International Journal of Innovative Research in Accounting and Sustainability
ISSN: 2736-1381 (Print), ISSN 2736-1500 (Online)
Vol. 7, No. 1, 2022

IJIRAS/AAUA
https://ijiras.org

Microfinancing and Small and Medium Scale Enterprises (SMEs) during COVID-19; Evidence from Osun State

Temitope Charles AWOSUSI, (Ph.D)
Department of Banking and Finance, Adekunle Ajasin University, Akungba-Akoko, Ondo State, Nigeria.

Abstract

This study investigated the extent and relationship between microfinancing and small and medium scale enterprises (SMEs) during Covid-19 in Osun State. The study relied on primary data gathered through a structured questionnaire. The population for the study was 52,596 SMEs in Osun State; and the sample size were 397 SMEs determined via Taro Yamane formula and were purposively selected across the State. The data collected were analysed using mean and ordinary least square (OLS) method. The results showed that the extent of microfinancing among SMEs in Osun State were grossly low. The study further revealed that there is a weak but positive relationship between microfinancing and SMEs growth in the State and thus, concluded that there is a significant relationship between microfinancing and the growth of Small and Medium Scale Enterprises (SMEs) in Osun State. This study therefore, recommended that Microfinance banks in Osun State should come up with innovative ways to finance SMEs for successful growth.

Key words: Small Businesses, Microfinancing, Business Growth, Covid-19, Nigerian Banking Industry

1. Introduction

Since Nigeria independence in 1960, significant efforts have been made to further the nation's industrial growth. Small and Medium-Sized Enterprises (SMEs) have taken centre stage as a result of the success of SMEs in Asian countries, European countries, and the United States, where they have played a significant role (Nwosu, 2021). As a result, the contemporary industrial development push in Nigeria has emphasised sustainable development via small business creation and expansion, which has been particularly important during the Covid-19 pandemic. In the previous years, the focus had been on government-led structural transformation, which was predicated on import substitution Ovat (2020); however, the emergency of Covid-19 diverted attention away from large-scale businesses towards small and medium-scale businesses, which have the potential to develop domestic linkages for sustainable and inclusive industrial growth (Olowookere & Hassan, 2021).

Additionally, small-scale firms have the potential to create employment, and provide a fairer distribution of industrial development, especially in rural regions, as well as support the growth of non-oil exports, in addition to their capacity to depend primarily on local raw materials (Udo, Jack, Abner, Idogen, & Ndubuaku, 2019). Small-scale industry is defined by Olowookere and Hassan (2021) as a project costing less than N0.5m (i.e. US$500,000),

whereas micro/cottage industry is defined as a project costing less than N500, 000:00 (i.e. US$50,000) and includes working capital.

According to Bosma (2018), a cottage/micro industry is one with a total cost of less than N1 million and a workforce of no more than 10 employees, while a small-scale industry has a total cost of more than N1 million but not more than N40 million and a workforce of 11 to 35 employees. It was in the early 1970s that numerous personal businesses began to grow up in Nigeria. Prior to this point, agricultural businesses dominated the economy. The catalytic functions of micro and cottage enterprises have been shown in several nations throughout the globe, including Malaysia, Japan, South Korea, Zambia, and India (Hashim & Mohammad, 2021). They provide a significant contribution to the GDP, export profits, and job creation in these nations. MSEs have long been recognised as a launching pad for long-term growth in the global economy (Ruslan, 2020).

The development of indigenous entrepreneurship, the creation of employment opportunities, regional economic balance through industrial dispersal, and the general promotion of resource utilisation are all factors that contribute to engineering economic development in addition to the increase in per capita income and output (Hashim & Mohammad, 2021). The performance of Nigeria's micro and small businesses (MSEs) has been dismal, and they have failed to play the anticipated role in the country's economic progress (Ovat, 2021). They haven't had any impact on economy, this make it more difficult to increase jobs and reduce poverty in Nigeria's economy (Ovat, 2020). The government, citizens, operators, practitioners, and organised private sectors have all expressed alarm about this scenario (Nwosu, 2021).

Small and medium-sized enterprises (SMEs) are often unable to fulfil the standards of official financial institutions for loan consideration; this gives a platform for informal institutions to seek to fill the gap, mainly based on informal social networks (Olaoye et al., 2018). In many countries, including Nigeria, people have relied on mutually supportive and benefit-sharing of the social networking of these sectors for the fulfilment of economic, social and cultural needs and the improvement of quality of life (Muhammad, 2018; Nwosu, 2021).

