

Pre-Covid-19 Analysis of Entrepreneurship Financing and Its Role in Job Creation in Nigeria

Yomi Israel Aremu

Department of Accounting

Michael Okpara University of Agriculture, Umudike

Publication Process	Date
Received	April 01, 2021
Accepted	April 28, 2021
Published	June 30, 2021

ABSTRACT

This study analyzed the impact of entrepreneurship financing on job creation in Nigeria prior to the outbreak of coronavirus (COVID-19) in the country in February 2020. The micro, small and medium-scale enterprises (MSMEs) is a model example of entrepreneurship. Bank credits to MSMEs and jobless rate were proxies for entrepreneurship financing and job creation respectively. This work adopted ex-post facto design using annualized times series secondary data sourced from the Central Bank of Nigeria (CBN) Statistical Bulletin and National Bureau of Statistics (NBS). Data stationarity (after first differencing) and normal data distribution were achieved after the series were subjected to unit root and normality tests; the ordinary least square (OLS) estimation was used to analyze the modified model. The finding indicated that bank credits to MSMEs had no positive and significant impact on jobless rate in Nigeria within the review period (i.e. 2001-2018). The economic implication was that accrued funds to MSMEs were neither adequate to boost volume of activities in the subsector nor lower high jobless rate in the country. Since MSMEs were lifelines to Nigeria's economy, increasing lending rates constrained their survival and overall macroeconomic significance. Therefore, the government and monetary authorities should introduce proactive rather than reactive policies toward evolving business friendly environments for MSMEs to blossom. Accessing available finance should be made less cumbersome at a single digit borrowing rate.

Keywords: *Entrepreneurship financing, job creation, Pre-Coronavirus (COVID-19) impact analysis, Nigeria*

1. Introduction

Hitherto, the job market impact of coronavirus (COVID-19) is assumed to have no equivalent except for the Second World War (1939-1945). Following its resurgence (second wave), the pandemic has continued to disrupt the global economy that have been struggling to recover from the 2008 global financial crisis. Besides its destructive effect on life, COVID-19 pandemic is also disrupting an interconnected world economy through global value chains occasioned by sudden drops in commodity prices, fiscal revenues, foreign exchange receipts, foreign financial flows, among other macroeconomic upsets. The worldwide lockdowns evident in restriction of movement of people and embargo on non-essential businesses have so far impacted on employments directly, particularly in the informal sector. As the virus pervades regions, it is expected that the world's workforce of about 3.3 billion will be affected directly or indirectly, thereby increasing the jobless rate.

Owing to interdependence of global economy, Nigeria is not spared either by the ravaging impact of the novel virus. With the reliance of Nigeria's economy on oil revenues to finance the 2021 budget, the unprecedented crash in oil prices below the initial approved benchmark of US\$57 per barrel made the 2020 budgets unreal. Following the approval of the 2021 estimates at US\$40; a daily production quota of 1.86 million barrels, and exchange rate of N379 for US\$1, the faith of Nigerian economy for 2021 hangs in the balance.

The MSMEs, which illustrate most of the features of entrepreneurial activities, ostensibly provide grounds for origination of local entrepreneurial processes; development of local technology, and create jobs in both developing and developed economies (World Bank, 1995). The job market promotes productivity by creating jobs and cycling money through the economy via wages and salaries. The job or labour market can grow or shrink depending on the demand for labour and the available supply of workers within the overall economy. For instance, MSMEs contribute significantly to mitigate joblessness since the subsector provides employment to over 50% of entire workforce in the United States, and 75% in the European Union (Central Bank of Nigeria, 2014). Besides, MSMEs (often referred to as SMEs for short) act as an "engine" of growth and development in many economies in terms of job creation and poverty reduction. For instance, MSMEs constitute about 90% of firms outside the public sector, and have the potential to create value; develop variety of goods and services; thereby improving living standards and contributing significantly to the world economy (Omonigho, 2017). With regard to the economy of Nigeria, MSMEs constitute about 97% of jobs (Atawodi & Ojeka, 2011). Consequently, adequate financing of entrepreneurship is required for optimal macroeconomic performance of any economy. Sufficient and affordable finance if put in place could help transform some MSMEs into blue-chip companies; moreover, if specific contributions of all MSMEs were aggregated, that could lead to economic turnaround for ailing Nigeria's economy and justify the resource inputs (in terms of money, time and effort made).

Looking back over MSME financing strategy in Nigeria, we can observe that entrepreneurship financing come formally from designated banks such as commercial, merchant, microfinance, agricultural and industrial banks, government and credit agencies through soft loans and other financing initiatives. A World Bank report (2012) observes that only 3% of MSMEs' working capital, and 2% of their fixed assets are funded from informal sources, thereby creating a huge financing gap in the public sector. The lacuna notwithstanding, gaining access to available bank credits and/or grants can be likened to the "biblical camel going through the eye of a needle than for a Nigerian entrepreneur or a would-be entrepreneur to obtain loans". It is perceived that as water is crucial for physical life, so availability of finance is vital for creation of entrepreneurship and other businesses. This assumption is proven when working capitals, asset acquisitions, expansion needs of existing firms are met, and startups stand out. Thus, paucity of finance, inability to access the seed money and/or associated costs are some bottlenecks against MSMEs' operations; but beyond these limitations is the issue of bureaucracy (or frustrating laws). For instance, bank/government officials often hold back or reject legitimate loan proposals without justification; loans when granted are often made repayable for a relatively short-term period of time. This arrangement hardly brings forth positive returns to entrepreneurs. As a result, the supposedly high rate of joblessness across the 36 States and the Federal Capital Territory as at today may not be unrelated to exogenous and endogenous factors. The pertinent

question begging for answers is since MSMEs are touted as engine of growth and development, how effective has their financing promoted the subsector over time in Nigeria?

