

## **Financial Resources and Internationalisation of SMEs in Lagos State, Nigeria**

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### **Abstract**

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Small and medium scale enterprises (SMEs) gain several benefits through internationalization, including improved competitiveness and acquisition of knowledge. In Nigeria, many SMEs failed to expand their businesses internationally due to resources constraints mainly finance. This study examined the effects of financial resources on internationalization of SMEs in Lagos State, Nigeria. Few studies on internationalization did not examine the link between firm resources and internationalization of SMEs. This study examined the effects of financial resources on internationalization of SMEs in Lagos State, Nigeria. Survey research design was employed for the study. The population of the study consists of 354 SME exporters in Lagos State, Nigeria. Total enumeration method was used. A validated questionnaire with Cronbach's alpha reliability coefficients ranging from 0.79 to 0.86 was used for data collection. The response rate was 86.2%. Data were analyzed using descriptive and inferential statistics. The result of the study revealed that financial resources affected internationalization of SMEs in Lagos State, Nigeria ( $\beta = 0.458$ ,  $t(342) = 8.804$ ,  $R^2 = 0.185$   $p < 0.05$ ). The study concluded that financial resources affected Internationalization of SMEs. It was recommended that government should support the financing of exporters to acquire equipment. The government should approve concessionary interest rate for bank finance for SMEs.

**Keywords:** *Export, Financial resources, Foreign market, Internationalization of SMEs.*

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### **Background to the Study**

Small and Medium scale Enterprises (SMEs) world over are not making the expected progress in their venture into the international market, the dismal performance in their internationalization bid is traceable to challenges of mustering the requisite resources including finance (Kamata, Sato & Tanaka, 2017). These challenges are prominent in spite of the various incentives put in place by government in various countries for SMEs internationalization which include export expansion grant, tax incentives, export and development fund scheme among others (Kamata *et al.*, 2017). International market competitiveness and growth of SMEs are crucial for the economic development and the future well-being of nations. Galvagno and Garraffo (2016) affirm that reaching out to international markets is one of the very few strategic choices that allow SMEs to survive and prosper during the periods of economic crisis in home markets. The growing involvement of domestic SMEs in foreign markets is significant both for the development of single firms and contribution to the growth of national economies (Galvagno & Garraffo, 2016).

Small and Medium-sized Enterprises (SMEs) are increasingly active in international markets, due mostly to the recent but unstoppable effects of globalization (Rialp & Rialp, 2001). SMEs have gained several benefits through internationalization, including improved competitiveness and acquisition of knowledge (Banaruee & Amirizad, 2017). According to Yahya (2017), most of SMEs in Nigeria failed to expand their market to international market due to financial, infrastructure and technological resources constraints. Also, Taiwo, Falohun and Agwu (2016) pointed that most SMEs in Nigeria failed to internationalise resulting from poor financial resources to compete in the international market and thus causing decline in their financial and non-financial performance. Murtala and Mohd (2016) and Yahya (2017) established that the inadequate financial resources among SMEs limit their ability to compete abroad thereby resulting in impaired export growth, reduction in national economic recovery, low contribution to the nation's GDP and poor financial performance. Further, poor financial resources adversely affect the capacity of SMEs domestic industries to develop improve productivity and create new jobs.

Most studies investigated the critical deciding factors of firm's internationalization by firms, as well as, examined specific relationships between firm internationalisation and business performance; but these past studies have not examine the link between firm resources in terms of finance (Awolusi (2013), Gupta, Gregoriou and Healy (2015), Heiss (2017) and Muriithi (2017), Therefore, there was a need to investigate the effect of financial resources on internationalization of SME in Lagos State, Nigeria.

### **Statement of the Problem**

Fast pace of globalization of economic activities in recent years has greatly expanded the opportunities and challenges for SMEs marketing services abroad for both developing and developed economies (Chains, 2014). SMEs engaging in entrepreneurial strategies tend to consume a significant number of resources in the pursuit of entrepreneurial opportunities, the surplus, or constraint of these strategically valuable resources influence the quantity of opportunities able to be pursued; the more the strategic resources, the more the exploitable opportunities, and therefore the more avenues for growth in conjunction with an entrepreneurial strategic posture (Anderson & Eshima, 2013).