In line with the above, the study therefore investigated: the extent that microfinance banks credit conditions affected the development of Small and Medium Scale Enterprises (SMEs) in Osun State; and the relationship between microfinancing and the growth of Small and Medium Scale Enterprises (SMEs) in Osun State. It is expected that the study will assist governments especially, Osun State in developing policy frameworks to alleviate financial challenges that Small and Medium enterprises face. The research outcome would help managers to use appropriate financial innovations that will steer SME to speedup growth and improve on their performances.

2. Literature Review

2.1 The Concept of Microfinance

Microfinance was first started in Europe by Fredrick W. Raiffeissen who organized poor farmers into credit and savings cooperatives. Jonathan swift later evolved the microfinance into the Irish Loan Fund system (Rafiatul, 2019). Microfinance has operated for centuries in Africa with advent of the “ESUSU” in Nigeria, “SuSu” schemes in Ghana and the “Stokvels” in South Africa (Akpan, 2015). In March 1978 according to Alhassan, Hoedoafia, and Braimah (2016), a small group of young men joined together after the

Bangladesh war for independence and created an organization that was dedicated to fighting rural poverty which was the earliest form of microfinance. However today microfinance has turned into an industry (Akpan, 2015). Microfinance institutions provide financial services such as savings and credit, as well as other financial services such as insurance and payment processing (Mekwunye, 2018).

Some microfinance institutions provide social services such as formation of groups, development of self-confidence and the training of members of a group on financial literacy and management (Frank et al., 2018). Developing countries have accepting microfinance as an instrument to combat poverty and boost entrepreneurial initiatives, they provide a wide range of financial and non-financial services that are needed by small and medium enterprises to grow and participate fully in their country's economies (Nwosu, 2021).

According to Hashim & Mohammad (2021), Microfinance Institutions can be widely identified as four main types, Credit unions/member-based organizations, non-governmental microfinance institutions, formal finance institutions and informal microfinance providers. These institutions are usually overseeing by the central banks.

2.2 Microfinance Services

2.2.1 Provision seed capital

Microfinance Institutions (MFIs) assist SMEs with seed capital in the form of loans and capacity equipment purchases. This necessitates the Microfinance Institution's ability to effectively manage credit risk. To be able to satisfy the financial requirements imposed by microfinance banks, SMEs must organise themselves. These lending conditions may have an impact on SMEs' profitability since inability to repay loans can result in penalties and other penalty expenses.

The study by Kanyare & Mungai (2017) indicates that Microfinance Institutions do not provide seed capital to SMEs in the European regions that were sampled however it does not investigate the effect of lack of the provision of seed capital on SME growth. In contrast there exists an argument by Obioma, *et al.* (2015) that equity financing in developed countries has been successful and can also be replicated in developing countries by providing business start-up grants however; evidence of the success of equity and grant start-up capital financing given by the study is not conclusive. As a result, it's critical to look into the issue of a lack of seed capital for a business, as it could prevent an entrepreneur from starting one.

2.2.2. Financial Skills Training

Training in financial literacy not only provides a person with access to financial resources, but it also gives them the confidence and knowledge to take an active role in their community, the economy, and the political process (Osano & Languitone, 2016). Abbasi, *et al.* (2018), on the other hand, is not enthusiastic about the role of microfinance institution mentoring for SMEs and believes that these funds should be transferred to other projects sorely needed, such as the health of the people in an organisation. In addition, money given to SMEs without effective supervision may be spent on social entertainment like alcohol or gambling, which should be taken into consideration (Nwosu, 2021). As a result, microfinance institutions must devise methods for evaluating the results of training SMEs in financial management.

2.2.3 Role Modelling

Individuals' predisposition to identify with other persons, as well as the psychical similarity of cognitive skills and patterns of behaviour between a person and an observing individual, are defined as role modelling (Gibson, 2004). In this case, the individual identifies with the other person because he or she believes that their motivations and personality are similar to his or her own, i.e. "individuals are attracted to role models who can assist them in further developing themselves by learning new tasks and skills" (Gibson, 2004).

