

SMEs FUNDING IN NIGERIA'S ECONOMIC DEVELOPMENT PROCESS: (ARDL ANALYSIS)

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Abstract

The study has empirically investigated the long run effect of loans to small and medium enterprises and its contribution to development in the Nigerian economy between the periods 1992 and 2015 using time series data and more dynamic estimation tools. The output of our findings reveals that there exist no long run relationship between loans to SME's and economic development in Nigeria. The result of autoregressive distributive lag result shows an absence of significant relationship between loan to SME's and economic development. These insignificances could be attributed to inefficiency of fund allocated to the SME's and hence debars its significant contribution to economic development. This therefore calls for review in the spectrum of loan allocation scheme so as to ensure that significant percentage of loan is allocated to the small and medium enterprises which will help in achieving sustainable level of economic development in the long run.

Keywords: Small and medium enterprises, autoregressive distribution lag approach, economic development.

1.0 Introduction

The enormous and alarming rate of unemployment in the recent decade has ameliorated a dynamic intent of the needful and hence diversified the reasoning of every Nigerian youth. Over the years, the Nigerian tertiary institution produces colossal number of graduate annually without a reasonable job provision while the number of unemployed youth in the labour market maintains rapid increment sporadically. Hence, it becomes a sine qua non to support the inclusive funding of SME's if sustainable level of development is the target. Before now, it has been reported that funding challenges have been a major impediment against the flourishing of active SME's hence, series of effort was put in place by the previous government to address SME's funding in order to reduce the ever teaming unemployment rate in Nigeria

Accordingly, the national economic reconstruction fund (NERFUND) was established in 1989 with a major objective of providing medium and long term loans with one to ten years (1-10 years) maturity and moratorium financial support to the SME's strictly to promote business owned by Nigerians, with fixed assets and sourcing not less than 40% of raw materials internally.

In 2003, Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) was established to facilitate the promotion and development of the Micro, Small and Medium Enterprises (MSMEs) sector in an efficient and sustainable manner. The Agency is saddled with the responsibility of contributing to the realisation of the Transformation Agenda of the then Administration and the cluster development Approach of the Ministry of Trade and Investment. Olagunju (2008), however defines small business as business entities with total capital investment of not more than two million Naira with not more than 50 employees. Generally, there are yardsticks for classification of small businesses. They include: turnover or annual sales, number of employees, asset value and net profit. In 2012, the CBN identified SMEs as veritable channels for rapid industrialization, sustainable development, poverty alleviation and employment generation. To make the loans affordable, interest rate was pegged at 9% per annum and also allowed the Banks to hold equity interest in SMEs for a period not exceeding three years and allowing the conversion of existing debts owed by SMEs into equity.

Small and Medium Enterprises have been identified as the muscle behind economic development in many countries of the world. This is evidenced especially by their contribution in employment generation, income growth, provision of variety of consumable goods and services, human capital development and enabling efficient allocation of resources.

According to Deen (2003), about 98% of businesses in developed and some developing countries are SMEs and they account for over 65% of employments. Ayagari et al (2007), exert that in developing countries SMEs are seen as more valuable as they account for more than three quarters of total employment in manufacturing sector. Being thus critical to the development of any economy as identified by the CBN (2011), the access to finance by SMEs therefore becomes a subject for concern by various governments in a developing country such as Nigeria. Minewhile empirical findings report that access to finance is identified as a key obstacle to the growth and sustenance of Small and Medium Enterprises (SMEs), as identified in the 2010 World Bank Survey hence, the Nigeria government has put in place policies and efforts geared towards addressing this gap. Green et al (2006) report that lack of data to test the assertion that micro and small enterprises do absorb excess labour far above the need of the large private and public sectors of the economy. They also noted that many small and medium businesses lack capital and knowledge required to venture into production. On this back drop, The eclectic aim of this study is to ascertain the causal relationship between the loans and advances allocated to the SME's and to measure the extent to which they have contributed to the development of the Nigeria economy between the period 1992 to 2015 using auto regressive distributive lag (ARDL) mechanism. The remaining part of the paper is stratified into four different sections. Section two captures theoretical framework and review of related literatures, section three talked about the methodology employed in this research work, section four anchored presentation of data and discussion of findings while section five depict the general overview, summary, conclusions and recommendations

2.0 Theoretical framework

Theoretical underpinning on SME's

Theories on the relevance and role of SMEs include the Labour Surplus Theory propounded by Lewis in 1955. The theories argue that labour is forced into the SME sector due to the inability of large private sector firms and public service to absorb them. This, it argues, is in spite of the poor pay and low productivity. SMEs are therefore a last resort for the unemployed.

