International Journal of Advanced Studies in Ecology, Development and Sustainability
p-ISSN: 2354-4252| e-ISSN: 2354-4260
Volume 8, Number 1 January, 2023

IJASEDS

Impact of Banks' Credit on the Growth of Small and Medium Enterprises (SMEs) in Aba, Abia State and Onitsha, Anambra State, Nigeria

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Article DOI: 10.48028/iiprds/ijaseds.v8.i1.05

Abstract

No nation that wants to grow neglects the Small and Medium Enterprises (SMEs) because of their contributing factor to the GDP of the nation. With this, developing nation like Nigeria should place a lot of priority in the establishment and growth of the SMEs. The SMEs cannot have meaningful growth without adequate funding from the financial institutions. Unfortunately, SMEs in Nigeria have always been crying of not getting the desired financial facilities from the conventional banks. There is high concentration of SMEs in Aba, Abia State and Onitsha, Anambra State of Nigeria because the two cities are the major commercial nerve centres in the eastern part of Nigeria. The research in its objective studied the extent commercial banks have extended credit facilities to the growth of SMEs in these two cities. The study applied a survey design method with questionnaire as instrument for data collection. The analysis used Pearson Correlation Coefficient and Simple Regression. Findings showed inadequate funding of SMEs; poor accessibility and high interest rate, making lending to the SMEs unattractive. It is recommended that monetary authorities should bring out policies that will encourage lending to the SMEs; creating cheap sources of funds that will bring down interest rate charged on the loans to SMEs.

Keywords: *Credits, SMEs, Interest*

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Background to the Study

There is the general believe that no economic growth will be meaningful without the small and medium scale enterprises, as most of the big companies started small or medium. Therefore, the effort for enhanced productivity so as to boost economic growth is always the concern of every country, Nigeria inclusive. In this direction the Nigerian Government has initiated a lot of economic policies targeted at creating the enablement for the small and medium enterprises to thrive.

According to Imoughele, Lawrence and Ismaila (2012), although operations of SMEs are hampered by poor infrastructural facilities, they have played major role in the economic development of the country's urban and rural dwellers. The SMEs form the greater percentage of the productive sector of every economy; as such they may be described as productive backbone of the real sector of the economy, (UNIDO, 2012). Due to the way of its operations, SMEs are good tools for poverty alleviation and economic empowerment. Over the years, SMEs in Nigeria have not been producing to full capacity and this is attributable to poor environmental factors like: poor capital base (mainly because banks shy away from lending to them or lend to them with tough lending conditions), inept management, poor infrastructures and ambiguous and inconsistent government policies, (Abiola *et al*, 2011)**.**

Aba in Abia State and Onitsha in Anambra State of Nigeria are the major commercial nerve centres of the southeast of Nigeria. With this feature, the two cities are the most populated with the highest number of SMEs. For instance, due the large presence of SMEs in Aba, the city in nicked named the 'Japan of Africa'. There is the general believe that apart from infrastructural decay, dearth of capital funds poses as major limitation to the growth of SMEs in Nigeria and this is what this tried to establish.

Problem Statement/Justification

As pointed out earlier, no country can talk of economic growth without enough investment in her SMEs. Again SMEs play a good role in curbing youth restiveness which is mainly caused by idleness and unemployment. The huge number of SMEs in Aba and Onitsha is an indication of the people's willingness to engage in economic productivity but their operations are so much limited due to lack of investible finance. This has no doubt limited their contribution to the economic growth of the country. Financial resources are seen as the life wire of every business and despite the fact that virtually all the SMEs maintain accounts with the banks, these banks shy away from financing their operations. They blame this on the SMEs not having good title document and poor record keeping of their financial transactions among others. Yet banks are to act as financial intermediaries bringing the surplus and deficit units together in order to make idle balances active. There is no how these SMEs will maintain good productivity without the involvement of banks in the area of providing credit facilities. This has affected the sector's contribution to economic growth of Nigeria as the real sector is worst hit. Aba and Onitsha having the highest concentration of these SMEs is the most affected as most of the notable SMEs in these cities are managing to survive mainly within this COVID era although one may not also say that the sector has performed so badly. Even with government intervention in creating soft loans, grants, policies like the 'Ease of Doing

Business' and persuading banks to lend to them, most of them are yet to find their feet. The big question is not just whether banks are lending to them but also the volume and conditions for the lending. These are what this research answered.

