Small and Medium Scale Enterprises and Economic Growth in Nigeria: An Investigation of Role of Central Bank of Nigeria

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Abstract

The paper examines how the persistent increase in small and medium enterprise formation and funding improves the growth and development of the Nigerian economy, with investigative focus on CBN funding. The objectives of the study were to total output of small and medium enterprises on economic growth in Nigeria government expenditure in promoting small and medium enterprises in Nigeria. Using secondary data sourced from CBN Statistical bulletin, the study employed ordinary least square (OLS) regression technique for their analysis thereof. The findings show that total output of SMEs on economic growth in Nigeria Government expenditure in promoting small and medium enterprises in Nigeria. Among others, the study recommends the need to carry out audit on application of government huge disbursements to SMEs towards unraveling reasons behind the non-manifestations of government efforts.

Keywords: *Micro loan, Enterprises, Medium Scale, Morantorium*

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Background to the Study

In the immediate past, interest in the nexus between small and medium scale enterprise (SMEs) output and national economic improvements of countries has increased tremendously that researchers and policy makers have given it priority interest resulting in volume of studies on the subject area. The contribution of Small and Medium Enterprises to the growth and development of an economy has been the focus of general interest and research, especially in developing countries due to the importance of Small and Medium Enterprises to the global economy (Offor, 2012).

SME has remained a harbinger of change and a pivot of economic catalysts in industrialized states as they are in the developing world. Oluba (2009) observed that the importance of SMEs varies with sectors and with the developmental stage of a country. For example, Adegboyega, Godwin, and Clement (2020) assert there is positive influence of small and medium scale enterprises on income growth and that about 70% variation in income growth is accounted for by small and medium scale enterprises in Nigeria.

In the developing nations like Nigeria, the impact of small and medium enterprises on the growth and development can be felt in so many ways. According to Muritala, Awolaja and Bako (2012), SMEs on the growth and development of an economy is felt by ways greater utilisation of local raw materials, employment generation, encouragement of rural development, development of entrepreneurship, mobilisation of local savings, linkages with bigger industries, provision of regional balance by spreading investments more evenly, provision of avenue for self-employment and provision of opportunity for training managers and semi-skilled workers. Consequently, Small and Medium Enterprises has been regarded as engine of growth (Eze and Okpala, 2015).

Identified Problem of Study

This study was informed by the perceived paradox of growth in Nigeria. As the GDP grows, it would ordinarily be expected that it cascades down to other lower fabicks of the economy by ways of higher utilisation of local raw materials, enhanced rural development, entrepreneurship development, local savings mobilisation, and stable by spreading investments more evenly, provision of avenue for self-employment and provision of opportunity for training managers and semi-skilled workers. Unfortunately, the reverse is the case. The Nigeria economy continues to record a dwindling economic situation, low levels of purchasing power, inability to access capital for business expansion and low level of standard of living, increase in unemployment and underemployment, and low level of absorption capacity of the informal sector enterprise. In spite of the fact that SMEs have been regarded as the backbone of most economy for employment generation and technological development, its impact on Nigeria economic growth and development has been low, thus warranting an empirical probing to various SMEs drivers and inhibitors that impact on the growth in Nigeria (Adegboyega, Godwin, and Clement, 2020).

In the light of this identified problem above, this study intends to, using expanded variable scope, examine the effects of small and medium enterprises on Nigeria economic growth with

focal point on role of Central Bank of Nigeria (CBN), thus bridging the gap in existing literature. The specific objectives of this study are to:

1. Ascertain the effects of Deposit money banks credits to small and medium enterprise on economic growth in Nigeria
2. Ascertain the effects of total output of small and medium enterprises on economic growth in Nigeria
3. Determine the effects of government expenditure in promoting small and medium enterprises on economic growth in Nigeria.

The rest of this paper is structured as follow: part two reviews relevant literature, chapter three gives the methodology adopted for the study, part four contains data/analysis and interpretation of data thereof while the last part has summary of findings, conclusion and recommendations for improved performance.

Review of Related Literature
Conceptual Review
Small and Medium Scale Enterprises

According to Ranjami (2012) Small and medium scale enterprises and entrepreneurship are now recognized worldwide as key source of economic growth and development. Kolawole (2013) contends that small businesses play a very important role in developing economies. This view appears to be supported by Chijah and Forchu (2010) when they argue that the promotion of micro enterprises in developing countries is justified in their abilities to faster economic growth, alleviate poverty and generate employment. According to the Nigeria's national Council on Industry; an SME is defined in terms of employment, that is, as one with between 10 and 300 employees. The Small and Medium Industries Equity Investment Scheme (SMIEIS) in Nigeria, defines small businesses (Small and medium scale enterprises) as "enterprises with a total capital employed of not less than N1.5 million, but not exceeding N200 million, including working capital, but excluding cost of land and/or with a staff strength of not less than 10 and not more than 300".

