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Equity Financing and Sustainable Growth of SMEs In F.C.T., Abuja

Ndulue Ifeyinwa Theresa
Department of Business Administration
University of Abuja, Nigeria

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Abstract

Small and Medium Enterprises (SMEs), which account for 96% of businesses in Nigeria close because they lack fund (SMEDAN, 2021). This lack of fund poses severe threat to income generation, ability to create jobs, operational efficiency, growth and sustainability of SMEs. The study examined equity financing and sustainable growth of SMEs in F.C.T., Abuja. The following hypotheses were formulated: Equity Financing has no significant impact on the operational efficiency of SMEs in F.C.T., Abuja. Equity Financing has no significant impact on income generation of SMEs in F.C.T., Abuja. Equity Financing has no significant impact on job creation of SMEs in F.C.T., Abuja. The survey research design was used in the study. Data was collected from primary source with the use of questionnaire. The duration of study was between 2012 to 2021. Ordinary Least Square was adopted and findings revealed that there is a significant relationship between equity financing and sustainable growth of SMEs in F.C.T., Abuja. The Federal Government of Nigeria through the Small and Medium Enterprise Development Agency of Nigeria (SMEDAN) should make fund more accessible to SMEs so as to enable them maintain a sustainable growth and also enhance their operational efficiency.

Keywords: *Debt, Equity, Financing, SMEs, Sustainable Growth*

Corresponding Author: **Ndulue Ifeyinwa Theresa**

Background to the Study

Globally, Small and Medium Enterprises (SMEs) play key roles in the development of the economy (UNIDO, 2019). These firms typically account for more than 90% of all firms outside the white-collar jobs sector, constituting a major source of employment and generates significant domestic and export earnings. SMEs are businesses with less than N100 million in annual turnover and have less than 300 employees (SMEDAN, 2021). SME development emerges as a key instrument in poverty reduction efforts; therefore, SME obviously contributes to social development, economic and poverty reduction (Utomi, 2017).

However, having access to finance gives SMEs the chance to develop their businesses and to acquire better technologies for production, therefore ensuring their competiveness. However, there is a huge challenge for SMEs globally when it comes to sourcing for initial and expansion capital funds from traditional commercial banks. Abereijo and Fayomi (2015), note that the majority of commercial bank loans offered to SMEs are often also limited to a period far too short to pay off any sizeable investment.

In addition, banks in many developing countries prefer to lend to the government rather than private sector borrowers because the risk involved is lesser and higher returns are offered (Levitsky, 2016).World Bank review on small business activities establishes the commitment of the World Bank Group to the development of the SMEs sector as a core element in its strategy to foster economic growth, employment and poverty alleviation (World Bank, 2018). This is because, SMEs constitute the driving force of such industrial growth and development, and this is due to their great potentials in ensuring diversification and expansion of industrial production as well as the attainment of the basic objectives of development.

In Nigeria, growing and sustaining a small business can be just as much of a challenge as starting one. More so, in as much as most SMEs strive to survive, their inability to handle the challenges that come with not borrowing more in other to sustain the growth of their business could plunge them into further borrowing. Therefore, it becomes pertinent and expedient that the issue of financing and sustaining the growth of SMEs be investigated since lack of funds would likely affect the growth of SMEs. So, it is on this backdrop that the researcher examined equity financing and sustainable growth of SMEs in F.C.T, Abuja.

Statement of the Problem

Small and Medium Enterprises (SMEs), which account for 96% of businesses in Nigeria close because they lack fund (SMEDAN, 2021). This lack of fund poses severe threat to income generation, ability to create jobs, operational efficiency, growth and sustainability of SMEs. More so, most banks that are meant to assist with fund prefer to lend to the government than to SMEs because the risk involved is lesser and higher returns are offered. In addition, most equity investors such as angel investors, venture capitalist, corporate investors and crowd funders shy away from financing SMEs because equity investors incur a high risk when funding SMES than lenders do, and therefore expect a higher return which most Small and Medium Enterprises (SMEs) find difficult to pay back. Equity financing is considered to be a more costly form of financing than debt (Aruwa, 2017).