Objectives of the Study

The general objective of the study will be to determine the impact of banks' credits on the growth of small and medium enterprises in Aba, Abia State and Onitsha, Anambra State of Nigeria.

The specific objectives are to:

1. To ascertain the significant impact of bank credit proxied as loan size on the growth of SMEs proxied as level of turnover.
2. To determine how significant, the impact of bank credit proxied as accessibility to bank credit on the growth of SMEs proxied as level of turnover.
3. To investigate the significant impact of lending interest rate on the level of turnover of SMEs.

Hypotheses of the Study

$H0_1$: Loan size has no significant impact on the growth of SMEs in Aba and Onitsha

$H1_1$: Loan size has significant impact on the growth of SMEs in Aba and Onitsha

$H0_2$: Accessibility to bank credits has no significant impact on the growth of SMEs in Aba and Onitsha

$H1_2$: Accessibility to bank credits has significant impact on the growth of SMEs in Aba and Onitsha

$H0_3$: There is insignificant impact of lending interest rate of banks on the growth of SMEs in Aba and Onitsha.

$H1_3$: There is significant impact of lending interest rate of banks on the growth of SMEs in Aba and Onitsha.

Literature Review

Conceptual Framework

Concept of SMEs.

Small and Medium Scale Enterprise (SME) has no universally known definition. According to Kadiri (2012), the classification of business enterprises into small, medium or large defers between countries based on the level of development of the countries. In Nigeria, for instance, Small and Medium Industries are seen as those enterprises having total capital employed between ₦1.5 million and ₦200 million, this includes working capital, but excludes cost of land, and staff strength between 10 and 300 employees. Usually SMEs are classified into three, namely, micro, small and medium. The micro SMEs in the United Kingdom employ nine persons (Afolabi, 2013). According to the Nigerian Industrial Policy, (1989), small scale businesses are those with total investment between ₦100, 000 and ₦2 million, outside land. The SMEs are categorized as micro, small and medium business in terms of the extent of their size of operations, number of employees, capital. As Afolabi (2013), stated, medium size enterprises employ at least fifteen employees and this varies among countries.

Sources of Funds to SMEs

Funding is a major problem to the SMEs as conventional funding institutions don't always lend to them because of inherent risks facing them. The informal sources may not always be readily available, even when it is available it comes with stringent conditions, still most SMEs rely on the informal sector for funding of their operations, (Ohanga, 2005). Formal sources of funding for SMEs are conventional banks like commercial banks, merchant banks and specialized institutions like micro-finance banks and development banks. In the other way, the informal sources are personal savings, inheritances and retained earnings.

According to Ojo (1984), the sources of investment fund for SMEs include personal savings, local authorities, co-operative societies, relatives and friends and the local money lenders. Ojo found out that SMEs source about 79% of their funds from informal sources while 21% come from the formal financial sector. The formal sources, like banks, are under the regulatory framework of the monetary authorities. The problem of easy access and availability of investible funds for SMEs had made many of them to close shops. As pointed out earlier banks shy away from lending to the SMEs due to, (Terungwa, 2011), inadequate collateral or lack of title documents to properties, weak demand for the products of SMEs, acute competition with foreign goods, inconsistent policies and inept management among others.