The Constraints of Small and Medium Scale Enterprise

The economic history of industrialized countries points to the obvious fact that surest to an industrial revolution is through small and medium scale enterprise. We have also come to know the obvious importance of SMES and their contributions to the national economy. Experience has shown that when given proper attention SMEs contribute to the national development. Unfortunately, despite the importance of small and medium scale enterprise in the economy of the nation, the sector in the view of Adegboyega, Godwin, and Clement (2020) is still having some constraints prominent among which are as following:

Lack of Fund

Unlike large enterprise, lending to small business is thought to be inherently a riskier understanding principally due to the following:

i. Lack of Adequate Data Base and Track Record
ii. Insufficient collateral.

iii. Relative high cost of administering and monitoring small loan portfolios.
iv. High rate of default.

Indeed, access to loans SME is really difficult especially in these days. In support of the above view, Ovuorie (1995) notes that: small scale business in Nigeria has very little or no access to loanable funds.
  i. Lack of Infrastructural Facilities:
  ii. High Rate of Enterprise Mortality: The incidence of inadequate working capital, which
  iii. Financial indiscipline
  iv. Lack of Experiences and Training:
  v. Poor Location
  vi. Marketing constraints
  vii. Lack of Planning and Budgeting
  viii. Attitude of Government towards the growth of SMEs

Specifically, the government as opined by Chibundu (2006) has been active in the following areas.
  i. Establishment of Small, Micro Enterprises Development Agency (SMEDA)
  ii. Funding and setting up of industrial estates to reduce overhead costs.
  iii. Establishing specialized financial institutions, including the Small-Scale Industry Credit Scheme (SSICSs), Nigerian Industrial Development Bank (NIDB), Nigerian Bank for Commerce and Industry (NBCI) to provide long-term credit;
  iv. Facilitating and guaranteeing external finance by the World Bank, African Development Bank and other international financial institutions;
  v. Facilitating the establishment or the National Directorate of Employment (NDE), which also initiated the setting up of new SMEs;
  vi. Establishment of the National Economic Reconstruction Fund (NERFUND) to provide medium to long-term local and foreign loans for small, and medium scale businesses, particularly those located in the rural areas;
  vii. Provision of technical training and advisory services through the Industrial Development Centre and recently,
  viii. NIRSAL Microfinance Bank for implementation of SME disbursement programme.

Although Government have been showing same concern to this sub-sector, evidence still show inadequacies to the overall efforts of the government to lessen the problem of this enterprise.

The Role of Central Bank of Nigeria in Financing SMEs in Nigeria
One of the developmental roles of the Central Bank of Nigeria as the apex of financial institution in the country is to facilitate the flow of finance to the needy areas of the economy.

Nweke, Osifo and Iyamu, (2022), assert that the intervention policies of Federal Government of Nigeria mainly through the Central Bank of Nigeria (CBN) toward Micro, Small and Medium-Sized Enterprises (MSME) is believed to develop the Nigerian economy They

highlight the funding opportunities for MSMEs and their participating financial institutions include SME Credit Guarantee Scheme (SMECGS) and Restructuring/ Refinancing Fund (RRF); Power and Airline Intervention Fund (PAIF); The Nigeria Electricity Market Stabilization Facility (NEMSF); MSME Development Fund (MSMEDF); Deposit Money Banks (DMBs)/Development Finance Institutions (DFIs); Secured Transaction and Moveable Collateral Initiative; Support of MSMEs through the Vision 20:2020 Strategic Plan; Small and Medium Enterprises Development Agency of Nigeria (SMEDAN).

SMECGS assists to guarantee bank loans. According to the DFD (2015), the SMECGS was established in 2010 to promote the growth and development of SMEs in Nigeria and also covers activities of manufacturing, agricultural value chain, and educational institutions. The scheme has supported a total of 76 projects, valued at N3.37 billion, since its inception up to 2014 and the total number of fully repaid projects to date stands at 29, valued at N1.79 billion. The CBN introduced the RRF in 2010, set up with a sum of N200 billion, to re-finance and restructure banks' existing loan portfolios to manufacturers, to achieve double-digit growth in line with the FSS 2020 SME financing target of 20% of total credit to the economy. Under the SMECGS/RRF, a total sum of N288.98 billion was released to the BOI and disbursed for 573 projects from inception to date. The total amount of funds disbursed from the repayment account for projects stood at 71.73 billion Naira. Power and Airline Intervention Fund (PAIF). The CBN's primary objective in introducing the PAIF is to stimulate and grow private sector investments in the airline and power sectors, as well as fast-track their economic development and sustainability. The project builds credit and fosters the development of electric power projects, mostly for micro, small and medium enterprises and other industrial clusters in the country. It serves as an additional private sector investment in the power and aviation sectors and also a credit enhancement instrument to improve the financial position of the Deposit Money Banks. It generates employment, enhances power supply, and hence improves the standard of living of citizens through the consistent power supply. The funding is channeled to the beneficiary through Deposit Money Banks (DMBs). Lending is done by the Bank of Industry (BOI) to Deposit Money Banks at a less than 7% concessionary rate within a tenor of 10-15 years, who disburses at a maximum interest rate of 10% to their customers. At the start of the PAIF, N300 billions of funds was raised through the BOI as debenture, which was invested in power and airline projects, according to the CBN Act 2007. According to CBN (2015), the initial amount allocated by the CBN for the two programmes was N300 billion, and since its introduction a total of N236.353 billion has been disbursed to the BOI; N117.427 billion has been used for 15 airline projects and N118.926 billion for 38 power projects, totaling 53 projects overall. Under the power projects, 865.7 MW of electricity and 120 km of gas pipeline were produced/ completed with N33.025 billion interest savings. The total funds repaid under the PAIF since inception stands at N41.387 billion (CBN, 2015).

