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Internal Organisational Factors and Access to Finance of Small and Medium Enterprises in Lagos State, Nigeria

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Abstract

Access to finance is a critical factor for the survival, growth, and development of Small and Medium Enterprises (SMEs) worldwide. However, empirical evidence from the literature has revealed that SMEs face significant challenges in accessing finance, often encountering issues such as stringent collateral security requirements, prolonged loan processing times, limited loan amounts, high interest rates, and low loan approval success rates. These challenges have been attributed, in part, to the non-adoption of internal organizational factors, including management expertise, quality of financial reports, operational efficiency, firm size, and firm age. Previous studies have attempted to clarify the obstacles faced by SMEs and the associated potential solutions. However, majority of these studies have concentrated on industrialised nations rather than on emerging economies like Nigeria. Hence, this study examined internal organisational factors and access to finance of Small and Medium Enterprises in Lagos State, Nigeria. Survey research design was adopted for this study. The population comprised 42,067 owners/managers of SMEs in Lagos State, Nigeria. A sample size of 495 was determined using Cochran formula. Stratified random sampling technique was adopted in selecting respondents. A structured and validated questionnaire was utilized for data collection with Cronbach's alpha reliability coefficients for the constructs ranged from 0.702 to 0.973. The response rate was 90.7%. Data were analysed using the descriptive and inferential (structural equation model) statistics at a significant level of 5%. Findings revealed that internal organisational factors had a statistically significant effect on access to finance ($Adj.R^2 = 0.596$; $F\ (5,443) = 133.139$., $p < 0.05$) of Small and Medium Enterprises in Lagos State, Nigeria. The study concluded that internal organisational factors improved SMEs access to finance in Lagos State, Nigeria. The study recommended that owners/managers of SMEs should proactively invest in strengthening internal organizational factors such as management expertise, financial reporting quality, operational efficiency, firm size, and firm age, recognizing their profound impact on enhancing access to finance.

Keywords: *Firm age, Firm size, Management expertise, Operational efficiency, Quality of financial reports, SMEs access to finance*

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Background to the Study

Small and Medium Enterprises (SMEs) play a pivotal role in the economic development of any nation, contributing meaningfully to employment generation, innovation, and overall economic growth (Tahir et al., 2021). Their importance lies in their ability to foster entrepreneurship, drive competition, and bring dynamism to various industries (Olowookere et al., 2021; Saidi et al., 2019). SMEs are often more flexible and responsive to market changes, and they serve as a breeding ground for innovation, which have a positive ripple effect on the broader economy (Bello & Mustapha, 2021). However, despite their crucial role, SMEs often face challenges in accessing finance, hindering their growth potential. One major issue is the requirement for collateral. Loan processing time is another significant hurdle for SMEs seeking financial support (Adejoh, 2021; Obiageri et al., 2019). Furthermore, issues related to loan amounts and approval success rates also negatively influenced SMEs' access to finance (Sanni et al., 2020). These issues suggest a lack of internal organisational factors such as management expertise, quality of financial reports, and operational efficiency, all of which may contribute to SMEs' access to finance. Improving access to finance for SMEs requires addressing these issues of collateral requirements, loan processing procedures, and loan approval success rate (Muo & Okunbadejo, 2020).

Globally, small and medium enterprises (SMEs) face tremendous obstacles in accessing finance, as evidenced by stringent collateral requirements, lengthy processing times, limited loan amounts, and low approval rates (International Trade Centre, 2022; World Bank, 2022; European Commission, 2022; International Finance Corporation, 2021; International Trade Centre, 2022). According to reports, over 65% of SMEs worldwide lack sufficient collateral to secure loans, while collateral requirements for SMEs are three times higher than for large enterprises (World Bank, 2022; European Commission, 2022). Furthermore, the loan approval success rate for SMEs is 15-20% lower, and the average loan processing time is 55 days, with significant delays observed even in developed economies (European Commission, 2022; International Finance Corporation, 2021).

In the United States of America (USA), the percentage of SMEs reporting difficulty accessing finance increased from 32% in 2019 to 47% in 2022 in California (California Small Business Association, 2022). States like West Virginia, Mississippi, and Alabama have a substantial proportion of SMEs lacking sufficient collateral, ranging from 63% to 68% (Federal Reserve Bank of St. Louis, 2022). Loan processing times for SMEs in these states exceed the national average, with West Virginia taking 52 days, Mississippi 58 days, and Alabama 55 days (Small Business Administration, 2021). Additionally, the approved loan amounts and loan approval rates for SMEs in these states are lower than the national averages (National Small Business Association, 2022; American Federal Reserve, 2022).