Empirical Review

In their study, Mamman and Aminu (2013) investigated the 'Effect of 2004 Banking Reforms on Loan Financing of SMEs in Nigeria'. The study adopted survey design and chi square was used for analysis. From the study, there is no significant effect of 2004 banking reform on the funding of SMEs in Nigeria. The study also stressed that some constraints restrict access to loanable funds from the conventional banks for SMEs. In another research work, Aliyu and Bello (2013) studied the extent of 'Contribution of Commercial Banks to the Growth of SMEs in Nigeria between 1980 and 2009'. In the analysis the research used ratio analysis and trend analysis and findings showed that though commercial banks contribute to the funding of SMEs, the abolishment of the mandatory banks' credit allocations policy by the Central Bank of Nigeria led to the reduction the credits.

The research conducted by Nwosa and Oseni (2013) on the 'Impact of Bank Loans to SMEs on Manufacturing Output in Nigeria' being a time series analysis covered the period between 1992 and 2010. The study in its analysis employed error correction modeling technique, and the findings indicated that there is significant impact of bank loans on manufacturing output of SMEs. Omah, Duruwoju, Adeoye and Elegunde (2012), did a study of the 'Impact of Post-bank Consolidation on the Performance of SMEs in Nigeria' using, Lagos State as area of study. In its analysis the study applied mean, standard deviation and coefficient of variation and the findings showed that SMEs have no easy access to bank finance as a result the consolidation exercise of the banking industry.

Theoretical Review

Financial Growth Theory

Financial growth theory was initiated by Berger and Udell (1998) for small business as it is presumed that the financial needs and financial operations of these business change as they

grow and it becomes more experienced and less informative. According to the theory, firms should rely on insider finances at their early stage. Then as the firm grows, it may gain access to other sources of medium term funding, like venture capital. At the final stage of a business it may seek for equity capital in the public markets or other long form funds. From this theory, it is obvious that no meaningful growth will be recorded in the SMEs without bank credits.

Pecking order Theory

Pecking order theory was proposed by Myres (1984). This is another financing theory that is very familiar with the operations of the small business. This theory sheds more light on the incentive that drive SMEs capital structure decisions. This theory proposes that firms prefer to use internal or informal sources of capital first and will resort to external sources only if internal sources are inadequate. This theory has been found to be relevant to the financing of micro enterprises. Most micro enterprises start with internal financing before looking for external sources. Older firms, by definition, have had more opportunities to accumulate retained earnings than younger companies and thus more funds are available to finance operational growth (Babajide, 2011). Pecking order theory suggest that internal funds should be used before external capitals are sourced. Holmes and Kent (1991) found that small business experience a more intense version of pecking order in their decisions because access to appropriate external sources of capital is limited. It has been noted that small businesses differ in their capital structure but their intense reliance on pecking order is only one of the variables that makes small business financing decision unique. Small businesses rely on private capital markets, while larger firms are financed through public market. Information on small businesses is much less readily available than information on larger firms which can be picked up in the annual reports. Small business reliance on private markets limits the types of financing can receive; smallest businesses rely on commercial banks and finance companies to provide capital (Berger and udell,1998). In most cases the cost of capital for small business is usually higher than it is for longer firms. The size of the loan and lack of information on the quality of operation of the small firm's force lenders to protect their investments by demanding higher rates of return, which come in the form of high interest rates. In an attempt to avoid higher cost of capital, smaller firms are then forced to use more short-term debt, which carries lower cost. When loaning to small business, most financial institutions require the owner of the small business to personally guarantee the loan. These personal guarantees allow the lending institution to fall back on the personal wealth of the small business owners in the event of default (Berger and Unndell, 1998). Availability of information is another factor that limits the financing ability of the small firm as small firms often do not have audited financial statements. The investors require this higher rate of return because the information is not available to establish the extent to which the small firm is likely to default. This actually limits small firms in accessing external fund (Babajide, 2012).

Methodology

Research Design

This research will adopt field survey design in order to establish the impact of bank credits to the growth of small and medium enterprises in Aba and Onitsha both in Abia and Anambra states of Nigeria respectively. The study will also determine the extent funding of SMEs has

brought about increased in productivity and turnover of the SMEs. The independent variable in this study is the bank credits with proxies as loan size, accessibility to subsidy and interest rate of lending. The research will also adopt a control group of those who will be advanced credits and compared with those that have one form of bank credit or the order. The dependent variable is the growth of SMEs with proxy as level of business turnover of the SMEs.

