

# THE INFLUENCE OF COMMERCIAL BANK ON THE PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES IN OYO STATE, NIGERIA

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## Abstract

*The influence of commercial banks on the performance of small and medium-sized enterprise in Nigeria is examined in this article. The specific goals were to examine the challenges faced by small and medium-sized enterprises in obtaining loans from commercial banks, to determine the extent to which these enterprises contribute to Nigeria's economic growth and development, and to examine the lending process for small and medium-sized enterprises, economic recovery, and economic self-reliance. By giving questionnaires to the owners of SMEs having accounts at Nigerian commercial banks, the data for this study was gathered. 205 of the 209 distributed questionnaires were valid and was examined with the SPSS software.*

*There were two sections in the questionnaire. Section 1 is for general information, while Section 2 asks questions about the financial performance of SMEs, the impact of training on that performance, and the influence of commercial banks. Findings indicate that obtaining loans from commercial banks is not a barrier for small and medium-sized businesses. Despite the widespread belief that commercial banks avoid lending to SMEs, it was determined that commercial banks have a substantial impact on SMEs and their financing. It was suggested that commercial banks be encouraged to offer small and medium-term loans and make sure that regular credit monitoring is implemented, since this would solve the issue of loan diversification and greatly increase SMEs performance.*

Keywords: *Small scale business, SME performance, commercial banks and loan.*

## 1. Introduction

In many nations, Small and Medium scale firms assume significant parts in the cycle of industrialization and monetary development. Aside from expanding percapita pay and result, Small and Medium Scale Undertaking make work open doors, upgrade territorial financial equilibrium through modern dispersal and for the most part advance powerful assets use considered basic to designing monetary and development (Aremu&Adeyemi, 2011).

In various nations today, the speed of progression in the economy has been moved back especially in the immature and the developed countries for as long as 15 years, Africa has experienced attainable money related advancement with the way in which it rates consistently outperforming 5% per annum. The made monetary issues experiences are related to the parts played by Small and Medium Scale Undertaking which braces the significance of Small and Medium Scale Undertaking setting over the top emphasis among the making countries. In any case, the in general monetary setting is as of now turning less perfect, especially with oil and mineral conveying nations advancement moving down.

Small and Medium Scale Endeavors (SMEs) are urgent to the monetary advancement of any country as they have extraordinary possibilities for business arrangement, improvement of nearby innovation, monetary broadening, native business improvement and connections with enormous scope ventures (Ajonbadi, 2011). In creating economies, for example, Nigeria, there has been report of ridiculous under execution of Small and Medium scale endeavors and this has impeded its commitment to monetary turn of events.

As per Gbandi and Amisah (2014) SME area, the main points of contention influencing the SMEs in the nation can be gathered into four, to be specific: threatening business climate, unfortunate supporting, low administrative abilities and absence of admittance to present day innovation. Finance is viewed as the main consideration that influences the turn of events of SMEs in Nigeria. Commercial Banks which stay the greatest wellspring of money to this sub-area have safeguard away because of the inborn dangers and vulnerabilities. A few states formed strategies to work with and enable the development, improvement and funding of SMEs. Others zeroed in on helping SMEs to develop through credits and different motivating forces to tackle there socio- monetary commitments.

The Commercial Banks through their intermediation job are intended to give monetary aid to SMEs. For SMEs to play out their part in the economy, they need satisfactory assets concerning short and long haul credits (Ohachosim,Onwuchekwa&Ifeanyi, 2013). Satisfactory supporting of SMEs is central to their endurance, as it has been kept in writing that monetary imperative is one of the fundamental reasons SMEs bomb in Nigeria. Osoba (2012) contended that supporting strength is the fundamental determinant of Small and Medium undertakings development in creating nations. The general target of government's cooperation in SMEs supporting shows that, SMEs stays a basic

perspective in working on monetary broadening, abundance and open positions, expanded yield and give inputs for the modern area among others. Small and Medium scale undertakings (SMEs) need efficiency increment through satisfactory funding assuming they are to keep up with or increment their commitment to the in general friendly monetary advancement in Nigeria. Be that as it may, this shows the significance of asset for the area advancement among different variables like framework, frailty, mechanical ability, administrative abilities, market and assistant gear (Akingnola, 2011).

Deduction can be drawn from the prior that admittance to fund at generally modest expense will upgrade the presentation of SMEs and their commitment to the GDP (Gross domestic product) of any Country. This examination will endeavor to assess the effect of Commercial Banks to SMEs, in Nigeria and their commitment to the GDP (Gross domestic product) from 1990 to 2022.

Berger and Udell (2011) finds that little firms have higher impediments to get to outer wellsprings of supporting than greater firms, and, consequently, they become more subject to inside assets for funding their venture needs. Along these lines, in light of Zhao, Wu and Chen (2011), discover the significant troubles for getting to fund is the imbalance of data among loan specialists and debt holders; for example, borrowers have private data on the firm that loan specialists don't have. Due to their little size, short history and conflicting bookkeeping information, the issue of lopsided data for SME-s turns out to be more serious.