In the United Kingdom (UK), SMEs have faced declining loan approval rates, lower loan amounts, and increased processing times across regions like Northern Ireland, Scotland, and Wales (Department for Business, Energy, and Industrial Strategy, 2022; Federation of Small Businesses, 2022). According to reports, 62% to 67% of SMEs in these regions lack sufficient collateral, limiting their access to critical funding (British Business Bank, 2023). Loan processing times for SMEs in these regions range from 53 to 58 days, exceeding the UK average (Federation of Small Businesses, 2022). Furthermore, the average loan amounts approved for SMEs in these regions are lower than the UK average, and the loan approval rates range from 19% to 22%, compared to the UK average of 24% (Institute of Directors, 2021; Department for Business, Energy, and Industrial Strategy, 2022).

In Asia, countries like India, China, Indonesia, and Pakistan report high percentages of SMEs lacking necessary collateral, ranging from 65% to 75% (Small and Medium Enterprises Development Authority of India, 2022; Small Industries Development Bank of India, 2021; National Small and Medium Enterprises Agency, 2021). Loan processing times in these countries are longer than the global average, with Pakistan taking up to 70 days and India 60 days (National Small and Medium Enterprises Agency, 2021). Additionally, the average approved loan amounts for SMEs in these countries are relatively low, often falling short of SMEs' requirements (SMEDA, 2022; Ministry of Industry and Information Technology, 2022; SMEDA, 2023). Furthermore, loan approval rates for SMEs in these countries are low, with India at 18% and Pakistan at 12% (SMEDA, 2022; MIIT, 2022).

In Africa, collateral requirements remain a significant obstacle for SMEs in accessing finance, with countries like Eritrea, Angola, Eswatini, and Zimbabwe reporting substantial proportions of SMEs lacking sufficient collateral, ranging from 68% to 75% (African Development Bank, 2022; Endris & Kassegn, 2022; Eritrean Chamber of Commerce and Industry, 2022; Zimbabwe Small and Medium Enterprises Development Corporation, 2023). Loan processing times for SMEs in these countries are lengthy, with Angola taking up to 65 days and Zimbabwe up to 70 days (Agencia Angolana de Promocao do Investimento e Exportacoes, 2022; Zimbabwe National Chamber of Commerce, 2021). The average approved loan amounts for SMEs in these countries are relatively low, often insufficient for growth and expansion plans (Eritrean Ministry of Trade and Industry, 2022; Eswatini Investment Promotion Authority, 2021; Eswatini Business and Professional Women, 2022). Furthermore, loan approval rates for SMEs in these countries are low, with Eritrea at 15% and Zimbabwe at 12% (Instituto Nacional de Apoio às Pequenas e Médias Empresas, 2023; Banco de Desenvolvimento de Angola, 2022).

In Nigeria, SMEs face acute challenges in accessing finance, with up to 90% of SME loans requiring 200%+ collateral coverage, the highest rate globally (CBN, 2022). The average SME lending processing time in Lagos is 50 days, undermining timely access to financing (EFInA, 2021). The average loan amount received by Nigerian SMEs is just ₦600,000, while average startup costs exceed ₦5 million (SMEDAN, 2022). Notably, no more than 25% of Nigerian SMEs seeking loans or lines of credit successfully secure bank funding due to risk factors (McKinsey, 2020). In Lagos State, 68% of SMEs lack sufficient collateral, and the average loan processing time takes up to 52 days (SMEDAN, 2021). The average approved loan amount for SMEs in Lagos State stands at N120,000, a mere fraction of the capital required for growth or expansion (Muo & Okunbadejo, 2020; Saidi et al., 2019). Moreover, only 18% of SMEs in Lagos State receive loan approval, indicating a systemic bias against SMEs (Aladejebi & Oladimeji, 2019; Aladejebi, 2019). Based on the gaps and SMEs problems discussed above, this study examined the effect of internal organisational factors on access to finance of small and medium enterprises in Lagos state, Nigeria.

Literature Review

This section reviewed conceptual, empirical and theoretical views as they affect the study variables.