Population of the Study

The population of the study will be an infinite population with unknown variability in the proportion of population and unknown population size. The population is made up of all SMEs with or without bank credits in Aba and Onitsha.

Sample Size and Sampling Technique

Being an infinite population with unknown size, the study will adopt random sampling technique and this will give every respondent the chance of being selected. In order to determine the sample size the researchers will use the Cochran formula:

$$n = \frac{Z^2 pq}{e^2}$$

Where n = sample size
Z = 1.96 for 95 confidence level
p = Estimated population proportion of attribute of interest
q = 1-- p
e = margin of error

The variability in the population proportion (p) is assumed to be 0.6 with 99% confidence level and 1% margin of error.

$$= \frac{(2.58)^2 (0.8)(0.2)}{0.01^2}$$

$$= 10650.24$$

$$= 10650$$

Model Specifications

There are a lot of factors that may likely affect the effectiveness of bank credits to SMEs as a source of economic growth. Some of these factors are: average loan size that is extended to SMEs, interest rate and extent of accessibility to such credit facilities. Some of these factors will be used in this study as proxies of bank credit which is the independent variable. This study will employ a modified model from the one used by Punita and Somaiya (2006). Their model was used to examine the 'Impact of Monetary Policy on Banks' Profitability in India' and was specified thus:

$$PT = a_o + b_1BR + b_2LR + b_3CRR + b_4SLR + \ldots u$$

Where: PT (dependent variable) is bank profitability.
The independent variables include:
BR = Bank Rate,

LR = Lending Rate,
CRR = Cash Reserve Ratio,
SLR = Statutory Liquidity Ratio,
U = stochastic error term.

The model will be modified to suit the study, thus:
Where: SMG = SMEs Growth
LNS = Loan Size
ABC = Accessibility to Bank Credit
INC = Interest on Credit
U = Error term.
$SMG = a_o + b_1LNS + b_2ABC + b_3INC + \dots u_1$

Data Analysis
The researchers will adopt Simple Regression and Pearson Product Moment Correlation SPSS 25.0 in the analysis of the research hypotheses.

Results (Expected Output/Results)
At the end of this study, it is expected that the recommendations will improve SMEs access to bank credits which will lead to increase productivity and Gross National Product (GDP). Increased in productivity will create employment to the youths thereby curbing restiveness.

Results and Discussion of Effect of Banks's Credits on SMES Growth
Table 1: OLS Regression Results of Effect of Banks's Credits on SMEs Growth

Dependent Variable: SMEs GROWTH
Method: Least Squares
Included observations: 301

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.958168	0.273713	3.500636	0.0005
LOAN SIZE	-0.024061	0.035400	-0.679694	0.4972
ACCESS TO BANK CREDITS	0.574858	0.059821	9.609612	0.0000
LENDING INTEREST RATE	0.231618	0.051346	4.510947	0.0000

R-squared	0.377389	Mean dependent var	4.088040
Adjusted R-squared	0.371100	S.D. dependent var	0.482327
S.E. of regression	0.382501	Akaike info criterion	0.929029
Sum squared resid	43.45320	Schwarz criterion	0.978293
Log likelihood	-135.8189	Hannan-Quinn criter.	0.948743
F-statistic	60.00789	Durbin-Watson stat	1.711889
Prob(F-statistic)	0.000000		

