banks are unique because of the risk and uncertainty faced by both savers and investor (Stiglits 1998). Savers (SMEs) are often unable to select the investment project that best matches their personal risk appetite and without pooling their money. The Nigerian deposit money banks provide an intermediation service that brings savers and investors together, channeling investment funds to be uses that yield the highest rate of return, thus increasing specialization and the division of labour (Todaro, 2006) Adofu and Audu (2011) used ordinary least square method to assess the contribution and efficiency of financial institutions in enhancing growth. One of the variables of the study was commercial bank credit to SMEs. A study of the trend of the commercial banks credit to small and medium enterprises suggests that an increase in commercial banks credit allocation to SMEs would increase SMEs contribution to the total GDP. Therefore, the reasons for the low contribution of the SMEs to the total GDP include lack of credit facilities, shortage of skills among the entrepreneur, weak infrastructural facilities, and inability of small and medium industrialist to transform ideas into reality. The review of the related literature has revealed that currently the impact of poor lending rate and high rate of financial institution to SMEs has engaged the attention of researchers. The study has filled in a gap by focusing on the ability of the banks in meeting the borrowing needs of the small medium enterprises beyond this, the study aim at initiating policies that would increase lending if the commercial banks to the SMEs. Ahmed (1990) in his own view about the lending problem of commercial banks to small scale enterprises observed that the industrialist fails to meet the conditions laid down for lending to small scale enterprise. Some of these conditions he stressed as adequate collateral security, feasibility studies for project and accurate record keeping. The review of the related literature has revealed that currently the impact of poor lending rate and high interest rate of financial institutions to SMEs has engaged the attention of people. Evidently, the efforts were focused on banking frauds; cash reserve ratio, interest rate and foreign exchange rate. This study has filled in the gap by focusing on the ability of the banking sector in Nigeria in meeting the borrowing needs of the small scale enterprises in Nigeria. Beyond this, the study aims at initiating policies that would increase lending of the commercial banks to the SMEs since the descriptive method employed in the project through empirical research have shown the measures of relationship between the SMEs growth and Nigerian deposit money bank which will eventually lead to sustainable economic growth in the country. It has also filled a gap by employing the theory of supply leading theory and Keynesian theory of consumption savings, investment and interest rate by portraying the fact that when funds are supplied to the SMEs, it will go a long way in stimulating investment under the SMEs credit scheme. Iniodu and Udomesiet (1996) carried out a research on commercial bank efficiency and financing of small scale enterprises in the 21th century. Their research shows that the Nigerian commercial banks are not measuring well in this aspect and it therefore, recommends the design of a supportive policy and institutional effort or frame work to enhance capital formation, product innovation, technological advancement and growth for the development of SMEs in Nigeria. Mobolaji (2010) contends that one of the major objectives of any government is the acceleration of economic growth and development. Each country tries to achieve this by various ways and channels. He conducted an empirical study that analyses the impact of small scale and medium enterprises on economy development in Nigeria for the period 1980-2008. The project employs a time series econometric approach to assess this impact. The study finds that though SMEs is a catalyst for development, its impact on the development path in the country is still negligible. This performance may reflect the stage and phase of our economic development, and suggests that the country is still a factor driven economy. This performance may also be due to several reasons such as funding facilities, low level of education and weak government support amongst others. Orjih (1994) identified that inspite of the persuasive measures adopted by the monetary authority in Nigeria to boost fund allocation to small scale enterprises, commercial banks still fail to channel sufficient financial resources to the sub sector thereby causing serious financial starvation to the small scale enterprises in Nigeria.

The review of related literature has revealed that currently the impact of poor lending rate and high interest rate of financial institutions to SMEs has engaged the attention of peoples. Evidently the research effort is focused on banking frauds; cash reserve ratio, interest rate and exchange rate. This study has filled in a gap by focusing on the ability of the banking sector in Nigeria in meeting the borrowing needs of the small scale enterprises in Nigeria. Beyond this, the study aims at initiating policies that would increase lending of the Nigeria deposit money banks to the SMEs.