As depicted by Alhassan, Hoedoafia, and Braimah (2016), microfinance institutions group entrepreneurs together to provide them with loans. It should also be noted that the mutual trust that exists between the group members allows the group to serve as a foundation for a broader social network in which the members look up to one another as role models. As a result, the cost of monitoring loans by Microfinance institutions is reduced because the members of the group ensure that the loans are paid on time or they face legal consequences (Muhammad et al., 2018).

2.2.4 Mobilization of Savings

Putting money away for later consumption or investment is described by Nwosu (2021) as the activity of putting aside a portion of one's current income for later consumption or investment. You may save the money you earn and keep it at home, put it in a savings account, or invest it in a variety of other sorts of capital (Iloh, 2014). Businesses that want safe and accessible deposit services that allow for minor transactions and provide quick access to their assets rely on savings accounts (Duru, *et al.*, 2012).

2.3 The Concept of small scale enterprise and Growth

Clearly, according to the research, not all small businesses are growth oriented, and expansion for some firms is a voluntary decision (Bassey, 2014). By conducting an empirical study of the growth model of SSEs, Hashim and Mohammad (2021) came to the conclusion that past growth intentions can be used to predict future growth, that past growth aspirations are related to future growth intentions, and that changes in growth intentions are associated with changes in growth patterns. According to Akingunola and colleagues (2018), there is no one approach for achieving business growth. Because of this, increasing the likelihood of achieving growth is increased by avoiding an excessive emphasis on single strategy transformation initiatives and by prioritising different capabilities depending on the firm's development stage Among the factors identified by Gololo (2017) as potentially impeding the growth of small businesses are the ability, the need, and the opportunity.

Small businesses are a major topic of discussion in this literature, with a focus on the definition of what constitutes a small enterprise. There are several different definitions for this category of business that have been provided by different authors. Small businesses have, in fact, not been exempt from the definition problem that is typically associated with concepts that have a large number of constituent parts. Some definitions divide businesses into categories based on their size. However, some researchers attempt to use capital assets, whereas others attempt to use labour skill and turnover level as measures of success. Others define small businesses in terms of their legal status as well as their method of manufacturing. Nwosu (2021) defines small business as privately held firms with one to nine employees, depending on the size of the company. Small businesses, according to Hashim and Mohammad (2021), are defined as those with less than 100 workers and revenue of less than €15 million. Rahman and colleagues (2016) look at small independent private limited

companies with fewer than 200 employees as independently owned private limited companies. Companies with sales of less than €15 million were classified as small by Seles (2019). Storey (1994) attempts to summarise the dangers of defining a firm's status solely on the basis of its size by stating that in some industries, all firms may be considered small, whereas in other industries, there may be no firms that are considered small. The Bolton Committee (1971) was the first to formulate a definition of a small firm that was both "economic" and "statistical."

Existence, Survival, Success, Take-Off, and Resource Maturity are the five stages of business growth, according to Churchill and Lewis (1983), as cited by Johari and Komathy (2019). The Existence stage of a business is the stage in which the company is just getting started. The organisation is simple at this stage; the owner does everything and supervises the subordinates directly. At the end of the Survival stage, a company has proven that it is a viable business entity, with customers who are satisfied with its products and services. Businesses can be divided into two categories at this point: stable and unstable. Unstable businesses are not considered creditworthy for the purpose of obtaining financial services from Microfinance Institutions because they are only likely to survive for a limited period of time. In the Success stage, a company has achieved true stability, has grown in size and product penetration to the point where it can sustain economic success. The owners of the company would have to decide whether to expand or whether to keep the company stable and profitable.

When a company is in the Take-Off stage, it is growing rapidly and therefore requires growth capital to continue to grow. The reason that microfinance institutions prefer to provide loan services to businesses at this stage of growth is that it is more reliable and carries less risk. Small and medium-sized enterprises (SMEs) at this stage of development require funds to finance the expansion of fixed assets and the expansion of working capital. The final stage of resource maturity is reached when a company has sufficient financial resources to engage in detailed operations and strategic planning activities. At this point, a company's financial resources and managerial talent are sufficient to allow it to run its operations comfortably.

2.4 Theoretical Review

2.4.1 Financial Liberalization Theory

According to the theory, there are two ways to evaluate the relationship between finance and growth. One is "demand-following," which occurs when finance intensifies in tandem with economic growth (Ruslan, 2020); the other is "supply-leading," which occurs when a firm's progress is driven by its financial expansion. Atmadja *et al.* (2016) argue that financial deregulation may boost development by bringing interest rates closer to market averages and optimising resource use.