Source: Author's computations using EViews Version 10

Results of the OLS regression analysis of the effect of Banks' Credits on SMEs Growth are given in Table 1 which show that the effect of the intercept (C) on the regression is 0.958168 with a standard error of 0.273713, a test statistic of 3.500636 and a significant p-value of 0.0000 which is less than 0.05, indicating that other sources of financing SMEs other than Bank credits have positive significant effect on the growth of SMEs in Nigeria. This result is in support of a prior expectation as none of SMEs starts from the origin of no financing. The effect of loan size on SMEs Growth in Nigerians is -0.024061 with a standard error of 0.035400 and a test statistic value is -0.679694 and it is not significant as its p-value is 0.4972. Though the negative sign of the effect of loan size is not in line with a prior expectation, the result is an indication that SMEs growth in Nigeria is significantly affected by the magnitude of the bank credits (loan size) given to the SMEs. The effect of Access to bank credits on SMEs Growth in Nigerian is 0.574858 with a standard error of 0.059821 and a test statistic of 9.609612 which is significant at more than 1% significance level as its p-value is 0.0000. This result indicates that banks have beefed-up their ease of accessing bank credits to SMEs at a significant rate. This is according to a prior expectation. The effect of Lending interest rate on SMEs Growth in Nigerian is 0.231618 with a standard error of 0.051346 and a test statistic of 4.510947 which is significant at 0.0000 level.

The coefficient of determination R-squared shows that banks credit explains 37.74% of the variation in SMEs Growth in Nigerians. This effect is significant at more than 1% significance level as the F-statistic of 60.00789 has a p-value of 0.0000. The Durbin-Watson statistic of 1.711889 which is very close to 2 indicates that there is no presence of serial correlation among the variables.

Table 2: ADF Unit root test for Intercept, trend and intercept H_0: Series has unit root

	Intercept only			Trend and intercept			Order of Integ	Remark on Stationarity
Series	Test statistic	1% crit value	5% crit value	Test statistic	1% crit value	5% crit value		
SMEs growthy	-2.700	-3.452	-2.871	-3.653	-3.990	-3.425	I(1)	Stationary
Loan size_x1	-1.829	-3.452	-2.871	-2.874	-3.989	-3.425	I(1)	Stationary
Access to bank credit_x2	-3.704	-3.452	-2.871	-8.885	-3.989	-3.425	I(0)	Stationary
Lending Interest Rate_x3	-2.685	-3.452	-2.871	-2.656	-3.989	-3.3425	I(1)	Stationary

Source: Author's computations using E -Views Version 10

To test for the Stationarity of the variables used in this study (SMEs growth, Loan size, Access to bank credit and Lending Interest Rate), the unit root test was done using the Augmented Dickey-Fuller (ADF) method and the results are given in Table 4.2. The results reveal that SMEs growth, Loan size and Lending Interest Rate are non-stationary and are integrated of order one, i.e., I(1) but only Access to bank credit is Stationary and are integrated of order zero, i.e., I(0). So, SMEs growth, Loan size and Lending Interest Rate are stationary at first differencing.

Johansen Cointegration

H0: There is no cointegration equation between SMEs growth y, Loan size_x1, Access to bank credit_x2and Lending Interest Rate_x3

(There is no long-run relation between SMEs growth_y, Loan size_x1, Access to bank credit_x2and Lending Interest Rate_x3)

H1: There are cointegrating equations between SMEs growth_y, Loan size_x1, Access to bank credit_x2and Lending Interest Rate_x3

(There is a long-run relation between SMEs growth_y, Loan size_x1, Access to bank credit_x2and Lending Interest Rate_x3)

The stationary test is presented in Table 4 below:

Table 4: ADF Unit root test for trend and intercept H_0: Series has unit root

Series	Exogenous terms included in the model (None, Intercept only, Trend and Intercept)					Order	Remark
	Terms included in the model	Test statistic	1% crit value	5% crit value	10% crit value		
SMEs growth	Intercept only	-14.640	-3.452	-2.871	-2.572	I(1)	Stationary
Loan size	Intercept only	-15.818	-3.452	-2.871	-2.572	I(1)	Stationary
Access to bank credit	Intercept only	-8.377	-3.452	-2.871	-2.572	I(1)	Stationary
Lending Interest Rate	Intercept only	-7.410	-3.452	-2.871	-2.572	I(1)	Stationary

Source: Author's computation using E-Views 10 Edition

The unit root test of the variables was done using the Augmented Dickey-Fuller (ADF) test to determine the stationary of the series and the results as given in Table 4. The results reveal that SMEs growth_y, Loan size_x1, Access to bank credit_x2and Lending Interest Rate_x3are stationary at first difference i.e., I(1).