SMEs Access to Finance

According to Isyaku and Balla (2022), access to finance refers to the ability of individuals and businesses to obtain funds, loans, or capital for various purposes. Muo and Okunbadejo (2020) define access to finance as the opportunity for SMEs to secure the financial resources needed to invest, grow, or manage their finances. Bello and Mustapha (2021) refer to access to finance as the availability of credit, financial products, and services to meet financial needs. Access to finance signifies the ease with which individuals and organizations can obtain financial assistance from banks, lenders, or financial institutions (Adejoh, 2021). Access to finance is about ensuring that financial services are affordable, convenient, and readily accessible to a broad spectrum of society (Adeoti & Asabi, 2018). Access to finance involves the elimination of barriers that prevent underserved or marginalized populations from obtaining financial services (Yusufu et al., 2020). Obiageri et al. (2019) defined access to finance as the inclusivity of financial systems, reaching those who were previously excluded.

Internal Organisational Factors

Buchdadi et al. (2020) state that internal organizational factor refers to the elements and conditions within a company that impact its overall operations, performance, and success. Anga et al. (2021) explain that internal organizational factor includes the company's organizational structure, culture, and management practices. Gumel and Bardai (2021) suggest that internal organizational factor encompasses the company's human resources, including employees, skills, and knowledge. Folajinmi and Peter (2020) state that internal organizational factor represents the processes, procedures, and workflows that govern the company's daily activities. Oke et al. (2020) explain that internal organizational factor involves the company's assets, such as physical resources and intellectual property. The measures of internal organisational factors for the study comprises of management expertise, quality of financial reports, operational efficiency, firm size, and firm age.

Isyaku and Balla (2022) state that management expertise refers to the comprehensive knowledge and skills that a professional possesses to effectively lead and oversee organizational operations. Ibitoye (2018) explains that management expertise denotes the ability to make informed decisions, set strategic goals, and achieve desired outcomes in a management role. Mabula and Han (2018) state that management expertise involves the proficiency in planning, organizing, directing, and controlling resources within an organization to achieve its objectives. Godwin and Simon (2021) state that the quality of financial reports refers to the accuracy and reliability of the financial information presented. Akinadewo et al. (2020) explain that quality of financial reports denotes the degree to which financial reports provide a true and fair view of an organization's financial position. Awoyemi and Makanju (2020) state that quality financial reports involve the adherence to accounting standards and principles, ensuring consistency in reporting. Hongli and Vitenu-Sackey (2019) explain that the quality of financial reports encompasses the completeness and comprehensiveness of the information provided.

Tahir et al. (2021) state that operational efficiency is the ability of an organization to optimize its processes and resource utilization to achieve the desired output with minimal input. Augustine (2019) explains that operational efficiency denotes the effectiveness of an organization in maximizing productivity and minimizing waste. Isyaku and Balla (2022) suggest that operational efficiency involves streamlining workflows and eliminating unnecessary steps to improve overall performance. Buchdadi et al. (2020) state that firm size refers to the number of employees a company has on its payroll. Amoako-Adu and Eshun (2018) explain that firm size denotes the scale of a business organization, often measured by the total workforce. Anga et al. (2021) suggest that firm size is an indicator of a company's capacity to produce goods or services. Aribaba et al. (2019) state that firm size encompasses the dimension of a company in terms of its market presence and reach.

Olaoye et al. (2018) state that firm age refers to the length of time that a business organization has been in operation since its establishment. Fasola et al. (2020) explain that firm age denotes the number of years that have passed since a company was founded or incorporated. Offiong et al. (2019) suggest that firm age signifies the maturity or youthfulness of a business entity within a specific industry or market. Ibrahim and Ndidi (2020) state that firm age encompasses the historical context of a company's existence and its evolution over time. Choudhury and Goswami (2019) explain that firm age is a measure of an organization's experience and longevity in the marketplace.

Internal Organisational Factors and SMEs Access to Finance
Existing literature on the impact of internal organizational factors on access to finance for small and medium enterprises (SMEs) presents a mixed picture, with studies reporting both positive and negative outcomes. Several studies, including those by Simon-Oke (2019), Gololo (2017), Ohachosim et al. (2018), and Adebisi et al. (2015), found that internal organizational factors significantly influenced access to bank financing, with some specifically noting a positive effect. Similarly, research by Alharbi et al. (2019), Veiga and McCahery (2019), Oke and Aluko (2015), Anthony et al. (2019), Ibrahim and Mohd (2015), and Alam (2017) supported the notion that internal organizational factors positively impact access to bank financing. These studies underscored the importance of factors such as organizational structure, management practices, and financial management in facilitating SMEs' access to financial resources. Conversely, studies by Sanni et al. (2020)

and Tahir et al. (2021) reported conflicting findings, indicating that internal organizational factors may have a significant but not necessarily positive influence on access to bank financing. Nevertheless, the cumulative evidence suggests that internal organizational factors play a crucial role in determining SMEs' ability to access bank financing, highlighting the need for further research to elucidate the complex dynamics at play in this relationship.