3. RESEARCH METHODS

3.1 RESEARCH DESIGN

A research design is a plan, structure and strategy of investigating to conceive and to obtain answer to research questions and problems. The plan is the complete scheme or program of the research. It includes an outline of hypothesis and their operational implication to the final analysis of data. The research design adopted the multiple regression analysis method to achieve the stated objective.

3.2 SAMPLE SIZE AND SAMPLING TECHNIQUES

The study will analyse data over the period 2006 -2015. As such, data will be sourced from the CBN statistical bulletin which contains the liquidity ratio, small scale enterprises credit, cash reserve, bank rate, and deposit rate. The credit given out by the Nigeria deposit money banks to the small scale enterprises are analysed and data are gotten from the CBN statistical bulletin, balance sheet and financial statements of commercial banks which are primarily designed to meet a variety of legal and administrative requirements. The data is also used in order to ensure that the information used in the study is true and fair representative of the population of banks in Nigeria.

3.3 ANALYTICAL TECHNIQUE TO ACHIEVE THE OBJECTIVE OF THE STUDY

In this research, the data analysis that will be employed is inferential statistics such as multiple regression analysis. SPSS (statistical package for social sciences) will be used to present the result. This will be achieved by qualitative discussion of the challenges and prospect of financing mall scale enterprise by the Nigerian deposit money banks within the period of analysis. Secondly, this involves a descriptive assessment of the outcome of Nigerian deposit money banks in financing the small scale enterprise. That notwithstanding, the methodology can produce useful and meaningful result. Thirdly, it deals with determining the direction of the financial statement of the Nigerian deposit money banks, especially, bank rate and cash reserve, as well as other conditioning variables, in financing of small scale enterprise in Nigeria. To achieve this, quantitative analysis involving the use of regression analysis where time series and cross sectional observation will be combined and estimated to generate the coefficients of each relevant explanatory variable. It also involves an assessment of the possible outcome and problem faced by the Nigerian deposit money banks in financing of mall scale enterprise.

3.4 DEFINITION OF VARIABLES

i. LIQUIDITY RATIO

liquidity ratio is the ratio between the liquid asset and the liabilities of a bank or other institution. Liquidity ratio can be used to gauge a company's ability to pay off its short term debt. It is also the calculation of a company's available cash and marketable securities. A liquidity ratio is an indicator of whether a company's current assets will be sufficient to meet the company's obligation when they become due.

ii. CASH RESERVE RATIO

Cash reserve ratio is a specified minimum fraction of the total deposits of customers, which commercial banks have to hold as reserve either in cash or as deposits with the central bank. CRR is set according to the guidelines of the central bank of a country .Cash reserve can also refer to a type of short term, highly liquid investment that earns a low rate of return. (Perhaps 3 annually) such as investment company fidelity's mutual fund called fidelity cash reserve; this is where so called individuals keep money that they want to have quick access to. Cash reserve can refer to the money a company keeps on hand to meet short term and emergency funding needs.

iii. BANK RATE

Bank rate is the interest rate at which a nation bank lends money to other bank, often in the form of very short term loan. Bank rate is also the rate charged by the central bank for lending funds to commercial banks. Changes in bank rate are reflected in prime lending rates offered by commercial bank to their best customers, which in turn affect investment such as bank deposits, bond issue and mortgage.

iv. DEPOSIT RATIO

Deposit ratio is a commonly used statistics for assessing banks liquidity by diving the banks total loans by its total deposits. This number is expressed as a percentage. If the ratio is too high, it means that the bank may not have enough liquidity to cover any unforeseen fund requirements, and conversely, if the ratio is too low, the bank may not be earning as much as it could be.

v. DEPOSIT MONEY BANK CREDIT TO SMALL SCALE ENTERPRISES

Small scale enterprises credit is the credit facilities made available to the SMEs by banks making sure of efficient and effectives credit offer in order to boost the growth and development of SMEs and making the credit available at a cheaper rate.

