

FINANCING PROBLEMS OF SMALL AND MEDIUM SCALE ENTERPRISES (SMEs) IN BENIN CITY, EDO STATE.

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Abstract

Previous studies have shown that SMEs in Nigeria are characterized by many problems especially the financing problems. This work was carried out to identify the financing problem of SMEs in Nigeria. The objectives of this research work are majorly to identify the various sources of fund accessed by SMEs operators and to determine the problems encountered by SMEs in accessing these funds.

In order to achieve these objectives, primary source of data was used with the aid of questionnaires. The major analytical tools employed were frequency distributions, percentages and simple averages which were achieved by means of the SPSS. It was discovered that most SMEs operators are unable to access government incentives and thereby rely mainly on retained earnings to finance their businesses. The financing problems of SMEs are institutional in nature. They are bureaucratic bottlenecks, high interest rates and lack of collateral security.

Financing problems of SMEs in Nigeria can be reduced by abolishing stringent conditions to borrowing, reducing the cost of funds and proper awareness of government incentives to the SMEs operators and monitoring closely the various agencies charged with the responsibility of managing SMEs subsector of the economy.

Keywords: *Financing; financing problem; SMEs fund; interest rate.*

Introduction

The problem of Small and Medium Scale Enterprises (SMEs) is a reoccurring issue in business and economic literature, and a lot has been said and written about it worldwide. It has

also formed the subject of discussion in so many seminars, both locally and internationally. Small and Medium Enterprises (SMEs) as defined by the National Council of Industries (NCI) refers to business enterprises whose total cost excluding land is not more than two hundred Million Naira (N200,000,000) only (www.nci.com). SMEs no doubt play important roles in the development process in most of the developed economies and proved to be one of the most viable sectors with economic growth potentials. SMEs hold the key to economic growth and development. This sector of economy can to a great extent reduce poverty, generate employment, wealth, and reduce social values. SMEs cannot function effectively when there are barriers to its successful operations. The failure rate of SMEs in Nigeria is becoming alarming and has become a source of economic retrogressions. The Nigerian Association of Small Scale Industrialist (NASSI) says in actual facts that "more SMEs went under in Nigeria in 2008 than other years recently" (Oluyinka 2008:1). In the same vein the Manufacturers Association of Nigeria (MAN) noted that over 820 companies went into liquidation between the years 2000 to 2008 in Nigeria.

This is as a result of constraints, such as the absence of managerial competence, technical and financial skills, funds, and a favourable microeconomic environment faced by SMEs. To explain this further, Nwoye (1991) says government policies, infrastructure like electricity, and access to funds are amongst others problems facing SME's in Nigeria. Recently, Edo State government summoned bank executives doing business in the State for a meeting when it discovered that the State currently has access to only 1.7 percent of the 28.2 billion available in the Small and Medium Scale Industries Equity

Investment Scheme (SMIEIS) (Alemma 2009:1). Owing to the fact that huge amount of money is still lying idle in the coffers of SMIEIS, then it is therefore glaring that most SMEs operators do not know the concessions that are available to them in terms of fund and other incentives. Since inception in 1999, the SMIEIS has pooled some 37 billion. Yet, just about 50% has been disbursed for investment in 258 projects (Dayo 2009). The government at the Federal, State and even Local levels through budgeting allocations, policies and pronouncement have signified interest and acknowledgement of the crucial role of the SMEs sub-sector of the economy and hence made energetic policies for its growth. There have also been fiscal incentives, grants, bilateral and multilateral agencies, supports and aids as well as specialized institution all geared towards making the SMEs sub-sector vibrant. Just as it has been a great concern to all and sundry to promote the welfare of SMEs, it has also been a great concern to all that the vital sub-sector has fallen short of expectation.