The Federal Government of Nigeria has during the past decades, created various institutions, schemes and programmes to advance MSMEs' operations through the Nigerian Industrial Development Bank; Small Scale Industries Credit Scheme; the Nigerian Bank for Commerce and Industry, and the Bank of Industry (2001). The CBN intervened from 2002 by introducing many clearly different schemes such as the Refinancing and Rediscounting Facility; N200 Billion Restructuring/Refinancing Scheme; N200 Billion Commercial Agricultural Credit Scheme (2009) and the Nigerian Incentive-Based Risk Sharing System for Agricultural Lending (2011). Other support schemes like the Agri-Business/Small and Medium Enterprises Investment Scheme (AGSMEIS) requires banks to set aside 5% of their profit after tax into a common pool for MSMEs financing. At end-December 2019, the sum of N36.88 billion was paid by 21 banks, compared with N33.94 billion from 22 banks at end-December 2018. Cumulatively, N97.68 billion had been appropriated for the AGSMEIS Fund for on-lending to MSMEs. The sum of N12.17 billion was disbursed to 3,933 enterprises, compared with N414.93 million for 509 enterprises in 2018. Also, a total of N2.63 billion was disbursed under the wholesale funding and grant components of the Micro, Small and Medium Enterprises Development Fund (MSMEDF). A breakdown of the disbursements indicated that N2.62 billion (99.6%) was released to state governments, while N10.4 million (0.4%) was released as grants. The cumulative disbursement to MSMEs from inception in 2013 was N83.98 billion, comprising N58.24 billion (69.3%) through state governments, N12.66 billion (15.1%) through commercial banks and N11.35 billion (13.5%) through microfinance banks (CBN, 2019).

The deepening implications of entrepreneurship financing have repeatedly rekindled interests of researchers on whether MSMEs create jobs or actually mitigate joblessness. Outcomes of previous related research efforts had been contradictory. The significance of this study therefore was to either validate or contradict relevant extant studies in the literature. This work was, however, weakened by inaccessibility of some relevant secondary data. As must be acknowledged, the data used for analysis could not be lengthened beyond 2018. Furthermore, this study should have enlarged its content scope by including more dependent variables other than rate of joblessness, as well as considering other financing sources open to MSMEs other than official bank credits to MSMEs. It is expected that other funding options should be examined during future research.

2. Review of Related Literature

2.1 Conceptual Review

2.1.1 Entrepreneurship

Entrepreneurship is defined as the act of taking upon oneself the responsibility and risk for designing and executing a business strategy, or starting an enterprise (Wilkinson, 2007). For clarity of expression, entrepreneurship is the act of establishing and administering your own business, or an inclination to be resourceful and wish to work for yourself in your own ventures, taking on financial risks with a view to profit. An example of entrepreneurship is a person who is running his own venture typically known as micro, small and medium-scale enterprises.

2.1.1.1 Micro, Small and Medium-sized Enterprises (MSMEs)

The term 'micro, small and medium-size enterprise is a subsector of the industrial sector that perform crucial functions for industrial development of developing economies, including Nigeria. MSMEs mean different things in different countries; hence lacks unanimous definition among scholars (Anigbogu, Okoli & Nwakoby, 2015; Bamidele, 2012). In the United States and India, for instance, MSMEs could be very big firms, whereas in Nigeria they would, as their name suggests, firms with limited scope of operations. However, in order to adopt a functional definition for MSMEs, various criteria that affect different countries are used as standard. In the US, any enterprise that hires less than 500 employees is regarded a small-scale enterprise (CBN, 2014). In Uganda, firms with less than 10 workers

are categorized as micro enterprises, while those that engage between 50 and 100 are termed medium scale enterprises. In India, business units that employ 1-100 workers are classified as small-scale enterprises.

Conversely, CBN (2014) argues that strength staff might not be ideal for designating an enterprise big or small, because entrepreneurial strategies vary for different economies. For instance, in countries that adopt labour-intensive policy of industrialization like India, a typical MSME should have more workers than in a country where capital-intensive method is the norm as in most advanced economies. In that sense, CBN (2014) posits that a capital requirement of between US\$5,000 – US\$50,000 would be considerable for a typical MSME. Another yardstick for describing MSMEs is linked to the output/turnover per day. The underlying reason is that some firms might have little capital investment, but bring about large turnovers. Trading firms are in this consideration. A turnover of US\$50,000 and less per month is considered a global standard for conceptualizing an MSME. The perceptions of a sample of countries regarding MSMEs are discussed in Table 2.1

Table 2.1: Classification of MSMEs by number of workers and capital invested

Country	No. of workers	Capital invested
Japan	Less than 300	Less than 10 million yen
Korea	Less than 200	Not available
Malaysia	Less than 75	Less than 2.5 million Malaysian ringgits.
Thailand	Less than 200	Not available
Philippines	Less than 200	Revenue less than 40 million Philippine pesos.
Indonesia	Less than 100	Not available
Vietnam	Less than 200	Not available
India	Not available	Up to 10 million Indian rupees.
Sri Lanka	Up to 300	Up to annual turnover of 250-700 Sri Lankan rupees.
Bangladesh	Up to 100-250	Up to 100-300 taka
Pakistan	Less than 250	Maximum capital to 25 million Pakistani rupee, and annual revenue to 250 rupees.
Germany	Less than 100	Not available
USA	Less than 500	Not available

Source: Sada, Farah & Ahmed (no date)

Table 2.1 presents a cross-section of countries and various MSME based classifications. It can easily be noted that none of the countries sampled captures the micro segment. The introduction of the National Policy on MSMEs has addressed the issue of definition as to what constitutes MSMEs in Nigeria. The definition adopts a classification based on dual criteria: employment and assets. Therefore, the National Policy on MSMEs has responded to matters relating to definition and what constitutes micro, small and medium-sized enterprises. The definition categorizes MSMEs using two broad-based benchmarks – number of workers and capital employed (excluding land and buildings) in line with best practices as presented in Table 2.1:

