SMALL AND MEDIUM ENTERPRISE FINANCING AND ECONOMIC GROWTH IN RIVERS STATE, NIGERIA

Obichere, Stanley Chijioke
Department of Management, faculty of Management Sciences
University of Port Harcourt, Choba, Rivers state, Nigeria.
stanleyobichere@gmail.com

&
B. Chima Onuoha
Department of Management, faculty of Management Sciences
University of Port Harcourt, Choba, Rivers state, Nigeria.

Abstract
The study examines the effects of Small and Medium Enterprise Financing and Economic Growth in Rivers state, Nigeria. Accordingly, data were gathered and collected from questionnaires. Secondary data where utilized from the CBN statistical bulletins and Rivers state Ministry of Finance annual report of various years. Data obtained from the bulletin include: Loans to SMES by Deposit money banks (LSME), Gross Domestic Product (GDP) and Money supply (M2). The hypotheses were subjected to the use of regression analysis with the use of (SPSS).) Results from the statistics probability of the significant value of LSME and GDP are given as 0.012 indicating a significant relationship between the variables. The T-test score is 3.560 representing a positive significant relationship. The Durbin-Watson value stood at 3.102, an indication of positive correlation between the variables (LSME and GDP). Also, the probability statistics of the Money Supply significant value is 0.003 and if compared to 0.05, it represents the positive relationship. The value of the T-test is -4.928 *indicating a negative significant relationship between the variables while the Durbin-Watson is 3.102 representing positive significance relationships between the variables. The study recommends that funds released to SMEs must be administered according to its purpose.*

Keywords: SME's, Financing, Economic Growth, Gross Domestic Product, Money Supply

Introduction

A realization in today's economic world is that government cannot single-handedly ensure the development of a country. Development is seen as a direct function of the various functions in the economy particularly private sector, international community and other micro and macro constituents. Noticeable in today's economy are the activities of small and medium scale enterprises which are described as the fourth realm of economic development (Muhammad and Muzzaffer, 2011).

Alese and Alimi (2014) observed that all over the world a lot has been said and written on small and medium scale enterprises (SMEs), which have formed the subject of discussion in so many seminars and workshops both locally and internationally. In the same token governments at various levels (local, state,

and federal) have in one way or the other focused on the small medium enterprise (SMEs). While some governments formulated policies aimed at facilitating and empowering the growth, development and performance of the SMEs, others have focused on assisting the SMEs to grow through soft loans and other fiscal incentives. For instance, the World Bank group approved more than $10 billion in SME support programs over the period 1998-2018 (World Bank, 2018).. This pro-SME policy is based on three core arguments by Beck, Demirgue-kunt, L and Levine (2005); Kumar, Anthony, Singh, Tiwari and Perry (2006) and Collier (2009).

Firstly, SME advocates argued that SMEs enhance competition and entrepreneurship and hence have external benefits on economy-wide efficiency, innovation, and aggregate productivity growth. Hence, direct government support of SMEs will help countries exploit the social benefits from greater competition and entrepreneurship. The second fact provided by the SMEs proponents is that SMEs are generally more productive than large firms, but financial market and other institutional failures impede their development. Thus, pending financial and institutional improvements, direct government financial support to SMEs can boost economic growth and development. Lastly, they argued that SME expansion boosts employment than large firm growth because SMEs are more labour intensive. Eferakeya (2014) observed that economic development of any nation depends largely on the existence, growth and survival of small and medium scale enterprises (SMEs). As a propeller of economic growth, SMEs require serious attention so that their developmental role and sustainability will provide the much needed sustainable development of a nation with regard to job and wealth creation.

Gulaniand Usman (2012) stated that finance is a pre-condition to the growth of enterprises. The sources of finance available to SMEs are, the owners-savings and financial support of his or her associates including family and friends who may or may not be partners or shareholders in the venture, banking and lending institutions, small business administration, licensed small business investment companies, other businesses and local capitalist sales, finance companies, factor and other sources. Among the sources mentioned, personal savings is the most important reason people save money. In a study conducted by Aggarwal, Klapper and Singer (2012), respondent were asked about the most important reason people save money, 29 percent provide precautionary motive as the most important reason to save, stating saving for either "a rainy day" or "in-case we get sick". The second most important reason that people report saving is "to start a business" (almost 20%). These numbers suggests that 49% (almost half) of the people surveyed are actually using savings for purposes that credit was either supposed to or is billed to serve other sources of finance available to SMEs for example financial institutions loans are practically not accessible.

Ogechukwu, Oboreh, Umukoro, and Uche,(2013) posited that, a business whether small or big, simple or complex, private or public, is created to provide competitive prices. Businesses in Nigeria have been classified as small, medium and large. A small scale business can be explained by the criteria of project costs, capital, number of employees, sales volume, annual business turnover and the financial strength. The Federal and State ministries of Industry and Commerce have adopted the criterion of value of installed fixed capital to determine what a small scale business is. In this respect, the value has varied from N60,000 in 1972, N159,000 in 1975, N250,000 in 1979, N500,000 in 1986, to a

fixed investment of not more than N2,000,000 in 1992 and N5,000,000 in 2003 and beyond. This figure is exclusive of land and building and subject to government determination and prevailing objectives of public policy. In the wake of recent happenings the required capital for SMEs is N1million for micro-businesses, N1million-less than N40million for small businesses and N40million to less than N200million for medium scale. Furthermore, Kadiri (2012) explained that, small and medium enterprises development has continued to be a popular phrase in business world. This is because the sector serves as a catalyst for employment generation, national growth, poverty reduction and economic development. SMEs world over can boast of being the major industries including the multinationals.

In view of the foregoing argument put forth by Etuk, Etuk, and Baghebo (2014), it is imperative to note therefore that the growth and development of SMEs is a critical success factor for the overall well-being of a nation. This therefore makes SME financing a subject of discourse in local and international terrain particularly among researchers. This research therefore examines the nexus between SME financing and economic growth in Rivers state, Nigeria.

Statement of the Problem

Agwu and Emeti (2014) pointed out that most of the problems of SMEs are external to it, among them are those related to capital shortage, taxation and regulations, product liability patent and franchising abuses. The internal problems of SMEs in Rivers state, Nigeria includes; inadequate working capital, stiff competition from large companies, difficulties in sourcing raw materials, low capacity utilization, lack of management strategies, poor educational background of operators and huge financial problems while the external problems include: policy inconsistencies, multiple taxation, harsh regulatory requirements and trade groups.

Taiwo,Ayodeji and Yusuf (2012) in their previous research had also revealed that the most common constraints hindering small and medium scale business growth in Nigeria are lack of financial support, poor management, lack of training and experience, poor infrastructure, insufficient profits and low demand for product and services. Hence it therefore recommends that government should as a matter of urgency assist prospective entrepreneurs to have access to finance and necessary information relating to business opportunities, modern technology, raw materials, market, plant and machinery which would enable them to reduce their operating cost and be more efficient to meet the market competitors to ensure efficient growth in the economy. Whereas, Onakoya,fasanya and abdulraham (2013) in a related view posited that the greatest or worst problem confronting SMEs in Nigeria is managerial capacity. They also identified access to capital or finance as being necessary but not a sufficient condition for successful entrepreneurial development in the economy.

A review of researchers on SME financing has shown lapses in identifying with the following challenges which affects the core essence and development of SMEs in the country and these include the following: Increase in the level of SME failures, regardless of increase in the number, which brings to fall the relevant issue where a good number of SMEs spring up only to collapse before their fifth year anniversary. Apparent lack of finance particularly from financial houses and government and this in turn affect the level of economic growth recorded by the country. Low productivity, emanating from SME operations, thus

giving rise to low value of export, high inflation rate amongst others.

In reaction to the challenges highlighted by the researcher, Onakoya, et al (2013) identified inadequate capital, inaccessible credit facilities. Long term development institutional credit was known not to be available to SMEs because they are generally considered high credit risks by financial institutions. The research is embarked upon by the researcher with a view to unearthing the extent to which SME financing relates with economic growth in rivers state, Nigeria.

Objective of the Study

The objective of the study is to investigate the impact of Small and Medium Enterprise Financing and economic growth in Rivers state, Nigeria.