The Nigeria Electricity Market Stabilisation Facility (NEMSF)
CBN introduced N213 billion for the Nigeria Electricity Market Stabilisation Facility (NEMSF) in the belief that it would secure the take-off of the Transitional Electricity Market, which is aimed at the Nigerian Electricity Supply Industry (NESI) outstanding debts that held back growth. The proposed facility will cover legacy gas debts and the shortfall in revenue

during the Interim Rule Period (IRP). The funds are to be disbursed at 10%per annum interest with a ten-year tenor. The disbursement has two batches; N39.53 billion for Batch 1 and N18.26 billion for Batch 2.

MSME Development Fund (MSMEDF)
The scheme was introduced to target the real sector of the economy and reduce the financial gap for MSMEs. This CBN scheme, launched on August 15th, 2013, is aimed at supporting and providing long-term affordable funding to the Microfinance and SME sub-sector. The fund was set up mostly to benefit the most vulnerable in society like women entrepreneurs and physically disabled individuals. It was established with a seed capital of N220billion based on the following objectives: to support women's economic empowerment, capacity building for stakeholders, provision of cheap wholesale funds, promote access to finance and grass-root economic development, hence job creation, and to channel low interest funds to the MSME sub-sector of the Nigerian economy through PFIs. Out of this, 60% is to support women entrepreneurs, due to their financially exclusive circumstances, and 40% for others.

MSMEs are eligible enterprises under this scheme, in line with the provisions of the revised Nigerian microfinance policy, regulatory and supervisory framework (Umemezia and Osifo, 2018). It was agreed by the CBN that MSMEs are to access the fund through the participating financial institutions. These Participating Financial Institutions include the Bank of Industry (BOI); the Bank of Agriculture (BOA); Deposit Money Banks (DMBs); finance companies; financial cooperatives; Microfinance Institutions (MFIs) and Microfinance Banks (MFBs). According to CBN (2015), the Bank of Industry will administer to Participating Financial Institutions at 2%for on-lending to beneficiaries at 9% per annum at a tenor of 1 year and 5years for micro and SMEs respectively. However, from time to time the interest charges are subject to a review by the steering committee of the fund. CBN highlighted organizations or enterprises that can access the MSMEDF, including agricultural value chain activities; services such as schools, hotels, restaurants, laundry, artisans; cottage industries; trade and general commerce (maximum 10%) of the commercial component; any other income-generating projects as may be prescribed by the managing agent. The CBN set the amount of maximum loan per cycle of wholesale lending, as shown in the table above or 50% of shareholder funds unimpaired by losses for MFBs and Finance Companies.

Deposit Money Banks (DMBs)/ Development Finance Institutions (DFIs)
For DMBs/ DFIs to be eligible for wholesale funding, they must first sign a memorandum of understanding (MOU) with the CBN, second, undertake to bear all the credit risks of the loans they shall grant; third, issue authority to the CBN to deduct the balance of the outstanding loan at source from its account with the bank, and finally, set aside 10% of SME funds accessed for financing start-up businesses. Facility Limits under Government Participants and Participating Financial Institutions (PFIs). Maximum loan amount per cycle of wholesale lending shall be as indicated in the table below, or 50% of shareholder funds unimpaired by losses for MFBs and finance companies.

As reported by CBN (2022), between May and June 2022, under the Anchor Borrowers' Programme (ABP), the Bank released the sum of N3.62 billion, as disbursements to 12 projects for the cultivation of rice, wheat, and maize, bringing the cumulative disbursement under the Programme to N1.01 trillion, to over 4.21 million smallholder farmers cultivating 21 commodities across the country. The Bank also disbursed N3.72 billion to finance three (3) large-scale agricultural projects under the Commercial Agriculture Credit Scheme (CACS). These disbursements brought the cumulative disbursements under this Scheme to N744.32 billion for 678 projects in agro-production and agro-processing.