Table 2.1: Categorization of MSMEs by number of employees and capital employed

S/N.	Category	No. of Workers	Amount invested (excl. land & building)
1.	Micro firms	Less than 10	Less than 5 million naira
2.	Small firms	10 - 49	5 million naira to less than 50 million naira
3.	Medium firms	50 - 199	50 million naira to less than 500 million naira

Source: National Policy on MSMEs in Nigeria, 2012/Smedan.gov.ng, 2013

Table 2.1 stresses that in Nigeria,

- (1) micro firms are firms having less than 5 million naira (excluding land and buildings), and less than 10 employees.
- (2) small firms are firms having up to five million naira to less than fifty million naira (excluding land and building), and employees ranging from 10 – 49
- (3) medium firm are firms having up to fifty million naira to less than 500 million naira (excluding land and building) is above N50,000,000 (Fifty Million Naira), and employees between 50 and 199.

MSMEs thrive in various sectors of Nigeria's economy in form of manufacturing; wholesale and retail trade; mining and quarrying; accommodation and food service activities; construction; water supply; agriculture; information and communication, education; art, entertainment and recreation, among others.

Considering the viewpoints above, the 2013 National MSME Survey by Small and Medium Enterprises Agency (SMEDAN) and National Bureau of Statistics (NBS) indicate as follows that as at 2013,

- (i) total number of MSMEs was 37,067,416 (micro - 36,994,578; small - 68,168, and medium - 4,670);
- (ii) 68.35 per cent initial start-up capital of micro firms was mainly less than N50,000, while small and medium firms were mainly less than N10,000,000;
- (iii) Lagos State has the highest number of small and medium firms of 11,663, while Kwara State has the least - 226.
- (iv) Lagos state has the highest number of micro firms of 3,224,324), followed by Oyo State with 1,864,954); Kano State - 1,794,358), while the FCT is 482,365, and Nasarawa State recorded the least - 382,086.

The 2013 National MSME Survey by SMEDAN and NBS further observes as December 2013 that the

- (a) main encumbrances of MSMEs in Nigeria are access to finance and market, poor infrastructure, inconsistency in government policies, poor business development services, multiple taxation and obsolete technology.
- (b) total number of persons employed by the MSME sector were 59,741,211, representing 84.02% of the total labour force.
- (c) Female entrepreneurs accounted for 43.32% in the ownership structure of micro enterprises as against 22.75% in small and medium enterprises.
- (d) Most of the entrepreneurs interviewed were unaware of SMEDAN services, and the numbers of beneficiaries from such services in the States were insignificant.
- (e) Over 70% of the entrepreneurs did not have patent right, and their intellectual properties were unprotected.
- (f) ownership structure of MSMEs by age revealed that the age bracket of 24-50 (youth entrepreneurs) dominated.
- (g) factors necessary for survival of MSMEs are access to finance, provision of infrastructure, including regular water and power supplies, public transportation, telecommunications, roads and schools.
- (h) Most of the MSMEs were not covered by any insurance policy.
- (i) skills gap by sector proved that skillful artisans abound in most of the sectors surveyed.
- (j) most of the MSMEs were operating below installed production capacity.
- (k) most of the enterprises were operating without a business plan, and most of them do not belong to any business association.
- (l) MSMEs contribution to nominal GDP (current market value of Nigeria's GDP) stood at 48.47%.
- (m) MSMEs contribution to export stood at 7.27%.

2.1.1 Financing

Financing is the act of providing money required for a project (Dictionary of Banking & Finance, 2005). Furthermore, it is the process of making funds available for business operations; making purchases or investing. It is the mandate of financial institutions such as banks to raise capital for enterprises, investors and consumers to assist them achieve their goals. Corporate finance is vital in any economic system, as it allows companies to purchase products out of their immediate reach. It is difficult to gain financing while in financial distress. Put differently, financing is a way to leverage the time value of money so as to put future expected cash flows to use for projects started today. Financing also takes advantage of the fact that some will have a surplus of money that they wish to put to work to generate returns, while others demand money to undertake investment. Financing can be sourced from an individual, corporate organizations or government. In that regard, how, when and where an enterprise raises and appropriates finance for optimal result is worth paying attention to.

Two classifications of financing are available to firms: debt and equity. Debt is a loan that must be paid back often with interest, but it is typically cheaper than raising capital because of tax deduction considerations. Equity does not

need to be paid back, but it relinquishes ownership stakes to the shareholder. Both debt and equity have their advantages and disadvantages. Most companies use a combination of both to finance operations. Besides debt and equity, there are other means to finance a business such as informal financing from friends or family.

Financing in the context of this study can be delivered in form of (1) micro finance; (2) small finance, and (3) medium finance. The size of finance applicable depends on the scale of operation of an enterprise. A brief explanation of the foregoing concepts may suffice.

(1) **Micro Financing:** Micro financing is the process of providing a type of banking service to unemployed or low-income individuals or groups who otherwise would have no other access to financial services. For this reason, many poor people typically look to family, friends, and even shylocks (who often charge exorbitant interest rates) for help. It allows people to take on reasonable very small business loans safely, and in a manner that is consistent with ethical lending practices. The majority of micro-financing operations occur in developing countries such as Nigeria, Uganda, Indonesia, Serbia, Togo, Haiti, Honduras, and many others. Like conventional lenders, micro-financiers charge interest on loans and institute specific repayment plans. It is estimated that more than 500 million people worldwide have benefited from micro finance related operations.