Study Variable and Conceptual Framework

In this paper, SME Financing is the predictor variable with its dimensions as Loans and Advances while our criterion variable is Economic growth with its measures as Gross domestic Product and Money Supply.

Functional relationships and Model Specifications

Functional Relationships: This paper reiterates its objectives which are to establish functional relationships between two measures of dependent variables which are Gross Domestic Product and Money Supply and the dimensions of the independent variable which is Loan and Advances. For this work, we will develop a model specification and a functional relationship. Premised on this, the paper is expressed in the functional relationships as follows:

SF = f(EC) ……Function 1
EG = G, M…….....Function 2
SF = LA…….Function 3

Where;

SF = SME Financing
EG = Economic Growth
G = Gross Domestic Product
M = Money Supply
LA = Loans and Advances
EE = External Environment

Conceptual and Operational Framework

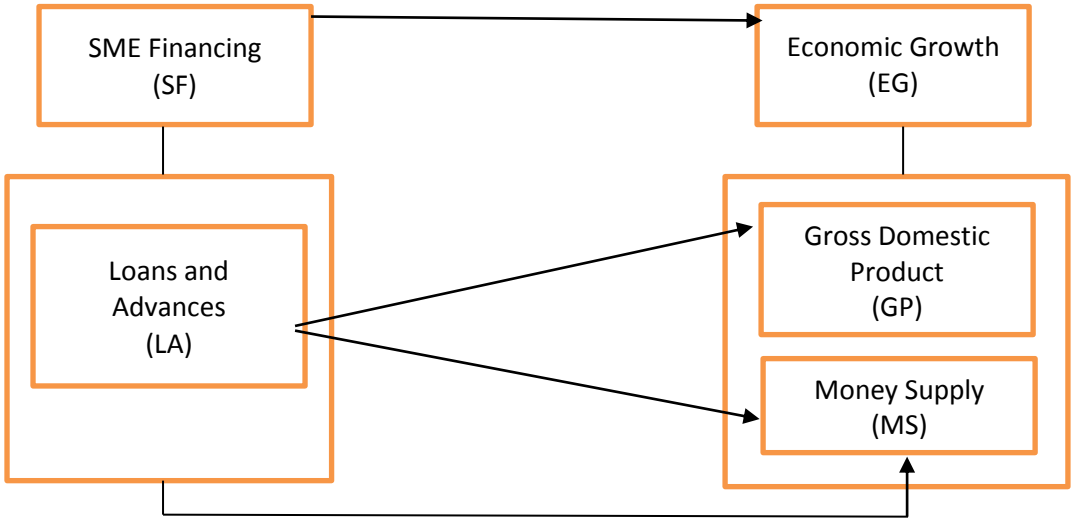

Figure 1: Conceptual and Operational Framework on SME Financing and Economic Growth in Rivers state, Nigeria.
Source: Desk Research, 2019

Research Hypothesis

Based on our research framework, the following hypotheses are formulated.

Ho_1: Loans and Advances to Small and Medium Enterprises has no significant relationship with the Gross Domestic product in Rivers state, Nigeria.

Ho_2: Loans and Advances to Small and Medium Enterprises has no significant relationship with Money Supply in Rivers state, Nigeria.

Literature Review

Definitions of Small and Medium Scale Enterprises (SME's): International View

Small and Medium Enterprises (SME) have been defined along a broad continuum of size and type. In terms of size, measures used to classify SMEs include employment, assets and revenue. Definitions of SMEs vary from one organization/association to another, from country to country, industry to industry and from one financial institution to another.

According to the Organization for Economic Cooperation and Development (OECD) 2005, the characteristics of SMEs not only reflect the economic patterns of a country but also the social and cultural dimensions. These differing patterns are noticeably reflected within different definitions and criteria of SMEs adopted by different countries: whereas some refer to the number of employees as their distinctive criteria for defining SMEs, others use invested capital, and some other use a combination of the number of employees, invested capital, sales and industry type (Dababneh &Tukan, 2007). The European Commission defines SMEs as those enterprises that employ fewer than 250 people and have annual sales not exceeding $67 million and/or total assets not exceeding $56 million. Small enterprises are defined as those enterprises employing less than 50 persons and with annual sales or total assets that do not exceed $13 million. Meanwhile, micro enterprises are defined as those which employ fewer than 10 persons and with annual sales or total assets that do not exceed $3 million (Dababneh &Tukan 2007).

It is generally accepted by both the practitioners and academicians that SMEs serve as catalysts for the economic growth of the economy of any nation. However, the SMEs are faced with many challenges. In Nigeria, one of the major challenges faced by SMEs is that of capital to finance their operations (Fatai, 2009). Empirical evidence shows that finance contributes about 25% to the success of SMEs. (Ogujuiba, Ohuche and Adenuga, 2004). A World Bank report showed that 39% of small scale firms and 37% of medium scale firms in Nigeria are financially constrained. (World Bank report, 2001). Many SMEs in Nigeria lack the capital to continue their business and they are forced to close shop because they are unable to access the required funds. What are therefore, the financing options of SMEs in Nigeria? Every enterprise is financed either through debt or equity or a combination of both. Both types of financing are usually sourced from either the informal finance sector (IFS) or the formal finance sector (FFS). The two fundamental financing concepts of SMEs, the formal and informal forms of financing, have been identified by previous researchers, scholars and practitioners (Gelinas, 1998; Aruwa, 2004). The researchers identified commercial banks and development banks in the formal sector as the most popular source of finance for enterprises. The informal sector which consists of borrowing from friends, relatives and cooperatives are also important source of financing SMEs. Another source of enterprise financing is through personal savings. The informal finance sector consists of informal finance institutions like

money lenders, landlords, friends, relations, credit and savings associations (co-operative societies), esusu, also known as ayo among the Yorubas, isusu or atu among the Ibos, osusu among the Edos, adashi among the Hausas, dashi among the Nupes and etibe among the Ibibios. (Okorie& Miller, 1976). The formal finance sector is made up of formal finance institutions such as commercial banks, microfinance banks, international development agencies etc. Small and medium enterprises are a very important part of the Nigerian economy as a study by the IFC show that approximately 96% of Nigerian businesses are SMEs (Oyelarin-Oyeyinka 2010). The SMEs represent about 90% of manufacturing/industrial sector in terms of number of enterprises in Nigeria. However, in spite of the fact that the SMEs constitute more than 90% of Nigerians businesses, their contribution to GDP is only about 1%.

The definition or classification of small and medium enterprises differs from country to country. There is no generally accepted definition or classification of SMEs. Different authors, scholars and schools have different ideas as to differences in terms of capital out lay, number of employees, sales turnover, fixed capital investment, available plant and machinery, market share and the level of development (Ogechukwu, 2009). In countries like the USA, Britain and other European countries, Small and medium scale enterprises are defined in terms of turnover and number of employees. The definition and classification of SMEs in Nigeria is in terms of capital employed, turnover and number of employees. CBN (2010), acknowledged the existence of several definitions of SMEs. One of such definition/classification states that an enterprise that has an asset base (excluding land) of between N5 million to N500 million and labour force of between 11 and 300 belongs to the SME sub-sector. This definition is what the Small and Medium Enterprises Credit Guarantee Scheme (SMECGS) adopted. SMEs have also been broadly defined as businesses with turnover of less than N100million, for the Small and Medium Enterprises Equity Investment Scheme (SMEEIS), a small and medium enterprise is defined as any enterprise with a maximum asset base of N1.5 billion (excluding land and working capital) with no lower or upper limit of staff. As a result of the definitional differences of SMEs across countries and the absence of a universal definition, the European Union in 2003 adopted a universally accepted definition of small and medium scale enterprises and micro business as companies with less than 250 employees, revenues must not exceed 50million euro (turnover) or 43million euro. In Nigeria, SMEs are distributed by clusters within regions. You have the Aba leather and the fashion SMEs clusters, Nnewi has the automobile SMEs cluster, Lagos has the Otigba ICT SMEs cluster, Abeokuta and Oshogbo the tie and dye SMEs clusters and Kano has the leather SMEs clusters (Oyelarin-Oyeyinka, 2010). There is no reliable database on SMEs in Nigeria and so it is difficult to accurately determine the number of SMEs in Nigeria. However, the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) using data collected from the National Bureau of Statistics (NBS) is working on the publication of its first comprehensive database of small businesses in Nigeria (leadership newspaper 05/03/2012).