The overall objective of this research is to identify the financing problems of SMEs in Nigeria and recommend solutions so that they (SMEs) can play the expected vital role as the engine of growth in our economic development efforts. In order to achieve this, the research work has the following specific objectives:

- To identify the sources of fund accessed by SMEs;
- To find out the problems encountered by SMEs in accessing funds;
- To determine the nature of difficulty in accessing funds; and
- To ascertain the impacts of these problems on SMEs.

Review of Related Literature

Introduction

Copious literature exists on Small and Medium Scale Enterprises (SMEs) written by various authors and in different languages and for various purposes. This fact underscores the essence, importance and relevance of this subsector in the development of any given economy. In the early 1970s, the view that large firms were the cornerstone of modern economy dominated economic literature. Lately, this view has changed as the importance of SMEs in promoting industrialization and economic growth has been recognized world-wide. The future of the nation's

economy would not be determined by the performances of the bigger companies, but that of the SMEs (Uba 2009). The experience of many countries indicated that SMEs can meaningfully contribute to the attainment of many economic development objectives like expansion of output, employment generation, and balanced growth.

Definition of Small and Medium Scale Enterprise (SMEs)

Various bodies, organizations and institutions have defined SMEs differently depending upon their purpose, objective and use. There is no universally acceptable definition of SMEs. They are variously defined in Nigeria as in other economies on the basis of one or all of the following: (a) The size or amount invested in asset, excluding real estate (b) Annual turnover (c) The number of employees and (d) Amount of working capital. Within this framework, the classification of enterprises as small and medium naturally differ from one country to another and from one period to another in the same economy. In Nigeria, the National Council on Industry (NCI) periodically revises the classification of SMEs. Also, other institutions like CBN, NASSI, SMIEIS, SMEEIS, BOI, NIDB, and NBCI have adopted different definitions to suit their purpose. In 2001, National Council on Industry (NCI) gave the following definitions for micro, small and medium scale industry: **Micro business**: this is one with a labour size of not more than 10 workers or total cost not exceeding N1.5 million, including working capital but excluding cost of land. **Small Scale Industry**: an industry with a labour size of between 11 to 100 workers or total cost not exceeding N50 million, including working capital but excluding cost of land. **Medium scale industry**: an industry with a labour size of between 101 to 300 workers or total cost above N50 million but not more than N200 million including working capital but excluding cost of land. Also, Central Bank of Nigeria (CBN) defined SMEs as a company with asset worth less than N50 million, annual turnover less than N150 million and employing less than 100 persons.

According to a World Bank publication, there is a consensus that SMEs should be defined on assets value than any other basis. In case of an economic downturn, the impact on turnover could fall substantially and the number of employees could drop, but asset value has remained relatively the same, excluding real estate (World Bank 2002). For the purpose of this study, SMEs will be

defined as any business with total cost not exceeding 50 million including working capital (but excluding land). We settled for this figure as a result of high inflation in the country. Machine can cost between N20 N25 million. We also decided to use asset only as a criterion because other criteria like employee and turnover are not a good standard of measurement. When using employee as a criterion, attention is only being focused on the company. Part-time workers and apprentices are not regarded as employees. Secondly, annual turnover is not a good classification criterion because when there is recession and depression in the economy, sales volume will definitely be low. During economic boom, sales volume will increase. In other words, this index is not stable. We now proceed to discuss sources of funds to SMEs.

Sources of Fund for SMEs

Sources of funds to SMEs could be internal or external. Below are the various sources of fund for SMEs under the informal and formal sources.

Informal Sources: Personal Savings; Using one's Personal Asset; Retained Earnings; Sales of Personal Asset; Family Assistance; Credit Unions and Societies; Friendly loan or Assistance; Gratuity and pension Benefits; Partner or Co-Entrepreneurs; Launching Appeal Fund; and Trade Credit.