(2) **Small Business Financing:** Small business financing (also referred to as startup financing, especially when referring to an investment in a startup company refers to the means by which an aspiring or current business owner obtains money to start a new small business, purchase an existing small business or bring money into an existing small business to finance current or future business activity. There are many ways to finance a new or existing business, each of which features its own benefits and limitations.

(3) **Medium-Scale Financing:** Medium-scale financing refers to provision of average financial capital to enterprises whose size lie between small and large scale of operation. Available sources of funding open to micro, small and medium-sized enterprises in Nigeria include personal resources, unofficial loans from family and friends, partners and business associates, co-operative societies. Official loans come from commercial banks, Bank of Agriculture (BOA), Bank of Industry (BOI), government funding programmes, among others. According to CBN (2014), government has over the years, established various institutions, schemes and programmes to support MSMEs. These included the Nigerian Industrial Development Bank (1962), Small Scale Industries Credit Scheme (1971), the Nigerian Bank for Commerce and Industry (1973) and the Bank of Industry (2001). From 2002, the Central Bank of Nigeria intervened by creating several schemes including the Refinancing and Rediscounting Facility, N200 Billion Restructuring/Refinancing Scheme, N200 Billion Commercial Agricultural Credit Scheme (2009) and the Nigerian Incentive-Based Risk Sharing System for Agricultural Lending (2011). Besides government and the CBN, other institutions like the World Bank and Nigerian Bankers' Committee have come up with SME support schemes such as the US\$41 million World Bank SME I Loan Scheme (1984), World Bank US\$270 million SME II Loan Scheme (1990) and the Small and Medium Enterprises Equity Investment Scheme (2001) by the Bankers' Committee. The World Bank (2012) however, observes that loan disbursement to MSME subsector is extremely low with less than 10 per cent of these firms reportedly receiving a loan from a deposit money bank (DMB) and with MSME loans accounting for approximately 5 per cent of the DMBs' lending portfolios. To improve access to needed credit facilities for the rapidly growing MSME subsector currently is estimated at 10 – 50 million in Nigeria).

2.1.2 Job Creation

Job creation refers to the provision of new opportunities for paid work, especially for people without jobs by both the formal and informal sectors of an economy. The process by which the number of jobs in an economy increases. Job creation may be defined as government policies intended to reduce joblessness. Job creation programmes may take a variety of forms such as "N-Power" initiative by the present APC led Federal Government of Nigeria. The benefit of job creation is to maintain a healthy economic growth. When jobs are created our economy also grow, and whenever people are working and able to provide for themselves, the morale increases and things stabilize; therefore, jobs create earnings, which creates demand. On how job creation can help an economy, increased worker earning results in higher rate of consumer spending, which benefits other businesses who depend on consumer sales to stay open and pay vendors. This leads to a healthier overall local economy and allows more business to thrive.

Sustainable entrepreneurship is a means to gainful employment cum income generation for job seekers with accompanying reductions in poverty rate in many developing countries including Nigeria (Olowe, Moradeyo & Babalola, 2013). According to Omonigho (2017), a concise review of job statistics captures MSMEs in this way:

- (i) 91 per cent of the formal enterprises contribute between 52 per cent and 57 per cent to GDP, and create about 61 per cent of employment in South Africa;
- (ii) 92 per cent of the formal companies contribute about 70 per cent of GDP, and offer about 85 per cent of employment in Ghana, and
- (iii) 87 per cent of the formal business organizations contribute about 50 per cent to GDP, and generate about 50 per cent of employments in Nigeria.

2.2 Theoretical Framework

The "opportunity-based entrepreneurship" theory has tried to underscore the efficacy of entrepreneurs in turning opportunities into MSMEs. The theory is briefly summarized below:

2.2.1 Opportunity-based Entrepreneurship Theory

The opportunity-based entrepreneurship theory was authored by Peter Drucker in 1985. This theory seems to have provided theoretical frameworks for many entrepreneurial studies including this one. Based on this theory, entrepreneurs do not actually make something happen, but exploits the circumstances occasioned by changes in technology and demand in order to satisfy needs and make money.

The key assumption of the theory is that entrepreneurs see breakthroughs in problems. Howard Stevenson in 1990 improved on the quality of the theory by adding resourcefulness as an extra mark of an astute entrepreneur. The importance of opportunity-based entrepreneurship is that it propounds how entrepreneurs make earnest efforts to identify entrepreneurial opportunities and ensure that the opportunities are explored and transformed into an enterprise capable of bringing returns for the entrepreneur (Fowosire, Idris & Opoola, 2017).

2.2.2 Portfolio Theory

The development of modern portfolio theory was traced to Harry Markowitz in 1952. The theory posits that investors will prefer an investment with a lower risk level over a higher risk level for the same level of benefit. The theory is an important tool for avoiding financial loss because by observing this theory, investors do not rely on only one investment for their financial stability, rather, they diversify their portfolio in order to get the maximum return with minimum risk.

The basic assumptions of the theory are: (1) investors are rational and behave in a manner as to maximize their utility with a given level of income or money, (2) investors have free access to fair and correct information on the returns and risk; (3) unlimited capital at the risk-free rate of return can be borrowed, among others.

Relating the modern portfolio theory to the lending activity of banks, the CBN (2014) upholds the notion that "big commercial and merchant banks" possess a natural tendency to lend to a wider range of firms, blue-chip firms inclusive. In that regard, big banks can diversify their portfolios better than small banks, and they grant less funds to small enterprises. As a result, the portfolio hypothesis regards size as basis for lending to small businesses; big banks finance big firms more, while small firms receive less finance. This suggests that the lending policy of big conventional banks negatively affects small businesses. The philosophy is that, big banks often lend more to big enterprises compared to small enterprises, as the share of credits to small firms as a percentage of their total credit is small. One of the reasons for the likely shift of focus from small lender to big borrower could be premised on the fact that most big banks perceive credits to small firms as less lucrative bearing their assets size in mind.