Several scholars such as Agwu and Emeti (2014), Awolusi (2013), Gupta, Gregoriou and Healy (2015), Heiss (2017), Muriithi (2017), Murtala and Mohd (2016), Onafowora and Owoye (2006) and Brouthers and Hennart (2007) among others have examined internationalization of firms within local and international contexts.

According to SMEDAN (2013), in 2010 62% of SME sourced their capital from personal savings compared 54.4% in 2013, those that use Loan in 2010 were 22% as against 16.23% in 2013. Other sources include family or relations, co-operative (ESUSU), parents and friends accounted for 27.78% in 2010 and 23.6% in 2013. 74% of SMEs started business with less than N50M as initial start-up capital. SMEs in Nigeria face high interest rates and experience difficulty in raising loans or equity finance; this is as a result of capital market imperfections. They charge as high as 27% per annum for loans (Taiwo, Falohun, & Agwu, 2016).

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## **Literature Review**

### **Financial Resources**

Financial resources are essential to multinational expansion (Doukas & Lang, 2003). Affluent financial resources give firms a greater degree of freedom to contemplate wide-ranging foreign expansion possibilities without necessarily compromising among opportunities, and make the expansion process much smoother and less problematic (Ito & Rose, 2002; Mishina, Pollock, & Porac, 2004). Failing to maintain a sufficient level of financial resources may limit a firm's international presence, which in turn leads to a lag behind rivals in the race of pursuing global leadership. However, financial resources possessed by a firm derive from various sources, which relate to disparate cost concerns and required-to-meet obligations for deploying the resources (Tseng, Tansuhaj, Hallagan, & McCullough, 2007). The firm is required to synchronize its pace of global expansion with the expectations of different resource providers, which suggests that sources of financial resources will influence the internationalization behavior of a firm, (Tseng, *et al*, 2007). Financial resources can be grouped into two: internal funds, consists of liquidity at hand and unused debt capacity to borrow at normal rates. The second class, external funds, consists of new equity and possibly high-risk debts (such as junk bonds) (Chatterjee & Wernerfelt, 1991).

Resources generated internally are constituted chiefly by the profits from a firm's present investments, whereas those raised externally are obtained through capital markets or financial institutions, and can be used for future investments. Normally, internal funding is more

unfettered in usage owing to fewer cost concerns, and can be instantly ploughed back into the firm to optimize ongoing foreign operations, continue local expansion, and then strengthen the firm's position in host markets (Barney, 1991). As a constant and more predictable source of finance, internal profits serve as the mainstay or momentum for achieving long-term corporate objectives, of which continuous international growth is usually of prime importance for many firms under the trend of globalization. Moreover, possession of internal resources tends to confer upon a firm greater prowess to plan ahead and proceed along the scheduled trajectory of international development with fewer untoward interruptions, lending the firm more confidence in accelerating its entry into new foreign markets (Barney, 1991).

External funding, no matter whether raised in the form of equity or of debt, entails considerable costs of capital deployment, and is usually resorted to when firms cannot finance business activities themselves. In a simplistic sense, which does not take into account the case of special government loans, the costs of raising capital externally embrace dividend payout on equity and interest payment on debt. In particular, firms using debt financing are required to repay a specific portion of the loan amount on a regular basis, irrespective of how much profit they are making. Such pressures to meet the debt obligation and to remain lucrative frequently force firms to relinquish risky strikes in foreign markets, and prohibit them from making bold movements into international landscapes. Furthermore, managerial actions are often disciplined and monitored by creditors and shareholders (Jansen, Curseu, Vermeulen, Geurts, & Gibcus, 2011).