However, despite the support by the Federal Government of Nigeria to finance SMEs through initiatives such as the 200 billion Naira Small and Medium Scale Enterprises Guarantee Scheme (SMECGS) launched in 2019, and the 2 billion Naira National Economic Reconstruction Fund (NERFUND) launched in 2012 and also the 42 billion Naira Small and Medium Enterprises Equity Investment Scheme (SMEEIS) launched in 2017, most SMEs in Abuja still find it difficult to sustain their growth rate because of the difficulty and delay in accessing these fund. It is on the light of this that the researcher decided to examine equity financing and sustainable growth of SMEs in Abuja.

Objectives of the Study

The main objective of this study is to examine equity financing and sustainable growth of SMEs in F.C.T., Abuja.

The specific objectives are to:

i. Determine the impact of equity financing on income generation of SMEs in F.C.T., Abuja

ii. Examine the impact of equity financing on job creation of SMEs in F.C.T., Abuja

Statement of Hypotheses

The hypothesis is stated in the null form as:

H_{01}: Equity Financing has no significant impact on income generation of SMEs in F.C.T., Abuja

H_{02}: Equity Financing has no significant impact on job creation of SMEs in F.C.T., Abuja

Conceptual Framework

Concept of Equity Financing

Oguntoye (2020), defined equity financing as selling a stake in a business in return for a cash investment. Olagunji (2018), defined equity financing as the process of raising capital through the sale of shares. Companies raise money because they might have a short-term need to pay bills or have a long-term goal and require funds to invest in their growth. By selling shares, a company is effectively selling ownership in their company in return for cash (Sule, 2019). Equity financing is a business funding method where a business owner sells shares of a company in return for upfront capital (Olagunji, 2018). These funds are used for immediate business operations or long-term growth.

Okraku & Croffie (2017), explained that equity financing comes from many sources: for example, an entrepreneur's friends and family, investors, or an initial public offering (IPO). An IPO is a process that private companies undergo to offer shares of their business to the public in a new stock issuance. Public share issuance allows a company to raise capital from public investors. Industry giants, such as Google and Meta (formerly Facebook), raised billions in capital through IPOs. Equity financing involves the sale of common equity and the sale of other equity or quasi-equity instruments such as preferred stock, convertible preferred stock, and equity units that include common shares and warrants (Ojo, 2020).

While the term equity financing refers to the financing of public companies listed on an exchange, the term also applies to private company financing. Equity financing is used when companies, often start-ups, have a short-term need for cash. It is typical for companies to use equity financing several times during the process of reaching maturity (Ogwumike, 2015). There are two methods of equity financing: the private placement of stock with investors and public stock offerings (Ohansa, 2019). Equity financing differs from debt financing: the first involves borrowing money while the latter involves selling a portion of equity in the company.

The equity-financing process is governed by rules imposed by a local or national securities authority in most jurisdictions. Such regulation is primarily designed to protect the investing public from unscrupulous operators who may raise funds from unsuspecting investors and disappear with the financing proceeds. Equity financing is thus often accompanied by an offering memorandum or prospectus, which contains extensive information that should help the investor make an informed decision on the merits of the financing. The memorandum or prospectus will state the company's activities, information on its officers and directors, how the financing proceeds will be used, the risk factors, and financial statements.

Concept of Sustainable Growth

Sustainable growth is all about growing the business at a rate that is manageable with the organization's available cash flows (Mitra & Pingali, 2018). In other words, sustainable growth is the amount a business can grow before having to borrow money—either from debt or equity financing. Sustainable growth is the maximum amount of sales a business can make before having to borrow money and it measured by operational efficiency of the business, the sound decision made by the owners and also by job creation (Mead & Liedholm, 2018).