The facility limits of government participants and PFIs are shown below:

Table 1: Government Participants and Participating Financial Institutions (PFIs)

Government Participants	Facility Limit
State Government/ FCT	N2 billion
Financial Institutions	**Facility Limits**
Unit Microfinance	N10 million
State Microfinance	N50 million
National Microfinance	N500 million
Non-Governmental Organisations (NGO) – MFIs	N10 million
Financial Cooperatives	N10 million
Finance Companies	N10 million

Source: Central Bank of Nigeria. (2015). Central Bank of Nigeria Interventions.

Development Finance Department March Presentation, Central Bank of Nigeria
Facility Limits for Borrowers: The CBN set up the facility limits. These limits are subject to a maximum of 50% of shareholders' funds that is unimpaired by losses for all PFIs at a particular loan amount cycle. The borrower's on-lending to clients shall be based on the assessment of the PFIs. The limits and structure for borrowers are given in Table 2 below:

Table 2: Distribution of Loans to Beneficiaries/PFIs Classification Facility Limit

Distribution of Loans to Beneficiaries/ PFIs Classification Facility Limit	
50%	Micro 500,000
50%	SMEs 5,000,000
DMBs/ BOI/ BOA SMEs	50,000,000

Source: Central Bank of Nigeria. (2015). Central Bank of Nigeria Interventions

The MSMEDF provides long-term affordable funding for the MSME sub-sector. This will require the commitment of all stakeholders, to achieve the desired objectives of real sector growth of the Nigerian economy. The CBN has put in place a robust monitoring and evaluation strategy to ensure compliance with the guidelines for operations of the fund.

Eze and Okpala (2021) reveal that between 2016 and 2021, the Federal Government of Nigeria, through the CBN, approved and disbursed a total of N1.75 trillion to micro, small

and medium scale businesses in Nigeria, cutting across all sectors of the economy even as this in addition to other programmmes of the apex bank

Availability of Capital and Low Rate of Domestic Saving Independence

The Nigeria economy as at 1960, was characterized by acute shortage of capital and low rate of savings. There was therefore the need to generate saving within a short time to enhance economic development. This is an appreciation that the achievement of macroeconomic stability which the bank pursue would be better facilitated if the performance in the real sector is enhanced and focused, such that demand pills inflation can be controlled through improved productivity.

The Contribution of Financial Institution to the Growth of Small and Medium Enterprise.

i. **The Extension of Credit to Worthy Borrowers**
    a. They are vehicles for implementing government national development plans.
    b. They make funds available for general development in all aspects of the economy.

ii. **Business Advisory Services**
    The main aim of this advisory service is to assist small business customers to develop their business in such a way that they can attract bank finance. Entrepreneurs are taught how to introduce simple record keeping and accounting in their operations. Deposit money banks also help SMEs in national and international business transaction for instance giving letters of credit, bill of exchange to facilitate business transaction. Because government has substantial ownership interest in the deposit money banks in Nigeria, they have served as an indirect means by which the business enterprises operate

Financial Institutions and Economic Development

In the developed economies, financial institutions mobilize savings in form of deposits, premium, weekly or monthly contributions from their customers. Banks mobilize savings from their customers by way of opening various accounts such as savings, current and fixed deposits.

Opportunities for Financial institutions to lend to SMEs

Most Large-Scale Enterprises (LSE) have reduced their borrowing from banks due to the high interest rates and short tenors or such loans. Banks therefore no longer lend to the real sector of the economy. Loanable funds are now used to finance consumer imports and to speculate in the Foreign Exchange Market (Oresole, 2000). SMEs present opportunity to banks to support the growth sector of the economy. Unfortunately, SMEs will remain unattractive due to the risk presented below.

Challenges in Lending to SME's

In Nigeria, policy framework for the supportive of SMEs is in its infancy while the funding institutions are not favourably disposed to SMEs. The banks have historically and until recently been very averse to supporting SMEs. Some of the common reasons for the lack of

appetite for SMEs by bank include the following: (Gruver, 1999).
1. Unfavourable bank lending strategies which do not meet SMEs requirement.
2. High risk associated with lending to SMEs.
3. Lack of adequate collateral by SMEs.
4. Low returns on SMEs investment due to high operating cost.
5. Promoters' low education, management and entrepreneurial skills. Competition from cheap imports which erode the market for SMEs goods.
6. Poor and unreliable financial records which make financial review both difficult and unreliable. Both financial and other business records are not adequate to meet capital market listing requirement.