2.4.2 Game Theory of Microfinance

Group financing among small and medium-sized businesses is supported by the game theory of finance. Various processes, according to Ahmad et al. (2015), rely on group borrowing in order for them to cooperate and execute contracts on their own, according to this hypothesis. Built on the Grameen lending model, which is drawing on the peer influence of groups of four to seven individuals.

2.4.3 Financial Sustainability Theory

Developing and maintaining a sustainable economic, social, and ecological environment are examples of sustainability. Thus, the notion of sustainability is linked to an organization's long-term financial success, as well as the health of its workers and the long-term supply of natural resources (Peprah, 2016).

2.5 Empirical Review

SMEs in eastern Uganda were studied by Nahamya *et al.*, (2015), in an effort to determine the impact of microfinance services on their growth. One of the goals of the study was to examine the barriers that small businesses face when trying to use the facilities of MFIs. According to the findings of the study, access to MFIs products was limited by factors such as the level of education of the business owners and the age of the business, as well as the availability of collateral, location, and previous defaults. Higher-educated borrowers have a better chance of getting loans than their less-educated peers.

It was found that commercial banks in Nigeria play an important role in financing small and medium-sized businesses. The goal of this research is to determine the extent to which Nigerian commercial banks assist small and medium-sized businesses with their financial requirements. Small and medium-sized businesses (SMEs) received a larger share of commercial bank loans between 1991 and 2012, based on secondary data. T-tests were used in the study to determine if the Small and Medium Scale Enterprises Equity Investment Scheme (SMEEIS) by banks was able to provide credit to Small and Medium Scale Enterprises in a meaningful way. There was no significant impact of commercial bank loans on SMEs' granting loans, even after the equity plan had been implemented.

It was found that microfinance programs had an impact on small and medium-sized businesses in Kenya, according to Kanyare and Mungai (2017). There were 429 Kiambu Municipal Council-registered small and medium-sized enterprises (SMEs) in the study's sample. Multiple linear regression analysis was used to draw conclusions about the study from a sample of 270 businesses. SPSS, a statistical package for the social sciences, was used to analyse the data. Savings plans, management training, and loan grace periods were all found to have a significant impact on small firm performance. There is a strong correlation between the amount of microfinance available and the success of small businesses, according to the research findings.

In Nigeria, Muhammad et al. (2018) conducted a comparative review of the best ways to finance small and medium-sized businesses (SMEs). The net present value (NPV) method is used to determine whether traditional bank usury or Islamic bank mudharabah financing is more suited to spurring innovation and development in small and medium-sized enterprises (SMEs). There is no doubt that Islamic bank financing is superior than extortionate financing in terms of the net present value (NPV) of all loans obtained and discounted loans paid over the course of the years from 2000 to 2017.

There was a 20-year study on commercial loans to small and medium-sized firms and the Nigerian economy conducted by Olaoye, Adedeji, and Ayeni-Agbaje (2018). Nigeria's SMEs' growth was examined in terms of the influence of commercial bank lending rates, commercial bank loans, and the inflation rate on the country's GDP. The Statistical Bulletin of the Central Bank of Nigeria and the National Bureau of Statistics were used to acquire secondary data for the research period. They employed a variety of statistical methods to analyse the data: a combination of descriptive and statistical methods. According to the

statistics, commercial bank loans to small and medium-sized enterprises (SMEs) had a negative and moderate impact on GDP (p0.05). The average interest rate charged by commercial banks to small enterprises had a somewhat negative impact on GDP (p>0.05). As a result of this research, the study concluded that the rate of inflation had a minor influence on GDP (p>0.05). The results also showed that there is no causative link between the Nigerian economy expressed in terms of GDP and experimental variables (commercial bank loans to SMEs, average commercial bank lending rate to SMEs, rate of inflation) but that there is a causal correlation between low commercial bank lending rate to SMEs and major bank loans to SMEs.