Financial Resources present many characteristic. Financial resources in general are the most flexible of all resources because they can be used to buy all other types of productive resources, (Chatterjee & Wernerfelt, 1991). Wherever the source of financial resources there is associated costs (Jensen, 1986). Financial resources have more easily measured values such as 'retained earnings' or 'inventory' (Tseng, Tansuhaj, Hallagan, & McCullough, 2007).

According to DeMerceau (2010) the advantages of financial resources include: advantages to retained profits are that there is more capital available for growth and higher returns on investments and shareholder equity. Some disadvantages are that the company will owe more income taxes and will not pay as many dividends. A bank loans money to a business based on the value of the business and its perceived ability to service the loan by making payments on time and in full. Banks do not take any ownership position in businesses. Bank personnel also do not get involved in any aspect of running a business to which a bank grants a loan. Once a business borrower has paid off a loan, there is no more obligation to or involvement with the bank lender unless the borrower wishes to take out a subsequent loan (Joshua, Elikplimi & Ransome, 2014). One of the greatest disadvantages to bank loans is that they are very difficult to obtain unless a small business has a substantial track record or valuable collateral such as real estate. Banks are careful to lend only to businesses that can clearly repay their loans, and they also make sure that they are able to cover losses in the event of default. Business borrowers can be required to provide personal guarantees, which mean the borrower's personal assets can be seized in the event the business fails and is unable to repay all or part of a

loan (Joshua, *et al*, 2014). Interest rates for small-business loans from banks can be quite high, and the amount of bank funding for which a business qualifies is often not sufficient to completely meet its needs. The high interest rate for the funding a business does receive often stunts its expansion, because the business needs to not only service the loan but also deal with additional funding to cover funds not provided by the bank (Joshua, *et al*, 2014).

### **SME Internationalisation**

Scholars have emphasized different important aspects in defining Internationalisation: increasing involvement, cross borders and developing certain international activities, Marinov and Marinova (2012). Schweizer, Vahine and Johanson (2010) said when firms cross border it is, by definition, internationalisation.. According to Mejri and Umetoto (2010), internationalisation is the expansion of the firm's operation to foreign market. The definitions see internationalisation as a process wherein the firm must first be in the domestic market before venturing to the foreign market. They did not consider born-global business like Information Technology (IT) that could just go global at the onset. This gap is filled by Cavusgil and Knight (2009) that described internationalisation as the performance of trade and investment activities by companies across national borders. This study aligns with this definition.

According to Carlos (2014), internationalisation has the following advantages and disadvantages, better organizing capability, more growth and profitability, better use of company's knowledge and access cheap finance and government helps to buy under performing companies. The choice of entry mode is an important strategic decision for SMEs as it involves committing resources in different target markets with different levels of risk, control, and profit return. Resource constraints can limit SMEs to choosing entry modes with relatively low resource commitment in order to overcome resource constraints and minimize foreign risks (Ripolles, Blesa & Monferrer. 2012). Yip and Hult (2012) states that there is a lot of evidence that proves that firms that apply a global strategy and want to internationalize themselves can gain competitive and financial benefits from it. This means that a company could choose to work with foreign market entry as a tool in order to both grow and to be more successful, if the company takes the right decisions. Internationalizing firms can enter foreign markets through different entry modes, such as direct exports, licensing, Greenfield, joint ventures, and full acquisitions, (Lin & Ho, 2018). Firms must find a suitable organizational structure to manage their foreign activities effectively (Anderson & Gatignon, 1986). Deciding on a suitable foreign market entry mode is also an important consideration in international management research (Pla-Barber, Leon-Darder, & Villar, 2011). For international firms, foreign market entry mode choice is a core strategic decision. It determines the level of a firm's commitment of resources to a foreign market, the risks the firm bears in the host country, and the level of control a firm has in its foreign activities (Anderson & Gatignon, 1986; Hill, Hwang, & Kim, 1990; Sanchez-Peinado, Pla-Barber, & Hébert, 2007). A suitable entry mode can enhance a firm's strategic performance (Leon-Darder, Villar-García, & Pla-Barber, 2011; Lu & Beamish, 2001; Nakos & Brouthers, 2002), and changing the entry mode can be expensive and time-consuming.