2.3 Empirical Review

In order to achieve clear perception of objective of this study, a substantial number of relevant empirical studies were reviewed, and summarized in the order of currency of works:

Nursini (2020) examined the effect of MSMEs on poverty reduction, through labour absorption from 1997 to 2018. The poverty measurements used Head Count Index (P0), Poverty Gap Index (P1), and Poverty Severity Index (P2); MSMEs were assessed in the following scaling: micro-small enterprises (MSEs), small-medium enterprises (SMEs). Control variables like GDP, openness, government expenditure and investment constituted the model. Multiple regression was used for analysis. It was found that MSMEs affected poverty reduction in Indonesia both directly and indirectly. In spite of that, different business scales offered various implications for poverty reduction. SMEs played a bigger role in alleviating poverty than MSEs as they reduced not only the percentage of poor people, but also the Poverty Gap and Severity Index. Moreover, of the four control variables, only economic growth had a significant effect on poverty reduction, both direct and indirect.

Appiah, Aidoo and Kodjiku (2019) examined factors that influence growth of SMEs in Makorla market in Ghana. It was an undisputable fact that SMEs were important to economic growth and crucial to job creations. The study established the factors that influenced the growth of SMEs in Ghana. The work adopted a factor analysis and linear regression methodology to analyze the data. Random sampling system was also employed. Finding showed that growths of SMEs were influenced by five major factors that included family factors, technological factors, experience, location and human resource. Out of these five factors, three were significantly related to growth of SMEs. These three factors were experience, human resource and technology. It was concluded that family, experience, location, technology and human resource were factors that influenced the growth of SMEs in Ghana. It was recommended that the owners should consider training of employees, provision of incentives and also employ highly experienced personnel to manage the affairs of SMEs in order to improve their managerial skills needed for growth of the business.

Aladejebi (2019) studied the criteria used by deposit money banks in appraising loan proposals in Lagos, Nigeria. Data were obtained from two hundred and ten (210) bank staff across thirteen (13) deposit banks; however, only two hundred and three (203) questionnaires were okay. The questionnaire was designed using five points Likert scale ranging from strongly agree (5) to strongly disagree (1) to provide information on the criteria used in assessing SME borrowers. It was discovered that projected income criterion ranked first, followed by the type of business activity then existing profitability, while government guarantee of the loan followed the curriculum vitae of clients had the least mean. The three major reasons SME loan requests were turned down by banks included inadequate or no collateral; inviable loan proposal; poor/no business plan, poor record keeping and no existing relationship with the bank.

Igwe, Amaugo, Ogundana, Egere and Anigbo (2018) examined factors affecting the investment climate, SMEs productivity and entrepreneurship in Nigeria. Most businesses operated in the form of SMEs. The study used World Bank Enterprise Survey in Nigeria. It investigated five key factors affecting investment and productivity that included: education of the work force, access to infrastructure, access to finance, size of firms and other business climate variables. Other business climate variables were insecurity, bribery or corruption, the amount of time businesses spend dealing with government regulation, poor power supply, and so on. In a survey of 2,676 firms, access to finance (33.1%), access to electricity (27.2%) and the level of corruption (12.7%) were the most ranked obstacles of entrepreneurs.

Akinyemi, Oyebisi and Odot-Itoro (2018) assessed the trend between entrepreneurship, unemployment and economic growth over the period 1981-2011. The study employed Secondary data sourced from the CBN Statistical Bulletin and National Bureau of Statistics (NBS) were used. The study made use of descriptive and econometric method of analysis. Descriptive method - tables and/or graphs were used to achieve objective one, while OLS method and ECM were used to achieve objective two. The trend analysis showed that the variables were positively sloped which proved data stationarity. The econometric technique showed that entrepreneurship, investments, and unemployment were significant and positively related to economic growth. Result also showed there was a positive relationship between unemployment and economic growth.

Zafar, Waqas and Butt (2018) studied the impact of SMEs to eradicate poverty in Pakistan over the period of 2001-2017. Study used secondary data from World Development Indicators. Simple linear regression model was used to estimate the variables. Results indicated that SMEs had a negative and significant influence on poverty. SMEs created job opportunities which contributed to poverty alleviation in Pakistan. the economy of Pakistan whereas this study will help policy makers by suggesting exact size of impact of small and medium enterprises on poverty alleviation. Moreover, human capital significantly reduced poverty in Pakistan.

Ezeaku, Anidiobu and Okolie (2017) assessed the effect of SMEs financing on manufacturing sector growth in Nigeria employing time series data from 1981 to 2014. A co-integrating relationship was ascertained using the Engel and Granger residual based approach, which showed evidence of a long-run relationship between SMEs credit and manufacturing output growth in Nigeria. Findings of the ECM showed that SMEs financing had a positive effect on the manufacturing sector growth. The findings also showed that interest rate and inflation rate had a negative influence

on manufacturing sector growth. We conclude that while SME is a critical sector that can propel the Nigeria economy, rising interest rate repress their growth process and total economic impact.

Owolabi and Nasiru (2017) examined the relationship between deposit money bank credits to SMEs and each of unemployment and poverty using Pearson's correlation technique. Finding showed deposit money bank credits to SMEs related negatively and non-significantly with unemployment, and negatively and significantly between SME credit and poverty in Nigeria.

Adama, Duru and Diyoke (2017) examined the role of microfinance banks on job creation in the grassroots of Karu LGA of Nasarawa State. Adopted descriptive statistics on a sample of 120 MFBs customers and 2 MFBs, obtained through random and judgmental sampling processes, and the results revealed that the greatest effect of the financial intermediation of MFBs in the grassroots was the creation of jobs. Results also revealed that the major problem militating against the MFBs in the area of financial intermediation for employment generation in the grassroots was lack of entrepreneurial skills.