In the same frame, Fjose et al (2010) report that the informal sector in Sub-Saharan economies is large and it contains majority of SMEs and hence present about 40 – 60 percent of GDP. Meanwhile, Green et al (2006) state that the informal sector is driven by contraction in the formal sector resulting from economic crisis and which leads to the inability of the formal sector to absorb the labour force. Therefore the informal sector is said to grow in response to unemployment or stagnation in employment in the formal sector. In Nigeria, however, many small size businesses in the informal sector are started as a last resort for the unemployed or underemployed in a bid to raise income for the family. These include trading shops, merchandizing, animal farms, (fish farms, snail farms, poultries,) vegetable and flower gardens, and so on attached to living houses and small manufacturing and service outlets done in spaces around the homes.

Furthermore, Output-Demand theory supports the development and existence of a market for the products and services of SMEs in driving behind their existence and growth. . In Nigeria a good number engage in the production of consumer goods in competition with products of companies in the formal sector. They produce (often unbranded) items like paints, detergents, soaps and beverages amongst others to meet the needs of the communities at more affordable prices. Green et al (2006) report that empirical studies on this theory tends to focus on the companies in the upper echelon of the SMEs, and especially those in manufacturing, who possess the resources and potentials to grow into the formal sector, but observe that the problems of poor infrastructure and unsafe business environment have reduced the success of this approach.

SME's, unemployment and Economic development

World Bank Survey, 2010 report on Micro ,Small and Medium enterprises put Nigeria's total SMEs at 1680000 and Micro enterprises at 6,720,000. Nigeria is said to have MSME per 1000 people of 61.1% and these account for 50% of employment in the country. SMEs in Nigeria therefore are primed to play a critical role in creation of employment. It is expected that economic growth, by increasing a country's total wealth will enhance its ability or potential for reducing poverty and other social maladies, a progress away from poverty towards a better standard of living.

Economic development issues are multifaceted and require policies and strategies that address the various ramifications. In its simplest form it is to create the wealth of a nation and according to Todaro and Smith, (2009) in Dang and Pheng (2015), rapid economic growth has been considered a good proxy for other attributes of development. The world bank uses gross national income (GNI) per capita in place of gross national product GNP (an alternative is gross domestic product, GDP) to compare wealth among countries.

Ayyagari et al, (2003) observed that in high income countries, SMEs share of employment was more than 65% when compared to 32% in low income countries. They also noted that SMEs share of GDP was higher in high income countries-52% and 15% - in low income

countries. They drew the conclusion that growth in SMEs share in employment had contributed to the increase in its share of GDP. The study covered 13 low income countries, 24 medium income and 17 high income countries. Another observation was that SMEs permeated the unofficial sector in low income countries and accounted for 42% in employment and 47% of GDP in contrast to 15% and 13% respectively in high income countries. According to Dawes (2005), in Ecuador 99% of corporations fall into SME category and account for 58% of employment. In OECD countries, SMEs have been credited with the creation of between 60-70% of employment.

Review of related literatures

Folorunsho, et al (2015) examine the contribute strength of small and medium enterprise to the growth and development of the Nigeria economy using quasi experimental research design. This study employs correlation coefficient and multiple regression technique in the process of research. Finding shows that operations has significantly ameliorate growth and development in the Nigerian context through reduction of poverty rate, creation of employment opportunities, improving the standard of living and hence increase internal generated revenue overtime.

Onakoya et al (2013) studying the impact of the financing of Small Scale enterprises on the growth of the Nigerian economy used quarterly times series data from 1992 to 2009 and applied the Ordinary Least Squares regression technique as the primary statistical tool. They found economic growth positively impact loans to SMEs, while interest rate had a negative impact.