Small Enterprises in Rivers state

Any enterprise that employ between 10 and 49 employees and having a capital base from N5 million to N50 million.

Medium Enterprise in Rivers state

Any enterprise that employs from 50 to 199 employees and having a capital base from N50 million to N500 million. If a business is within that confine it is running a medium

enterprise and if it has anything above that, it is a large enterprise or a multinational (Adeyeye, 2008).

SMEs is one of the institutions given recognition in the state's industry development plan and is the fact that it serves as vehicles for employment opportunities at urban center and as it underpins the economic development. However, the sector has only been given limited support and recognition by the state government in terms of access to finance as well as the provision of technical and managerial skills to citizens who operate small and medium enterprises in the state. Although the Rivers State Ministry of Commerce and Industry has issued various policies that are helpful for the sustained growth and development of small and medium-sized enterprises, the policies have not been implemented adequately due to lack of infrastructure and capacity. The top three obstacles to running a business in Rivers state are lack of access to finance, difficulty in ownership of land, and difficulty in conducting business in the informal sector (Bassey, 2009).

Concept of Economic Growth

The concept of economic growth is viewed as an increase in the national product in a given period of time (dewett, 2005).He explained that economic growth is generally referred to as a quantitative change in economic variables, normally persisting over successive periods. Todaro and smith (2006) defined economic growth as a steady process by which the productivity capacity of the economy increased over time to bring about rising levels of national output and income. Jhingan (2006) viewed economic growth as an increase in output. He explained further that it is related to a quantitative sustained increase in the country,s per capital income or output accompanied by expansion in its labour force, consumption, capital and volume of trade.

The main characteristics of economic growth are high rate of per capital income or output, high rate of productivity, high rate of structural transformation, international flows of labour, goods and capital (ochejele, 2007). Economic growth can also be measured real per capital income.

Parameters for measuring economic growth

Economic development in terms of Gross Domestic Index (GDI), which is an index that measures national growth based on measures of life expectancy at birth, education attainment, literacy, and adjusted being a multivariate concept having many dimensions, there is no single measure of development that completely captures the process. Clearly these indicators or measures of development should be valid and amenable to measurement and comparison. Per capita income has been one of the earliest and also a popular measure of economic development. Some economists have emphasized on certain social indicators as a measure of development such as levels of literacy, health and employment, while others have emphasized on reduction in poverty as an important indicator of development. It has now become a common practice to measure development in terms of composite indices such as HDI (Human Development Index), GDI (Gender Development Index), HPI (Human Poverty Index) etc. but per capital income has been a widely used indicator for measuring economic development. It is a primary indicator which measures economic performance of a country. Further, for measuring the rate of economic development national and international agencies mostly use per capita income indicator and it has tremendous conceptual and statistical merits. Per capita income is the best single index which is readily available and an easily assumed measure for classifying countries into developed and less

developed and may be used as a relevant starting point.

The Bureau of Economic Analysis uses two approaches to measure GDP; the expenditure approach and income approach. The *expenditure approach* measures GDP as the sum of consumption expenditure, investment, government purchases of goods and services, and net exports.

The *income approach* measures GDP by summing the incomes that firms pay households for the factors of production they hire. The *National Income and Product Accounts* divide incomes into five categories which are compensation of employees, net interest, rental income, corporate profits and proprietors' income. The sum of these five income components is *net domestic income at factor cost*.

SME Financing and Economic Growth

Even if there are controversies on definition, what is not contestable is the contribution SMEs are making to the economy. About 10% of total manufacturing output and 70% of industrial employment are by SMEs (Osuagwu, 2001). SMEs also promote industrial employment through the utilization of local resources production of intermediate goods and the transfer/transformation of rural technology. In fact SMEs are generally regarded as the engine driving the growth of this and other economics and provide the best opportunity for job creation and rural development. In most major economies, the critical role of SMEs is recognized and special agencies of government are created to provide support for SMEs. The funding requirement of SMEs is also given special consideration by the formal funding institutions, Banks, micro-credits agencies, venture capital and the non-formal funding agencies like the donors and specialized NGOs.

In a developing country like Nigeria, and in rivers state, there are several socio-economic conditions impeding meaningful development, despite many interventions and policy strategies. However, Small and Medium Scaled Enterprises (SMEs), if fully developed have been identified as being beneficial in alleviating poverty through wealth and job creation. This sector can benefit any government that develops it to the extent that it has the capacity to grow a country's GDP, generate taxes and other revenue, as well as assist in bringing stability in the polity of a country. The corporate world can also gain from the specialized goods and services of SMEs and the healthy market competitiveness it promotes, thus giving way for a strong private driven economic sector, with entrepreneurs springing up. In Rivers state, the prevailing economic and political conditions have not given room for SMEs to thrive, as evidenced in the challenges they are currently facing in the country. Despite these challenges, SMEs are associated with immense benefits which can be harnessed to better the state and the Nigerian economy (Etuk,et al.2014).

According to Gbandi and Amissah (2014) Small and Medium enterprises act as catalysts in the economic development of the developed and developing countries. Developing countries like Nigeria that require sustained economic growth in their economies must pay attention to the SME sector and harness the great potential to generate employment, improved local technology, output diversification, developed indigenous entrepreneurship and forward integration with large-scale industries that can be provided by the sector. Unfortunately, the SMEs in Rivers state have underperformed despite the fact that the SMEs in Nigeria constitute more than 90% of Nigerian businesses, their contribution to the nation's GDP is below 10%. This very low percentage contribution

of the SMEs to Nigeria's GDP could be attributed to amongst others; unfriendly business environment, poor funding, low management skills and lack of assess to modern technology. However, this their work focused on adequate funding which will take care of some of the problems such as provision of modern technology and low managerial skills. They examined the financing of SMEs in Nigeria and the various financing options available to the SMEs. This involved looking at debt financing by considering the role commercial, microfinance banks, co-operatives and other finance institutions play in the financing of SMEs in Nigeria. It also considered the role of equity financing through Venture capital and Business angels financing. It concluded that funding of SMEs in Nigeria is very critical if they are to perform their role of growth and development of the nation's economy. Onakoya et al (2013) also examined the impact of financing small scale enterprises on economic growth in Nigeria, using a quarterly time series data from 1992 to 2009. The study combined several econometric estimation techniques. The findings shows that loan to small scale entrepreneurs have a positive impact on the economic performance while interest rate has a negative impact on economic growth. The study thereby concludes that the greatest or worst problem confronting SMEs in Nigeria is managerial capacity. Access to capital or finance is necessary but not a sufficient condition for successful entrepreneurial development.

The issue of sustainable growth and development has been a growing concern for policy makers and researcher in developing countries such as Nigeria. One of the problems faced by Small and Medium Enterprises (SMEs) operators is that government does not give chance or consider them when making policy in which priority is given to large organizations. This makes financing the main constraining factor to SMEs growth and hinders their potentials for enhancing economic growth in Nigeria. Thus, constitute the focus of this study. On the basis of the identified issue and existence of few quantitative empirical studies in this regards, Afolabi (2013) investigated the effect of SMEs financing on economic growth in Nigeria between 1980 and 2010. The study employed Ordinary Least Square (OLS) method to estimate the multiple regression model. The estimated model results revealed that SMEs output proxy by wholesale and retail trade output as a component of gross domestic product, commercial banks' credit to SMEs and exchange rate of naira vis-à-vis U.S dollar exert positive influence on economic development proxy real gross domestic product while lending rate is found to exert negative effects on economic growth. In terms of partial significance and using t-statistic as a test of evaluation, SMEs output and commercial banks' credit to SMEs were found to be significant factors enhancing economic growth in Nigeria at 5% critical level. Therefore, emanating from the findings, the study proffered that the central authority should create an enabling environment for SME development.