Asogwa and Dim (2016) assessed the relationship between entrepreneurship development on unemployment reduction in Anambra State, Nigeria using survey design. Data were obtained from samples of 30 youths drawn from each of the five selected local councils of the State totaling 150 respondents out of which 135 were used for analysis. Pearson Correlation and Analysis of Variance (ANOVA) were used as techniques of analysis. Findings showed as follows: (a) entrepreneurship training related significantly with unemployment reduction, (b) entrepreneurship empowerment had a significant relationship with unemployment reduction, (c) entrepreneurship traits related significantly with unemployment reduction, and (d) there were various setbacks against unemployment reduction. Though majority of entrepreneurs had the initiative to start new entrepreneurial businesses, lack the skills, tools, financial backups, corruption, economic instability, and lack of infrastructure and management capacity had also combined to constrain the processes.

Ekong and Ekong (2016) examined how unemployment problem was dealt with through skills acquisitions by the National Directorate of Employment (NDE) in Akwa Ibom State of Nigeria. Employing data covering 1987–2012 that was primary and secondary in nature, the finding revealed a positive relationship between skills acquisitions and unemployment reduction in Akwa Ibom State within the studied period even though not without daunting challenges.

Muganda, Umulkher, Kadian and John (2016) evaluated the effect of business financing on the performance of small and medium enterprises in Lurambi sub-county, Kenya. The descriptive statistics result showed that source of business financing affected financial performance of SMEs significantly; commercial loan financing affected financial performance significantly; retained earnings financing affected financial performance significantly; trade credit financing affected financial performance of SMEs significantly.

Edom, Inah and Emori (2015) examined the impact of SMEs financing on poverty reduction in Nigeria from 1991 to 2010. The OLS method was used to analyze the data obtained from the CBN Statistical Bulletin. Results showed that SMEs financing had a significant effect on poverty reduction in Nigeria, whereas unemployment had a negative effect on poverty in Nigeria. It was concluded that SMEs financing exerted a positive influence on poverty in Nigeria.

Dada (2014) studied the effect of commercial banks' credit on SMEs' development adopting OLS method to estimate the multiple regression models. Result showed that commercial banks' credit SMEs and the time and saving deposits of commercial banks had a positive and significant effect on SMEs development proxy by wholesale and retail trade output as a component of GDP, whereas exchange rate and interest rate revealed adverse effect on SMEs' development.

2.4.1 Gap in Knowledge

The empirical reviews reveal a large number of studies germane to our topic of investigation. Most of the works differ in location, time/years, coverage, methodology and empirical outcomes. For instance, Aladejebi (2019), among others

employed survey designs using questionnaire items to elicit information, Ezeaku, Anidiobu and Okolie (2017); Dada (2014) used ex-post facto design that supported obtaining data from secondary sources. Ex-post facto design was given preference in the model construct because component variables could not be controlled.

Keeping the empirical reviews in perspective, some knowledge gaps were identified as summarized below: (1) Data used as basis for making calculation and drawing conclusions were not updated to 2018 (as this study); (2, and most previous works in this regard adopted the traditional OLS as estimation procedure; hence this study also used OLS as technique of analysis (with modifications) as suitable methodology for this study.

3. Methodology

3.1 Research Design

Ex-post facto research design was employed to gather secondary data that are not manipulatable by researchers. Relevant data had been produced and kept in public domain as official statistics.

3.2 Nature and Sources of Data

Annualized times series secondary data were sourced from the Central Bank of Nigeria (CBN) Statistical Bulletin, National Bureau of Statistics (NBS) and World Development Indicators for a period of eighteen years (2001-2018).

3.3 Model Specification

The econometric model for this study was fashioned after the work of Ubesie, et al. (2017) that conducted similar research in Nigeria within the period 1986 to 2015 using the model functionally specified as:

$$\log SMED_t = \alpha_0 + \alpha_1 \log CPS_t + \alpha_2 \log REXR_t + \alpha_3 \log INF_t + \varepsilon_t \quad - \quad - \quad - \quad (3.1)$$

Where, SME- small and medium enterprises development. SMED is the dependent variable and proxied by wholesale and retail components of real gross domestic product (RGDP); CPS -credit to private sector; REXR- real exchange rate; INFR - inflation rate; α_0 - coefficient of the constant $\alpha_1 + \alpha_2 + \alpha_3$ are the coefficients of the explanatory variables, ε - error term.

In an attempt to modify the model above, we adopted the OLS estimation model in order to capture both the direction and magnitude of the relationships among the variables. Interest rate and population growth rate were added as control variables due to their capability to improve MSME operations. In that regard, the variant model estimates for the hypothesis is functionally specified as follows:

$$JBLSR_t = \alpha_0 + \alpha_1 \log BCBSME_t + \alpha_2 INTR_t + \alpha_3 POPGR_t + \varepsilon_t \quad - \quad - \quad - \quad (3.2)$$

Where, JBLSR - jobless rate (explained variable); BCBSME - bank credit to small and medium enterprises (explanatory variable); INTR - interest rate (control variable); POPGR - population growth rate (control variable); α_0 - coefficient of the constant, $\alpha_1, \alpha_2, \alpha_3$ are the coefficients of the explanatory variables, and ε - error term.

3.4 Technique of Analysis

The OLS estimation was adopted as technique of analysis. Data stationarity and normal data distribution tests were conducted as preparatory activities. Serial Correlation test was also conducted to validate the modified model.