3.5 MODELSPECIFICATION

The hypotheses formulated for this study shall be tested with the use of multiple regression. This was used to examine the relationship between dependent variables and independent variables. The estimated determinant of SMEs Credit equation is analyzed thus ; SMEsC = a + bL R +c CRR+ d B R + e D R + u

WHERE :

SMEsC – Deposit money bank credit to small scale enterprises credit.
LR- liquidity ratio
CR- cash reserve ratio
BR- bank rate
DR-deposit rate
U- stochastic term
a - intercept parameter
b -slope of regression
c - slope of regression
d –slope of regression
e – slope of regression

4. DATA PRESENTATION, ANALYSIS AND INTERPRETATION OF RESULTS

4.1 INTRODUCTION

The data was sourced from the Central Bank Statistical Bulletin and Central Bank survey. The data covered the period between 2006 and 2015 (10 years). The data consist of Deposit money bank credit to Small and medium Scale enterprise such as Agriculture and forestry, manufacturing and food processing, transport/commerce and other sectors. Other conditioning variables are deposit rate (DR), bank rate (BR), liquidity ratio (LR), cash reserve ratio (CRR) of deposit money bank.

4.2 DATA PRESENTATION

SMALL AND MEDIUM SCALE ENTERPRISES CREDIT (SMEsC), DEPOSIT RATE (DR), BANK RATE (BR), LIQUIDITY RATIO (LR), CASH RESERVE RATIO (CRR) OF DEPOSIT MONEY BANK.

YEARS	***SMEsC (IN #M)***	***LR (%)***	***DR (%)***	***BR (%)***	***CRR (%)***
2006	25713.7	55.7	3.14	17.26	0
2007	41100.7	48.8	3.55	16.94	0
2008	13512.2	44.3	2.84	15.14	3.0
2009	16366.5	30.7	2.68	18.99	1.3
2010	12550.3	30.4	2.21	17.59	1.0
2011	15611.7	42.0	1.41	16.02	8.0

2012	13863.5	49.7	1.70	16.79	12.0
2013	15353.0	63.2	2.17	16.72	12.0
2014	15353.0	124.475	3.38	16.55	16.25
2015	11307.825	126.575	3.58	16.85	24

SOURCE: CBN Statistical Bulletin (December, 2015)

4.3 RESULTS (Determinant of SMEs Credit equation)

Let's solve for Determinant of SMEs Credit equation

SMEsC = a + bLR + cDR + dBR + dCRR

Where SMEsC = Deposit money bank credit to small scale enterprises credit.

LR = Liquidity Ratio

a = Intercept parameter

DR = Deposit Rate

BR = Bank rate

CRR = Cash Reserve Ratio

b = Slope of the regression line

THE RESULT IS PRESENTED USING SPSS 16.0

Model	Variables Entered	Variables Removed	Method
1	CRR, DR, BR, LR[a]	.	Enter

a. All requested variables entered.

b. Dependent Variable: SMEsC

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.693[a]	.480	.063	8699.42707	.480	1.152	4	5	.430	2.275

a. Predictors: (Constant), CRR, DR, BR, LR

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.693[a]	.480	.063	8699.42707	.480	1.152	4	5	.430	2.275

b. Dependent Variable: SMEsC

ANOVA[b]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	3.488E8	4	8.720E7	1.152	.030[a]
	Residual	3.784E8	5	7.568E7		
	Total	7.272E8	9			

a. Predictors: (Constant), CRR, DR, BR, LR

b. Dependent Variable: SMEsC

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations		
		B	Std. Error	Beta			Zero-order	Partial	Part
1	(Constant)	19369.088	51588.202		.375	.723			
	LR	-4.751	320.579	-.019	-.015	.989	-.194	-.007	-.005
	DR	5763.968	8006.350	.494	.720	.504	.418	.306	.232
	BR	-689.100	3081.646	-.077	-.224	.832	.108	-.100	-.072
	CRR	-610.517	1131.103	-.556	-.540	.613	-.500	-.235	-.174

a. Dependent Variable: SMEsC

Residuals Statistics[a]