Money Supply and Economic Growth

According to Ogunmuyiwa and Ekone (2010).The relationship between money supply and economic growth has been receiving increasing attention than any other subject matter in the field of monetary economics in recent years. Because of the importance of economic growth among the macro-economic objectives of nations (developed and developing), persistent concern has always been given among monetary economist including Levine (1997) and Asogu (1998) to the relationship between money supply and output. Economists differ on the effect of money supply on economic growth. While some agreed that variation in the quantity of

money is the most important determinant of economic growth, and that countries that devote more time to studying the behavior of aggregate money supply rarely experience much variation in their economic activities(Harding and Pagan 2001). Others are Skeptical about the role of money or gross national income. Financial markets start growing as the economy approaches the intermediate stage of the growth process and develop once the economy becomes matured (Kuttner 2001). This connotes that economic growth stimulates increased financial development. Dedolab and Lippi (2000), explain that there may not be possibility of economic growth without an appropriate level of money supply, credit and appropriate financial conditions in general.

Evidence in the Nigerian economy has shown that since the 1980's some relationship exist between the stock of money and economic growth or economic activity. Over the years, Nigeria has been controlling her economy through variation in her stock of money. Consequent upon the effect of the collapse of oil price in 1981 and the B.O.P deficit experienced during this period, various methods of stabilization ranging from fiscal to monetary policies were used. Interest rates were fixed and these were said to be beneficial to big borrower farmers (Ojo 1993)

As already explained money supply exerts considerable influence on economic activity in both developed and developing economies. The low level of supply of monetary aggregates in general and money stock in particular had been responsible for the fundamental failure of many African countries to attain growth and development. Various scholars have laid much of the blame for the failure of monetary policies to translate into economic growth on the government and its agencies as a result of poor implementation and insincerity on the part of policy executors. Until recently, with the recapitalization in the banking sector which resulted in mergers, acquisitions increased bank branches and innovations of new products and technology coupled with growth in the capital markets, the Nigerian financial system remained by and large relatively underdeveloped because of lack of financial intermediation and financial deepening which the economy requires for sustained growth. In an attempt to link money supply to economic growth recent contributors in the new economic growth literature have considered the role of financial structure, this presupposes that the level of money stock drives economic growth.

These assertions will strictly depend on several macroeconomic variables. Emenuga (1996) and Osikoya (1992) both submitted that, possible effect of financial depth (money in circulation) on economic growth can manifest in three channels: improved efficiency of financial intermediation, improved efficiency of capital stock and increased national savings rate. Fishlow (1996) and Bardhan (1996) among others provide succinct statements of the historical perspective of issues involved and discuss the various implications of received interest in monetary aggregates in the determination of the level of economic growth in developing countries. However, Ogunmuyiwa and Ekone (2010) noted that empirical researches have largely focused on addressing two issues. First, to examine if money could forecast output given predictive power of past values of output. If so, the second issue is to examine whether such relationship is stable over time or not. Asogu (1998) examined the influence of money supply and government expenditure on Gross Domestic Product. He adopted the St Louis model on annual and quarterly time series data from 1960 -1995. He finds money supply and export as being significant. This finding according to Asogu

corroborates the earlier work of Nwaobi (1999) while examining the interaction between money and output in Nigeria between the periods 1960- 1995. The model assumed the irrelevance of anticipated monetary policy for short run deviations of domestic output from its natural level. The result indicated that unanticipated growth in money supply would have positive effect on output. A clear examination of the above shows that there is no general agreement on the determinant of economic growth in the Nigerian economy.

Theoretical Framework

SME financing and economic growth is heavily backed in various theories and these form the theoretical discuss. This segment shall disclose the following theories;

1. Trade-off theory
2. Pecking order theory

Trade-Off Theory

The trade-off theory was seriously taken under consideration after the debate on the theorem of Modigliani-Miller. Trade-off theory's original version came into being after the debate of Modigliani-Miller theorem. When theirrelevance theorem was added with the corporate income tax, this favored benefit for debt, i.e. it shields the earningsfrom taxes. Firm manager evaluates and analyzes the various costs and benefits of several alternatives of leverage plans. Most of the time it is presumed that interior solution should be obtained so that balance can be acquired between marginal costs and benefits.

Static Trade-Off Theory

Optimal capital structure is acquired by firms by trading off the costs of debt and equity against their benefits. Major benefit to use debt is the advantage of debt tax shield. On the other side cost of potential financial distress may be the disadvantages of debt, particularly when a firm acquires too much debt. Tax deductibility of interest payments is the main benefit of debt; this promotes the application of debt. It increases with the existence of non-debt tax protection (DeAngelo and Masulis, 1980) and personal taxes (Miller, 1977). Several authors like Adedeji (2002), Fama and French (2002) and Chen (2004) tested a theoretical model which is being presented below:

$$Dit = \beta k + Wit + eit$$

Here dependent variable is denoted by *Dit*that shows the debt ratio in the year t for the firm i, *W* shows the explanatory variable's vector, whereas residual error term is being denoted by *eit*. Making market imperfections analysis as a base such as by analyzing asymmetric information, taxation and conflicts of interest explanatory variables are used.

Previous research on static trade-off theory concludes mixed results. On one side, study shows that target leverage is not important. Many studies for instance, Rajan and Zingales (1995) and Fama and French (2002) affirm that higher profitability firms tend to borrow less that is inconsistent with the actual trade-off prediction that higher profitability firms should borrow more to reduce tax liabilities. Graham (2000) estimating the cost and benefit of debt, finds that the large and more profitable firms with low financial distress expectation use the debt conservatively.

Microsoft is the classic example of those studies that it being a very profitable organization has maintained a zero-debt policy. Further survey of corporate executives by Graham and Harvey, (2001) shows the softness of target leverage. Speed of adjustment towards target leverage is slow (Fama and French, 2002). Firms on their capital structures do not compensate the impacts of stock returns actively and prior stock returns are the main determinant

of market leverage (Welch 2004). On the other side, many studies support trade-off theory and confirm the role of target leverage. Frank and Goyal (2004) favor the trade-off theory in leverage decisions by examining relative importance of 39 factors. Flannery and Rangan (2006) contradict Welch (2004) by finding the effects of firms‟ prior stock price movements. Most of the time firms are not so active with respect to their financial policy but to move towards target leverage firms do buy back their securities (Hovakimian, 2006). Strebulaev (2004) and Hennessy and Whited (2004) have tried to conciliate inconsistent empirical findings with respect to trade-off theory in a dynamic framework.

Pecking Order Theory

Pecking order theory predicts that due to the information asymmetry between a firm and outside investors regarding the real value of both current operations and future prospects, external capital (debt and equity) will always be relatively costly compared to internal capital (retained earnings). Myers and Majluf (1984) argue that information asymmetry will lead to a mispricing of a firm's equity in the marketplace, causing a loss of wealth for existing shareholders. This is because of the adverse selection problem that arises because managers are more knowledgeable than outsiders (investors). Myers and Majluf (1984) claim that if the firm finances its new project by issuing new securities, these securities will be underpriced. This is because managers cannot credibly convey the quality of their existing assets and available investment opportunities to potential investors. As a result, outsiders may not be able to discriminate between good and bad projects, consequently interpreting the firm's decision to issue new securities as a sign of possible bad news and then pricing new securities accordingly. They will demand a premium to invest, or firm can only issue equity at a discount. Aware of the resulting dilution of current shareholders' wealth, firms may not issue new equity even for projects with positive net present values, causing what is known 'underinvestment problem, therefore, Myers and Majluf (1984) argue that borrowing through debt instruments, especially the less risky ones, helps firms mitigate the inefficiencies in their investment decisions that are caused by the information asymmetry. Compared to equity, debt is likely subject to lower degree of miss-evaluation or adverse selection problem, simply because debt contracts are safer in that they limit the possible ways by which holders could lose.