Macqueen (2014), defined sustainable growth as the maximum rate of growth that a company or social enterprise can sustain without having to finance growth with additional equity or debt but Njoku (2017), is of the view that sustainable growth has two main meanings in the world of business and finance – a traditional and a more recent meaning Sustainable growth, traditionally, has meant the realistically achievable growth that a company could maintain without running into problems. At company level, growing too rapidly and finding it hard to fund that growth is a common problem that commercial enterprises run into (McCormick, 2017). However, achieving sustainable growth can be done from communicating your value proposition, constantly measuring your growth, telling your brand story, fostering repeat customers, and building a strong brand community (Obasan & Adediran, 2019). Mambala (2021), opined that a company's sustainable growth rate (SGR) is the maximum growth rate that the company can sustain without having to increase financial leverage.

Theoretical Framework

Institutional Theory of Equity Financing and Sustainable Growth

The institutional theory of equity financing and sustainable growth proposed that business organizations should do everything possible to sustain the growth of the business in other to avoiding borrowing. However, the institutional theory of equity financing and sustainable growth suggest that if borrowing becomes inevitable, equity financing should be opted for as against debt financing (Fauzi & Sheng, 2020). Explaining that with equity financing there is no obligation to repay the money acquired through it. No additional financial burden is placed on the company with equity financing.

Therefore, institutional theory focuses on sustainable innovation to keep the business growing steadily without having to go borrowing. From the i institutional theory of equity and sustainable growth, prospecting the right clients, making sound decision, maintaining good operational efficiency would keep the business growing at a sustainable rate (Caldera, 2019). Sustainable business practice is the way to go if the business organization must survive the turbulent environment and reduce the chances of borrowing to keep the business going (Caldera 2019).

Empirical Studies

Adejuyigbe (2017), investigated the effects of equity financing on sustainable growth of Mr. Biggs Eatery, Auchi, Edo State. A total of 19 employees from the organization participated in the research. Structured closed- ended questionnaire was administered to the respondents. Chi square was the statistical tool of analysis used to analyze the data. The findings showed that equity financing has a significant negative impact on sustainable growth of the restaurant. The study used chi square as the tool of statistical analysis instead of a more appropriate tool of analysis like correlation which seeks to find the extent of relationship between the independent variable and the dependent variable.

Adoyi & Agbo (2019), examined the impact of equity financing on the growth of SMEs in Istanbul, Turkey. The research design adopted for this study was the descriptive survey. A sample size of 40 SMEs was used for this study and ANOVA was used to analyze the data gathered. Findings from the study showed that equity financing has a positive significant effect on the growth of SMEs in Istanbul, Turkey. The study is supposed to make use of regression analysis which test the existence of relationship between used the independent variable and the dependent variable and not ANOVA which test for differences.

Chizea (2020), investigated the effects of equity financing on the growth and profitability of selected SMEs in Pakistan. Descriptive research design was used and copies of questionnaire were distributed. Multiple regressions was the tool of analysis used to test the relationship between equity financing and growth. The study revealed that there exists a significant positive relationship between equity financing and growth of selected SMEs in Pakistan. The study equally found out that a positive relationship existed between equity financing and profitability of selected SMEs in Pakistan.

The study used Multiple regressions as the tool of statistical analysis instead of correlation which seeks to find the extent of relationship between the independent variable and the dependent variable.

Enefiok (2017), examined the effect of equity financing on sustainable growth in selected SMEs in Abeokuta, Ogun State. It was anchored on institutional theory of equity financing on sustainable growth. The research design adopted for this study was the cross-sectional survey. A sample size of 45 owners of Small Medium Enterprise was used for this study. Pearson correlation was used to analyze the data collected and findings from the study showed that equity financing has no significant impact on sustainable growth of SMEs Abeokuta, Ogun

State. The study concentrated only in Abeokuta and didn't explain how and why it chose the selected SMEs it used for the study.

Ekpeyong and Nyang (2018), investigated the impact of equity financing on Sustainable growth in Addis Ababa, Ethiopia. The study was carried out in seventy-six SMEs. Descriptive survey design was adopted in the study and ANOVA was the tool of analysis used. The study population was 76 SMEs in Addis Ababa, Ethiopia. The findings of the study showed that equity financing had a positive significant effect on sustainable growth. The study further showed that equity financing and not debt financing leads to sustainable growth in Addis Ababa, Ethiopia. The study concentrated only in Addis Ababa and didn't explain how and why it chose the selected SMEs it used for the study.