The absence of admittance to back by Small and Medium scale endeavors has thwarted fundamentally their commitment to the Gross Homegrown Items (Gross domestic product) of Nigeria. SMEs are fit for accomplishing the thousand years objectives of abundance creation, increment pace of business, enhancement for nearby innovation, neediness easing, and other helper capabilities to the bigger enterprises. No nation can accomplish high level of monetary improvement without an energetic Small and Medium venture, all around greased up by accessibly reserves given by monetary organizations. This highlights the significance of Commercial Banks credits to SMEs for more noteworthy usage of natural substances, business age, support provincial improvement, advancement of business venture, activation of neighborhood investment funds, arrangement of chance for preparing directors and semi-talented laborers and monetary broadening. Onwuka (2015) saw the issue confronting SMEs as insufficient financing on the part of the Commercial Banks and other monetary establishments and unfortunate administration on the piece of entrepreneurs. Then again, government has neglected to give stable full scale monetary climate and satisfactory physical infrastructural offices to the SMEs. Having realized every one of these, the review leave on distinguishing the different issues looked by SMEs in the acquirement of credits from business banks, the commitment of Commercial Banks to SMEs also as the commitment of SMEs towards the development and advancement of Nigeria's economy. These and numerous different reasons provoked the scientist to leave on the course to concentrate on the job of the Commercial Banks in supporting Small and Medium endeavors in Oyo State, Nigeria. Onakoya, Fasanya and Abdulrahman (2013), contends that different states had organized various projects pointed toward creating SMEs area. A large portion of the programs were not given the proper support and as such the effect of the program couldn't be felt in the economy. Admittance to credit keeps on representing a serious issue to SMEs advancement, since the monetary establishments have not had the option to meet their credit needs.

The fundamental objective of this exploration was to learn whether there was any major Impact of Commercial Banks on the exhibition of Small and Medium scale ventures in Nigeria.

## 2. Literature overview

Grimsley (2013) characterized a Commercial Banks as a monetary establishment that is approved by regulation to get cash from organizations and people and loan cash to them. Commercial Banks are available to people in general and serve people, establishments, and organizations. A Commercial Banks is surely the kind of bank that a great many people routinely use. Banks are controlled by government and state regulations contingent upon how they are coordinated and the administrations they give. Commercial Banks are likewise checked through the Central bank Framework.

Monetary Times Vocabulary (2011) characterized a Commercial Banks as a bank whose principal business is store taking and making credits. World Bank word reference in 2003, characterized Commercial Banks as ,anything having to do with a business, made to be sold for a profit'. Financial backer words in 2016 characterized Commercial Banks as an establishment which acknowledges stores, makes business credits, and offers related administrations. Commercial Banks likewise take into consideration an assortment of store accounts, for example, checking, reserve funds, and time store. These foundations are hurried to create a gain furthermore; possessed by a gathering of people, yet some might be individuals from the Government Hold Framework. While commercial banks offer services to individuals, they are primarily concerned with receiving deposits and lending to enterprises.

### Elements of Business Banks

The elements of Commercial Banks as indicated by Ukwuagu (2012) are as per the following:

Acknowledgment of stores on fixed, current and investment account. They focus on momentary store and work accounts using checks.

- i. Propelling credits by methods of advances, overdraft and limiting bills of trade. Commercial Banks give transient credits.
- ii. They go about as specialist to their clients by trading of offers and stocks in the interest of their clients, giving explorers check and draft, settlement of assets and purchasing unfamiliar trade.
- iii. They go about as legal administrators, agents and furthermore as officials to firms and people.
- iv. They give offices to safe keeping of wills and different records and additionally adornments.

- v. They additionally render administrations to clients and general society by selling of JAMB, GCE, and NECO form.
- vi. They additionally sell mobile cards and gather PHCN bills from people in general for benefit of them.

### Challenges Facing the Banking Industry in Nigeria

According to Martin (2011) the modern banking area reform in Nigeria turned into designed to sell the viability, soundness and balance of the machine to permit it properly meet the aspirations of the economic system in phrases of accelerated financial increase and development. The reform schedule turned into stimulated through the want to proactively positioned the Nigerian Banking Industry at the direction of global competitiveness to permit it correctly reply to the demanding situations of globalization. The normal goal is to assure that the economic system and Nigerians do now no longer stay fringe gamers with the context of a globalizing world.

The principal demanding situations that the reform turned into centered at consist of the following:

- i. **Weak Capital Base:** Most banks in Nigeria had a capital base that turned into much less than \$10 million whilst the biggest financial institution with inside the u.s. had a capital base of about \$240 million. This as compared unfavourably with the scenario in Malaysia in which the smallest financial institution had a capital base of \$526 million. The small length of maximum local banks, coupled with their excessive overheads and running expenses, has negative implications for the price of intermediation. It additionally supposed that they couldn't correctly take part in big-price price tag deals, specially inside framework of the unmarried obligor limit.
- ii. **The Challenge of Ethics and Professionalism:** In a bid to live on the stiff opposition with inside the marketplace, some of operators had resorted to unethical and unprofessional practices. Strictly speaking, a few even went into a few agencies that couldn't be categorized as banking. In appreciation of the enormity of the troubles resulting from the failure to stick to expert and moral standard, the Bankers' committee installation a sub-committee on "ethics and professionalism" to cope with lawsuits and disputes bobbing up from unwholesome and sharp practices.
- iii. **Poor Corporate Government Practices:** There have been numerous times in which Board Members and Management Staff did not uphold and sell the basic pillars of sound company authorities due to the fact they have been preoccupied with the attainment of narrowly described interests. The signs of this covered excessive turnover with the Board and Management Staff, misguided reporting and non-compliance with regulatory requirements.
- iv. **Cross Insider Abuses:** One location in which this turned into suggested turned into the credit score function. As a result, there have been numerous instances of massive non-acting insider-associated credits.
- v. **Insolvency:** The importance of non-acting chance property turned into such that it had eroded the shareholders' finances of some of banks. For instance, in accordance to the 2004 NDIC Annual Report, the ratio of non-acting credit scores to shareholders' finances deteriorated from 90% in 2003 to 105% in 2004. This supposed that the shareholders' finances have been absolutely worn out industry-extensive through the non-acting credit score portfolio.
- vi. **Over-Reliance on Public Sector Deposits:** These deposits accounted forever 20% of overall deposits with the machine. In a few establishments such public area finances represented extra than 50% of overall deposit. This turned into now no longer a healthful scenario from the perspective of powerful making plans and plan implementation, given the volatile nature of those deposits. On account of the massive reliance on public area finances, a variety of gamers did now no longer pay good enough interest to small savers who normally represent a chief supply of solid finances which ought to be channeled to finance the actual sectors. Instead, they focused on some excessive community individual, authorities parastatals and blue chip companies. It turned into in reaction to this scenario coupled with the want to accord the small and medium corporations sub-area the concern it merits that the Bankers' committee got here up with the Small and Medium Enterprise Equity Investment Scheme [SMEEIS] with a view to redirecting credit score waft to the sub-area.