Theoretical Review

In studying internal organizational factors and access to finance for Small and Medium Enterprises (SMEs) in Lagos State, Nigeria, Signaling Theory and the Dynamic Capabilities View (DCV) offer distinct perspectives. Signaling Theory, pioneered by Michael Spence in 1973, operates on the assumption that firms use signals to communicate valuable information about their quality and capabilities to external stakeholders, including lenders. In Lagos State's SME environment, this theory posits that factors such as transparent financial reporting, effective management practices, and strategic planning serve as signals influencing lenders' perceptions of creditworthiness. Supporters argue that Signaling Theory provides a robust framework for understanding how SMEs navigate the financial market's complexities by strategically conveying their strengths and mitigating information asymmetries.

However, critics of Signaling Theory contend that it oversimplifies the relationship between internal organizational factors and access to finance. They argue that the theory may not adequately address the contextual nuances and varying interpretations among lenders, especially in a dynamic market like Lagos State. Additionally, critics raise concerns about the potential for signaling to be misleading or manipulated, particularly in environments characterized by asymmetric information or strategic gaming. Despite these criticisms, supporters maintain that Signaling Theory remains relevant in understanding how SMEs in Lagos State utilize internal organizational factors to establish credibility and secure financing in a competitive financial business environment.

In contrast, the Dynamic Capabilities View (DCV), developed by David Teece and Gary Pisano in 1994, emphasizes a firm's ability to adapt and respond to changes in its external environment. For SMEs in Lagos State seeking access to finance, DCV suggests that internal organizational factors such as innovation capacity, agility, and strategic foresight are crucial for identifying and capitalizing on opportunities in the financial market. Proponents argue that DCV offers a dynamic and nuanced perspective, highlighting SMEs' capacity to leverage internal resources and capabilities to enhance their competitive position and access to finance. In Lagos State's SME context, where market conditions are often volatile and uncertain, understanding and cultivating dynamic capabilities are seen as essential for SMEs to thrive and secure financing for growth and expansion.

Methodology

Survey research design was adopted for this study. The population comprised 42,067 owners/managers of SMEs in Lagos State, Nigeria. A sample size of 495 was determined using Cochran formula. Stratified random sampling technique was adopted in selecting respondents. A structured and validated questionnaire was utilized for data collection with Cronbach's alpha reliability coefficients for the constructs ranged from 0.702 to 0.973. The response rate was 90.7%. Data were analyzed using the descriptive and inferential (structural equation model) statistics at a significant level of 5%. The principal factors investigated were measured on a six-point scale with anchors ranging from Very High (VH) to Very Low (VL), for the independent variables and dependent variable respectively. Multiple regression equation developed along the dependent and independent variables.

Variables Identification

The independent variable is internal organisational factor (X) measured by sub-variables of management expertise, quality of financial reports, operational efficiency, firm size and firm age, while the dependent variable (Y) is SMEs access to finance measured as a whole.

Functional Relationship

The operational model for the study variables is denoted in the equations below:

$Y = f(X)$ – Y is a function of X

Where:

$Y = f(x_1, x_2, x_3, x_4, x_5)$

Y = Dependent Variable (SMEs Access to Finance)

X = Independent Variable (Internal Organisational Factor)

Where:

Y = SMEs Access to Finance (SMEsAF)

y_1 = Management Expertise (ME)

y_2 = Quality of Financial Reports (QFR)

y_3 = Operational Efficiency (OE)

y_4 = Firm Size (FS)

y_5 = Firm Age (FA)

Regression Model

The model formulated for each of the hypothesis is written as

$SMEsAF = \beta_0 + \beta_1 CSR + \beta_2 LPT + \beta_3 LA + \beta_4 IR + \beta_5 LASR + \varepsilon_i$ -------------------------- Eqn

Where;

α_0 = the constant of the equation

β_1- β_5 = the coefficient of variables in the equations;

ε_i = the stochastic function that accounts for the errors that may arise in the equation.