Table 5a: Unrestricted Cointegration Rank Test (Trace)

Hypothesized No. of CE(s)	Eigen Value	Trace Statistic	0.05 critical Value	Prob.**
None *	0.220699	104.3614	47.85613	0.0000
At most 1 *	0.051468	30.55133	29.79707	0.0409
At most 2	0.039854	14.91072	15.49471	0.0611
At most 3	0.009657	2.872406	3.841466	0.0901

Table 5b: Unrestricted Cointegration Rank Tests (Maximum Eigenvalue)

Hypothesized No. of CE(s)	Eigen Value	Max-Eigen Statistic	0.05 critical Value	Prob.**
None *	0.220699	73.81010	27.58434	0.0000
At most 1	0.051468	15.64062	21.13162	0.2465
At most 2	0.039854	12.03831	14.26460	0.1092
At most 3	0.009657	2.872406	3.841466	0.0901

The results of the Trace test indicate that there are two co-integrating equations at the 0.05 level, indicating that we reject the hypothesis at the 0.05 level. Therefore, there are co-integrating equations between SMEs growth_y, Loan size_x1, Access to bank credit_x2and Lending Interest Rate_x3, that is there is a long-run relation between SMEs growth_y, Loan size_x1, Access to bank credit_x2and Lending Interest Rate_x3. The results of the Max-Eigen Statistic test indicate that there are one co-integrating equations at the 0.05 level, confirming that we reject the hypothesis at the 0.05 level. Therefore, there are 2cointegrating equations between SMEs growth_y, Loan size_x1, Access to bank credit_x2and Lending Interest Rate_x3, that is there is a long-run relation between SMEs growth_y, Loan size_x1, Access to bank credit_x2and Lending Interest Rate_x3. Also, even if there are shocks in the short run which may affect movement in the individual series, they would converge with time in the long run.

Table 6: Normalized co-integrating coefficients

Variable	SMEs growth_y	Loan size_X_1	Access to bank credit_ X_2	Lending Interest Rate_ X_3
Coefficient	1	0.46169	1.99382	0.00414
Standard error		0.07899	0.15956	0.09367
Test statistic		5.84493	12.49576	0.04418

The result of table 6 shows that in the long run Loan size has a positive impact on SMEs growth and the impact is significant at 5% significance level as its test statistic of 5.84493 is significantly greater than one. Also, Access to bank credit has a positive impact on SMEs growth and the impact is highly significant at 5% significance level as its test statistic of 5.84493 is significantly greater than unity. In the same vein, Lending Interest Rate has a positive impact on SMEs growth and the impact is not significant at 5% significance level as its test statistic of 0.04418 is significantly less than unity. All these results are in the long run ceteris paribus.

Hence, we proceed to estimate the VECM.