Formal Sources: They are Industrial Development Centre (IDC); International Finance Corporation; Retained earnings; Micro-Finance Institutions (MFIs); Nigeria Bank for Commerce and Industry (NBCI); Nigeria Industrial Development Bank (NIDB); Nigeria Directorate of Employment (NDE); National Economic Reconstruction Fund (NERFUND); National Investment Promotion Commission (NIPC); Raw Material Research and Development Council (RMRDC); Small And Medium Industry Equity Investment Scheme (SMIEIS); SIDO (Small Industries Development Organization); Small Industries Credit Committee (SICC); Mobilization fees; Overdraft; Loans; Hire purchase; Leasing; and Stock financing or Capital Market.

Current Initiative by the Government to Fund and Develop SMEs

In order to reposition financial institutions in stimulating investment and growth of SMEs government has undertaken various reforms as

stated by Obajaja (2008), which include:

- The Bank of Industry (BOI) created in year 2000 to assist SMEs in accessing public funds at affordable interest rates.
- The Nigeria Agricultural Cooperative and Rural Development Bank (NACRB) to channel long term funds to agricultural and industrial development in the rural areas of Nigeria.
- The Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) established in 2003 to initiate, articulate and coordinate public sector initiative on SMEs and to collaborate with the private sector in meeting government goals and objectives regarding SMEs.
- The Small and Medium Industries Credit Guarantee Scheme (SMICGS) was established in 2004 to provide guarantee in respect of loans granted by any bank for industrial purposes.
- Small and Medium Industries Equity Investment Scheme (SMIEIS): This Scheme was brought to life by the CBN and Bankers Committee. It requires all banks to set aside 10 percent of their profit before tax for equity investment in SMEs.
- SMEDAN in collaboration with United Nations Development Programme (UNDP) launched The National Policy for Development of Micro, Small and Medium Enterprises in 2007 to provide broad strategy for MSMEs development.
- Microfinance Institutions to provide loans without collateral to SMEs operators.

General Problems of SMEs

"As an entrepreneur you would always be confronted with the fear of failure, until you possibly overcome it when you must have been solidly established" (Ausbeth, 2000:38). Writers as Roger (1998), Nwoye (1991, 1995, 2006), Oscalor (2007), Itambo (2009), Oguneye (2003), Nnanna (2003), Adekunle (2003), Kolawole (2003), and Akerele (2003) have identified some of the problems of small and medium scale enterprise (SMEs) as follow:

- Inadequate and efficient infrastructural facilities, which tend to escalate cost of operation.
- Inadequate capital as a result of banks unwilling to lend to SMEs.

- Multiplicity of regulatory agencies and taxes result in high cost of doing business.
- Nepotism and favoritism to large enterprise as regards funding by banks.
- Poor protection of SMEs product as a result of dumping and smuggling of substandard product.
- Poor account keeping habits and weak financial planning.
- Poor management practices and low entrepreneurial skills.
- Distress in the banking sector.
- Inadequate collateral to quality them for bank loans.
- Inconsistent and unstable government policies.
- Unwillingness to dilute ownership; and others.

Problems of SMEs in Accessing Funds

Despite the importance of SMEs, its development is constrained by inadequate funding and poor management (Ogunjuiba, 2004). No gain saying, SMEs generally suffer from a range of problems, of which finance is the most central. Financial institutions are risk-averse in funding SMEs in Nigeria because of the unfavourable macroeconomic environment. For example, bank total credit to SMEs was 0.3% of commercial banks' total credit in the last quarter of 2008 (CBN, 2008). The ratio has been falling over the years. Anyanwu (2003), Holdsworth (2009), Odueme, Odiogor and Abugoh (2009) say SMEs have limited access to institutionalized credit facilities owing to the following factors:

Collateral Security: Collateral security means valuable assets such as stocks, bonds and other evidence of property deposited by the borrower to secure a loan given to him by the bank. Such securities are deposited as a pledge or guarantee that the loan will be repaid at maturity: if not paid the securities may be sold to reimburse the lender. The various forms of collateral offered to secure bank loans may be roughly grouped into three divisions: stock and bonds, merchandise and real estate. This can be in form of warehouse receipt, life assurance policy, landed property, housing, shares certificate, and

so on. It will not be surprising to say that most SMEs operators lack these collateral securities to access/secure loan/funds for operation in Nigeria.