In Nigeria, Ovat (2020) looked at the function of commercial banks' loans in fostering SMEs' development. Co-integration and error correction approaches were employed to carry out this empirical inquiry. Small and medium-sized firms in Nigeria were found to have had minimal influence on the growth of commercial banks' loans, according to the results. Ikechi and Nwadiubu (2021) looked at the impact of commercial bank loans on small and medium-sized businesses. A least square regression analysis of time-series data was utilised to detect relationships, and unit root tests were applied to prevent the generation of misleading findings. Results showed that, while not statistically significant, the amount of commercial bank loans (CBLSME) accessible to small and medium-sized enterprises (SMEs) in Nigeria had an inverse relationship with their production (OPSME). Nigeria's jobless rate may not be lowered by an increase in the number of small and medium-sized enterprises (SMEs) operating in Nigeria, according to the study's findings. This has been exacerbated by the fact that our commercial banks are unable to effectively lend to small and medium-sized enterprises. As a consequence, Nigeria's already high jobless rate has skyrocketed due to decreased average capacity utilisation.

SMEs finance and sustainable economic development have been studied by Olowookere and Hassan in this research, which ran from 1992 to 2019. After conducting many pre-estimation tests, such as unit root and cointegration, the research employed a Fully Modified Ordinary Least Square and Granger causality approach. The following are some of the most important results that came out of this investigation: An slight inverse link exists between the broad money supply and the pace of GDP growth. Loans to small and medium-sized enterprises from commercial banks have a favourable correlation with the GDP growth rate. There was no correlation between the amount of money commercial banks lend to the private sector and GDP growth. One-way causality between broad money supply and gross fixed capital creation is also evident. Commercial bank loans to small and medium-sized enterprises (SMEs) have a direct correlation with GDP growth. Nigeria's long-term economic progress may thus have been attributed to SMEs funding. Commercial banks in Nigeria, on the other hand, lend to small and medium-sized businesses because they believe in the country's long-term prosperity.

3 Data and Methods

A two-stage sampling strategy was used in this investigation. First, random sampling was used to ensure that all SMEs in the state had an equal opportunity to participate in the study. In addition, purposive sampling was used to choose the owners and/or managers who would get the surveys. 397 samples were selected using the Taro Yamane formula, and data were analysed using the mean, standard deviation, and Ordinary Least Squares methods.

Here is the full regression model that was used to conduct this research:

$SMGR = \beta_0 + \beta_1 PSC + \beta_2 FS + \beta_3 MS + \beta_4 RM + \varepsilon$

Where:
β_0 = Estimation of the y-intercept
β = Slope of the regression line
SMGR = SMEs Growth
PSC = Provision of Seed Capital.
FS = Financial Skills
MS = Mobilizing Savings
RM = Role Modelling
e = Stochastic error term (representative of the errors of prediction).
It is expected that all the independent variables will have a positive relationship with the dependent variable

4. Data Analysis and Discussion of Findings

4.1 Microfinance Banks Credit Services and the Development of SMEs

It is obvious that only half of small scale businesses in Osun State that do access finance from the microfinance banks as evidence by $(\bar{X} = 2.59)$, this could due to the high difficulty in accessing finance from the microfinance or other banks as showed by $(\bar{X} = 2.2)$. Also, the seed capital showed average of $(\bar{X} = 2.9)$, thus the overall access to seed capital, is $(\bar{X} = 2.56)$ below average among the SMEs in Osun State.

With regard to financial skill training, there is high financial illiteracy among the small-scale businesses in Osun State as showed by $(\bar{X} = 1.4)$ below average of those who have ever been trained on financial management skills. Among those who have been trained, only $(\bar{X} = 2.2)$ was trained by microfinance and other banks while others got their training through other means known to them. Regrettably, the training does not really have impact on the businesses of those who have received the training as evidence by $(\bar{X} = 1.2)$ below average. Thus, the extents of financial skill training among Osun State SMEs were very low $(\bar{X} = 1.63)$.

With reference to role modelling, "financial role modelling is the process of giving a vivid picture or roadmap of how a business should be run for a specific period at the infant stage. Evidently, only few $(\bar{X} = 1.2)$ have ever been provided with a role model among the SMEs in Osun Stata. Also, only $(\bar{X} = 2.3)$ of the total respondents were provided with role model by microfinance banks, while others got it from other sources. Among those provided with role model by microfinance banks, only $(\bar{X} = 1.1)$ below average are really benefited positively by it. Therefore, the role modelling function of microfinance banks to SMEs in Osun State $(\bar{X} = 1.56)$ was low.