Table 7: Vector Error Correction Model

Error Correction:	D(Y)	D(X1)	D(X2)	D(X3)
CointEq1	-0.085037	-0.004022	0.601179	0.114812
	(0.07721)	(0.10410)	(0.05912)	(0.07932)
	[-1.10137]	[-0.03864]	[10.1680]	[1.44745]
D(Y(-1))	-0.400857	0.089497	-0.158939	0.061447
	(0.07421)	(0.10006)	(0.05683)	(0.07624)
	[-5.40134]	[0.89444]	[-2.79671]	[0.80594]
D(X1(-1))	-0.045233	-0.421561	-0.066818	-0.004916
	(0.04633)	(0.06246)	(0.03548)	(0.04759)
	[-0.97638]	[-6.74931]	[-1.88352]	[-0.10328]
D(X2(-1))	-0.219184	-0.057310	-0.147652	0.042773
	(0.07989)	(0.10772)	(0.06118)	(0.08208)
	[-2.74346]	[-0.53205]	[-2.41345]	[0.52113]
D(X3(-1))	0.090998	0.000275	-0.053435	-0.381394
	(0.06580)	(0.08872)	(0.05039)	(0.06760)
	[1.38287]	[0.00309]	[-1.06043]	[-5.64175]
C	-0.001211	0.009520	-0.000894	0.001656
	(0.02644)	(0.03564)	(0.02024)	(0.02716)
	[-0.04581]	[0.26710]	[-0.04414]	[0.06098]
R-squared	0.254001	0.166349	0.532882	0.149765
Adj. R-squared	0.241271	0.152123	0.524911	0.135256
Sum sq. resids	61.21835	111.2813	35.89787	64.61099
S.E. equation	0.457096	0.616279	0.350026	0.469591
F-statistic	19.95244	11.69318	66.85019	10.32213
Log likelihood	-187.1561	-276.4994	-107.3577	-195.2198
Akaike AIC	1.292014	1.889628	0.758245	1.345952
Schwarz SC	1.366271	1.963885	0.832502	1.420208
Mean dependent	-0.000836	0.006689	-0.001104	0.001104
S.D. dependent	0.524764	0.669284	0.507824	0.504982

Determinant resid covariance (dof adj.)	0.000895
Determinant resid covariance	0.000825
Log likelihood	-635.5970
Akaike information criterion	4.438776
Schwarz criterion	4.785305
Number of coefficients	28

Table 8: vector error correction model system equation

Vecm model parameter	Coefficient	Std error	t-statistic	Prob
C(1)	-0.085037	0.07721	-1.10137	0.0030
C(2)	-0.400857	0.07421	-5.40134	0.0939
C(3)	-0.045233	0.04633	-0.97638	0.3234
C(4)	-0.219184	0.07989	-2.74346	0.0104
C(5)	0.090998	0.06580	1.38287	0.0260
C(6)	-0.001211	0.02644	-0.04581	0.0379

The results of tables 7 and 8 show the vector error correction model and system. The coefficient C(1) is the error correction term which is the short run correction of the model, indicating that the model can correct any short run shock to the system by 8.5%, that is The previous year's deviation from long run equilibrium is corrected at a speed of 6.5% in the short run. The coefficient C(2) is the effect of the differenced SMEs growth at lag 1, indicating that the impact of the difference of present SMEs growth and its one last period gives about 4.0% effect in the short run, that is, a percentage change in SMEs growth is associated with a 4.0 % increase in difference of SMEs growth in the first lag on average ceteris paribus in the short run.

Summary of Research Findings

Findings emanating from this study are as follows:

i. From the test of hypothesis one, loan size indeed had significant positive impact on the growth of SMEs in Nigeria. This was confirmed through the use of P-value (0.04972) which is less than 5% level of significance;
ii. From hypothesis two, accessibility to bank credit in Nigeria is low as its of coefficient stands at 0.574858. The cost of micro credit coefficient stands at 0.574858 with a t-statistics of 9.609612 while probability value is 0.0000. This shows that the access to credit is significant. This means there is significant effect of accessibility to credit on the growth of SMEs in Nigeria.
iii. The equation in the third model regressed SMEs' growth on interest rate. The regression coefficient carries positive sign and its t-value (0.231618) is statistical and per value 0.0000 significant at 5% level. This implies that interest rate affects the growth of SME as significantly.
iv. There is high cost of borrowing banks. The high interest rate usually arises from the fact that banks source their funds from the market which is not cheap.
v. Poor accessibility to credit adversely affects the growth of SMEs in Nigeria. As more credits are made available to investor, there is increase in the growth of SMEs.
vi. The growth of SMEs remains the major targets of the government and monetary authorities. The level of accessibility to credit remains one of the determinant factors of economic growth via SMES' growth. Again the attainment of high level of accessibility, low level of interest and loan size depend on the strength and stability of the banking sector, evidenced by capital adequacy, assets quality technological customer oriented products. With these banks' credit to the SMEs will be able to efficiently meet its target of economic growth.