4. Presentation, Analysis and Interpretation of Data

4.1 Results and Analyses

AREMU, 2021

4.1.1 Descriptive Statistics

Table 4.1: Descriptive Statistics of the Annualized Data Series

	<i>JBLSR</i> (%)	<i>LOGBCMSME</i> (N'm)	<i>INTR</i> (%)	<i>POPGR</i> (%)
Mean	18.69389	4.367973	18.10278	2.620556
Median	17.30000	4.203703	16.92000	2.630000
Maximum	27.40000	4.955093	24.77000	2.680000
Minimum	11.19000	4.053378	15.14000	2.510000
Std. Dev.	6.087593	0.314298	2.529777	0.055675
Skewness	0.125970	0.710435	1.552074	-0.756492
Kurtosis	1.258764	1.910386	4.493568	2.343071
Jarque-Bera	2.321534	2.404598	8.899856	2.040507
Probability	0.313246	0.300503	0.011679	0.360504
Observations	18	18	18	18

Source: Researchers' computations aided by Eviews

Table 4.1.1 presents the descriptive statistics of the time series dataset, and shows that jobless rate (JBLSR) and bank credits to MSMEs (BCMSME) averaged 18.69%, N4.37, 18.1% and 2.62% respectively. All the four indicators peaked at 27.4%, N4.96, 24.8% and 2.7% respectively during the review period.

4.1.2 Tests for Stationarity

Table 4.2: Unit Root Test Results

Variable	ADF Statistic	5% critical value	P-value	Order of Integration
JBLSR	-3.343684	-3.065585	0.0299	I(1)
BCMSME	-7.071285	-3.065585	0.0000	I(1)
INTR	-4.980612	-3.065585	0.0013	I(1)
POPGR	-8.864039	-3.733200	0.0000	I(1)

Source: Researchers' computation aided by Eviews

Table 4.2 presents results of the stationarity test, which shows that the variables are stationary at same orders of integration. Each of the variables has no unit root, and attained stationarity after first differencing, that is, I(1) There is no doubt that the calculated values (ADF Statistic) are less than the critical values for each of the variables tested, which is a proof of their stationarity; hence the OLS estimation was applied.

4.2 Test of Hypothesis

Table 4.3: Regression Results of the Hypothesis

AREMU, 2021

Dependent Variable: JBLSR

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.872263	0.437719	1.992746	0.0695
D(LOGBCMSME)	-1.454629	2.481778	-0.586124	0.5687
D(INTR)	-0.418714	0.298749	-1.401559	0.1864
D(POPGR)	-64.44942	32.53759	-1.980768	0.0710
ECT (-1)	-0.408960	0.119060	-3.434919	0.0049
R-squared	0.496675	Mean dependent var		0.700000
Adjusted R-squared	0.328900	S.D. dependent var		1.979902
S.E. of regression	1.621950	Akaike info criterion		4.045064
Sum squared resid	31.56866	Schwarz criterion		4.290127
Log likelihood	-29.38304	Hannan-Quinn criter.		4.069424
F-statistic	2.960361	Durbin-Watson stat		1.882003
Prob(F-statistic)	0.000011			

Source: Researchers' computations aided by Eviews

$$JBLSR = 0.872263 - 1.454629 \log BCMSME - 0.418714 INTR - 64.44942 POPGR$$

The regression results presented in Table 4.3 reveals that bank credits to MSMEs (BCMSME) had a negative and non-significant effect on jobless rate (JBLSR) and indicated that 1% increase in BCMSME resulted in approximately 1.5% decline in JBLSR. Similarly, interest rate (INTR) related negatively and non-significantly with JBLSR. It can be observed that when INTR increased by 1%, JBLSR dropped by approximately 42% within the reviewed period. Furthermore, population growth rate (POPGR) exerted a negative and non-significant effect on JBLSR. We observed that when POPGR increased by 1%, JBLSR decreased by 64%. This result suggested that the proportion of credit provided to MSMEs was unable to stimulate the job market in Nigeria within the period of study.

The R2 shows that about 50% of the variations in the dependent variable (JBLSR) are explained by changes in the independent variables (i.e. BCMSMEs, INTR and POPGR), and the remaining 50% is explained by the variables not factored into the model. The F-value (2.96) with a probability value $0.0000 < 0.05$ indicates that the explanatory variables are jointly significant in explaining the explained variable (JBLSR). Durbin-Watson test (DW) is approximately 2.0, showing that the entire empirical outcome does not have evidence of autocorrelation.

The regression results in Table 4.3 have been validated by serial correlation test results in Table 4.4. Therefore, the null hypothesis of no serial correlation cannot be rejected.

4.2.1 Diagnostic Tests for Hypothesis

Serial Correlation Test

The results of the serial (or autocorrelation) test was conducted and presented in Table 4.4:

Table 4.2.1: Breusch-Godfrey Serial Correlation LM Test

F-statistic	0.120157	Prob. F (2,10)	0.8880
Obs*R-squared	0.398945	Prob. Chi-Square (2)	0.8192

Source: Researchers' computations aided by Eviews

In order to affirm result of the DW statistics, we however subjected our model to further post diagnostic test to confirm the presence or absence of serial autocorrelation; hence Breusch-Godfrey (BG) LM test was used to validate the results of the DW statistics. The values of the F and Chi-square tests confirmed that our model estimation has no autocorrelation problem and confirm the results of the DW statistic in Table 4.3.

Decision

Our decision is based on the coefficient of the main explanatory variable (BCSME), which is negatively signed with p-value $0.5687 > 0.05$. In view of the fact that the p-value is greater than the 5% conventional level of significance, we therefore do not reject the null hypothesis; rather we reject the alternate hypothesis. This means that BCMSME did not have a positive and significant effect on jobless rate. The economic implication was that the level of MSMEs' financing could not translate to substantial job creations so as to reduce jobless rate in Nigeria throughout the sample period.