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	1.0036E4	2.7926E4	1.8073E4	6225.49098	10
Std. Predicted Value	-1.291	1.583	.000	1.000	10
Standard Error of Predicted Value	3795.717	7669.190	6.020E3	1333.233	10
Adjusted Predicted Value	7.2558E3	4.5466E4	2.0665E4	11193.40724	10
Residual	-9.75158E3	1.31747E4	.00000	6484.17010	10
Std. Residual	-1.121	1.514	.000	.745	10
Stud. Residual	-2.029	2.024	-.092	1.098	10
Deleted Residual	-3.19534E4	2.35237E4	-2.59189E3	14766.89563	10
Stud. Deleted Residual	-4.319	4.255	-.098	2.085	10
Mahal. Distance	.813	6.095	3.600	1.863	10
Cook's Distance	.000	1.875	.318	.580	10
Centered Leverage Value	.090	.677	.400	.207	10

a. Dependent Variable: SMEsC

4.3 TESTING FOR THE STATISITCAL SIGNIFICANT AT 5% (DETERMINANT OF SMEs CREDIT EQUATION)

Ho: bβ
H1: bβ ≠ 0

H_o: there is no relationship between Nigerian deposit money banks credit to small scale enterprises and Liquidity ratio, Cash reserve ratio, Bank rate, Deposit rate.

H_i: there is relationship between Nigerian deposit money banks credit to small scale enterprises and Liquidity ratio, Cash reserve ratio, Bank rate, Deposit rate.

Decision

t0.05 at (10 – 2) 8 degrees of freedom was statistically significant at 0.723. The difference is significant, therefore Ho is rejected and Hi is accepted, meaning that bβ is not equal to zero i.e. there is significant relationship between dependent and independent variables.

More so, analysis of variance (ANOVA) shows that there is significant relationship (p – value < 0.05; p - value = 0.030) between dependent and independent variables.

4.4 FINDINGS (DETERMINANT OF SMEs CREDIT EQUATION)

There exist a positive correlation of 0.69 between the dependent variable (Credit to Small and medium scale enterprise credit) and independent variables (LR, DR, BR and CRR) in the **determinant of SMEs** credit equation. This means that there exist a strong relationship between dependent variable and independent variable.

The coefficient of determination of 0.48 in the determinant of SMEs Credit equation measures the strength of the relationship or cause effect relationship which means that 48% variation in the dependent variable is explained by the independent variables and 52% of the variation in the dependent variable is explained by the disturbance term or error term due to inflationary pressure, economic meltdown, low profitability etc.

Beside, in the determinant of SMEs Credit equation, LR, DR, BR and CRR has been found as an increasing function of Deposit Money Bank Credit, this means that there is enough bank credit facility to the SMEs.

It was revealed in the determinant of SMEs credit equation that the relationship between dependent and independent variables was statistically significant at 5% level.

Also, the analysis of variance (ANOVA) result shows that there was significant relationship (p – value < 0.05; p - value = 0.030) between dependent and independent variables.

5. Conclusion

This research found out that inadequate access to finance or capital is the greatest problem facing SMEs in Nigeria. Majority of SME promoters are averse to going into partnership schemes and also to equity participation by banks under the SMIEIS programme. The “me” syndrome as opposed to “us” has remained a major bottleneck and setback for SMEs in Nigeria. Other shortcomings of Nigerian SMEs include interpersonal skills, inability to carry along people working with them to bring their desire to pass, team-playing skills, proper communication, planning skills, goal setting skills, negotiation and decision making capabilities, management of finance, managing customers, managing marketers, managing employees, and future growth. Many of the SMEs surveyed neither have strategic plan nor succession plan.

6. Recommendations

The study therefore recommends that Deposit Money Banks should mobilize enough deposit and always make soft loans to Small and medium Scale Enterprises in order to enhance Economy Growth and Development in Nigeria. There should be guarantee of long-term loans to Small and medium Scale Enterprises from the Government. There should be capacity building for SMEs operators and Provision of tax incentives for SMEs operators.

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