Fajnzylber, Maloney & Rojas (2016), examined the impact of equity financing and sustainable growth in selected MSMEs, Kigali, Rwanda. Descriptive survey design was used in the study, and tool of analysis was correlation. The targeted group was 132 MSMEs in Kigali. This study employed descriptive, comparative, correlation and quantitative research design. Questionnaire was used to collect primary data from a sample of 101 respondents derived from a population of 132 owners of MSMEs, using a purposive sampling procedure. The finding revealed that there is a positive significant relationship between equity financing and sustainable growth in selected MSMEs, Kigali, Rwanda. The study used correlation analysis as the tool of statistical analysis instead of a more appropriate tool of analysis regression which seeks to test the relationship between the independent variable and the dependent variable.

Methodology

This research adopted survey research design because it provides fast and comfortable results. According to SMEDAN National Survey of 2021, there are about seventeen thousand, three hundred and twenty one (17,321) SMEs in F.C.T., Abuja as shown below:

Table 1: Population Size of SMEs in F.C.T, Abuja

Economic Sector	Sole Proprietorship	Partnership	Private Limited Liability Company	Cooperative	Faith Based Org.	Total
Manufacturing	**124**	**79**	**271**	**194**	**51**	**719**
Minning & Quarrying	**253**	**59**	**286**	**169**	**64**	**831**
Accommodation & Food Services	**482**	**105**	**358**	**315**	**159**	**1419**
Agriculture	**226**	**43**	**266**	**295**	**147**	**977**
Wholesale/Retail trade	**505**	**77**	**291**	**299**	**168**	**1340**
Construction	**254**	**89**	**279**	**285**	**105**	**1012**
Transport & Storage	**302**	**47**	**293**	**313**	**63**	**1018**
Financial Intermediation	**355**	**48**	**365**	**157**	**105**	**1030**
Real Estate, Renting, Business Activities	**451**	**111**	**378**	**265**	**151**	**1356**
Information and Communication	**385**	**100**	**353**	**153**	**57**	**1048**
Education	**554**	**33**	**351**	**167**	**153**	**1258**
Administrative and Support Activities	**452**	**119**	**341**	**241**	**42**	**1195**
Health and Social Works	**405**	**69**	**276**	**139**	**141**	**1030**
Arts, Entertainment and Recreation	**401**	**55**	**354**	**211**	**51**	**1072**
Other Services Activities	**256**	**93**	**368**	**187**	**159**	**1063**
Water Supply, Sewerage, Waste Management and Remediation Act	**250**	**71**	**323**	**235**	**64**	**943**
TOTAL	**5655**	**1198**	**5153**	**3625**	**1690**	**17,321**

Source: SMEDAN National Survey of 2021.

Sample Size

Since the population was not drawn from a homogenous group, sample was drawn using a stratified random sampling technique to obtain a representation from the population. The researcher divided the entire population into different subgroups or strata, then applied the stratified sample formula to calculate the proportion of respondents from each group to be randomly selected from the different strata. Furthermore, sampling without replacement method of simple random sampling technique was finally used in selecting respondents to be considered for the study.

Model Specification

Measures of equity financing used in this study are Angel Investors, Venture Capital Firms, Crowd Funding, Corporate Investors and Initial Public Offering (IPO) while sustainable growth proxies are Income Generation and Job Creation are expressed in this study as shown below:

$$IG = \alpha_1 + ß_1AI + ß_2VCF + ß_3CF + ß_4CI + ß_5IPO + u \quad \text{..................................} \quad 1$$

$$JC = \alpha_1 + ß_1AI + ß_2VCF + ß_3CF + ß_4CI + ß_5IPO + u \quad \text{...................................} \quad 2$$

Where: IG = Income Generation, JC = Job Creation, AI = Angel Investors, VCF = Venture Capital Firms, CF = Crowd Funding, CI = Corporate Investors, IPO = Initial Public Offering, u= Margin of Error