### Concept of Small and Medium Scale Enterprises (SMEs)

SMEs are corporations regularly independently owned and interact in types of activities. According to Esuah and Adebayo (2013), SMEs are companies established primarily based totally at the entrepreneurial capabilities of an individual. Fatai (2012) opined that distinctive authors, establishments, authorities companies have advised distinctive approaches to outline SMEs at diverse instances over the years. According to United

Nations Environmental Programme (UNEP) (2013), a few international locations opt for to organization small corporations into three, this is micro, small and medium or very small, however undertake classes of small and medium corporations.

Bamidele (2012) asserted that SMEs in Nigeria are commonly small owned or own circle of relatives controlled commercial enterprise and therefore, lack corporation and control structure. There has been no clean reduce definition of SME in Nigeria; however, it varies from one corporation to every other. Various agencies or establishments in Nigeria had at particular instances, described SMEs in distinctive contexts, however the definitions have variables including constant property, gross output, and the variety of personnel as not unusual place measures.

The function of finance with the actual area turned into first added to the fore through the writings of Alexander Gerschenkron (1963) as noted through Onyiewu (2012), which stressed that economic establishments aren't simplest companies of capital however additionally ought to offer complementary offerings including entrepreneurial recommendations that might see agencies thru their teething ages. According to a document of the OECD (2016), the SMEs are centerpieces of many superior economies, however because of their confined length and their commonly

decrease credit score worthiness, their getting admission to economic marketplace contraptions is extra confined than for big corporations, which gain from get admission to securitized lending and inventory marketplace. In every other associated study, Aris (2021) talked about that SMEs commonly face problems in acquiring financing with loss of collateral, inadequate files to help mortgage software and loss of economic tune information as being the restrictions confronted through the SME area in getting access to financing.

All over the sector small commercial enterprise corporations are distinctive series of corporation issues engaged with economic sporting activities traversing from rural corporations and small-scale to trendy business affiliation that makes use of highly technologies (Oke&Aluko, 2015). Small and Medium Enterprises have been described in numerous paperwork through distinctive authors. The type of a commercial enterprise as SME commonly follows the overall standards as endorsed through United Nation (UN) and Organisation for Economic Cooperation and Development (OECD) the use of turnover asset base and some of personnel. The control of small commercial enterprise corporations takes measures regarding using human and non-human assets correctly and efficaciously accomplishing the targets and set dreams in agencies.

### **Roles of Small and Medium Enterprises in Nigeria Economy**

Small-scale corporation assumes critical and vital roles with the business improvement of any country (Ahmed, 2016). Small-scale establishments have prospect rising home economic system thru the manufacturing of exact things and offerings that drives the economic system of Nigeria. As posited with the aid of using Rehanet et al. (2015) the want focusing on small-scale establishments grow to be vital toward Nigeria because of the reality that it became taken into consideration as a way of assuring self-liberty, employment openings, with import revenues, fruitful and productive of local uncooked resources. Small-scale corporations in Nigeria make contributions occupations and approach to be businesspersons. The small establishments enthused from mere donating communal produce hitherto as a car to entrepreneurship. It seals in as a supply of employment formation and economic improvement. This is the main motive attention are constantly remunerated on small establishments with the aid of using approach makers in Nigeria. Small and Medium Enterprises (SMEs) fills an vital surroundings with the monetary improvement of Nigeria as they embrace the big capacity for producing jobs, growing indigenous knowledge, the divergence of the economic and forward-integration with installed regions such as banking and so on. It has performed a position with the aid of using final because the supply of primary and secondary employment in Nigeria. Furthermore, they assist to unrest crime rate, authorities's expenditure poverty social creates wealth and lift the fashionable of dwelling Nigerians. More so, the position of small and medium establishments with the technological and business improvement of any country justifies the want for more interest to this area. The basis of increase in advanced nations of the arena is normally attributed to the contribution of the small and medium corporation.

In 2001, Ayozie mainly defined the position of SMEs with the accelerated commercial enterprise increase, with the aid of using augmenting the deliver of commercial enterprise humans and growing small and medium corporation area, which propose outstanding feasible for job formation and broader dispersion of producing proprietorship. They have meant for an tremendous fraction of all corporations and appropriate percentage of the country's gross countrywide product which past doubt is absolute certainty greater suitable with the superior international locations inclusive of Great Britain experiencing respectable secretarial organisation been kept. Given the critical contributions which SMEs play in advanced and growing economies and thinking about the ongoing reforms with the aid of using the authorities of Nigeria, that are typically aimed toward creating wealth, lowering poverty, producing employment, re-orientating values, and stimulating actual monetary increase, it will become compelling for the SME sub-area to be revitalized in the direction of gambling its anticipated roles. The SMEs stay a veritable car for the transformation of the Nigerian economic system.