According to Myers and Majluf (1984), managers would tend to issue equity only if the firm is overvalued, and debt when its value is undervalued. Moreover, they claim that external equity is issued when the risk of financial distress become significantly high, otherwise, straight debt and hybrid securities are issued at low and moderate risk of financial distress. Consistent with this argument, Myers (2001) contends that the equity issues occur only when debt is costly, i.e. at a dangerously high debt ratio where managers and investors foresee costs of financial distress. Myers demonstrates that equity issues are spurned by investors if debt is available on fair terms, and in equilibrium only debt is issued. Therefore, he argues that debt has the prior claim on assets and earnings, while equity is the residual claim. In the context of pecking order theory, firms should issue equity when they experience high stocks valuation for two reasons: firstly, the asymmetric information costs to the firm are expected to low when shares are overvalued, secondly, these firms are expected to have higher growth opportunities which induce them to finance their financing needs with equity in order to maintain their borrowing capacity for the future (Rajan and Zingles, 1995).

Myers (1984) uses Myers and Majluf (1984) to provide a rationale for explaining financial policy decision of firms with what is known a pecking order theory of capital structure. As described by Myers, the pecking order theory suggests that firms first prefer internal sources of finance, and they adjust their target dividend payout ratio to their investment opportunities. If the firms seek external finance, due to generous dividend policies, unpredictable fluctuations in profitability or investment opportunities, firms will choose debt (as the safest instrument), and then hybrid securities such as convertible bonds, and then equity as a last resort. The pecking order theory generally explains why firms might rationally let cash flows determine leverage. This suggests that firms turn to debt funds under pressure of an internal funds shortage. Therefore, the stronger the cash flow relative to investment, the less likely the firms will turn to debt and the more likely the leverage will fall for a given level of equity. Furthermore, Myers (1984) argues that if internally generated cash flow is greater than desired investment outlays, the firm first pays off debt or invests in cash or marketable securities. This suggests that pecking order theory predicts different financing behavior for surpluses and deficits firms. This is one of the criticisms to those who test the suggestions of pecking order theory and assume that firms' pecking order is not different for surpluses and deficits .Previous analysis suggests that firms exhibit a hierarchy of preference with respect to funding resources. As a result, firms will first use cash flow as the cheapest source of finance, then debt finance, and finally outside equity financing as a last resort. The underlying argument behind the prediction of pecking order theory is the information or adverse selection costs. However, there is evidence suggesting that information costs are not the only factor that encourages firms to follow the pecking order theory. Fazzary, Hubbard and Peterson (1988) who tested the sensitivity of investment to the availability of cash flow, has listed the main sources of costs hierarchy which induce firms to follow the pecking order theory. Beside information costs, they list transaction costs and agency costs. These elements provide an explanation as to why firms prefer internal funds as the cheapest source of financing over the external ones. In what follows we provide a brief discussion of the transaction costs and agency costs as additional sources for financing hierarchy.

Donaldso (1961) who provides the origin of pecking order theory has attributed the pecking order behavior to the presence of transaction costs. These costs are usually associated with raising funds externally (debt/equity). According to Kadapakkam, Kummar and Riddick (1998), transaction costs involved in the use of external equity or debt result in a "financing hierarchy" in which the cheapest funds are utilized first. There are two principal components to transactions costs: the compensation for the dealer placing the issue, and other expenses such as legal, accounting and printing costs, registration fees and taxes. According to Securities and Exchange Commission (SEC) data, the transaction costs consumed nearly 19% of the gross proceeds of small stock issues and about 14% of the proceeds of small debt issues, implying that the transactions costs are especially high for small issues. Consequently, they constitute a significant financing hierarchy for smaller firms. However, Olinear and Rudebusch (1989) and (1992) show that these transaction costs became smaller in relative terms with increases in issue size, suggesting that these costs large are lower for large firms than for small firms. This implies that small firms are more likely to follow the pecking order theory.

Agency theory addresses incentive and moral hazard problems that could arise due

to the separation between ownership and control, creating what is known in finance as shareholder-manager conflict (Jensen and Meckling, 1976). This conflict gives rise to agency costs which may increase the costs of raising funds externally, and consequently increasing the reliance on internally generated funds as a cheapest source of financing. Another kind of conflict arise between manager/shareholder and debt holders due to the use of debt, increasing the cost of external funding and consequently shifting firms towards internally generate funds. These costs are the agency costs of assets substitution problem or underinvestment problem since firms may be forced to forgo some of its profitable investment opportunities, reducing their profitability and thereby its value. Therefore, firms with higher agency costs will tend to depend more heavily on internally generated funds for financing, following what is known in corporate finance theory as the pecking order theory.

It is worth noting that the pecking order theory is criticized on the grounds of its underlying arguments and suggestions. Adedeji (1998) concludes that the suggestion of pecking order theory, that it is only the internal funds shortage that motivates firms to raise funds externally is questioned. This is because it ignores other theories and the effects of institutional factors that might affect the firm's choice of financing instruments such as the level of interest rate, borrower-lender relations and finally, the government intervention. Cull and Xu (2005) argued that sometimes reinvestment of firm's profits in the large scale projects is conditional by its ability to generate funds externally. He concludes that investment is lumpy, since internal and external funds are needed to finance the available profitable projects. Moreover, he argued that the government intervention through the monetary policy during the financial crisis may make the cost of borrowing lower than the cost of internal funds. Consequently, firms use debt before internal funds.

The underlying argument of Myers and Majulf (1984), Myers (1984) that information cost or the adverse selection problem induces firms to follow the pecking order behavior, has been contradicted by Baskin (1989), Allen (1993) and Adedeji (1998). They argue that transaction and information costs are not the only factors that might discourage the use of external financing, in general and for equity in particular. They conclude that control consideration may make firms reluctant to issue equities because of their effects on the existing balance of control, or even to issue debt which might impose the discipline of the capital market on them. Consistent with this, Myers (1984) has contended that firms' reliance on internally generated funds is interpreted by others (I.e. Jensen and Makling, 1976), as the result of the separation of ownerships and control, where managers will be reluctant to raise funds externally to avoid the capital market discipline. Fazzary*et al*. (1988) who tested the sensitivity of investment to the availability of cash flow, provide empirical evidence supporting the above arguments. They list the main sources of costs hierarchy which induce firms to follow the pecking order theory such as transaction costs, agency costs and asymmetric information costs. They also provide evidence suggesting that the investment of US firms is highly sensitive to the availability of cash flow.

Moreover, Fama and French (2005) argue that firms can avoid the information costs or the adverse selection by issuing the equities which are less subject to asymmetric information such as equity issues to employees in their compensation plan or to existing stock holders. They argue that this kind of issues does not change the

ownership structure and then the existing balance of control. Furthermore, it does not involve high costs of asymmetric information. If so, the grip of the information asymmetries approach is broken down because firms can issue equity at a low information cost. Hence, the need for issuing debt to finance new investment projects is reduced. However, the stock option plans for employees may be issued for considerations other than the information costs. Graham, Lag and Shackeford (2004) examined the stock option plans for employees as a non-debt tax shield. Their evidence about employees' stock options suggests that options deductions work as important non-debt tax shields and firms tend to substitute option deductions for interest deductions. Moreover, stock option plans for employees are also suggested as techniques to mitigate the conflict between managers and stockholders and encourage managers to work for stockholders interest. This reduces the need for debt as a mechanism for mitigating the agency conflict as it has been suggested by Jensen and Meckling (1976) and Jensen (1986).

Research Methodology

Research Design

The descriptive research design was chosen by the researcher as the study is interested in assessing SME financing and economic growth in Rivers state, Nigeria. This involves the capture of secondary data from CBN statistical bulletin on the effect of SME financing on the nation's economy.

Data Sources

Data required by the researcher to conduct the study were gathered and collected from questionnaires, specially designed for the purpose of this study, administered to members or respondents of the selected sample. In this study, secondary data where utilized specially CBN statistical bulletins and annual report of various years were utilized. Data obtained from the bulletin include: Loans to SMES by Deposit money banks (LSME), Gross Domestic Product(GDP), Export values(EXP), Interest rate(INTR), Money supply(M2)

Model Specification

The model specification of the study is given below:

Model

LSME= (GDP, EXP, INTR, M2) – 0

$LSME = B_0+B_1GDP+B_2EXP+B_3INTR+B_4M_2$

Where LSMEs= Loans and advances

GDP= Gross domestic product

EXP= Export value

INTR= Interest rate

M_2= Money supply

B_0= constant coefficient

B_1, B_2, & B_3=Coefficient of GDP, EXP, INTR, & M_2 respectively

Data Collection Tools

The researcher collected variables relating to aggregate loan and advances to SMEs, interest rate, Gross domestic product (GDP), Export value and Money supply and presented them using frequency distribution table. For the purpose of data analysis, the descriptive statistic approach was adopted and this involves the computation of mean/average, minimum, maximum and standard deviation values for the variables. Historical description of data trend was also employed thereby paving way for the presentation of charts and graphs. The method of data analysis chosen is multiple regression analysis which will be use through the SPSS computer software. This is the appropriate measures put in place to analyze data regarding the study in question.