There is no right or wrong ways to go abroad, it all depends on the firm's size, age, resources, commitment to market and the market itself. Each of the next six entry modes have disadvantages and advantages that make the manager team make their on how to go abroad (Ahi, Baronchelli, Kuivalainen & Piantoni, 2017). According to Bai, Krishna and Ma (2017), the choice of entry strategy depends on market Size, growth risk government regulations, competitive environment, local infrastructure, company objectives, need for control, internal resources, assets and capabilities.

### **Theoretical Framework**

Though, several theories are available to explain relationship between firm resources and internationalisation reviewed for this study. This study is hinged on the Dunning's eclectic paradigm OLI framework of internationalisation for the dependent variable (Internationalisation of SMEs) and the resources based view for the independent variable (Firm Resources). The Ownership-Location-Internalization (OLI) framework was pioneered by John H. Dunning in 1979 published in his work, "Toward an Eclectic Theory of International Production: Some Empirical Tests". According to Dunning (1977) the propensity of a firm to engage itself in international production increases if the following three conditions are being satisfied: Ownership advantages, Location advantages and Internalisation advantages. The firm's ownership advantages which are also called 'competitive' or 'monopolistic' advantages are those that can compensate for the additional costs associated with setting up and operating abroad. These are costs are not faced by domestic producer (Stoian & Filipaios, 2008).

The eclectic theory paradigm is based on the assumption that firms will avoid transactions in the open market when internal transactions carry lower costs (Pedersen, 2003). Many scholars of International Business theories recorded vital criticisms of the OLI model of internationalisation. Casson (1987) argues that market failure in intermediate product markets is a necessary as well as sufficient condition for the existence of MNEs. According to (Pedersen, 2003) the OLI paradigm is narrower in the sense that it addresses only one particular form of internationalisation: international production in the form of FDI - Foreign Direct Investment. The advantages are specific to the firm and related to the accumulation of tangible assets such as technological capacities and experience (Laghzaoui, 2011). Ownership specific advantage' also means where a company is able to establish themselves with the help of their brand name, trade mark and superior production mechanism (Dunning, 1994). An enterprise that invests abroad has to possess some sort of Ownership Advantage relative to local firms in the host country. O-advantages may relate to assets, transaction skills in the firm, trade mark, production techniques entrepreneurial skills, returns to sale (Pedersen, 2003). The second advantage (Location) is that it must be profitable for the firm to continue with these assets with factor endowments (labour, energy, materials, components, transport and communication channels) in the foreign markets. If not, the foreign markets would be served by exports, (Huang & Wang, 2013). The host country must have Location Advantages that favour FDIs. Again, there are numerous possible sources of L-advantages, some on the input-side (low factor prices, existence of raw materials, low wages and appropriate technology) and some on the output-side (market conditions). Institutional and structural arguments include the system of protection (trade barriers, special taxes or tariffs investment and, infrastructure (Pedersen, 2003).

The Paradigm has been criticized for its broad and loose structure. One issue has been whether an approach which lumps evidence for O, L and I-advantages can be operational. O, L and I represent necessary, not sufficient conditions for FDI. How many competencies a firm had to possess in order for O to be just “necessary” was unclear, however, as was the level of significance required for I-advantages to warrant an FDI (Pedersen, 2003). Other criticism from scholars was directed toward the three kinds of advantages: are they independent and are they necessary? Rugman (1981) finds that the border between O- and I- advantages is severely blurred. Itaki (1991) noted that after a penetrating and settling in the host country; that O-advantages are redundant in the sense that they can logically be classified as internationalisation advantages that have developed over time. Johanson and Vahlne (1990) have criticized the model of being static in nature and thus being unable to explain long-term changes in the firms' activities.