### **Importance of Small and Medium length Enterprises**

According to Chukwuma (2010), the goal of SMEs in Nigeria is to produce and distribute items and offerings to their clients at an inexpensive charge and affordable profit. This factor of small commercial enterprise may be labeled under the following;

**Acceleration of Economic Growth:** Small corporations are visible in each element of

Nigeria engaged in a single commercial enterprise or the opposite imparting offerings for the masses. These offerings assist in no small degree in enhancing dwelling fashionable of the humans. Creation of Employment: Small and medium length industries create employment for approximately 40% or greater humans in Nigeria. Not most effective that they devise jobs for seekers however additionally offer employment for the owners. Skill Acquisition: Some of the massive corporations in Nigeria began out as small length establishments. For instance, Rimco Nigeria constrained began out as a small commercial enterprise until they received wealth and accelerated to a massive organisation.

**Increase Standard of Living:** SMEs offer items and offerings each to the rural and concrete regions of this country; with the aid of using so doing growth the usual of dwelling of the humans.

**Increase Government Earnings:** Most of those small corporations pay taxes and prices for registration of commercial enterprise names. Even their personnel pay personal profits tax to the authorities, consequently earns cash thru this means.

**Accelerate Large Production:** Most small corporations are observed in massive cities.

They assist the massive corporations in dispensing items and offerings and deliver them with uncooked substances wanted of their manufacturing.

Contribution of SMEs in Nigeria monetary improvement Agbaje and Abiodun et al (2015) posit that it's miles vital to word that the improvement of marketers can't be overemphasized and the position they play in monetary improvement and the way they're financed thru each formal and casual reassets. The improvement revel in of many nations suggests that SMEs can meaningfully make contributions to the attainment of many improvement objectives. These consist of

output expansion, employment technology, even area of industries amongst areas of the nations, profits redistribution, and advertising of indigenous entrepreneurship and era in addition to manufacturing of intermediate items to energy inter and intra business leakage (Nnanna 2010). Nevertheless, the quantity to which the possibilities presented with the aid of using SMEs are exploited and their contributions maximize many economic system rely on the allowing surroundings created thru the availability of needful infrastructure centers inclusive of roads, telecommunication, energy and so forth and pursuit of policies inclusive of concretionary financing that inspire and beef up the increase of the area. Although the popularity of the monetary significance of SMEs to the Nigerian economic system is most effective a current improvement, these days the contributions of the area to the economic system are not contestable.

The contributions of SMEs to production output and Gross Domestic Product (GDP) is appreciable, with the location of employment technology SMEs accounted for approximately 70 in keeping with cent of the economic employment in 1987 and the state of affairs has remained in large part the identical (Omwumere, 2010), the identical is the case in different growing economic system as it's miles expected that SMEs hire 22 in keeping with cent of the adult populace in the ones nations, specifically, the arena employs approximately 15.5 in keeping with cent and 13.9 in keeping with cent of the labour force, that is better employment increase than

micro and big scale establishments (five in keeping with cent and eleven in keeping with cent) in Ghana and Malawi respectively (Kayanula and Qaurtey, 2010).

SMEs are divided into Medium Size Enterprise (MSE), Small Scale Enterprise (SSE) and Micro Enterprises [ME]. The federal ministry of Industries described a Medium Scale Enterprise as any organisation with running belongings much less than two hundred nine million and using much less than two hundred persons. A Small Scale Enterprise on the different hand, is one which has general belongings much less than 50 million, with much less than 100 personnel. Annual turnover isn't taken into consideration in its definition of a SME. The National Economic Reconstruction Fund (NERFUND) described a SSE as one whose general belongings is much less than 10 million however made no connection with both it annual turnover or the wide variety of employee (World Bank, 2010). Two fundamental financing principles with the improvement of SMEs, the formal and casual forms of financing were recognized with the aid of using the preceding studies students and practitioners (Gelinas, 2008, Anima, 2014). The findings have been that amongst the maximum famous of the formal reasserts of financing, the economic banks and the improvement banks stays the formal reasserts of finance for establishments. The casual supply incorporates of private savings, borrowing from pals and spouse and children and comparatives credit has additionally been recognized as capacity reasserts of financing SMEs.

### **Theoretical Review**

This becomes propounded through an early economist, Schumpeter (1912), who described economic intermediation as innovation finance. He in addition opined that this supplied the marketers an get entry to to finances which expanded their expectations and new horizons to feasible alternatives, thereby improving their overall performance.

Innovation as an characteristic of entrepreneur contributes to financial improvement. McKinnon and Shaw (1973) as noted in Imoughele and Ismaila (2013) opined the essence of the function of economic intermediation as an possibility of inducing actual increase thru finance.

In 1973, Schumpeter burdened the function of credit score in financing innovation as a key component for overall performance and financial improvement. In a associated look at, Bencivegan and Smith (1991) emphasised the function of banks as an economic intermediation dealers through channeling financial savings acquired from surplus devices to efficient investments thru credit score advances. Hence, with out credit score, the innovation possibilities can be handicapped and may avert overall performance and financial increase. Therefore, it become concluded that non-availability of financial institution

### **Theory of Loan Pricing**

Thompson Reuters (1965) propounded this idea and asserted that banks ought to now no longer continually boom hobby costs to maximise their incomes, as this may have an effect on the debtors' belief to credit. Chodechai (2014) argued that growing hobby costs may motive unfavourable choice trouble. He in addition said that this is probably an appropriate price for danger loving debtors however they could mission into excessive danger enterprise which could adversely have an effect on their overall performance. Consequently, this idea predicts that excessive-hobby costs result in low-overall performance.