The saving culture of SMEs in Osun State SMEs were very low, $(\bar{X} = 1.4)$, and among those who have saving, only $(\bar{X} = 1.7)$ stored their savings with the microfinance and other banks. Obviously, savings has not really impacted their business growth positively $(\bar{X} = 1.65)$ which could be because of their very low saving culture.

Table 1: Extent of Microfinance Banks Credit Services and the Development of SMEs

	Mean	W.Mean	St. Dev.
Seed Capital			
Where did you access seed capital for your business growth?	2.5851	2.56	.69363
Rate the difficulty in accessing seed capital for your business growth?	2.1598		.74378
Rate the importance of access to seed capital in growing your business?	2.9021		.40755
Financial Skills Training			
Ha	1.3814		.48637
ve you ever been trained on Financial Management?		1.63	
Who offered the Training?	2.1985		.79031
If you attended training did the training help in growing your business?	1.2655		.44215
Role Modelling			
Have you ever been provided with a Role Model?	1.2448	1.56	.43055
Who provided the Role model?	2.2835		.79860
Has Modelling helped your business grow?	1.1392		.34658
Mobilization of Savings			
Do you have any Savings?	1.4175	1.59	.69765
Where do you store your savings?	1.7036		.57267
Does saving enable the growth of your business?	1.6546		.86225

Author's Computation, 2022

4.2 Microfinancing and SMEs Growth

The model explains 10.5% of the variance in growth of SMEs in Osun State where $F = 11.279$, $P < 0.05$; the multiple coefficient of variation (R) 0.325 depicted a positive but weak relationship between microfinancing and SMEs growth. The beta weights (β), showed provision of seed capital (PSC) have a negative impact of (-0.7%) on SMEs growth; financial skill training (FS) have the greatest impact of (31.1%); followed by mobilization of saving (7.8%); and role model (1.8%) on SMEs growth in Osun State.

The Durbin Watson statistic was used in discovering an evidence of serial correlation. A Durbin Watson value of less than 1.5 is an indication of serial correlation. A value greater than 1 or less than 3 is recommended (Field, 2009). The multiple linear regression assumptions for the model were checked for autocorrelation and multicollinearity. The result of the Durbin Watson (DW) was 1.8 indicating no autocorrelation between the residuals from the regression model. The multicollinearity of the model was further verified by Tolerance (Tol.) which showed satisfactory values for all variables (all greater than 0.10) and outcome of the Variance Inflation Factor (VIF) which was less than 10 for all variables. Thus, based on these result, there is a significant relationship between microfinancing and the growth of Small and Medium Scale Enterprises (SMEs) in Osun State.

Table 2: Relationship between Microfinancing and SMEs Growth

Analysis of Variance					
	Sum of Squares	**Df**	**Mean Square**	**F**	**Significance**
Regression	214.917	4	53.729	11.279	.000[b]
Residual	1824.527	383	4.764		
Total	2039.443	387			
Coefficients					
Independent variables	**Beta**	**t**	**Significance**	**Tolerance**	**VIF**
PSC	-.071	-1.342	.180	.836	1.196
FS	.311	5.276	.000	.672	1.489
RM	.018	.332	.740	.751	1.331
MS	.078	1.540	.124	.910	1.099
Correlational Statistics					
Dependent variable	**Multiple R**	**R^2**	**Adjusted R^2**	**S.E of Estimate**	**Durbin Watson**
SMGR	.325[a]	.105	.096	2.18261	1.759

Author's Computation, 2022

5. Conclusion and Recommendations

The study showed that the extent to which microfinance banks credit affect the growth of SMEs in Osun State was low as against the study of Hashim and Mohammad (2021), and Bosma (2018) where microfinance banks do ensure efficient use of funds and creation of sound political and economic environments for microenterprises to thrive. The study also revealed that microfinancing does not translate to meaningful development of SMEs in Osun State as against Nwosu (2021) where it was found that microcredit has significant effect on self-employment, education, training and skills acquisition, and economic empowerment.