The choice of OLI framework for internationalisation of SMEs in Nigerian is the country as origination country presents ownership advantage in terms of the materials exported (non-equity mode). Small Scale international trade players in Nigeria deal on export of raw materials which are abundantly available in the country. There are abundant natural resources in the form of produce comprising cocoa, charcoal, rubber, groundnut, gum Arabic, cocoa nut, chilly paper, yam, ginger, sesame seeds, hibiscus flowers, cashew nuts, cocoa beans and wood. There is abundant labour force including skilled, semi-skilled and unskilled. Nigeria has location advantage with good transport network having sea ports and sea routes to many countries. It has road network with neighbouring countries. Also Nigeria has airports and air routes to very many countries of the world for the transportation of human and cargoes. The internationalisation advantage is evident given that predominantly, Nigerian SME foreign market players engage in export or non-equity mode of internationalisation with the least risk and low capital commitment.

### **Empirical Review**

Several studies such as Schwens, Zapkau, Bierwerth, Isidor, Knight and Kabst (2017), Seminar, (2012), Seppänen and Mäkinen (2007), Sepulveda and Gabrielsson (2013), Shamsuddoha, Yunus and Oly (2009), Shepherd, Duve and Mupemhi (2013), Sibanda, Hove-Sibanda, and Shava (2018) among others have employed regression method of analysis using survey research design in determining the effect of firm resources on internationalisation. The study of Marwa (2015) revealed that firm resources as determinants of internationalisation of medium sized firms; evidence from Kenya based on top 100 medium firms in Kenya. The study found that there is a statistically significant relationship between Resources at the company's disposal and its ability to internationalize its operations. Gubik and Karajz (2014) posited that the type and scope of corporate resources affect the foreign market entry mode. The more resources raised from international activities a company has, the more complex solutions it applies. Relatively, Mohr and Batsakis (2014) found that intangible assets have a positive effect on internationalisation speed based on their push- and facilitating-effects. The study also found that that international experience has a direct effect on internationalisation speed based on the role of international experience in helping firms reduce or overcome their liability of foreignness. Talebi, Tajeddin, Rastgar & Emami (2017) revealed that firm's

characteristics, resources and top management team characteristics on the internationalisation of SMEs showed lack of resources (tangible and intangible) is not a barrier in process of internationalisation. Pattnaik and Elango (2009) found a positive relation between firm resources on internationalisation and performance relationship. Consequently, Wamono, Kikabi and Mugisha (2012) and Junaidu, Abdul, Mohamed and Sambasivan (2012) revealed that firm tangible resources positively enhance export performance of SMEs in the Nigerian leather industry. They further posited that tangible resources are strongly related to firm export performance in Nigeria. On the other hand, Ngoma (2016) and Melia', Perez, and Dobon (2010) asserted that firm resources do not connote increased in performance of SMEs internationalisation.

Furthermore, Marwa (2015) and Earlier, Hall and Cook (2009) established that firm resources serves as a significant determinants of internationalisation of medium sized firms. They further show that internal resources tangible or intangible are the main explanatory determinant of medium firm internationalisation and that firm resources play a major part in the medium firms' internationalisation process.

On the other hand Murtala and Mohd (2016) and Yahya (2017) established that the inadequate financial resources among SMEs limits their ability to compete abroad thereby resulting in impaired export growth, reduction in national economic recovery, low contribution to the nation's GDP, poor financial performance. Based on these empirical findings, it is therefore hypothesized that:

**H<sub>0</sub>:** Financial resources have no significant effect on internationalisation of SMEs in Lagos State, Nigeria.

### **Methodology**

This study adopted survey design. Survey design is considered suitable because it provides the prospect of collecting, describing, analysing and interpreting data through structured questionnaire. This design is appropriate for this study because it extensively described the relationships and effects between the study variables. This design is appropriate for this study because it extensively described the relationships and effects between the study variables. Several studies such as Kariuki (2016), Ugochukwu, Okoye & Ebekoziem (2015), Hans-Henrik (2010), Ebimo (2014) and Kagucia (2017) employed survey research design to examine the link between variables in their study.