Data Analysis, Results and Discussion

The researcher distributed 495 copies of questionnaire to the respondents, representing the total sample size for the study. Out the total copies (495) of questionnaire distributed, four hundred and forty-nine (449) were returned representing a valid response rate of 90.7% enabling the researcher to proceed to the analysis. The remaining forty (46) copies of the questionnaire were not returned and some were incomplete which led to the exclusion in the final stage of data analysis due to issue of non-response by the respondents. Sekaran (2003) suggests that for generalization a response rate of 50% is adequate for analysis and reporting, 60% is good and a response rate of 70% and over is excellent. However, in this study, the total response rate was 90.7% which is adequate to proceed with the analysis. This response rate was accredited to the data collection procedure, where the researcher through the research assistants administered the questionnaire and reminds the respondents to fill in the questionnaire and picked the filled questionnaire later on.

Data Treatment Results

This section presents the results of the treatment performed on the data collected during the field work before the regression analyses were done to evaluate the hypotheses. To ensure that all of the basic assumptions governing regression were met, the data was submitted to certain pre-diagnostic tests. Normality, linearity, homoscedasticity, and multicollinearity tests were performed as diagnostic tests.

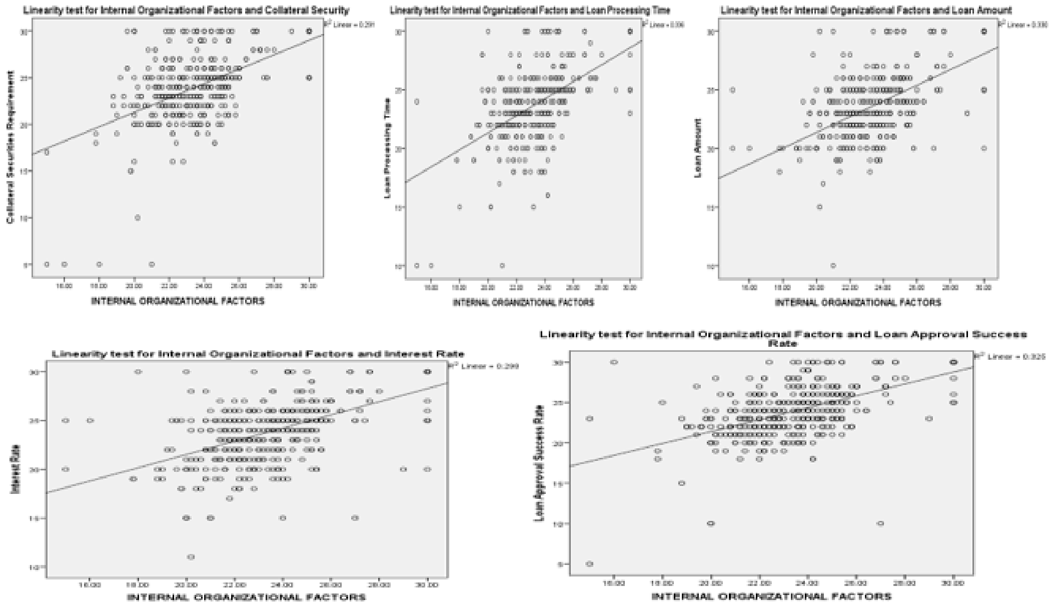
Table 1a: Results of Normality Test

Variables	Skewness		Kurtosis	
	Statistic	Std. Error	Statistic	Std. Error
Management Expertise	-.527	.115	1.294	.230
Quality of Financial Reports	-.862	.115	5.155	.230
Operational Efficiency	.364	.115	-.169	.230
Firm Size	-.805	.115	4.459	.230
Firm Age	-.279	.115	.916	.230
Collateral Securities Requirement	-1.171	.115	5.679	.230
Loan Processing Time	-.508	.115	1.972	.230
Loan Amount	.158	.115	.666	.230
Interest Rate	-.293	.115	.530	.230
Loan Approval Success Rate	.365	.116	-.163	.241
Valid N (listwise)	-2.277	.114	11.807	.228

Source: Survey Data (2024)

The table 1a shows skewness values fell within the acceptable threshold of -3 and +3 and the kurtosis values are also within the recommended threshold of 8.0 (Bryne, 2010). This result indicates that the data is largely normal and the basic assumption of parametric testing was fulfilled.

Figure 1a: Linearity Test (Scatterplot)



As it is shown in figure 1a for the linearity test, the scatter plot produced by SPSS version 25 shows that the relationship between the independent, and dependent variables could be modelled by a straight line, suggesting that the relationship between these variables is linear. Therefore, it was found that the independent variables; management expertise, quality of financial reports, operational efficiency, firm size and firm age as well as the dependent variables: collateral securities requirement, loan processing time, loan amount, interest rate and loan approval success rate have a linear relation, implying that the linearity assumption is satisfied. Accordingly, the operationalized models for hypotheses one to six can be estimated accurately.