Cronbach Alpha reliability test

The Cronbach Alpha reliability test for all items is shown below:

Table 2: Cronbach's Alpha Reliability Test for all Items

Variables	**Cronbach's Alpha**	**No. of Items**
Angel Investors	0.944	3
Venture Capital Firms	0.993	3
Crowd Funding	0.982	3
Corporate Investors	0.980	3
Initial Public Offer	0.974	4
Income Generation	0.981	4
Job Creation	0.975	4

Source: Researchers Survey Data from E- view, (version 7)

Based on the right target population identified; adequate representation of sample; appropriateness of sampling method; structured questionnaire using Likert-scales; administering the instrument without biasness, entering data with care using E-view package (version7), since the result of the Alpha is more than 0.7, we therefore conclude that the measuring instrument of the variables is reliable and acceptable.

Presentation of Data

Analysis of Responses

Table 3: Analysis of Equity Financing in SMEs in Abuja

Statements (Equity Financing)	Responses	Frequency	Percent
How many years have you been doing this business?	0-2 years	42	9.6
	3-5 years	143	39.6
	6-8 years	107	28.7
	9-11 years	62	15.9
	12-13 years	22	3.9
	Over 14 years	16	2.1
	Total	390	100.0
Have you ever been able to access fund from equity investors or banks?	No	226	59.3
	Yes	164	40.7
	Total	390	100.0
If yes how many times have you been able to access fund from equity investors or banks?	1-2 times	83	36.8
	3-4 times	40	2.7
	Over 5 times	41	2.7
	Total	164	100.0
Have you ever been able to access the Federal Government of Nigeria initiatives to SMEs?	No	321	86.2
	Yes	69	13.8
	Total	390	100.0
What is the major challenge(s) you face or SMEs face in a bid to accessing fund?	Lack of adequate collateral	104	28.1
	Stringent conditions	148	41.3
	Cost of accessing funds	53	12.9
	No support for start-ups	37	8.1
	High bank interest rates	36	9.0
	Others	12	.6
	Total	390	100.0

Source: Data Output Using SPSS Statistical Package (Version 23)

Table 4: Analysis of Sustainable Growth in SMEs in Abuja

Statements (Sustainable Growth)	Responses	Frequency	Percent
How often have you been able to sustain your growth in terms of income generation	All of the time	51	13.5
	Most of the time	76	19.8
	Some of the time	88	23.4
	A little of the time	64	16.2
	None	111	27.2
	Total	390	100.0
How often have you been able to sustain your growth in terms of job creation?	All of the time	91	25.4
	Most of the time	97	26.0
	Some of the time	32	6.0
	A little of the time	72	18.6
	None	98	26.0
	Total	390	100.0
How often have you been able to sustain your growth in terms of operational efficiencies?	All of the time	22	4.8
	Most of the time	40	9.0
	Some of the time	62	15.6
	A little of the time	66	16.8
	None	200	53.9
	Total	390	100.0
How often has low income generation been a barrier to the growth of the business?	All of the time	30	9.0
	Most of the time	117	35.0
	Some of the time	92	27.5
	A little of the time	26	7.8
	None	69	20.7
	Total	390	100.0
How often has limited operational efficiency been a barrier to the growth of the business?	All of the time	18	3.6
	Most of the time	51	12.3
	Some of the time	150	41.9
	A little of the time	99	23.7
	None	72	18.8
	Total	390	100.0
How often has job creation been a barrier to the growth of the business?	All of the time	26	4.8
	Most of the time	84	19.2
	Some of the time	54	13.2
	A little of the time	142	39.5
	None	88	23.4
	Total	390	100.0

Source: Data Output Using SPSS Statistical Package (Version 23)

Test of Hypotheses

The hypotheses tested were stated in null form, the null hypotheses indicate no significant relationship between independent variable (equity financing) and the dependent variable (sustainable growth). Simple linear regression analysis was used to analyze the hypotheses.

Test of Hypothesis Two
Equity Financing has no significant impact on income generation of SMEs in F.C.T., Abuja

Table 5.