Cost of Fund (Interest Rate): The cost of capital is a term used in the field of financial investment to refer to the cost of a company's funds. It is the minimum return that investors expect for providing capital to the company. To business owners cost of fund is the interest rate paid on an outstanding loan. Investopedia (2010) says: Money is not free! Cost of fund is the cost of borrowing money. It has to do with the amount of interest that any fund user is obligated to pay to fund owners or financial institution in exchange for the privilege of using money. In Nigeria today, interest rate is on the high side especially in the organized financial institutions. Officially, it is as high as 23.6%. World Bank survey (2001) shows that banks offer lower interest rates to bigger firms. This is a challenge for SMEs operator to battle in accessing funds.

Bureaucratic bottleneck: Bureaucratic bottlenecks are ceremonial/technical procedures and protocols that slow down administrative activities. Banks and government sources of funds are saddled with bureaucratic red tape. These are strictly laid-down conditions that are difficult to meet. For example, submission of detailed feasibility study, reasonable amount as equity contribution, providing accounting records, and other documentations required by banks. This also may make the process of securing funds difficult for SMEs.

Riskiness: Banks consider SMEs as high risk businesses in view of vulnerability in the market as well as high mortality rate. This also results from lack of structure for adequate appraisal and ability to manage credits. Anyanwu (2003) says that financial institutions are operationally biased in favour of lending to large cooperate borrowers, with assurance of security, high profitability and faster rates of returns.

Methodology

In this section, we observed the methods, procedures and sequence taken into

consideration in gathering of data required to analyze the objectives of the study and make the final conclusion. The population of interest in this research work is all Small and Medium Scale Enterprises in Benin City. For the purposes of the study, the realistic sampling method adopted was quota sampling. The city was divided into three zones (using the three Local Government Areas in Benin City: Oredo Local Government, Egor Local Government, and Ikpoba-Okha Local Government). Two hundred and ten SMEs were chosen based on their ability to respond to the instrument used in the study, but only two hundred were retrieved. The research instrument for the study is a questionnaire. We also included personal observation and discussion. The questionnaire was divided into five sections. Section one sought for information on the profile of the businesses and their owners. Section two sought to know the sources of fund accessed by SMEs. Section three solicited information on the problems encountered by SMEs in accessing funds and section four sought to determine the nature of difficulty in accessing funds required to finance their businesses. Section five sought to know the impact of these problems on SMEs operations.

Being a descriptive study, the major analytical tools employed were simple percentage, simple average (means) and frequency distribution which were achieved by means of the Statistical Package for Social Sciences (SPSS). Using the method outlined above, a total of 200 questionnaires that were retrieved were found usable. The composition of the sample in terms of sex, educational qualification, scale of business, type of product, ownership structure, number of employees and business registration is contained in appendix 1. It shows that 64% are male while 36% are female. Their average level of education is primary school leaving certificate (26%), SSCE/GCE (24%), and NCE/ND (33%). Majority of business in the sample are small scale making up 88% and 12% are medium scale business with 81% of business between 1-10 years. The distribution of the business in terms of types reveals that 8% are agriculture, 15% are manufactory, 68% are buying and selling 6% are bakery and 2% are carpentry. It also shows that 82% of the business

are sole proprietors and 18% are partnership with employees of 1 to 50 (89%) and 51 to 100 (10%). It also reveals that 68% of the businesses are registered.

Results of the Study

The results of the study are presented in the following order in line with the objectives of the study using the data collected. They are: the major sources of fund available to SMEs and the problems encountered by SMEs in accessing funds. The other aspects of the results are the nature of difficulty in accessing funds by SMEs and the impact of these problems on SMEs operations. In analyzing the questionnaires, we combined the response of SOMETIME and OFTEN in tables 1, and in table 3, STRONGLY AGREE was combined with AGREE column respectively. This was also done in table 4, with VERY HIGH EXTENT column combined with HIGH EXTENT column.