Table 1b: Result of Multi-Collinearity Test

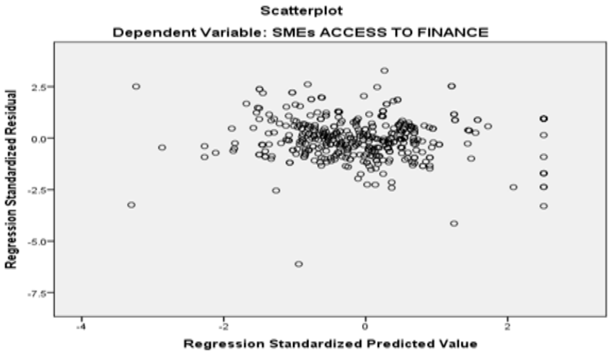
Model	**Collinearity Statistics**	
	Tolerance	**VIF**
Management Expertise	.666	1.502
Quality of financial reports	.504	1.985
Operational efficiency	.535	1.869
Firm size	.622	1.608
Firm age	.767	1.303
Average	*0.619*	*1.653*
Dependent Variable: SMEs Access to Finance		

Source: Author's Computation, 2024; data from Field Survey.

Table 1b presented the results of the multi-collinearity test which revealed that the VIF values of all the independent sub-variables procurement practice were less than 10 (VIF <

10). Also, the Tolerance displayed values higher than 0.1 (Tolerance > 0.1) which shows that there was no case of severe multi-collinearity issues.

Figure 1b: Result of Homoscedasticity Test



Source: Authors' Computation, 2024

The scatterplot reveals no exact or systematic pattern, thereby signifying the normality of the residuals and the constant variance. This confirms that the model is homoscedastic.

Restatement of Research Objective and Research Question

Objective: evaluated the effect of internal organisational factors on access to finance of SMEs in Lagos State, Nigeria

Research Question: What is the effect of internal organisational factors on access to finance of SMEs in Lagos State, Nigeria?

The objective examined the effect of internal organisational factors on access to finance of SMEs in Lagos State, Nigeria. On a six-point Likert scale, the respondents were requested to rate their perception of various items about internal organisational factors and access to finance of SMEs in Lagos State, Nigeria. These points formed the weights for calculating the score for each item. The results are shown below with an analysis and interpretation.

Restatement of Hypothesis

H_0: Internal organisational factors do not significantly affect access to finance of SMEs in Lagos State, Nigeria

Multiple linear regression analysis was adopted to test this study hypothesis. The independent variable is internal organisational factors, while the dependent variable is SMEs access to finance. In the analysis, data for internal organisational factors were created by adding together responses of all the items under the various dimensions to generate independent scores for each dimension. For SMEs access to finance, responses of all items the variable were added together to create index of SMEs access to finance. The index of SMEs access to finance as dependent variable is thereafter regress on scores index of internal organisational factors as independent variables. The results of the analysis and parameter estimates obtained are presented in Table 2.

Table 2: Summary of Multiple Regression on internal organization factors and access of finance

N	Model	B	Sig.	T	ANOVA (Sig.)	R	Adjusted R^2	F (5,443)
449	(Constant)	6.926	.000	10.322	0.000[b]	.775[a]	.596	133.139
	Management Expertise	.142	.000	6.339				
	Quality of Financial Reports	.128	.000	4.402				
	Operational Efficiency	.166	.000	5.363				
	Firm Size	.129	.000	5.155				
	Firm Age	.157	.000	6.891				
	Predictors: (Constant), Firm Age, Management Expertise, Firm Size, Operational Efficiency, Quality of Financial Reports							
	Dependent Variable: SMEs Access to Finance							

Source: Authors' computation, 2024 underlying data from Field Survey

Interpretation

Table 2 shows the multiple regression analysis results for internal organizational factors on SMEs access to finance in Lagos state, Nigeria. The results showed that, management expertise ($\beta = 0.142$, $t = 6.339$, $p<0.05$), quality of financial reports ($\beta = 0.128$, $t = 4.402$, $p<0.05$), operational efficiency ($\beta = 0.166$, $t = 5.363$, $p>0.05$), firm size ($\beta = 0.129$, $t = 5.155$, $p>0.05$) and firm age ($\beta = 0.157$, $t = 6.891$, $p>0.05$) have positive significant effect on SMEs access to finance of SMEs in Lagos state, Nigeria. This implies that management expertise, quality of financial report, operational efficiency, firm size and firm age are all important factors for SMEs in Lagos state, which in turn yields an improvement in SMEs access to finance.