### **Classic Theory of Interest Rates**

This idea become first brought through D.R. Marshall and others like Professors Cassel, Carver, Tustin, Pigon, Sir Flux and Wales. This idea nation that price of hobby is decided through call for and deliver of capital. Investment represents the call for investible sources and financial savings represents the deliver, even as the price of hobby is the charge of investible sources at which the call for its miles equal to deliver. In different words, hobby price is the intersection of the funding call for time table and deliver/financial savings time table. It is decided through the equality of saving and funding below the situations of best opposition. This idea states that there may be an inverse dating among hobby costs and call for capital. Such because the hobby costs increases, funding decreases and vice versa. While the connection among hobby costs and financial savings is effective. This explains one of the variables (hobby price) used to research the hyperlink among Bank loans and SME output.

### **Relevance of the Theory**

The above idea followed for this studies painting suggests the relevance of records with the dating among corporations and banks. The banks require ok records from the corporations that allows you to be capable of render help in phrases of

loans. But there are troubles or boundaries within the way. This records is typically now no longer effectively to be had through the corporations and additionally small companies do now no longer bown ok collateral to provide the banks in trade for mortgage. Voordeckers and Steijvers (2006), Degryse and Layseele (2000) and Harhoff and Korting (1998) discover that collateral necessities lower with growing financial institution-borrower relationships. Borrowers with greater focused and long-lasting financial institution relationships have much less stringent collateral necessities. Therefore, a sturdy firm-financial institution dating will boom the willingness of owner supervisor to use for financial institution loans. Bonfirm and Daniel (2012) suggest that corporations with preceding relationships with banks can regain get entry to to such banks. Daskalakis (2013) referred to that ,corporations that use quick-time period debt additionally employ long time debt, and corporations that don't use quick-time period debt do now no longer use long time debt. Firms which have relationships with banks are capable of practice each quick and longtime debt, while corporations that don't have any such dating aren't capable of making use of and gaining access to any shape of finances from banks. On this ground, this idea takes place to be or has verified to be applicable in this look at as it examines the connection among the financial institution and the firm, the collateral trouble confronted through the SMEs and the distance that exists in phrases of records. The idea went in addition to discover the connection among variables and SMEs with the utility to banks mortgage.

### Empirical Review

Evans, Munir, Douglas and Stephen (2015) studied the effect of mortgage hobby costs at the overall performance of small and medium-sized organisations in Lurambi Sub-County, Kenya. The look at used descriptive studies layout and correlation and determined that mortgage hobby price has a enormous effect at the overall performance of SMEs in Kenya.

In Nigeria, Onyiewu (2012) tested the impact of SMEs financing at the financial increase of Nigeria the use of normal least rectangular approach to research the facts. The end result confirmed that get entry to to credit through SMEs has a effective impact on financial increase even as cash deliver and deficit financing have poor impact at the increase.

However, Onakoya, Fasanya and Abdulrahman (2013) studied the impact of banking reforms at the overall performance of SMEs in Nigeria among 1986 and 2014. The look at extensively utilized normal least rectangular approach of evaluation. The end result discovered that banks' credit score exert a poor impact at the increase of SMEs in Nigeria. But Dada (2014) tested the impact of banks' credit score on SMEs improvement in Nigeria from 1992 to 2011. The look at used secondary reassets of facts and normal least rectangular approach. The end result confirmed that financial institution credit' to SMEs and financial savings and time deposits have a effective impact on SMEs improvement in Nigeria.

Likewise, Imoughele and Ismaila (2014) used Co-integration and Error Correction Model (ECM) to have a look at the impact of financial institution's credit score at the output of SMEs in Nigeria. The empirical end result discovered financial savings time deposit and trade price have a enormous impact on SMEs output even as credit score to SMEs and overall authorities expenditure have direct however insignificant impact at the output in Nigeria.

Also, Bello and Mohammed (2015) tested the effect of economic intermediation at the SMEs overall performance in Nigeria the use of normal least rectangular approach of evaluation. The end result discovered that economic intermediation, financial institution loans and advances, financial institution lending price, trade price and financial coverage have effective and enormous impact on SMEs overall performance in Nigeria.

However, Ubesie et al. (2021) have a look at the impact of deposit cash banks' credit score on small and medium scale organisations increase in Nigeria for the duration of 1986 to 2015, the use of normal least squares regression approach to examine the facts. It became determined that DMBs credit score to SME has no enormous impact on SMEs increase in Nigeria. In an extraordinary look at, Muhammad, Olusegun, and Sonny (2022) tested a comparative evaluation of possible SMEs financing in Nigeria. The look at hired Net Present Value (NPV) method to decide whether or not traditional banks usury is greater possible than Islamic financial institution mudaraba. The effects discovered that

Islamic financial institution mudaraba has a effective and better NPV than traditional financial institution usury toward financial increase. Ilegbinosa and Jumbo (2015) empirically tested Small and Medium Scale Enterprises and Nigeria's financial increase from 1970 – 2012. The look at polled eighty four SMEs for number one facts series in addition to statistical statistics for years 1975- 2012 as secondary facts. The normal least rectangular, co-integration, and error correction version had been used to estimate the facts accrued throughout the length of this look at. The variables used consist of Gross Domestic Product because the dependent variable and Finance Available to Small and Medium Enterprises, Interest price and Inflation price because the unbiased variables. The end result confirmed that Finance Available to SMEs confirmed a effective dating with financial increase even as Interest price and Inflation price confirmed a poor and effective impact on financial increase respectively. Ubesie, Onuaguluchi, and Mbah (2021) ascertained the impact of deposit cash banks' credit score on small and medium scale organisations increase in Nigeria. An ex- put up facto studies layout which hired secondary facts sourced from the

Central Bank of Nigeria (CBN) Statistical Bulletin 2015 and the National Bureau of data (NBS) for the length 1986 – 2015 become followed. The normal least squares regression approach become used with the evaluation of the facts after carrying out a stationary check at the variables. The look at reveals out that deposit cash banks' credit score to small and medium scale organisations has no enormous impact on small and medium scale organisations increase in Nigeria. Again, the end result suggests that deposit cash banks' credit score to the personal quarter has an enormous impact on small and medium scale organisations increase in Nigeria. The end result additionally suggests that financial institution hobby price has a extreme enormous impact on small and medium scale organisations in Nigeria.