Sources of Fund Accessed by SMEs

Under this heading, we sought to know the sources of funds accessed by SMEs. In order to ascertain this, different source were stated, and the respondents were required to indicate sources they use. The results of the enquiries are displayed on table 1 below. The table shows that most small business owners use retained earnings (ploughed back profits) to finance their business. It has a mean of 3.10 and the table shows that 75% of the respondents depend on this source of fund. This revealed that most business owners do not bother to access other sources of funds or unable to access them. Also, the table shows that 44% use friendly loan, 39% family assistance, 34% osusu, 27% personal assets, 26% credit purchase, 26% credit union, 22% micro credit and 20% bank overdraft. These sources of funds have means between 2.36 to 2.62, which shows that although they are being used by small and medium scale business, they are not very frequent. Other possible sources of funds like NAPEP, SMEDAN, NDE and World Bank SME loan are hardly accessed by SMEs.

Table 1: Sources of Funds Accessed by SMEs

SOURCES OF FUNDS	Never		Rarely		Sometime		Often	
	Freq	%	Freq	%	Freq	%	Freq	%
1. Retained Earnings	34	17%	16	8%	46	23%	104	52%
2. Family Assistance	104	52%	16	8%	38	19%	40	20%
3. Credit Union	124	62%	16	8%	32	16%	28	14%
4. Friendly Loans	98	49%	14	7%	64	32%	24	12%
5. Osusu	134	67%	14	7%	28	14%	24	12%
6. Personal Asset	130	65%	16	8%	44	22%	10	5%
7. Credit Purchases	128	64%	20	10%	42	21%	10	5%
8. Overdraft	140	70%	20	10%	40	20%	-	-
9. Micro Credit	150	75%	4	2%	32	16%	12	6%
10. Gratuities and pension	192	96%	2	1%	2	1%	2	1%
11. NDE	196	98%	2	1%	2	1%	-	-
12. NAPEP	156	78%	4	2%	40	20%	-	-
13. SMEDAN	178	89%	6	3%	12	6%	2	1%
14. World Bank SME loan	186	93%	2	1%	10	5%	-	-

Source: Authors' fieldwork, 2011.

Problems Encountered by SMEs in Accessing Funds.

This objective to determine the problem encountered by SMEs in accessing funds was captured in various ways. First and foremost we found out if they experienced financial problem at all. We went further to find out their level of awareness of the sources of funds and if they assess them. Also, some possible financial problems were listed for SMEs operators to state the extent it affected their businesses. From the result of the study, 73% of the respondents agreed that they experienced financial problems in their firm.

TABLE 2: Basic Requirements Necessary to Obtain Finance from Formal and Informal Organisations

VARIABLES	LABEL	FREQUENCY	PERCENTAGE
Possessing requirement associated with formal sources	Do not possess	70	35%
	Do possess	118	59%
	Indifferent	8	4%
	Others	1	1%
Lending requirement from formal sources	Not Easily attainable	132	66%
	Easily attainable	34	17%
	Indifferent	28	14%
	Others	2	1%
Possessing requirement associated with informal sources	Do not possess	58	29%
	Do possess	134	67%
	Indifferent	6	3%
	Others	2	1%
Lending requirement from informal sources	Not easily attainable	52	26%
	Easily attainable	110	55%
	Indifferent	32	16%
	Others	6	3%

Source: Authors' fieldwork, 2011.