4.3 Conclusion and Recommendations

Micro, small and medium-scale enterprises financing have generally been perceived as the lifeblood for growth, job creation, poverty reduction, and a lot more for a country. The significance of this sub-sector has been widely acknowledged by monetary authorities and Nigerian governments at all level; for this reason, entrepreneurial processes should be accorded pivotal attention by making finance accessible at low rate so as not only to encourage economic activities in the subsector, but make it sustainable. It is against that backdrop that this study was examined theoretically and empirically. Similar studies in the Nigerian context remain unfinished; hence the need to fill the knowledge gaps actually inspired this research.

The OLS analytical technique employed to achieve the objective of this study indicated that bank credits to MSMEs had a negative and non-significant effect on jobless rate within the review period (2001-2019). We therefore conclude that while the MSMEs remain extremely a desirable sub-sector that can drive Nigeria's economy, the proportion of credit delivery to the sub-sector is still very low. It is recommended that governments at all level should give serious attention to MSMEs through channeling of more resources to the sub-sector for on-lending at single digit lending rate. This is expected to lead to massive investments in the sub-sector. In addition, governments of the three tiers (Federal, State and Local Councils) should as a matter of urgency diversify the economy so that the much-needed jobs can be created in the country, thereby reducing poverty.

REFERENCES

- Adama, J., Duru, I.U., Diyoke, K.O. (2017). Role of microfinance banks on employment generation in the grassroots: Evidence from Karu local government area of Nasarawa State, Nigeria. *Asian Journal of Economics, Business and Accounting*, 4(2), 1-9.
- Akinyemi, A., Oyebisi, O. & Odot-Ito, Ekure (2018). Entrepreneurship, unemployment and economic growth in Nigeria. *Covenant Journal of Entrepreneurship*, 1(1), 30-46.
- Aladejebi, O. (2019). Determinants of lending to small and medium enterprises by deposit banks in Nigeria. *International Journal of Business & Management*, 7(3), 121-131.
- Anigbogu, T.U., Okoli, I.M. & Nwakoby, N.P. (2015). Financial intermediation and small and medium enterprises performance in Nigeria: An aggregated analysis. *European Scientific Journal*, 11(28), 252–272.
- Appiah, E., Aidoo, E. & Kodjiku, S.L. (2019). Investigating factors that influence the growth of SME in Ghana: a case study of Makorla market. *European Journal of Business and Management*, 11(3), 202-215.
- Asogwa, O.S. & Dim, E. (2016), Entrepreneurship development and unemployment reduction in Nigeria. *International Journal of Business and Management Review*, 4(8), 27–43.
- Atawodi, O.W. & Ojeka, S.A. (2011). Tax policy and growth of SMEs: Implications for the Nigerian Economy. *International Journal of Business and Management*, 7(13), 125 –135.
- Bamidele, R. (2012). Small and medium scale enterprises: A panacea for economic growth in Nigeria. *Journal of Management and Corporate Governance*, 4, 83–99.
- Central Bank of Nigeria (2014). Credit delivery to small and medium enterprises: Post bank consolidation in Nigeria. Abuja: CBN Publishers.
- Dada, R.M. (2014), Commercial banks' credit and SMEs development in Nigeria: An empirical Review. *International Journal of Research*, 1(8), 305–320.
- Drucker, P. (1985), *Innovation and entrepreneurship*, New York, USA: Harper and Row Publishers.
- Edom, G.O., Inah, E. U. & Emori, E.G. (2015), Small and medium enterprises financing and poverty reduction in Nigeria: An empirical analysis. *Journal of Economics and Sustainable Development*, 6(11), 91-100.
- Ekong, U.M. & Ekong, C.U. (2016), Skills acquisition and unemployment reduction in Nigeria: A case study of National Directorate of Employment in Akwa Ibom State. *International Journal of Economics and Management Sciences*, 5(4), 1–10.
- Ezeaku, H.C., Anidiobu, G.A. & Okolie, P.I.P. (2017), SMEs financing and its effect on manufacturing sector growth in Nigeria: An empirical assessment. *European Journal of Economic and Financial Research*, 2(2), 51–63.
- Fowosire, R.A., Idris, O.Y. & Opoola, E. (2017). Technopreneurship: A view of technology, innovations and entrepreneurship. *Global Journal of Researches in Engineering, Electrical & Electronics Engineering*, 17(7).
- Igwe, P.A., Amaugo, A.N., Ogundana, O.M., Egere, O.M. & Anigbo, J.A. (2018). Factors affecting the investment climate, SMEs productivity and entrepreneurship in Nigeria. *European Journal of Sustainable Development*, 7(1), 182-200.
- Nursini, N. (2020). Micro, small, and medium enterprises (MSMEs) and poverty reduction: Empirical evidence from Indonesia. *Development Studies Research*, 7(1), 153-166.

Omonigho, T.O. (2017). Effect of small and medium scale enterprises on economic growth in Nigeria. *JORIND*, 15(1), 8–20.

Owolabi, O.A. & Nasiru, A. (2017). Deposit money bank credit to small and medium enterprise, socio-economic performance and economic growth in Nigeria. *International Journal of Development and Sustainability*, 6(10), 1400–1417.

Peterson, S.K. (2007). *Academic's dictionary of business*. New Delhi: Academic Publishers.

SMEDAN & NBS (2013), SMEDAN and National Bureau of Statistics Collaborative Survey: Selected Findings, Abuja, Nigeria: SMEDAN Publications.

Ubesie, M.C., Ananwude, A.C., Esomchi, J.N. & Onyia, F.I. (2017). Private sector credit to small and medium scale enterprises development nexus in Nigeria: An ARLD approach. *American Journal of Economics*, 7(5), 263–270.

World Bank Development Report (2012). Access to Financial Services in Nigeria.

World Bank Development Report (1995). Workers in an integrating World. *World Development Indicators*

Zafar, M., Waqas, M. & Butt, M.N. (2018). Role of small and medium enterprises on poverty reduction in developing country: A case of Pakistan. *Pakistan Business Review*, 20(3), 703-713.