Data Presentation

Asika (2005) noted that data presentation involves the uses of pictorial and semi-pictorial statistical tools such as frequency distribution table bar chart, pie chart,

histogram etc. To illustrate constituent behavior of research variables identified. In view of the above definition the researcher made use of CBN statistical bulletin to present the variables collected. This is shown in tables 4.1 below

Table 4.1: Data presentation of variables

YEAR	LOANS AND ADVANCES	MONEY SUPPLY	GDP
2005	82,368.40	1,505.96	7,795.76
2006	90,176.50	1,952.92	9,913.52
2007	54,981.20	2,731.82	11,411.07
2008	50,672.60	2,637.91	14,610.88
2009	25,713.40	3,797.91	18,564.59
2010	41,100.40	5,127,40	20,657.32
2011	13,512.20	8,008.20	24,296.33
2012	16,366.49	9,411.11	24,794.24
2013	12,550.30	11,034.94	54,612.26
2014	15,611.70	12,172.49	62,980.40
2015	13,863.46	13,895.39	71,713.94
2016	12.546.64	15,160.29	80,092.56
2017		17,680.52	89,043.62

Source: CBN Statistical Bulletin 2017

Data Analysis

This is the process of inspecting, clearing, transforming, modeling data with that aim of discovering important information as contained in table 4.1

Small and Medium Enterprises (SMEs)

This includes businesses whose personnel numbers fall below certain limits. The following figures in table 4.1 shows the contribution made in SMEs between 2005-2017. In 2005, the value of SME was 82,368.40 while in 2006 the value changed to 90,176.50. But in 2007, 2008, 2009 to 2016, there was a consecutive drop or decrease in the value of investment made by the Nigeria government in SMEs. The consecutively are 54,981.20, 50,672.60, 25,713.70 and 12,546.64. As at the time of analyzing this report the value in SME has not been computed

Money Supply (MS)

This represents the total amount of monetary assets available in an economy at a specific period of time form the table 4.1 above the value of money supply in 2005 stood at 1,505.96 but in 2006, the value increased to 1,952.92 representing a percentage increase of 28.35%. In 2007, 2008, 2009, the values of Money Supply (MS) continue to increase from 2,131.82, 2,637.91, 3,797.91 to 2014, whose value stood at 17,680.52. In view of this value presented, it's clear that more money were supplied into the system as against the nation investment in SME, which was at a decreasing end.

Gross Domestic Product (GDP)

This is the measure of the size of the economy. It emphasizes the aggregate measure of production in the economy to the sum of the gross values added of all persons and institutions. It is used to measure the macro-economic performance.

From table 4.1 the value of GDP stood at 7,795.76 in 2005 and increased to 9,913.52 in 2006, which is an indication of 27.16% increase. The continued rise in 2007 to 11,411.07, 2008, 14,610.88, 2006 (18,564.59) shows increase in economic performance over the stated period which is in collaboration to the rise in Money Supplied over the stated period. In 2017 the value of GDP stood at 89,043.62.

Test of the Hypotheses

Two (2) hypotheses were created by the researcher in the course of the research which were subjected to the use of regression analysis (SPSS). The rule of acceptance and rejection of the both. The H_1 and H_0: is base on the following concepts.

Significance Value (Sig)

The research assumes 0.05 level of significance (5%). The sig value is used to test the value of the relationship between the variables utilized. i.e the dependent and the independent variable. Where the sig value is ≤ 0.05, accept H_1 and reject the H_0: but when the sig value is ≥ 0.05, accept H_0 and reject H_1

Beta Coefficient

The Beta coefficient value, shows the percentage change in dependent variable caused by 10% change in the independent variable.

T-Test

The T-test value shows the relationship between independent and dependent variables (whether positive or negative). Where T-test value is negative, a negative relationship exist between the variables. And when the T-test value is positive, a negative relationship exists between the variables.

Durban-Watson

The Dubin-Watson value determines the extent to which the test statistics value rely on the regression coefficient and variance for error (usually between 0-4). If the Durbin-Watson statistics is substantially less than 2, there is evidence of positive serial correlation. If the Durbin-Watson is less than 1.0, there may be problem but if the Durbin-Watson is > 2, its an indication of positive correlation between the values.

Test of Hypothesis one

H_0: loans and advances to SMEs does not impact on GDP

To undertake this test or study, loans to SMEs were regressed against GDP, MS, EV, ITR. The statistics probability of the sig value of LSME and GDP is given as 0.012 indicating a significant relationship between the variables. The T-test score is 3.560 representing a positive significant relationship. The Beta coefficient is 1.517 showing that 10% change in the value of LSME, the GDP increased by that value. The Durbin-Watson value stood at 3.102, an indication of positive correlation between the variables (LSME and GDP).

Arising from this observation, in which the sig value stood at 0.012, when compared to 0.05. The researcher accept the H_1 hypotheses. This represent positive relationship between the variables tested.

Test of hypotheses two

H_0: loans and advances to SMEs has no effect on Money supply

In carrying out this test between the variables, the probability statistics of the Money Supply sig value is 0.003 and if compared to 0.05, it represents the positive relationship. The value of the T-test is -4.928indicating a negative significant relationship between the variables. The Beta coefficient is -1.868 while the Durbin-Watsonis 3.102 representing positive significance relationship between the variables.

Conclusively, having determined the sig value of LSME and MS, the sig value is 0.003 as compared to 0.05. The minimum, maximum and mean value for the period under review can be seen in the Appendix B.

Conclusions and Recommendations

It has already been observed from the discussions that SMEs play a crucial role in the development of entrepreneurial capabilities and indigenous technology which generate employment. Particularly SMEs contribution towards both employment creations and income generations for the large sections of unskilled and semi-skilled labor force in the state has stimulated significant interest among policy makers and practitioners alike. Therefore, promotion of such enterprises in developing economies like Rivers state is of paramount importance as it brings about a great distribution of benefits. The study focused on examining the impact of SME financing and economic growth in rivers state, Nigeria. The following conclusions were generally drawn based on the survey results discussed in the previous section.

Most of the SMEs found in Rivers state were run by individuals who had a maximum of primary level education. This presupposes that they were generally would have been able to contribute profoundly to the profit maximization of the enterprises if their level of literacy was raised to the secondary and tertiary levels. The reason adduced to these findings is that literacy level tends to influence the general performance notably in SMEs.

Most of the enterprise owners obtain their initial capital from sources that attract little or no interest rates which include personal savings, family members and friends, traditional sources (contribution). The descriptive statistics results showed that there exist a positive significant relationship between SME financing via loans and advances and economic growth through the variables reviewed. However, if the recommendations below are strictly adhered to, Nigeria will continue to experience real growth and development in the macro economy. The recommendations for this work entails proper auditing at the state ministry of finance to ensure that funds released to SMEs must be administered according to its purpose and money supply should be regulated by both banks and CBN in order to regulate inflation and conflict of interest.

Refeences

Adedeji, A. (1998). *Does the Pecking Order Hypothesis Explain the Dividend Pay-out Ratios of Firms in the UK. Journal of Business Finance and Accounting,* ***25****, pp1127-1157.*

Adedeji, A. (2002). *A Cross-sectional Test of Pecking Order Hypothesis against Static Trade off Theory on UK Data. Working paper, University of Birmingham.*

Afolabi, M.O. (2013) *Growth effect of Small and Medium Enterprises (SMEs) Financing in Nigeria. Journal of Africa macroeconomic review .Vol 3(1) pp193-205*

Aggarwal, S., klapper, L., & Singer, D. (2012) *Financing business in Africa. The role of micro finance World Bank policy Research work paper 5975*

Agwu, M.O &Emeti, C.I. (2014) *issues, challenges and prospects of Small and Medium Scale Enterprises (SMEs) in port-Harcourt City, Nigeria. European Journal of sustainable Development* Vol 3(1) pp 101-114.