Muhammad, Olusegun, and Sonny (2022) the look at provides a comparative evaluation of the greater possible SMEs financing in Nigeria. The look at incorporatesthe NPV method to decide whether or not traditional banks usury is greater possible than Islamic financial institution mudharabah financing for SMEs increase and innovation.

Results primarily based totally at the distinction among the existing price of whole loans receivable and the discounted loans payable from 2000 – 2021 sampled periods confirmed that Islamic financial institution mudharabah has an effective and better NPV for that reason it's miles a long way higher and greater profitable for organisations to develop and innovate than the usury supply of finance. Aurangzed (2012) investigated the contributions of the banking quarter in financial increase of Pakistan. Variables used for the look at had been accrued from the length of 1980 to 2010, in ten banks. These variables are GDP, financial institution deposit, investments, advances, profitability and hobby profits. Augmented Dickey- Fuller and Philip Perron unit root check, normal least rectangular and Granger causality check had been used. Unit root check showed the desk bound of all variables at first distinction. Regression effects indicated that deposits, investments, advances, profitability and hobby profits have enormous effective effect on Pakistan financial increase. The Granger causality check confirms the bidirectional causal dating of deposits, advances and profitability with financial increase. On the different hand it become determined that unidirectional causal dating of funding and hobby profits with financial increase exists. The look at advocated deliberate and aware efforts through authorities to decorate the banking quarter in Pakistan, because of its enormous contributions to financial increase.

Egbetunde (2012) tested the connection among deposit cash financial institution credit and rural financial increase in Nigeria. Samples of facts used included 1982-2009. The variables are GDP of Nigeria, banks deposit from rural regions, loans to rural regions and financial institution loans to agricultural quarter. A double-log equation inside the context of normal least rectangular framework and co-integration check had been used.

The look at reveals that rural financial increase co-incorporated with financial institution credit in Nigeria. The proof of Positive dating existed among rural financial increase and industrial financial institution rural loans. Also industrial financial institution loans to Agriculture and rural financial increase at  $P < 0.01$ . The researcher concluded primarily based totally at the empirical research that Deposit cash financial institution credit makes contributions appreciably to rural financial increase in Nigeria. He in addition advocated that

DMB credit score to rural dwellers ought to be encouraged, this can enhance their health and feature a multiplier impact at the financial system. Yakubu and Affoi (2012) of their look at analyzed the effect of industrial banks credit on financial increase in Nigeria from 1992 to 2012. The look at used variables which include banks credit score to personal quarter with the financial system and the GDP.

Secondary Data had been sourced from data Bulletin of CBN. A simple regression version become used to research facts and findings of the look at discovered that financial institution credit score has impacted appreciably at the increase of the financial system.

Recommended higher and more potent credit score subculture ought to be promoted and sustained. There ought to be complete felony framework so one can preserve to resource in tracking the overall performance of credit score to personal quarter and get better debt owed to banks; banks ought to proportion among themselves records approximately bad debt; and favored sectors like agriculture and production ought to be favoured in phrases of granting loans. Onakoya et al. (2013) tested the effect of financing small Enterprises on financial increase in Nigeria. The look at formulated a dating version among the actual GDP and financial institution credit. Variables used are loans to SME, hobby costs and GDP overlaying among 1992 and 2009. The look at mixed several econometric techniques. The findings proved that loans to Small companies have an effective effect on their financial increase even as hobby costs have a poor effect. In end the look at outlines the following: The finest trouble of small companies in Nigeria is managerial capacity. Access to capital is necessary however now no longer a enough situation for a hit entrepreneurship improvement.

Akingunola (2011) investigated the hyperlink among Small and Medium Enterprises and financial increase in Nigeria: An evaluation of economic option. The look at applied secondary facts accrued from CBN which include Statistics Bulletin, annual reviews and assertion of accounts. The facts included the length from 1992 to 2009 and Spearman' Rho correlation check become hired to decide the dating among SME financing and funding level. The evaluation reported an enormous Rho valve of 0.643 at 10%. This suggests that there may be an enormous effective dating among SME financing and financial increase in Nigeria.

The paper proffered accessibility to quite low hobby costs finance through small enterprise proprietors from DMB. Ezendu (2014) investigated the volume to which deposit cash financial institution loans crowd out small and medium Enterprises in Nigeria. The look at followed regression version on facts from January 2007 to March 2013. Variables examined are DMB overall credit score allocation and loans to SME. The augmented dickey fuller unit root check become used to have a look at the extent of variables and their first distinction. The effects from the regression version supplied proof to aid that DMB to SME are now no longer enormous with regards to overall DMB loans in Nigeria. In end, the look at advocated that cash government ought to offer incentives to encourage small and medium Enterprises investment in Nigeria. No financial system can achieve sustainable improvement without a colorful SME quarter. World Bank (2008) investigated financial institution financing for SMEs round the arena at the drivers, boundaries, enterprise version and lending practices. The look at used facts from a survey of 91 banks in forty five nations. From there findings, banks perceived macroeconomic instability in growing nations and opposition in evolved nations because the essential boundaries. To serve SME, banks have installation devote departments and decentralized the sale of merchandise to the branches. However, the look at suggests that mortgage approval, danger control and mortgage recuperation characteristic continue to be centralized.