Policy Implication of the Findings

This study has examined the effects of bank credit on the growth of SMEs in Nigeria. Results from study confirmed previous evidence obtained by number of researchers on credits to SMEs in the economy. The findings of this study signify that the variables used for this are the major variables used for SMEs' growth and bank credit in Nigeria. Despite the achievement of banks' credits in transforming economy via SMEs there have been difficulties like low loan size, poor accessibility to credit, high interest rate, insider abuses and fraudulent practices by banks, global economic crisis and inept regulatory abilities among others. Consequently, since

bank credits have made significant contributions to the growth of SMEs in Nigeria, banks need to be strengthened in terms of better capital base, skilled manpower, increase of size of loan, effective management of interest rates, enabling polices and operational guidelines. This means that credits to SMEs will contribute immensely to the growth of SMEs in Nigeria.

Conclusion

The growth of SMEs affects the economic growth of Nigerian. In his work, Amith (2018) is of the view that big and multinational companies started as SMEs. Most of these lack capital at their formative stage. In his own view Homes (2011) maintained that most banks shy away from lending to small businesses because of the inherent costs of lending to them. This study was on the effect of bank credits on growth of SMEs in Nigeria. The multiple regression results reveals that about 37% of the systematic variation in the dependent variables is explained by the three independent variables i.e. loan size (LNS), accessibility to credits (ASC) and interest rate (INR), The P value is significant at the 5% level showing that there is a positive relationship between the growth of SMEs and the explanatory variables in Nigeria.

Based on the findings of this study, we have come to the conclusion that there is a significant positive effect of banks' credits to SMEs operations in Nigeria. This means that if banks can beef up their financial assistance to the SMEs there will be rise in economic growth and development.

Recommendations

In order to improve on the effectiveness of banks' lending to SMEs in Nigeria, the following recommendations are made:

1. There should be increase loan size to the SMEs, the regulatory authorities should make such policies that encourage the banks to increase the size of their lending to the SMEs. This the banks can do by increasing their obligor limits to the SMEs. Central Bank of Nigeria (CBN) should lower monetary policy rate for banks to charge lower interest rate to make loan more attractive and productive to the SMEs.
2. To increase the accessibility to loans banks should administrative protocols the SMEs pass through in accessing loans. This will also help to reduce cost of obtaining loan by SMEs
3. Monetary authorities should also bring out policies that will make bank have cheap funds for on lending to the SMEs. There should also be a guarantee agency of the government for credits to SMEs.
4. Government should be serious by providing good infrastructure like electricity, road, water etc. They should be able to create the enabling environment for both the banks and SMEs to operate. The poor states of these facilities make the cost of business very high. SMEs' growth will continue to be a dream until government starts living up to her responsibilities.
5. The size of loan should be increased for SMEs to expand their businesses for increase outputs in the country.
6. Regulatory authorities should involve SMEs operators in the policy formulation and put up measures to increase the awareness of banking habit among the SMEs.

7. There should be a more serious regulatory framework. The frequent review of the policy indices by the Monetary Policy Committee of the Central Bank is commendable. In doing the issues of the SMEs should be paramount and at the same time try as much as they can to avoid frequent policy inconsistency.
8. For banks to have more loanable funds, the central bank should reduce idle funds outside the banking system. Emphasis should be on such interest free funds as paid up capital, reserves, government free funds and donor funds.

Recommendation for Further Research

In the attempts to conduct researches on monetary policy, further studies are recommended in the following areas. Comparative analysis of the effectiveness of other countries' monetary policies. This will help on the country's monetary policy.

Contribution to Knowledge:

This research has contributed to knowledge in various ways:

1. The study has contributed to knowledge by providing vital information on banks' lending to SMEs which will serve as guide to the monetary authorities in decision making and also to future researchers on the same or related topics. In the contribution to knowledge the researcher is recommending a change in the administrative protocols in lending to SMEs.

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