Ahmad, J and Harnhirum, S (1995),"*Unit roots and Co-integration in*

Albu L (2006). '*Trends in the Interest Rate – Investment – GDP Growth Relationship', Romanian J. Econ. Forecast No. 3.*

Alese, J &Alimi, V.O. (2014) *Small and Medium Scale Enterprises Financing and Economic Growth in Nigeria: Error Correction Mechanism. European Journal of Globalization and Development* Vol 3(1) pp 639-652.

Allen, D. (1993). *The Pecking Order Hypothesis: Australian Evidence. Applied Financial Economics, 3, pp101-120.*

Aruwa, S.A. (2004). "*The Business Entrepreneur: Enterprenuerial Development, Small and Medium Enterprises. Entreprenuership Academy Publishing, Kaduna Nigeria.*

Aruwa, S.A.S (2005). *The Business Entrepreneur: A Guide to Entrepreneurial Development. Kaduna: Scopy Publishing.*

Asika, N (2002) *Research Methodology in the Behavioral science 4th Edition, Ikeja Longman press*Osuala, E.C (2001) *Introduction to Research Methodology. Onitsha Africana-Feb Publisher ltd*

Asogu, J.O., (1998). *An Econometric Analysis of relative potency of monetary policy in Nigeria. Econ model on economic growth. The findings albeit support Fin. Rev, pp: 30-63.*

Bankers Committee (2005), *Revised Operational Guidelines for the Operation of Small and Medium Enterprises Equity Investment Scheme (SMEEIS).*

Bardhan, Pranab. (1996)*"Decentralised Development." Indian Economic Review, 31(2), pp. 139–56.*

Baskin, J. (1989). *An Empirical Investigation of the Pecking Order Theory. Financial Management, **18**, pp26-35.*

Beck, T; Demirue-Kunt, A & Levine, R. (2005), *SMEs, Growth, and Poverty: Cross-Country Evidence. Journal of Economic Growth 10, 197-227*

Chen, J. (2004). Determinants of capital structure of Chinese-listed companies. *Journal of Business research,* 57 (12), pp1341-1351.

Chow, P. C. Y., (1987),"*Causality between Export Growth and Industrial*

Collier, P.M (2009) *fundamentals of risk management for accountants and managers. Butterworth Heinemann, London.*

Cull, R. &Xu, L. (2005). *Institutions, Ownership, and Finance: the Determinants of Profit Reinvestment among Chinese Firms. Journal of Financial Economics, **77**, pp177-146.*

Dababneh, R., and Tukan, F., 2007. *Booklet of Standardized Small and Medium Enterprises Definition: Sustainable Achievement of Business Expansion and Quality (SABEQ), USAID.*

DeAngelo, H., &Masulis, R. W. (1980). *Optimal capital structure under corporate and personal taxation. Journal of Financial Economics, 8(1), pp3-29.*

Dedola, L. and Lippi, F. (2000). *The monetary transmission mechanism: evidence from the industries of five OECD countries, CEPR, Discussion Paper no. 2508, July.*

Dewett, K.K, (2005). *Modern Economic Theory. ShynLal Charitable Trust, New Delhi, India.*

Dodaro, S (1993) "*Exports and Growth: A Reconsideration of causality", The*

Donaldson, G. (1961). *Corporate Debt Capacity: A Study of Corporate Debt*

Policy and the Determination of Corporate Debt Capacity. Boston: Division of Research, GraduateSchool of Business Administration, Harvard University.

Eferakeya. I. (2014) *Nigeria Small and Medium Scale Enterprises' Access to Finance: what is the story since bank consolidation in 2005? International Journal of innovation and applied studies Vol 6(4) pp 1111-1122.*

Emenuga C 1996. *The Outcome of Financial Sector Reform in West Africa. International DevelopmentCentre: Science for Humanity. Chapter 14.*

Estimating Causality between Exports and Economic Growth: EmpiricalEvidence from the ASEAN Countries, Economic Letters, vol. 49, pp. 329-334.

Etuk, R. U; Etuk, G.R and Baghebo, M. (2014) *Small and Medium Scale Enterprises (SMEs) And Nigeria's Economic Development. Mediterranean Journal of Social Sciences MCSER Publishing, Rome-Italy. Vol 5(7) pp 656-662*

Etuk, R.U; Etuk, G.R &Baghebo M. (2014) *Small and Medium Scale Enterprises (SMEs) and Nigeria. Economic Development. Mediterranean Journal of social sciences Vol 5(7) pp 656-662.*

Fama, E. F., & French, K. R. (2005). *Financing decisions: Who Issues Stock? Journal of Financial Economics, 76, 549-582.*

Fama, E. F., & Kenneth, R. F. (2002). *Testing trade-off and pecking order predictions about dividends and debt. Review of Financial Studies, 15(1), 1-33.*

Fatai, A. (2009), *Small and medium scale enterprises in Nigeria: the Problems and prospects. Retrievedon the 22nd of January 2012 from* [*http://www.thecjc.com/Journal/index.php/econ*](http://www.thecjc.com/Journal/index.php/econ)

Fazzari, S., Hubbard, G. & Petersen, B. (1988). *Financing Constraints and Corporate Investment. Brookings Papers on Economic Activity I, 141-195.*

Fishlow, A. (1996) "*Inequality, Poverty and Growth: Where Do We Stand?" in Michael Bruno and Boris Pleskovic, eds., Annual Bank conference on development economics. Washington, DC, pp 25-39*

Flannery, M.J. &Rangan, K.P. (2006). *Partial Adjustment Target Capital Structures. Journal of Financial Economics, **79**, 469-506.*

Fosu, A. K., (1990*),"Export Composition and the Impact of Export on Economic Growth of Developing Economies", Economic Letters, vol. 34, pp. 67-71.*

Frank, M. Z., &Goyal, V. K. (2004). *Capital structure decisions: Which factors are reliably important? Working paper, University of British Columbia*

Gbandi, E. C and Amissah, G (2014) *Financing options for small and medium enterprises (SMEs) in Nigeria. European Scientific Journal January 2014 edition vol.10, (1) pp 327-340*

Gelinas, J.B. (1998). *Freedom from Debt: The re-appropriation of development through financial self-reliance; University Press, Dhaka-Ottawa*

Golis, C. (1998), *Enterprise and Venture Capital: A Business Builder and Investment Handbook, 3rd edition, Australia: Allen and Urwin*

Graham, J. R. (2000). *How Big Are the Tax Benefits of Debt? Journal of Finance, 55, 1901-1941.*

Graham, J.R, Lag, M. H. &Shackeford, D.A. (2004). *Employee Stock Options,*

*Corporate Taxes, and Debt Policy. Journal of Finance, **59**, pp1586-1615.*

Graham, J.R. & Harvey, C.R. (2001). *The Theory and Practice of Corporate Finance: Evidence from the Field. Journal of Financial Economics, **60**(2/3), pp187-243.*

Gulani, M.G &Usman, A. (2012) *Financing Small and Medium Scale Enterprises (SMEs). A challenge for entrepreneurial development in gombe state. Asian Journal of business management sciences* Vol 2(9) pp 17-23.

Guseh JS, Oritsejafor E (2007). *'Government size, Political Freedom and Economic Growth in Nigeria, 1960-2000'. J. Third World Stud.*

Harding, D. and A. Pagan (2001) *"Extracting, Analysing and Using Cyclical Information", MPRA Paper No.15.*

Hennessy, C., & Whited, T. (2004). *Debt Dynamics. Journal of Finance, 60, 1129- 1165.*

Hovakimian, A. (2006). *Are observed capital structures determined by equity market timing? Journal of Financial and Quantitative Analysis, 41(1), pp221-243.*

Jensen, M. &Meckling, W. (1976). *The theory of the Firm: Managerial Behaviour, Agency Costs, and Ownership Structure. Journal of Financial Economics, **3**(4), pp305-360.*

Jensen, M. (1986). *Agency Cost Free Cash Flow, Corporate Finance, and Takeovers. American Economic Review, **76**(2), pp323-329.*

Jhingan, M.L, (2006). *The Economic of Development and Planning 38th Edu, vinda publication (p) ltd, delhi.*

Journal of Developing Areas, vol. 27, pp. 227-244.