The dependent variable was considered as a continuous variable and thus regression analysis was adopted as recommended by Field (2009). Univariate analysis was used to perform regression on the relationship between the two research variables. In particular, financial resources were regressed on internationalisation of SMEs as shown below:

$$\text{SMEs Internationalisation} = \beta_0 + \beta_1 \text{ Financial Resources} + \mu_i$$

The population for this study includes all 354 SMEs exporters in Lagos State (NEPC, 2017) categorized into produce exports and export of manufactured goods. Thus, a census survey was used where the unit of observation was the owners or managers of selected SMEs involved in international trade in Lagos State.

This study adopted the primary source of data collection (questionnaire) in gathering data from the owners or managers of SMEs involved in international trade in Lagos State. The primary source of data collection ensures originality of opinions and perceptions of respondents under study. Data were collected by administering copies of self-developed and structured questionnaire. Questionnaire was considered appropriate for this study based on the level of originality, confidentiality and non-biases on the responses of the respondents. Closed-ended questionnaire constructed on a six (6) point Liker-type scale for responses to specific items as follows; Very High (coded 6); High (coded 5); Moderately High (coded 4); Moderately Low (coded 3); Low (coded 2); and Very Low (coded 1) provided structured responses that facilitated quantitative analysis, testing of hypothesis, and drawing of conclusion.

The validity of measurement was established through both content and construct validities. The content validity was ascertained by experts in the industry, and two Professors from Business Administration Department from Babcock University, Ilishan-Remo. Furthermore, exploratory factor analysis confirmed that the study variables had construct validity as recommended by Kerlinger and Lee (2000). Cronbach's Alpha for the study variables was established at 0.79 and 0.95 for Financial Resources and SMEs Internationalisation respectively which lie within the threshold of at least 0.7 recommended by Marczyk, DeMatteo and Festinger (2005) and thus confirmed the reliability of the items utilized in the study instrument.

### **Result and Discussions**

The researchers administered 354 copies of questionnaire to SMEs exporter in Lagos State out of which 344 copies of questionnaire were properly filled and returned representing an overall successful response rate of 86.20%.

### **Test of Hypothesis**

Univariate analysis was used to empirically test the hypothesis formulated for the study at 5% level of significance as statistical basis for drawing conclusions. The response for each research variable was combined to generate composite scores which were used in the regression analysis. Financial resources were regressed on Internationalisation of SMEs.

**Table 1: Regression Result for Financial Resources and Internationalisation of SMEs**

Model Summary						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.430 <sup>a</sup>	.185	.182	2.81697		
a. Predictors: (Constant), Financial Resources						
Coefficients						
Model		Unstandardised Coefficients		Standardised Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	10.595	1.151		9.204	.000
	Financial Resources	.458	.052	.430	8.804	.000
a. Dependent Variable: SMEs Internationalisation						

**Source:** Researcher's Field Survey Results (2019)

Table 1 provides details of regression analysis results on the effect of financial resources on internationalisation of SMEs in Lagos State, Nigeria. The results reveal that financial resources have positive and significant effect on internationalisation of SMEs in Lagos State, Nigeria ( $\beta = 0.458$ ,  $t = 8.804$ ,  $p = 0.000$ ). The t-test associated with  $\beta$ -value confirmed that financial resources are statistically significant and therefore financial resources have a significant effect on internationalisation of SMEs. In this case a unit increase in financial resources causes an increase of 0.458 in internationalisation of SMEs. Therefore, the null hypothesis which states that financial resources have no significant effect on internationalisation of SMEs in Lagos State, Nigeria was rejected.