Looking at the lending requirements from the formal and informal sectors which make up the sources of funds, it can be deduced from table 2 above that 59% possess the lending requirements of the formal sources of funds. However, a significant portion of them (that is 66%) said that these lending requirements are not easily attainable. On the other hand, 67% possess the lending requirements of the informal sector and 55% believe that their requirements are easily attainable. Furthermore, we found out that most SMEs owners are aware of the

sources of fund available to them because they are made public. However, they do not take advantage of them for obvious reasons, one of which is the difficulties associated with the process of obtaining them. Also they believe that if obtained they are not adequate.

This objective also covers interest rate, bureaucratic bottlenecks and collateral security which are various financing problems encountered by SMEs in sourcing for funds as seen in table 3 below.

Table 3: Other Financing Problems Encountered by SMEs

Problems Encountered by SMEs	STRONGLY AGREE		AGREE		DISAGREE		STRONGLY DISAGREE	
	Freq	%	Freq	%	Freq	%	Freq	%
1. Financial problem is responsible for the level of operation of my business	126	63%	46	23%	4	2%	22	11%
2. High interest rate by financial	86	43%	38	19%	54	27%	20	10%
3. Lack of collateral securities	84	42%	32	16%	72	36%	12	6%
4. Bureaucratic bottlenecks involved	126	63%	34	17%	18	9%	18	9%

Source: Authors' fieldwork, 2011

From the table, 80% of the respondents agreed that bureaucratic bottlenecks involved in obtaining finance make their business not to seek financial assistance. In the same vein, 62% agreed that high interest charges by financial institutions make their business not to take advantage of financial sources available. Likewise, 58% agreed that lack of collateral securities make it impossible for their business to access/secure funds from financial institutions. These financial problems are responsible for the low level of operation of their businesses (86% of the respondents).

We went further to ascertain the nature of the financing difficulties encountered by SMEs in accessing funds. The study revealed that 50 (25%) of the respondents have personal difficulties, 106 (53%) said that the difficulties are institutional, 38 (19%) have operational difficulties while 6 (3%)

have other difficulties in accessing funds (as seen in table 4). In conclusion, most small and medium scale business owners (53%) believe that the financing problems faced by their firms are institutional in nature. This means that financial institutions make access to funds difficult and almost impossible for small business operators. Few of them (25%) also believe that it is a personal problem. That some of them do not possess the requirements to obtain funds while some just chose to remain small.

The impact of these problems on SMEs

Our investigation into the impact of financing problems on SMEs operations showed that financing problems leads to high cost of production (65%), high inventory cost (56%), low quality of product (57%) and low patronage owing to high price. However, they believe that financing problem impact on capacity utilization is low (44%).

Table 4: Effects of not having access to finance on SMEs

Possible Impacts	Very high extent		High extent		Low extent		Very low extent	
	Freq	%	Freq	%	Freq	%	Freq	%
1. High cost of Production	108	54%	22	11%	20	10%	50	25%
2. low quality of product	16	8%	98	49%	44	22%	42	21%
3. high inventory cost	14	7%	98	49%	62	27%	54	27%
4. low patronage	18	9%	98	49%	46	23%	32	16%
5. low capacity utilization	32	16%	56	28%	74	37%	16	8%

Source: Authors' fieldwork, 2011

Summary and Discussion of Findings

The results of this study show that most small and medium scale business operators use retained earnings (ploughed back profits) to finance their businesses. That is 75% of the respondents depend on this source of fund. This reveals that most business owners do not bother to access other sources of funds or are unable to access them. Also, friendly loan, family assistance, osusu, personal assets, credit purchase, credit union, micro credit and bank overdraft are sometimes used by them. Other sources of funds which are government initiatives to promote SMEs like NAPEP, SMEDAN, NDE and World Bank SME loan are hardly accessed by SMEs. We believe that many SMEs operators are aware of these recent government incentives but do not know how to access them, hence they do not benefit from government incentives. Furthermore, we found that most SMEs owners are aware of the sources of fund available to them because they are made public. However, they do not take advantage of them for obvious reasons. Also they believe that if obtained they are not adequate. From the result of the study, 73% of the respondent agreed that they experience financial problems in the firm. Likewise, these problems manifest in the form of bureaucratic bottlenecks (80%), high interest charges by financial institutions (62%) and lack of collateral securities (58%). This financial problem is responsible for the low level of operation of their business (86% of the respondents). We also found that the nature of problems in obtaining finance is majorly institutional. From the data elicited, 53% said the nature of difficulties is institutional and 25% said they were personal. Again, SMEs operators also believed that financing problems could also bring about high cost of production, low quality of product, high inventory cost, low patronage owing to high price, low capacity utilization.