Conclusively, the relationship between microfinancing and SMEs growth was though very low but positive which implied that if more efforts are made, small businesses will be encouraged to utilise the microfinance options appropriately and this will in turn yield the much-needed development and growth of SMEs within the State hence, there is a significant relationship between microfinancing and SMEs growth in Osun State; and thus, recommended that:

i. Microfinance banks in Osun State should come up with innovative ways to finance SMEs for successful growth. This would enable microfinance banks to play a great role in economic empowerment of SMEs in Osun State.

ii. Microfinance banks should collaborate with self-help groups and pyramid schemes in generating start-up capital for SMEs and thereby stimulating saving, investment and growth.

References

Abbasi, W. A., Wang, Z., & Abbasi, D.A. (2018). Potential Sources of Financing for Small and Medium Enterprises (SMEs) and Role of Government in Supporting SMEs. *Journal of Small Business and Entrepreneurship Development, 6*(1), 39–47.

Aghion, P. and Bolton, P. (1997). A Theory of Trickle-Down Growth and Development. *Review of Economic Studies*, 64, 151-172.

Ahmad, S.Z. & Muhammad A.M. (2015), Strengthening Access to Finance for Women Owned SMEs in Developing Countries, Equality, Diversity and Inclusion. *An International Journal, 34*(7), 634-639.

Akingunola, R.O., Olowofela, E. O. & Yunusa, L. (2018). Impact of Microfinance Banks on Micro and Small Enterprises in Ogun State, Nigeria. *Binus Business Review, 9*(2), 163-169.

Akpan, E.S., & Nneji, I.D. (2015). Contribution of Microfinance Banks to the Development of Small and Medium Scale Enterprises in Nigeria. *Research Journal of Finance and Accounting, 6*(8), 19-28

Alhassan, E.A., Hoedoafia, M.A., & Braimah, I. (2016). The Effects of Microcredit on Profitability and the Challenges of Women Owned SMEs: Evidence from Northern Ghana. *Journal of Entrepreneurship and Business Innovation, 3*(1), 29-47.

Atmadja, A.S., Su, J.J &Sharma P. (2016), Examining the Impact of Microfinance on Microenterprise Performance (Implications for Women-owned Microenterprises in Indonesia), International Journal of Social Economics, 43(10), 962-981.

Bassey, N.E, Asinya, F.A. & Amba, E.A. (2014). Bank lending macro policy variables and the growth of small and medium scale enterprises in Nigeria. International Journal of Business and Social Science, 5(9),5-6.

Bosma, N.; Content, J.; Sanders, M. & Stam, E. (2018). Institutions, entrepreneurship, and economic growth in Europe. *Small Bus Econ, 51*, 483–499.

Duru, M. & Lawal, M.K. (2012). Financial sector reforms and the growth of small and medium scale enterprises (SMEs) in Nigeria. *Universal Journal of Management and Social Sciences, 2*(4), 130-146.

Field, A.P, (2005), Discovering Statistics Using SPSS, Sage, London.

Frank, M.Z. & Goyal, V.K. (2018). Testing the Pecking Order Theory of Capital Structure. SSRN 243138.

Gololo, I.A. (2017). An Evaluation of the Role of Commercial Banks in Financing Small and Medium Scale Enterprises (SMEs): Evidence from Nigeria. *Indian Journal of Finance and Banking, 1*(1), 16–32.

Harris, M.L., & Gibson, S.G. (2006). Determining the common problems of early growth of small businesses in Eastern North Carolina. *SAM Advanced Management Journal, 71*(2), 39-45

Hashim, N.H., & Mohammad, H. (2021). The Effect of Microcredit on the Relationship Between Sustainability Practices and Business Performance of Microenterprises in Malaysia. *International Journal of Academic Research in Business and Social Sciences, 11*(6), 196–202.

Ikechi, K.S., & Nwadiubu, A. (2021). Commercial Bank Loans and the Performance of Small and Medium Scale Enterprises (SMEs) in Nigeria. *International Journal of Innovation and Economic Development, 6*(6), 46–59.

Iloh, J.V.C. (2014). *Effect of Bank Consolidation on Performance of Small and Medium Scale Enterprises in Nigeria*. University of Nigeria, Nsukka, 1-102.

Johari, J., & Komathy. (2019). Sustainability Reporting and Firm Performance: Evidence in Malaysia. *International Journal of Accounting, Finance and Business (IJAFB), 4*(17), 32–45.

Kanyare, N., & Mungai, J. (2017). Access to Microcredit Determinants and Financial Performance of Small and Medium Retailing Enterprises in Wajir County, Kenya. *International Journal of Finance, 2*(6). 103-136.