### Discussion of Findings

Several studies are in support of this finding that financial resources have positive and significant effect on SMEs internationalisation (Schwens, Zapkau, Bierwerth, Isidor, Knight & Kabst, 2017; Seminar, 2012; Seppanen & Makinen, 2007; Sepulveda & Gabrielsson, 2013; Shamsuddoha, Yunus & Oly, 2009; Shepherd, Duve & Mupemh, 2013; Sibanda, Hove-Sibanda, & Shava, 2018). Past empirical findings such as Ayuso and Navarrete Baez (2018), Marwa (2015), Radulovich, Javalgi and Scherer (2018), Eberhard (2013), Gubik and Karajz (2014), Rana and Sorensen (2013) found that there is a statistically significant relationship between financial resources and SMEs ability to internationalize its operations which significantly enhance their performance. Relatively, Mohr and Batsakis (2014) found that intangible assets have a positive effect on internationalisation speed based on their push- and facilitating-effects. The study also found that international experience has a direct effect on internationalisation speed based on the role of international experience in helping firms reduce or overcome their liability of foreignness. Talebi, Tajeddin, Rastgar and Emami (2017) revealed that financial resources have positive significant effect on SMEs internationalisation. Pattnaik and Elango (2009) found a positive relation between firm financial resources on internationalisation and performance relationship. Consequently, Wamono, Kikabi and Mugisha (2012) and Junaidu, Abdul, Mohamed and Sambasivan (2012) revealed that firm financial resources positively enhance export performance of SMEs. On the other hand,

Ngoma (2016) and Melia', Perez, and Dobon (2010) asserted that firm resources do not connote increased in performance of SMEs internationalisation. Furthermore, Marwa (2015) and Earlier, Hall and Cook (2009) established that firm resources serves as a significant determinants of internationalisation of medium sized firms. They further show that internal resources tangible or intangible are the main explanatory determinant of medium firm internationalisation and that firm resources play a major part in the medium firms' internationalisation process. On the other hand, their study further revealed that failure to possess the suitable resources in terms of skilled labor may suppress the progress of firms and prevent the shift to foreign markets.

### **Conclusion and Recommendations**

The study analysed the effects of financial resources on Internationalisation of SMEs. The study shows both theoretical and statistical evidence that financial resources have affects Internationalisation of SME in Lagos State, Nigeria. On the basis of the finding, the study concluded that financial resources have significant effect on internationalisation of SMEs. This research work contributes to knowledge by confirming that financial resources are everything thought of as strengths and weakness of a firm and from which the firm has the opportunity to tap into and utilise for its competitive advantage. This is after reviewing the various definitions and concepts of financial resources. Also the study contributed to the concept of internationalisation by incorporating the driving force for overseas venturing, global trading relationships and opportunity of information and communication technology. The finding of this research will assist the policy makers to track the developments in the subsector nationally and internationally; and assist in policy design and formulation towards export promotion, economic growth programmes and incentive packages for the SMEs. Also, the finding will assist SME entrepreneurs to develop the requisite resources and facilitate contacts with companies for potential cooperation to build or solidify the appropriate network for international operation.

It is therefore recommended that the government should put policy in place, especially for SMEs involved or desirous to venture into the international market to access funding at concessionary interest rate to increase the export trade and market share. It is also advisable that the government should monitor existing financial policy support to ensure that the targeted beneficiaries actually benefit from the scheme. Interest rate remains a huge barrier in accessing credit for exporters.. Exchange rate fluctuation is a serious financial problem faced by exporter. It is important for government to come out with exchange rate hedging policy for the exporters in Nigeria. Also, there is urgent need for Government to initiate alternative SME financing schemes to mobilize the major untapped sources including the Nigerian Social Insurance Trust fund. Special allocation of funds from Pension funds and parts of the country's oil subsidy earnings could be channeled to a national development fund for assist viable SME exporters. Government can consider special tax concession for SMEs involved in Export trade or outright tax holidays for ten years to encourage participation and improve liquidity for the exporters. The various export incentives schemes put in place by the Government should be seriously monitored to ensure compliance and implementation. Most of the schemes are general in nature. It is advisable to design product specific incentives. Also

to encourage trade boost within the African continent government should consider special incentives for export within Africa or West Africa. Banks seem to be reluctant to finance export trade because of the various risks associated with the trade, there is therefore the need for export guarantee scheme by the government through Nigerian Export-Import bank.

This study investigated financial resources and Internationalisation of SMEs in Lagos State, Nigeria. It is suggested that similar study can be conducted on other states.

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