The revelation by this study that 75% of small and medium scale business operators use retained earnings (ploughed back profits) to finance their business is not surprising because it shows the low rate of SMEs activities in the economy that is evident in the slow rate of economic growth and development. This is in line with one disadvantage of SMEs as identified by Nwoye (1991) that they have limited access to capital through organized money market; therefore, they rely mostly on personal funds or profits for expansion. To a large extent, they use friendly loan, family assistance, osusu, personal assets, credit purchase, credit union, micro credit and bank overdraft. Other

sources of funds which are government initiatives to promote SMEs like NAPEP, SMEDAN, NDE and World Bank SME loan are hardly accessed by SMEs. This confirms the findings of Dayo (2009) that since the inception of SMIEIS in 1999 it has pooled some 37 billion. Yet, just about 50% has been disbursed for investment in 258 projects (Dayo 2009:1). We believe that many SMEs operators are aware of these recent government incentives but do not know how to access them, hence they do not benefit from government incentives. Perhaps this can be explained by some factors, firstly, the low level of education of the respondents because most of them are OND/NCE and SSCE holders. Another factor is their type of business which is majorly buying and selling.

A major result of the study is that most of the business owners/operators experience financial problems in the firm. These problems manifest in the form of bureaucratic bottlenecks, high interest charges by financial institutions and lack of collateral securities. The nature of problems experienced by SMEs is mainly institutional and sometimes personal.

The final result of the study is that financial problem is responsible for the low level of operation of SMEs. Operators believed that financing problems bring about high cost of production, low quality of product, high inventory cost, low patronage owing to high price, and low capacity utilization.

Recommendations

Government should monitor closely the various agencies charged with the responsibility of managing SMEs sub-sector of the economy. They should also initiate additional incentives/initiative programmes that will help facilitate the growth and development of SMEs sub-sector of the economy. The government should embark on the enlightenment campaign and provide information to SMEs operators on how to access the funds made available for SMEs through these programmes. Experts should be appointed as leaders in government regulatory agencies with the knowledge, skills and attitude of managing business. In line with this, licenses and permits should be granted to more people to establish business schools to train entrepreneurs to acquire the requisite business knowledge, skills and attitude. The government should also improve infrastructural facilities in the country, this will enhance the activities of SMEs. Financing problems of SMEs in Nigeria can be reduced by abolishing stringent conditions to borrowing,

reducing the cost of funds and proper awareness of government incentives to the SMEs. To solve the problem of funding also, specialized banks for SMEs activities should be set up to monitor the operations and activities of SMEs in the country. For example, manufacturing business could be assisted with machineries and equipment rather than raw cash. This could reduce the possibility of funds being diverted into unprofitable projects.

Conclusion

Nigeria government has already had laudable plans to ensure sustainable development in SMEs sub sector but the implementation of the strategy adopted has always been the problem. Reorientation of the agencies responsible for the development of the SMEs subsector is necessary. Whereby altruism replaces selfish desires, insincere plans are discouraged and sincere commitment to the objectives of these initiatives is encouraged. Although financing problems facing SMEs cannot be totally eliminated. It will be rightly concluded on the basis of the data elicited that inadequate capital, government activities and policies and stringent conditions to borrowing by financial institutions are major financial problems affecting the growth of small and medium scale enterprises in Nigeria and Benin City in particular.

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