Jung, Woo S., and Peyton J. Marshall, (1985),"*Exports, Growth and Causality in Developing Countries", Journal of Development Economics, vol. 18, pp.1-12.*

Kadapakkam, P., Kummar, P. & Riddick, L. (1998). *The Impact of Cash Flows and Firm Size on Investment: the International Evidence. Journal of Banking and Finance, **22**, pp 293-320.*

Kadiri, I.B (2012) *Small and Medium Scale Enterprises and Employment Generation in Nigeria: the role of finance. Kuwait Chapter of Arabian Journal of Business and management review.* Vol 1(9) pp79-93.

Kumar, M; Anthony, J; Singh, R.K; Tiwari, M.K & Perry, D (2006) *Implementing the lean sigma framework in an indian SME: A case study of production planning and control 17(4) pp 407-423.*

Kuttner, K.N (2001) "*Monetary Policy Surprises and Interest Rates: Evidence from the Fed Funds Futures Market."Journal of Monetary Economics 47 (3):523 –44.*

Levine R (1997). *Financial Development and Growth: Views and Agenda. Journal of Economic Literature, 35: 688-726*

Mckinnon RI (1973). *'Money and Capital in Economic Development'.*

Mehdi, S and Shahryar, Z (2012) *The study examining the effect of export growth on economic growth in iran. Business Intelligence Journal. Pp 21-27*

Miller, E. M. (1977). *Risk, Uncertainty, and Divergence of Opinion. The Journal of Finance, 32(4), 1151-1168.*

Mofrad, M.A. (2012) *The relationship between GDP, Export and investment: case study of IRAN. Faculty of Azad university branch of Firouz Abad*

Muhammad, I.K &Muzaffar, A.Q (2011) *The small and medium enterprises act as a catalyst for economic growth and development in Pakistan: Economic Growth and Development perspective. Journal of economic survey 12(1) pp 1-13.*

Muhammed, S.A and Sampath, R.K (1997) *Exports and Economic Growth. Presented at Western Agricultural Economics Association Annual Meeting Reno/Sparks, Nevada*

Myers, S. &Majluf, N. (1984). *Corporate Finance and Investment Decisions When Firms Have Information That Investors Do not have. Journal of Financial Economics Vol 13, pp 187-221.*

Myers, S. (1984). *The Capital Structure Puzzle. Journal of Finance, **39**, pp 575-592.*

Myers, S. C. (2001). *Capital Structure. The Journal of Economic Perspectives, 15*(2), 81-102.

Nwaobi, G .C. (1999) *Money and Output Interaction in Nigeria: An Econometric Investigation Using Multivariate co-integration Technique Central Bank of Nigeria Economic and Financial Review, vol 37(3), pp 44-75*

Obamuyi, T.M (2009) *An investigation of the relationship between interest rates and economic growth in Nigeria, 1970 – 2006**.** Journal of Economics and International Finance Vol. 1(4), pp. 093-098,*

Obamuyi, T.M (2009) *An investigation of the relationship between interest rates and economic growth in Nigeria, 1970 – 2006**.** Journal of Economics and International Finance Vol. 1(4), pp. 093-098,*

Ochejele, J.J, 2007. *Economic Analysis. Ichejum press, Jos*

Ogechukwu, D.N.(2009). *The role of small scale industry in national*

Ogechukwu,A.D; Oberoh, J.S; Umukoro, F &Uche, A.V (2013) *Small and Medium Scale Enterprises (SMEs) in Nigeria and Marketing Interface. Global Journal of management and business research marketing. 13(9) pp 1-12.*

Ogujuiba, K. K., Ohuche, F. K. &Adenuga, A. O. (2004). *CreditAvailability to small and medium scale enterprises in Nigeria:The importance of new capital base for banks-working paper Retrieved on the 23 of June 2011 www.valuefronteraonline.com/publication.jsp?*

Ogunmuyiwa, M.S and Ekone, A.F (2010) *Money Supply-Economic growth Nexus in Nigeria. Journal of research in social science. Vol 22(3) pp 199-204*

Ogunmuyiwa, M.S and Ekone, A.F (2010) *Money Supply-Economic growth Nexus in Nigeria. Journal of research in social science. Vol 22(3) pp 199-204*

Ojo, M.O., (1993) *Monetary Policy Instruments in Nigeria, Their Changing Nature and Implications. The Nigeria Banker.*

Okraku, F. D. and Croffie, A. (1997) *"Entrepreneurship and Small Business: Policies and Programs in Ghana." In Fadahunsi,Glu and TunjiDaoduedts., Small and Medium Enterprises Development: Policies, Programmes and Prospects. West African Management Development Institutes Network (WAMDEVN): pp. 61 – 81.*

Oliner, S. & Rudebusch, G. (1989). *Internal Finance and Investment: Testing the Role of Asymmetric information and Agency Costs. Working Papers (101), EconomicActivity Section, Division of Research and Statistics, Federal Reserve System.*

Oliner, S. &Rudebusch, G. (1992). *Source of the Financing Hierarchy for Business Investment. The Review of Economics and Statistics, **74**(4), pp 643-654.*

Onakoya, A.B.O; Fasanya I.O and Abdulrahman, H.D (2013) *Small and Medium scale enterprises financing and economic growth in Nigeria. European Journal of business management. Vol 5(4) pp 130-136.*

Onakoya, A.B.O; Fasanya, I.O &Abdulrahman, H.D (2013) *Small and Medium Scale Enterprises financing and economic growth in Nigeria. European Journal of business management 5(4) pp 130-136.*

Oosterbaan M.S, Der Windt N.V and Steveninck T.R.V (2000). *Determinants of Growth' (Ed). Available at* http://books.google.co.uk/books.

Oshikoya, T.W. (1992*)Interest Rate Liberalization, Savings, Investment and Growth: The Case of Kenya, Savings and Development, Vol 16(3), pp.305-320.*

Osuagwu, L. (2001*): Small Business and Entrepreneurship Management: Surulere, Lagos: Grey ResourcesLimited.*

Oyelaran-oyeyinka, B. (2010). *Financial system strategy FSS 2020: international conference on SME: issues, challenges and prospects. Retrieved 12th of January from* http://www.cenbank.org/fss/wed/sme.

Performance: Evidence from the NICs", Journal of Development Economics, vol. 26, pp. 55-63.

Rajan, R. G., &Zingales, L. (1995). *What Do We Know about Capital Structure? Some Evidence from International Data. The Journal of Finance, 50(5), 1421-1460.*

Ram, R., (1987),"*Exports and Economic growth in Developing Countries: Evidence from Time Series and Cross-Section Data", Economic Development and Cultural Change", vol.36, pp.51-72.*

Robinson (1952). *The Generalization of the General Theory. In the Rate of Interests and other Essays. Land Macricular. pp. 547-582.*

Salvatore, D., and Hatcher, T (1991) *"Inward Oriented and Outward OrientedTrade Strategies". The Journal of Development Studies, vol. 27, pp. 7-25.*

Sanusi, J. (2004), '*Research study presentation at the National summit on revamping small and medium industries', This Day. Vol. 10, No. 3243, page 25.*

Strebulaev, I. A. (2004). *Do Tests of Capital Structure Theory Mean What They Say? .Stanford Working paper.*

Taiwo, M.A; Ayodeji, A.M &Yusuf, B. A (2012*) Impact of Small and Medium Enterprises on Economic Growth and Development.American Journal of Business and Management 1(1) 18-22. Washington, D.C.: Brookings Institutiion.*

Welch, I. (2004). *Capital Structure and Stock Returns. Journal of Political Economy, 112(1), pp106-131.*

World Bank (2002). *World Bank group review of small business activities. Washington, DC: World Bank.*

Yaghmaian, B (1994),*"An Empirical Investigation of Exports, Development, and Growth in Developing Countries: Challenging the Neoclassical Theory of Export- Led Growth, World Development. Vol. 22.*