Mekwunye, U. (2018). Nigeria: Small and Medium Scale Enterprises in Nigeria: An Overview of Initial Set up. *Corporate and Commercial Law, 1*(11), 2021.

Muhammad, J.N.A, Olusegun, K.L., & Sonny, E.B. (2018). Bank Financing for Small and Medium Enterprises in Nigeria: Mudharabah Vs Usury. *Acta Universitatis Danubius, 14*(3),23-22.

Nahamya, K. W., Ajanga, M., Omeke, M., Tumwine, N., & Nasinyama, M. (2015). The impact of microfinance service delivery on the growth of SMEs in Uganda. *International Journal of Economics, Commerce and Management, 3*(5), 229-237.

Nahamya, K. W., Ajanga, M., Omeke, M., Tumwine, N., & Nasinyama, M. (2015). The impact of microfinance service delivery on the growth of SMEs in Uganda. *International Journal of Economics, Commerce and Management, 3*(5), 229-237.

Nnabu, B.E., Udude, C., & Egbeoma, N. E. (2017). Commercial Bank Credit to Small and Medium Scale Enterprises (SMEs) and Unemployment Reduction in Nigeria. *Journal of Humanities and Social Science, 22*(7), 93–102.

Nwosu, E.U., Benedict, A.O., Okoye, U. & Felicia, A.A (2021). Effect of Commercial Banks' Credit to Small and Medium Enterprises on Economic Development of Nigeria. *Journal of Accounting and Financial Management, 7*(5).

Olaoye, C.O., Adedeji, A.Q., & Ayeni-Agbaje, R.A. (2018). Commercial Bank Lending to Small and Medium Scale Enterprises and Nigeria Economy. *Journal of Accounting, Business and Finance Research, 4*(2), 49–55.

Olowookere, J.K., & Hassan, C.O. (2021). Small and Medium Scale Enterprises (SMES) Financing and Sustainable Economic Growth in Nigeria. *Journal of Accounting and Management, 11*(1), 220–228.

Osa Ouma, C. and C. M. Rambo, (2013), The Impact of Microcredit on Women-Owned Small and Medium Enterprises: Evidence from Kenya.

Osano, H.M., & Languitone, H. (2016). Factors influencing access to finance by SMEs in Mozambique: case of SMEs in Maputo central business district. *Journal of Innovation and Entrepreneurship, 5*(13), 1-16.

Ovat, O.O. (2020). Commercial Banks' Credit and the Growth of Small and Medium Scale Enterprises: the Nigerian Experience. *Journal of Economics and Finance*, *7*(6), 23–30.

Peprah, J.A. & Ayayi, A.G. (2016), Return to Micro-credit on Small-scale Businesses: A Case Study of Ghanaian MFI. *Journal of International Development, 28*(4), 606-622.

Rafiatul, A., Gan, C., Hu, B., & Nguyen, T. Q. (2020). Impact of Microcredit on SMEs Performance in Malaysia. *International Journal of Business and Economics*, *19*(1), 109-130.

Rahman, N.A., Yaacob, Z., & Radzi, R.M. (2016). The Challenges Among Malaysian SME: A Theoretical *Perspective. World Journal of Social Sciences, 6*(3), 124–132.

Seles, B.M.R.P., Jabbour, A. B. L. de S., Jabbour, C. J. C., Latan, H., & Roubaud, D. (2019). Do Environmental Practices Improve Business Performance Even in an Economic Crisis? Extending the Win-Win Perspective. *Ecological Economics, 163*, 189–204. https://doi.org/10.1016/j.ecolecon.2019.04.013

Shaw, J.D., Park, T.Y., & Kim, E. (2013). A resource-based perspective on human capital losses investment, and organizational performance. *Strategic Management Journal, 34*(5), 572–589. doi:10.1002/smj.2025.

Udo, E.S., Jack, A.E., Abner, I.P., Idogen, K., & Ndubuaku, V. (2019). Finance-led growth and growth-led finance: Evidence from Nigeria economic and financial sector development. *Humanities and Social Sciences Letters, 7*(4), 191–198.

Ruslan, R. A. M., Gan, C., Hu, B., & Quang, N. T. T. (2020). Impact of Microcredit on SMEs Performance in Malaysia, 19(1), 109–130.