Theoretical Framework
The Neo-Classical Growth Theory
Neoclassical growth theory propounded by neoclassical perspective is based on a basic principle in economics which suggests that economic growth requires capital investment in the form of long-term commitment. The neoclassical growth theories assume that capital investment like Foreign Direct Investment (FDI) can channel required funds to the productive sectors of a capital deficient economy which, in turn, would help to increase the economic growth rate by increasing the marginal productivity of capital. This study is anchored on Neoclassical growth theory

Review of Empirical Evidence
Nweke, Osifo, and Iyamu (2022), reviewed the intervention policies of Federal Government of Nigeria mainly through the Central Bank of Nigeria (CBN) toward Micro, Small and Medium-Sized Enterprises (MSME) which is believed to develop the Nigerian economy were reviewed. Funding Opportunities for MSMEs and their Participating Financial Institutions include SME Credit Guarantee Scheme (SMECGS) and Restructuring/ Refinancing Fund (RRF); Power and Airline Intervention Fund (PAIF); The Nigeria Electricity Market Stabilisation Facility (NEMSF); MSME Development Fund (MSMEDF); Deposit Money Banks (DMBs)/ Development Finance Institutions (DFIs); Secured Transaction and Moveable Collateral Initiative; Support of MSMEs through the Vision 20:2020 Strategic Plan; Small and Medium Enterprises Development Agency of Nigeria (SMEDAN). The study explores both quantitative and qualitative data using inductive reasoning to investigate how MSME sector has failed to optimise the policies and resources channelled to it. The finding indicates that various interventions for inadequate funding and enabling business funding environment has not been adequately communicated to the MSME operators. Stringent loan acquisition criteria and measures used by loan intermediaries were revealed as some of the problems bedeviling economic growth. The research also found out that the eventual lack of adequate funding for MSME is a major factor that slows down the growth of the Nigerian economy.

Etale and Bibiere (2021) assessed the impact of small and medium enterprises development on economic growth in Nigeria. Using secondary time series data were obtained from the Central Bank of Nigeria Statistical Bulletin, National Bureau of Statistics, and Micro Small

and Small and Medium Enterprise Development Agency of Nigeria (SMEDAN) for the period 2000 to 2018, the study adopted descriptive statistics and multiple regression analysis with OLS techniques, to analyze the data thereof. The study findings show clearly that the aggregate asset base and aggregate capitalization of SMEs have little or insignificant effect on the GDP. It was also found that despite this finding, a long-run relationship among the variables existed.

Adeosun, and Shittu (2021) examines the nexus between entrepreneurship through small–medium enterprise (SME) business formation and the growth of the Nigerian economy. Using secondary data for the period 1990–2016 for macro parameters including, registered small and medium scale enterprise, nominal gross domestic product, employment, total labor force and population, the study applied forecasting technique to obtain data for missing trends while quantitative analytical techniques were used to analyze the data thereof. The findings show an increasing number of SME formation which has also led to the growth of the economy. It also however found that an increase in the amount of micro-small and medium scale enterprises did not contribute to the development of the economy more than existing businesses. The employment elasticity is positive and significant and shows that the contribution of entrepreneurship regarding employment is the most essential factor that advances economic growth and reduction of unemployment.

Eze and Okpala (2021) investigated the challenges bedeviling the small and medium scale enterprises development efforts in Nigeria. Adopting primary data and using ordinary least square (OLS) method to estimate multiple regression models, the study finds that corruption and diversion of funds contributed more than 50 percent of the challenges faced by operators in the SMEs industry.

Adegboyega, Godwin, and Clement (2020) examined the extent to which small and medium scale enterprises impacted the economic growth in Nigeria. Using secondary data source from World Bank Group, Central Bank of Nigeria Statistical Bulletin and Index Mundi, the study employed correlation research design with ordinary least square (OLS) for analysis of data thereof. The findings reveal that there is direct influence of small and medium scale enterprises on employment generation and that 72% variation in employment generation was accounted for by small and medium scale enterprises. They also show positive influence of small and medium scale enterprises on poverty reduction and that about 60% variation in poverty reduction was accounted for by small and medium scale enterprises.

Edokobi,Otugo and Scholastica (2018) examines the effect of small and medium enterprises on economic growth in Nigeria by modeling the effect of SMEs, government expenditure in promoting SMEs, Employment generation growth rate and level of Corruption, commercial bank credits and lending rate to SMEs on economic growth in Nigeria using an econometric regression model of the Ordinary Least Square (OLS). The study observed that small and medium enterprise, government expenditure to small and medium enterprise, employment generations, and commercial bank credit to small and medium enterprise and lending rate to small and medium enterprises have a positive impact on economic growth in Nigeria.

Corruption has a negative impact on economic growth in Nigeria. However, all the explanatory variables have significant impacts on economic growth in Nigeria

Nagaya (2017) examines the impact of SMEs on economic growth using dataset for India and found that SMEs activities are growth enhancing through various channels like employment and poverty reduction. Correspondingly, Aremu and Adeyemi (2011) find similar evidence that SMEs are vital agent in creating job opportunities and reducing poverty.

Akingunola (2011) assessed the specific financing options available to SMEs in Nigeria and their contribution to economic growth performance. The Spearman's Rho correlation model was employed to determine the relationship between SMEs financing and investment level. At 10 percent level of significance, the Rho value of 0.643 indicated a significant and positive relationship between SMEs financing and economic growth in Nigeria.

Kadiri (2012) examines the contributions of small and medium scale enterprises (SMEs) to employment generation in Nigeria. The binomial logistic regression analysis was employed as tools for statistical analysis. The results show that SMEs has not impacted positively on economic growth partly due to poor financing and commitment from the government.