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	.432	.132		4.231	.002
	IAIscore	.217	.045	.324	4.765	.000
	IVCFsco	.321	.067	.231	3.712	.000
	ICFscore	.432	.098	.345	5.435	.000
	ICIscore	.567	.032	.324	.342	.000
	IIPOscor	.679	.435	.164	.676	.427

a. Dependent Variable: DIG score

Source: Data Output Using SPSS Statistical Package (Version 23)

Table 6.

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.961[a]	.942	.941	.52040	.130

a. Dependent Variable: DIG score
b. Predictors: (Constant), IAIscore, IVCFscore, ICFscore, ICIscore, IIPOscore

Source: Data Output Using SPSS Statistical Package (Version 23)

Hypothesis two above shows a significant relationship between Angel Investors and income generation of SMEs in F.C.T., Abuja at (B = .217, t = 4.765, Sig = .000, P <.05). This result shows that when owners of SMEs in F.C.T., Abuja get finance from Angel Investors, it helps to increase their income generation. It was equally revealed that there is a significant relationship between Venture Capital Firms and income generation of SMEs in F.C.T., Abuja at (B = .321, t = 3.712, Sig = .000, P <.05). This result shows that when owners of SMEs in F.C.T., Abuja get finance from Venture Capital Firms, it helps to increase their income generation. It was equally revealed that there is a significant relationship between Crowd Funding and Income generation of SMEs in F.C.T., Abuja at (B = .432, t = 5.435, Sig = .000, P <.05). This result shows that when owners of SMEs in F.C.T., Abuja get finance from Crowd Funding, it helps to increase their income generation. It was also revealed that there is a significant relationship between Corporate Investors and income generation of SMEs in F.C.T., Abuja at (B = .567, t = .342, Sig = .000, P <.05). This result shows that when owners of SMEs in F.C.T., Abuja get their finance from Corporate Investors, it helps to increase their income generation. Also, there is a significant relationship between Initial Public Offering (IPO) and income generation of SMEs in F.C.T., Abuja at (B = .679, t = .676, Sig = .000, P <.05). This result shows that when owners of SMEs in F.C.T., Abuja get finance from Initial Public Offering (IPO), it helps them to increase their income generation. Therefore, the null hypothesis was rejected.

Test of Hypothesis Three
Equity Financing has no significant impact on job creation of SMEs in F.C.T., Abuja

Table 7.

Coefficients

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	T	Sig.
1	(Constant)	.332	.213		3.567	.002
	IAIscore	.117	.089	.324	4.614	.000
	IVCFsco	.643	.032	.231	3.703	.000
	ICFscore	.567	.054	.345	8.267	.000
	ICIscore	.553	.031	.324	.435	.000
	IIPOscor	.589	.321	.164	.647	.427

a. Dependent Variable: DJC score

Table 8.

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.971[a]	.953	.953	.32040	.131

a. Dependent Variable: DJC score
b. Predictors: (Constant), IAIscore, IVCFscore, ICFscore, ICIscore, IIPOscore

Source: Data Output Using SPSS Statistical Package (Version 23)

Hypothesis three above shows a significant relationship between Angel Investors and job creation of SMEs in F.C.T., Abuja at (B = .117, t = 4.614, Sig = .000, P <.05). This result shows that when owners of SMEs in F.C.T., Abuja get finance from Angel Investors, it helps to increase job creation. It was equally revealed that there is a significant relationship between Venture Capital Firms and job creation of SMEs in F.C.T., Abuja at (B = .643, t = 3.703, Sig = .000, P <.05). This result shows that when owners of SMEs in F.C.T., Abuja get finance from Venture Capital Firms, it helps to increase job creation. It was equally revealed that there is a significant relationship between Crowd Funding and job creation of SMEs in F.C.T., Abuja at (B = .567, t = 8.267, Sig = .000, P <.05). This result shows that when owners of SMEs in F.C.T., Abuja get finance from Crowd Funding, it helps to increase job creation. It was also revealed that there is a significant relationship between Corporate Investors and income generation of SMEs in F.C.T., Abuja at (B = .553, t = .435, Sig = .000, P <.05). This result shows that when owners of SMEs in F.C.T., Abuja get their finance from Corporate Investors, it helps to increase job creation. Also, there is a significant relationship between Initial Public Offering (IPO) and job creation of SMEs in F.C.T., Abuja at (B = .589, t = .647, Sig = .000, P <.05). This result shows that when owners of SMEs in F.C.T., Abuja get finance from Initial Public Offering (IPO), it helps them to increase their job creation. Therefore, the null hypothesis was rejected.