The R-value of 0.775 supports this result and it indicates that internal organizational factors have a moderate positive relationship with SMEs access to finance in Lagos state, Nigeria. The coefficient of multiple determination $Adj\ R^2 = 0.596$ indicates that about 59.6% of the variation that occurs in the SMEs access to finance of SMEs in Lagos state, Nigeria can be accounted for by internal organizational factors while the remaining 40.4% changes that occur is accounted for by other variables not captured in the model. The predictive and prescriptive multiple regression models are thus expressed:

SMEsAF = 6.926+0.142ME+0.128QFR+0.166OE+0.129FS+0.157FA+U_i--Eqn(i) (Predictive Model)

SMEsAF = 6.926+0.142ME+0.128QFR+0.166OE+0.129FS+0.157FA +U_i--Eqn(ii) (Prescriptive Model)

Where:

SMEsAF= SMEs Access to Finance
ME= Management Expertise
QFR= Quality of Financial Reports
OE= Organizational Efficiency
FS= Firm Size
FA= Firm Age

The regression model shows that holding internal organizational factors to a constant zero, SMEs access to finance would be 6.926 which is positive. In the predictive model, it is seen that there is no variable of internal organizational factors which is negative and insignificant so SMEs in Lagos state can downplay these variables which is why they are not included in the prescriptive model. The results of the multiple regression analysis as seen in the prescriptive model indicate that when all variables of internal organizational factors (management expertise, quality of financial reports, operational efficiency, firm size and firm age) are improved by one-unit SMEs access to finance would also improve by 0.142, 0.128, 0.166, 0.129 and 0.157 respectively and vice-versa. This implies that an increase in management expertise, operational efficiency, firm size and firm age would lead to an improvement in SMEs access to finance of SMEs in Lagos state, Nigeria. Also, the F-statistics ($df = 5{,}443$) = 133.139 at $p = 0.000$ ($p<0.05$) indicates that the overall model is significant in predicting the effect of internal organizational factors on SMEs access to finance which implies that internal organizational factors variables are important determinants of access to finance of SMEs in Lagos state, Nigeria. The result suggests that SMEs in Lagos should pay more attention towards developing the components of internal organizational factors. Therefore, the null hypothesis (H0) which states that internal organisational factors do not have significant effect on access to finance of SMEs in Lagos State, Nigeria was rejected.

Discussion

The results of the multiple regression for the hypothesis on the effect of internal organisational factors (management expertise, quality of financial reports, operational efficiency, firm size and firm age) on access to finance of Small and Medium Enterprises (SMEs) in Lagos State, Nigeria, revealed that internal organisational factors of management expertise, quality of financial reports, operational efficiency, firm size and firm age have significant effect on access to finance. This finding provides empirical and theoretical implications. Empirically, the findings from this study agrees with Simon-Oke (2019) study that revealed that internal organizational factors had a significant influence on access to bank financing. Also, the study of Gololo (2017) found that internal organizational factors had a positive effect on access to bank financing.

Corroboratively, the study of Ohachosim et al. (2018) showed that internal organizational factors had a significant effect on access to bank financing; furthermore, the study of Adebisi et al. (2015) revealed that internal organizational factors had an important impact on access to bank financing. Alharbi et al.'s (2019) study found that internal organizational factors had a positive effect on access to bank financing. The study of Veiga and McCahery (2019) indicated that internal organizational factors had a positive impact on access to bank financing. In addition, the study of Oke and Aluko (2015) discovered that internal organizational factors had a significant impact on access to bank financing; the study of Anthony et al. (2019) revealed that internal organizational factors had a significant influence on access to bank financing. Ibrahim and Mohd's (2015) study found that internal organizational factors had a positive effect on access to bank financing. Alam's (2017) study showed that internal organizational factors had a positive effect on access to bank financing.

Aliero and Yusuf's (2017) study discovered that internal organizational factors had a significant impact on access to bank financing. Also, Oke et al.'s (2020) study revealed that internal organizational factors had a positive effect on access to bank financing. **Inversely**, the study of Sanni et al. (2020) indicated that internal organizational factors had a significant influence on access to bank financing. The Tahir et al. (2021) study showed that internal organizational factors had a positive influence on access to bank financing. Bose et al.'s (2019) study found that internal organizational factors had a positive impact on access to bank financing, and Yusufu et al.'s (2020) study showed that the internal organizational factors dimension had a positive influence on access to bank financing.