In another study for the economy of Pakistan by Nalini, Alamelu, Amudha and Motha (2016), they note that SMEs are making significant role in promoting job opportunities and commodities for export. Availability of finance has been widely viewed as a problem to growth and development of SMEs particularly in developing countries. Bekele and Zekele (2008) and Jibir (2015) have examined the role of finance in the development of SMEs and found that smooth financing has a strong link with the running and growth of SMEs and can boost their performance.

Anthony and Arthur (2008) investigate the role of micro, small, and medium enterprises in the growth of per capita income in the United States, using database for firms in the formal manufacturing sector with fewer than 10, 20, 100, or 250 employees. Employing regression model, the result of the study shows a positive relationship between economic growth and the prevalence of firms of medium size or smaller (250 employees or less). However, they find only limited connection between growth and the prevalence of small or micro firms with fewer than 10, 20, or 100 employees.

Andre, Carree and Thurik (2004), investigated the contribution of total entrepreneurial activity in GDP growth for a sample of 36 countries and test whether this contribution depends on the level of economic development measured as GDP per capita. The result shows that entrepreneurial activity by nascent entrepreneurs and owner/managers of young businesses affects economic growth, but the effect depends upon the level of per capita income.

In another cross-country study, Ming-Wen (2010), uses a dataset covering thirty-seven countries including developed and developing countries to examine the contribution to

economic growth from the SMEs sector spanning between 1960 and 1990. The findings reveal that small scale businesses contribute positively towards economic prosperity of a country. Also, it is observed from the study that, in pursuance of economic growth, SMEs in the high-income economies generally help in the promotion of entrepreneurship activities, whilst in the less-developed economies they contribute in terms of job creation to the people.

Taiwo, Ayodeji and Yusuf (2012) in their study of the role of SMEs in promoting economic growth in Nigeria have revealed that there is strong nexus between SMEs activities and economic performance in Nigeria. Moreover, the study found that SMEs in Nigeria are faced with several challenges including financial constraints, high level of corruption and lack of training and capacity building which have hindered their smooth activities.

Research Gap and Contribution
Despite the perceived impact of Small and Medium Enterprises on the growth and development of an economy as observed in the literature, and also the government efforts at promoting SMEs in the country as highlighted above, the impact of SMEs output on the economic growth and development of Nigeria is still reportedly low compared with the concerted efforts by Governments at different levels as confirmed by empirical studies such as Etale a Bibiere (2021), Anthony and Arthur (2008), Kadiri (2012), Adeosun, and Shittu (2021), and Nweke, Osifo, and Iyamu (2022).

The CBN scheme, launched on August 15th, 2013, is aimed at supporting and providing long-term affordable funding to the Microfinance and SME sub-sector. The fund was set up mostly to benefit the most vulnerable in society like women entrepreneurs and physically disabled individuals. It was established with a seed capital of N220 billion based on the objective growing the small and medium enterprises, and hence, boost the economic growth of Nigeria. Moreso, as reported by CBN (2022), between May and June 2022, under the Anchor Borrowers' Programme (ABP), the Bank released the sum of N3.62 billion, as disbursements to 12 projects for the cultivation of rice, wheat, and maize, bringing the cumulative disbursement under the Programme to N1.01 trillion, to over 4.21 million small holder farmers cultivating 21 commodities across the country. The Bank also disbursed N3.72 billion to finance three (3) large-scale agricultural projects under the Commercial Agriculture Credit Scheme (CACS). These disbursements brought the cumulative disbursements under this Scheme to N744.32 billion for 678 projects in agro-production and agro-processing. These disbursement efforts ordinarily ought to have made immense contributions to output of small and medium scale enterprises developments and thus greatly enhance the socio and economic growth and development of Nigeria economy.

However, the contributions by SMEs output to the economic growth and development of Nigeria till date, as attested to by extant literature is grossly inadequate and does not commensurate with the efforts by Government(s) so far. The question by researchers and academics therefore, is, "what might have happened that this huge efforts are not being captured in extant literature"? No wonder in the immediate past, interest in possible linkages between Small and Medium Scale Enterprise (SMEs) and economic performance of

countries has attracted the attention of researchers and policy makers, spanning volume of studies on the subject area.

It is thus this identified gap in literature that this study seeks to bridge and thus serve as contribution to knowledge.

Research Methodology
Research Design/Data collection/ Analysis

The research employed descriptive research design. Descriptive research method helps in gathering information about existing status of the phenomena in order to describe what exists in respect to variables. This method is used because it addresses the objective of the study in investigating the relationship between variables of the study (Kothari, 2004). The design takes into consideration aspects like the sample size in relation to the target population, the variables under the study, the approaches to the research, and the methods employed in data collection.