Although there are a few variations in SME financing throughout authorities, personal and overseas owned banks, with the latter being much more likely to have interaction in arms-period lending. The maximum enormous distinction become determined among banks in growing and evolved nations. Banks with the growing nations have a tendency to be much less uncovered to SMEs presents a decrease proportion of funding loans, rate better costs and hobby costs. Overall, the proof indicates that the lending surroundings is greater crucial than financial institution possession kind or length in shaping financial institution financing to SMEs.

Uzomba et al. (2014) inquired into the effect of DMB loans/advances on agricultural quarter in Nigeria among 1980 and

2011. Variables used for this look at consists of agricultural quarter make contributions to GDP as dependent, DMB loans and advances to agricultural quarter, hobby costs, asset of DMB and there liquidity ratio for the length beneathneath review. This facts had been sourced from CBN and

National Bureau of Statistics. The look at hired econometric evaluation which include more than one regressions, Philips-Perron unit root check with others, the use of Eviews statistical bundle model 3.0. The effects of the look at discovered that the overall version is statistical enormous. The studies concluded that DMB loans and advances have effective effect at the output of Agricultural quarter in Nigeria.

They advocated that Federal Government ought to use expansionary financial and financial regulations to extend the extent of loans and advances which can be to the agricultural quarter in Nigeria. If that is done, the world output may be enhanced and financial increase stimulated.

#### Research Method

The population of this study consists of a few chosen Nigerian SME entrepreneurs. Respondents were chosen from a carefully chosen group. The study's measurement tools were modified from those utilized in a study by Kaliu and Omwansa. Effects of Microfinance Banks on the Performance of SMEs: A Case Study of Oyo Metropolitan Areas, published in 2015. The questionnaire was divided into two sections: General information is in Part 1 whereas the impact of commercial banks on the performance of SMEs is in Part 2. On a five-point Likert scale, each item in Section B was rated as Strongly Agree, Agree, Neutral, Disagree, or Strongly Disagree. The data was analyzed using the SPSS software.

#### Results

In Oyo State, Nigeria, questionnaires intended to ascertain the impact of commercial banks on the performance of SMEs were issued. There were 219 questionnaires issued, but only 205 were viable enough to be examined. A Likert scale from Strongly Agree (five) to Strongly Disagree (one) was used to create the survey.

**Table 1: Characteristics of Entrepreneurs**

Characteristic	Frequency	Percentage
<b>INDUSTRY</b>		
Trading	122	60%
Consulting	5	2%
Photography	3	1%
Information Technology	4	2%
Engineering	18	9%
Health	4	2%
Food & Beverage	3	1%
Fashion	14	7%
Publishing	2	1%
Education	12	6%
Real Estate	4	2%
Finance	7	3%



<b>Others</b>	<b>7</b>	<b>3%</b>
<b>Number of Employees</b>		
<b>1 – 5</b>	<b>154</b>	<b>75%</b>
<b>6 – 10</b>	<b>33</b>	<b>16%</b>
<b>&gt;10</b>	<b>18</b>	<b>9%</b>
<b>Legal Status</b>		
<b>Enterprise</b>	<b>175</b>	<b>85%</b>
<b>Limited</b>	<b>30</b>	<b>15%</b>
<b>Date of Commencement</b>		
<b>Before 2000</b>	<b>9</b>	<b>4%</b>
<b>2000 – 2005</b>	<b>16</b>	<b>8%</b>
<b>2006 – 2010</b>	<b>48</b>	<b>23%</b>
<b>2011 – 2015</b>	<b>97</b>	<b>47%</b>
<b>2016 till date</b>	<b>35</b>	<b>17%</b>
<b>Total</b>	<b>205</b>	<b>100%</b>

The traits of the SME companies questioned in Oyo State are displayed in the table above. Customers of 205 Commercial Banks provided the information. The companies appeared to operate in a variety of economic sectors, with trading leading the pack at 60%, followed by engineering (9%), fashion (7%), education (6%), finance (3%), consulting (2%), health (2%), information technology (2%), real estate (2%), food & beverage (1%), photography (1%), and publishing (1%). The majority of business owners (75%) employed one to five people, 16% had six to ten, and 9% had ten or more. 15% of the enterprises were limited liability companies, but 85% of them were registered company names. When asked when year they established their firms, the majority (47%) stated they did so between 2011 and 2015, while 23% said they did so earlier between the years of 2006 and 2010, 17% between the years of 2016 and 2019, 8% between the years of 2000 and 2005, and 4% earlier than the year 2005.

**Table 2:** Statements on Influence of Commercial Banks on the Performance of SMSs

<b>VARIABLE</b>	<b>MEAN</b>	<b>STD DEVIATIO N</b>
The minimum savings allowed by Commercial Banks affect the financial performance of the business	4.07	0.80
The interest rate on savings offered by the Commercial Banks affect the financial performance of the business	4.11	0.80
The various types of savings accounts offered by the Commercial Banks affect the financial performance of the business	3.94	0.84
Savings through mobile banking allowed by the Commercial Banks affect the financial performance of the business	3.98	0.85
Micro-savings service offered by the Commercial Banks is important in the financial performance of the business	3.95	0.87

The respondents were asked to rate how much they agreed with various claims about how microsavings has effect on financial performance. The study of their responses produced positive averages with a standard deviation between 0.80 and 0.87, with values ranging from 3.94 to 4.11. The two statements "The minimum savings allowed by Commercial Banks affect the financial performance of the business" and "The interest rate on savings offered by the Commercial Banks has effect on the financial performance of the SMSs business" received the highest means (4.11 and 4.07, respectively). With the lowest mean

(3.94), the statement "The various types of savings accounts offered by the Commercial Banks affect the financial performance of the business" had the least mean (3.94).