Oke and Aluko (2015) discovered a significant relationship between internal organizational factors and access to bank financing. Anthony et al. (2019) echoed these findings, underscoring the notable influence of internal organizational factors on bank financing access. Ibrahim and Mohd (2015) provided further evidence of this phenomenon, highlighting a positive effect of internal organizational factors on access to bank financing. Simon-Oke (2019) identified a significant positive correlation between internal organizational factors and access to bank financing. Similarly, Gololo (2017) observed a favorable effect of these factors on access to bank financing. Ohachosim et al. (2018) corroborated these findings, highlighting the substantial influence of internal organizational factors on bank financing access. Additionally, Adebisi et al. (2015) emphasized the pivotal role of these factors in facilitating access to bank financing. Alharbi et al. (2019) further supported these assertions, noting a positive impact of internal organizational factors on bank financing access. Veiga and McCahery (2019) reinforced this stance, reporting a beneficial effect of internal organizational factors on access to bank financing.

Similarly, Alam (2017) and Aliero and Yusuf (2017) found that internal organizational factors positively affect access to bank financing. Oke et al. (2020) reinforced these findings, demonstrating a favorable impact of internal organizational factors on access to bank financing. Sanni et al. (2020) indicated a significant influence of internal organizational factors on access to bank financing. Tahir et al. (2021) provided additional support for this notion, highlighting the positive influence of internal organizational factors on access to bank financing. Bose et al. (2019) and Yusufu et al. (2020) also observed a positive effect of internal organizational factors on access to bank financing, further emphasizing their importance in this context.

Theoretically, this research findings fell in line with the Signaling Theory and the Dynamic Capabilities View in that these theories support the variables of this study. Signaling Theory posits that information asymmetries between principals (lenders) and agents (SMEs) can lead to adverse selection and moral hazard problems, potentially restricting SMEs' access to finance. By examining factors such as management expertise, quality of financial reports, and operational efficiency, researchers can explore how these internal factors mitigate information asymmetries and reduce the perceived risk associated with lending to SMEs. Effective management, transparent financial reporting, and efficient operations can signal the creditworthiness and reliability of SMEs, potentially increasing lenders' confidence and willingness to provide financing opportunities.

Additionally, the Dynamic Capabilities View emphasizes the ability of firms to reconfigure and leverage their resources and competencies to adapt to changing environments and seize opportunities. Factors like firm size and firm age could reflect the accumulation of capabilities and resources that enable SMEs to navigate the complexities of accessing finance more effectively. By examining these factors, researchers can gain insights into the role of dynamic capabilities in shaping SMEs' ability to identify and capitalize on financing opportunities, potentially influencing their overall access to various sources of finance, including debt and equity. Considering the support of the Signaling Theory and the Dynamic Capabilities View to the effect of internal organisational factors on access to finance, this study therefore rejected the null hypothesis (H0) that internal organisational factors have no significant effect on access to finance of Small and Medium Enterprises (SMEs) in Lagos State, Nigeria.

Conclusion and Recommendations

The study concluded that internal organisational factors improved SMEs access to finance in Lagos State, Nigeria. The findings of this study made important contributions to knowledge conceptually, theoretically and empirically. Conceptually, the study identified and filled conceptual gaps in literature regarding internal organisational factors, management expertise, quality of financial reports, operational efficiency, firm size, firm age, and SMEs Access to Finance. Theoretically, the findings of this study affirmed the utilization of Signaling Theory and Dynamic capabilities view as the baseline theories of the study. Both theories were selected to guide this study because they provided perspectives that are directly related to this study and the variables under investigation. As a result, future studies can cite this study as supporting these theories. Empirically, the findings of this study support the view that internal organisational factors influences access to finance of small and medium enterprises (SMEs). Thus, the empirical outcome of this study contributes to the existing empirical findings in the area of internal organisational factors and access to finance of small and medium enterprises (SMEs) serve as a reference material for future researchers.

The study recommended that owners/managers of SMEs should proactively invest in strengthening internal organizational factors such as management expertise, financial reporting quality, operational efficiency, firm size, and firm age, recognizing their profound impact on enhancing access to finance. Future research should investigate the moderating effect of financial institutions on the relationship between internal organizational factors and access to finance for SMEs. This study could explore how factors such as the risk appetite of banks, lending criteria, and loan evaluation processes interact with internal organizational factors to determine collateral requirements, loan processing time, and approval success rates.

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