Major Findings

Hypothesis One: *Equity Financing has no significant impact on income generation of SMEs in F.C.T., Abuja*

Findings based on the above hypothesis revealed that equity financing (Angel Investors, Venture Capital Firms, Crowd Funding, Corporate Investors and Initial Public Offering) has significant relationship with income generation of SMEs in F.C.T., Abuja. The proxies for equity financing that is Angel Investors, Venture Capital Firms, Crowd Funding, Corporate Investors and Initial Public Offering are singularly positively significant to income generation of SMEs in F.C.T., Abuja.

Also, the coefficient of determination (R^2) of 0.94 indicates that 94% of variation in income generation of SMEs in F.C.T., Abuja can be explained by equity financing (Angel Investors, Venture Capital Firms, Crowd Funding, Corporate Investors and Initial Public Offering). Other factors not included in the regression model account for the 6% remaining.

Hypothesis Two: *Equity Financing has no significant impact on job creation of SMEs in F.C.T., Abuja*

Findings based on the above hypothesis revealed that equity financing (Angel Investors, Venture Capital Firms, Crowd Funding, Corporate Investors and Initial Public Offering) has significant relationship with job creation of SMEs in F.C.T., Abuja. The proxies for equity financing that is Angel Investors, Venture Capital Firms, Crowd Funding, Corporate Investors and Initial Public Offering are singularly positively significant to job creation of SMEs in F.C.T., Abuja. Also, the coefficient of determination (R^2) of 0.95 indicates that 95% of variation in job creation of SMEs in F.C.T., Abuja can be explained by equity financing (Angel Investors, Venture Capital Firms, Crowd Funding, Corporate Investors and Initial Public Offering). Other factors not included in the regression model account for the 5% remaining.

Discussion of Findings

The results of the analysis indicate that there is a significant relationship between equity financing and sustainable growth of SMEs in F.C.T., Abuja. The study is anchored on the institutional theory of equity financing and sustainable growth which suggests that if borrowing becomes inevitable, equity financing should be opted for as against debt financing. Explaining that with equity financing there is no obligation to repay the money acquired through it.

The finding of this study is also in line with Adejuyigbe (2017), Adoyi & Agbo (2019), Beck, Demirguc-Kunt & Levine (2018), Chizea (2020), Ekpeyong and Nyang (2018), whose findings revealed that there is a significant relationship of equity financing on sustainable growth but the finding of this study is not in line with the findings of Hammond (2018), whose findings revealed that there is a negative significant relationship of equity financing on sustainable growth.

Conclusions

The study concludes that:

i. Equity financing also influences income generation of SMEs in F.C.T., Abuja. The study concludes that income generation will improve if SMEs in F.C.T., Abuja can gain access to equity funds from angel investors, venture capital firms, and crowd funding, corporate investors or from initial public offering.

ii. The study concludes that equity financing also influences job creation of SMEs in F.C.T., Abuja. This means that more jobs would be created if SMEs can be funded from equity sources.

Recommendations

The study recommends the following based on the findings and in line with the objectives of the study:

1. Since equity investors incur a high risk when funding SMES than lenders do, SMEs should devise an effective method of generating more income with funds given to them so as to be able to pay back equity investors to prevent them from shying away from financing SMEs.
2. The Federal government of Nigeria should ensure that funds given to owners of SMEs are largely targeted towards job creation and not just assets acquisition. The government should equally ensure that the finance given to SMEs through government initiatives get to right owners of SMEs and not hijacked by cabals who mean no well for SMEs.

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