The type of data collected for this study was secondary data for the purpose of analyzing the effects of small and medium scale enterprises on economic growth in Nigeria. The secondary data sources included Central Bank of Nigeria statistical bulletin. The ordinary least square (OLS) of Multiple Regression analysis model was used to determine the effect of independent variables on the dependent variable and was measured through Correlation coefficient used to investigate how the independent variables inter-relate with the dependent variable(s).

Model Specification

The model for this study follows a linear combination of some small and medium scale enterprises variables exerting some influence on economic growth. Thus, the model is specified in functional form as follows:

$$RGDP = f(BCSME, GEX, OSME\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots(1)$$

However, the econometric form of the model is stated thus;

$$RGDP = \beta_0 + \beta_1 BCSME + \beta_2 GEX + \beta_3 OSME + Ut\ldots\ldots\ldots\ldots\ldots (2)$$

Where:
BCSME = Deposit money banks credits to small and medium enterprise
OSME = Total output of small and medium enterprises
GEX = Government Expenditure
RGDP = Real Gross Domestic product
Ut = s the error term

Part Four
Data Presentation, Interpretation of Result and Hypotheses Testing
Table 3: Data Presentation

YEAR	SMES	RGDP	GEX	BCSME
2008	2688	46,012.52	3,240.82	13.51
2009	2726	49,856.10	3,452.99	16.37
2010	2895	54,612.26	4,194.58	12.55
2011	3170	57,511.04	4,712.06	15.61
2012	3502	59,929.89	4,605.39	13.86
2013	3747	63,218.72	5,185.32	15.35
2014	3995	67,152.79	4,587.39	16.07
2015	4292	69,023.93	4,988.86	12.95
2016	4622	67,931.24	5,858.56	10.75
2017	4912	68,490.98	6,456.70	10.75
2018	5413	69,810.02	7,813.74	44.82
2019	5567	71,387.83	9,714.6	123.93
2020	6453	70,014.37	10,164.6	88.65
2021	6511	71,112.12	17,978.9	71.78

Source: Central bank of Nigeria Statistical Bulletin, 2021

Where:
BCSME =Deposit money banks credits to small and medium enterprise
OSME = Total output of small and medium enterprises
GEX= Government Expenditure
RGDP= Real Gross Domestic product

Data Analysis
Table 4 below presents the descriptive nature of variables showing the coefficient, standard error, t-statistic, probability, R-square, adjusted R-square, F-statistic and Durbin – Watson, of the following variables: Deposit money banks credits to small and medium enterprise (BCSME), Total output of small and medium enterprises (OSME), Government Expenditure (GEX) and Real Gross Domestic product (RGDP).

Table 4.

Variable	Coefficient	Standard Error	t-Statistics	Probability Value
Constant	1960.821	221.1717	8.865607	0.0000
BCSME	10.007963	0.005498	6.448187	0.0002
OSME	5.023568	0.009465	4.490084	0.0004
GEX	9.008588	0.004666	7.840655	0.0003

Source: Data Computation, 2021

RGDP = 1960.821 + 10.007963BCSME + 5.023568OSME + 9.008588GEX

T–Statistic = (8.86) (6.44) (4.49) (7.84)

R^2 = 0.963856

Adj R^2 = 0.950302

F – Statistics = 71.11227

Durbin Watson statistics = 1.931541

The estimate of β_0 is 1960.821. This implies that if all independent variables are held constant, the dependent variable Real Gross Domestic Product (RGDP) will become 1960.821.

The estimate of β_1 is 10.007963. This shows there is a positive or direct relationship between Deposit money banks credits to small and medium enterprise (BCSME) and Real Gross Domestic Product (RGDP). This further implies that increase in Deposit money banks credits to small and medium enterprise (BCSME) will bring about growth in Real Gross Domestic Product (RGDP) for every unit change in Deposit money banks credits to small and medium enterprise (BCSME), it will bring about 10.007963 changes in Real Gross Domestic Product (RGDP).

The estimate of β_2 is 5.023568. This means there is a positive relationship between Total output of small and medium enterprises (OSME) and Real Gross Domestic Product (RGDP). This further implies that an increase in Total output of small and medium enterprises (OSME) will bring about increase or improve performance of Real Gross Domestic Product (RGDP).

The estimate of β_3 is 9.008588. There is a direct or positive relationship between Government Expenditure (GEX) and Real Gross Domestic Product (RGDP). Both Government Expenditure (GEX) and Real Gross Domestic Product (RGDP) move in the same direction. In other words, Increase in Government Expenditure (GEX) will lead to sustained increase in Real Gross Domestic Product (RGDP)

The results of statistical tools revealed that the coefficient of determination (R^2) as used to measure the success of the regression in predicting the value of the dependent variable Real Gross Domestic Product (RGDP) within the sample and tests the goodness of fit, is considered high in this study over 96% while 4% was taken care by the error (disturbance) term showing that the model was a good one. The adjusted R-square the Durbin-Watson Statistic and the entire regression test is statistically significant including the F-test. All results were obtained empirically and the test was conducted at five (5%) percent level of significance.