**Table 3:** Effects of Micro Credit on Financial Performance of SMEs

VARIABLE	MEAN	STD DEVIATION
The duration to receive loans from the Commercial Banks affect the financial performance of the business	4.15	0.71
Long term loans offered by the Commercial Banks affect the financial performance of the business	4.11	0.76
Medium term loans provided by the Commercial Banks affect the financial performance of the business	4.12	0.68
Short term loans provided by the Commercial Banks affect the financial performance of the business	3.54	1.09
The security required for loans by the Commercial Bank affects the financial performance of the business	3.95	0.88
The rate of interest on loans offered by the Commercial Banks affects the financial performance of the business	4.10	0.78
The mode of disbursement of loans from the Commercial Banks affect the financial performance of the business	4.02	0.79
The repayment period of loans offered by the Commercial Banks affect financial performance of the business	4.01	0.85

The respondents were asked to rate how much they agreed with various claims about how microcredit has effect on financial performance. The examination of their responses yielded positive averages of between 3.54 and 4.15, with a standard deviation between 0.68 and 1.09, and a range of their responses. The two statements "Medium-term loans offered by the Commercial Banks affect the financial performance of the business" and "The duration to receive loans from the Commercial Banks affect the financial performance of the business" had the highest means (4.15 and 4.12, respectively). With a score of 3.54, the statement "Short term loans offered by Commercial Banks affect the financial performance of the business" was the least accurate.

**Table 4:** Effects of Training on Financial Performance of SMEs

VARIABLE	MEAN	STD DEVIATION
The frequency of training offered by the Commercial Banks affect the financial performance of the business	3.60	1.09
Training on management skills by the Commercial Banks affect the financial performance of the business	3.79	1.00
Training on record keeping by the Commercial Banks affects the financial performance of the business	3.28	1.23
Training on the proper use of the loans by the Commercial Banks affects the financial performance of the business	3.30	1.33
Training on the investment areas by the Commercial Banks affects the financial performance of the business	3.23	1.21

The respondents were asked to rate how much they agreed with various claims about how training has effects on financial performance. The study of their responses produced positive averages with a standard deviation between 1.00 and 1.33, with values ranging from 3.23 to 3.79. The two statements that received the highest means were "The frequency of training offered by the Commercial Banks affect the financial performance of the business" (3.60) and "Training on management skills by the Commercial Banks affect the financial performance of the business." The statement "Training by Commercial Banks on Investment areas affect the Financial Performance of the Business" had the lowest mean (3.23).

**Table 5: Financial Performance**

VARIABLE	MEAN	STD DEVIATION
The amount of business capital was more in 2022 than in 2021 as a result of using Commercial Banks' products.	3.90	0.89
The amount realized by the business for net profits in 2022 was more than in 2021 as a result of using Commercial Banks' products	3.90	0.87
The use of Commercial bank products is the only way to improve the financial performance of the business	2.52	1.00

The respondents were asked to rate how much they agreed with various claims about how the products of commercial banks affected their financial performance. Their responses were analyzed, and the results showed that the averages ranged from 2.52 to 3.90, with a standard deviation of between 0.87 and 1.00. The two assertions with the highest means (3.90) were "The amount of business capital was more in 2022 than 2021 as a result of using Commercial Banks' products" and "The amount realized by the business for net profits in 2022 was more than 2021 as a result of using Commercial Bank' products." The assertion that "The use of microfinance products is the only way to improve the financial performance of the business" had the lowest mean (2.52).

### Discussion & Conclusion

Although the populace was well-represented in all areas of the economy, the trade industry accounted for the majority of responses. The majority of the population was also trade industry, with only 15% being limited companies. Based on the number of years since the proprietors started their enterprises, it is also assumed that they have business experience.

Despite the widespread belief that commercial banks avoid lending to SMEs, the study finds that commercial banks have a major impact on SMEs and their financing. This demonstrates that commercial banks continue to be a crucial source of funding for SMEs and a channel for their expansion. SMEs should view bank credit as a source of funding to be used for business expansion if they want to reap greater benefits from it. By offering incentives and persuading the banks to provide preference to SMEs, the government should encourage commercial banks to lend to SMEs. Additionally, SMEs should maintain proper financial records of their business operations on their own behalf as this is one of the requirements for obtaining loans from banks

The SMEs sector is having trouble acquiring access to the money needed to buy the necessary assets and to expand operations. The architectural

The different Nigerian government administrations' adjustment program, bank consolidation, and other policies meant to assist SMEs in obtaining the funding they require have not proven beneficial to them. In fact, SMEs are having a harder time getting the funds they need in post-bank consolidation than in pre-bank consolidation. The commercial banks' conviction that lending to SMEs is a hazardous venture is not beneficial to the SMEs.

Due to a lack of access to required loans from commercial banks, the SMEs sector has not been able to play its part as a major contributor to the Nigerian economy. The ratio of commercial bank loans to SMEs relative to commercial loans to the private sector is dropping, even if commercial bank loans to the private sector are rising. If the current administration and those who follow it don't concentrate their efforts on reviving SMEs, the Nigerian country will find it impossible to escape the current economic misery.

The study's result that Commercial Banks have a significant influence on SMEs in Oyo State Nigeria. Commercial banks should be encouraged to offer small and medium-term loans and ensure consistent credit monitoring is implemented as this would solve the issue of loan diversification and significantly improve the performance of SMEs. The study revealed a poor prevalence of Commercial Banks training among the respondents, so it is crucial that all Commercial Banks adopt training techniques to educate their customers accordingly.

Additionally, the government should create and support specialized financial institutions to attract financial support from potential SMEs investors. The institution should lend the potential investor in SMEs 90% of their contribution at a single digit interest rate. This will boost SME development and lower unemployment rates nationwide.

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