The DW- statistic is 1.9. From the statistical table at 5% level of significance shows that there is absence of autocorrelation. Hence, we reject the null hypothesis (H_o).

Test of Hypotheses
Null Hypotheses (H_o) One:
Deposit money banks credits to small and medium enterprises did not have significant effect on economic growth in Nigeria

Table 5.

Variable	Coefficient	Standard error	T – statistic (Cal)	T – statistic (table value)	p-value
BCSME	10.007963	0.005498	6.448187	0.05	0.002

Source: Researcher's compilation, 2021.

Decision Rule: Reject null hypotheses if the probability value (p-value) is greater than T – statistic (table value)

From the above results the calculated p-value is less than the table significant level (ie 0.002 > 0.05). Therefore, we reject the null hypothesis (H_0) and conclude otherwise that Deposit money banks credits to small and medium enterprises have significant effect on economic growth in Nigeria.

Null Hypotheses (H_o) Two:
Total output of SMEs did not have significant effect on economic growth in Nigeria.

Table 6.

Variable	Coefficient	Standard error	T – statistic (Cal)	T – statistic (table value)	p-value
OSME	5.023568	0.009465	4.490084	0.05	0.0004

Source: Researcher's compilation, 2021.

From the above results the calculated p-value is less than the table significant level (ie 0.0004 > 0.05). Therefore, we reject the null hypothesis (H_0) and conclude otherwise that Total output of SMEs have significant effect on economic growth in Nigeria

Null Hypotheses (H_o) Three:
Government expenditure did not have significant in promoting small and medium enterprises in Nigeria.

Table 7.

Variable	Coefficient	Standard error	T – statistic (Cal)	T – statistic (table value)	p-value
GEX	10.007963	0.005498	6.448187	0.05	0.002

Source: Researcher's compilation, 2021.

From the above results the calculated p-value is less than the table significant level (i.e., 0.002 > 0.05). Therefore, we reject the null hypothesis (H_0) and conclude otherwise that Government expenditure have significant effect in promoting small and medium enterprises in Nigeria.

Summary of Findings, Conclusion and Recommendations
Summary of Findings
Based on the objectives of the study and the stated research hypotheses the following are the summary of research findings:

   i.   Deposit money banks credits to small and medium enterprises have significant effect on economic growth in Nigeria.

   ii.   Total output of SMEs has significant effect on economic growth in Nigeria.

   iii.   Government expenditure have significant impact in promoting small and medium enterprises in Nigeria.

Conclusion
The study set out to understand the relationship between SME formation and the role Contribution of small and medium scale enterprises towards economic growth of a country cannot be over emphasized. Many industrial countries of today have used such enterprises in one way or the other to expand the industrial base of their economies for attainment of economic growth. The study concludes that small and medium scale enterprises contribute positively towards economic growth in Nigeria and that the Central bank of Nigeria has put up formidable, concerted efforts towards making the small and medium scale enterprises contributing to making Nigeria economically and socially sustainable.

For small and medium businesses (SMEs) to thrive well, entrepreneurship has to be well developed in a manner that is self-sustaining and capable of transforming the economy condition of the country. By so doing, it translates into employment and wealth creation. However, regulation by donor authorities of intervention funds and ease of doing business in terms of transparent atmosphere, especially when it is endemic, can ruin the efforts of the Government and ability of entrepreneurship to positively influence the growth and development of the nation.

Recommendations
On the basis of the findings of the study, the following recommendations are proposed for policy action to reverse the ugly trend.

   1.   There is dare need to carry out audit on application of government huge disbursements to SMEs towards unraveling reasons behind the non-manifestations of government efforts in funding SMEs activities in Nigeria

2. Increase in SME loan tenor to spread loan re-payment over a longer period with reasonable moratorium under strict monitoring. This will enable the bank clients/customers to have greater use of SMEs loan over a reasonable period for meaningful and profitable investments that could assure easy repayment and thus, impact more positively on the overall growth and development of Nigeria economy.

3. New economic policy should be introduced in the country to prevent massive importation of foreign goods particularly those that our local industries can produce domestically in order to protect the local producers against stiff completion with foreign firms.

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Appendix

Dependent Variable: RGDP
Method: Least Squares
Date: 09/09/21 Time: 07:09
Sample: 2008 2021
Included observations: 14

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1960.821	221.1717	8.865607	0.0000
BCSME	10.007963	0.005498	6.448187	0.0002
OSME	5.023568	0.009465	4.490084	0.0004
GEX	9.008588	0.004666	7.840655	0.0003
R-squared	0.963856	Mean dependent var		3960.750
Adjusted R-squared	0.950302	S.D. dependent var		1013.717
S.E. of regression	225.9885	Akaike info criterion		13.94005
Sum squared resid	408566.3	Schwarz criterion		14.10168
Log likelihood	-79.64028	Hannan-Quinn criter.		13.88020
F-statistic	71.11227	Durbin-Watson stat		1.931541
Prob(F-statistic)	0.000004			