Alese & Alimi (2014) investigated the role SMEs' financing as a catalyst for growth of the Nigerian economy. Their study uses the Error correction model (ECM) and Engel Granger causality test on data from 1980 to 2012. They found that deposit money banks' loans to SMEs had a significant impact on the growth of the economy in the long-run. They identified high lending cost and the costs involved in doing business in Nigeria to have withered the impact in the short-run. However, the test revealed a bi-directional causality between SMEs funding and economic growth. This highlights opinion in literature that growth and development in the economy provides structure that re-enforce SMEs performance.

In another related study, Nwakanma, et al (2014)^b examine from rural to microcredit banking using ARDL technique due to its superlative advantage. Findings reveals that microcredit institution has a long run relationship to economic growth, result of granger causality test shows unilateral relationship between economic growth indicator and microcredit with causality flowing from GDP to Microcredit indicator. This suggests that microcredit institution plays a demand following role in Nigeria. This study then recommends that the operation of microcredit institution will significantly contribute to economic growth if a large quantum of microcredit and more development of microfinance product is embraced.

Beck, Demirgüç-Kunt and Levine (2005) explored the relationship between SME sector size and its impact on economic growth and poverty alleviation. Using a sample of 45 countries, they found a strong positive association between the importance of SME and GDP per capita growth. Its findings did not strongly support the proposition that SMEs exert a causal impact on growth nor did they find evidence that SMEs alleviate poverty or decrease income inequality. The size of the SME sector showed a robust positive relationship with economic growth but the data did not support any conclusion that SMEs exert a causal impact on long-run growth nor was there a significant relationship between SMEs and poverty alleviation. This finding suggest that the size of the SME sector is not significantly associated with the

growth rates of the income of the poor, the population living on less than one dollar per day. Muritala, et al (2012) also investigate the small and medium enterprises as a key stimuli to economic development in ijebu area of Ogun state Nigeria using quasi experimental research design. Study reveals the operation of SME's has significantly promote economic growth in Nigeria while study also identifies some major impediment against the speedy success of SME's in Nigeria which include, poor financial support, fund mismanagement, poor infrastructure, bad management and so on.

Fjose et al, (2010) observed that, based on World Bank data, that Sub-Saharan countries report a high number of SMEs in the economy, and this is determined by the definition of SMEs, and whether the informal sector is included or not. They noticed however, that smaller countries had larger SME sector (no of firms per 1000 inhabitants) but that the number of SMEs were not necessarily related to the level of economic development. The number of SMEs being determined by institutional factors.

Benis (2014) studied the impact of Small and Medium-sized enterprises on economic growth in Iran provinces using mixed data for the period 2004 -2005. The study adopted the augmented Solo growth model using panel data. A positive and significant relationship between developing SMEs and economic growth was established. This follows the trend experienced in developed countries where SMEs have significantly impacted on their economic growth through innovation, job creation and entrepreneurial drive

In a more recent study, etuk, etuk and Baghebo (2014) examine the leverage of small and medium SME's activities on the development of the Nigeria economy using more sophisticated econometrics tools, findings reveals that significantly stimulate economic development through creation of jobs, wealth creation, poverty alleviation and providing better standard of living. The study further advice that more fund should be allocated to the SME's as it could help in promoting national income through taxes and revenue and hence help in maintaining economic stability over time. Zacheus and Adepoju (2014) investigate the effect of SME's on the development of ekiti state using quasi experimental research design, findings reveals that small and medium enterprises activities has significantly contribute to the development of ekiti state has it bring about reduction in the level of poverty rate, unemployment rate and hence stimulate standard of living between the period under study.

In another related study, ikechukwu, S.I and Torbira, L.L (2015) examines microcredit in the Nigerian economic growth process between the periods 1992 and 2014. The study employ series of estimation tools among which includes Cointegration test, error correction model and granger causality test. Finding reveals that there exist a long run relationship between microcredit and economic growth, the result of the causality test reveals that microcredit to agriculture and mining/quarry has no significant contribution to economic growth while microcredit allocated to manufacturing/food and real estate/housing has significantly promote growth of the Nigeria economic over the period under study. The study then concludes that the existence of microcredit institution stimulate economic growth in Nigeria hence, they recommended that more operation network of microcredit institution should be established so as to encourage the active poor and hence further promote economic growth in Nigeria.

3.0 Methodology

This study employs ex poste factor research design which is a subset of quasi experimental research design; under this design, econometric modelling will be applied. The choice of this design is to enable measurability.

Sources and Methods of Data Collection

This study shall utilize annual time-series secondary data on the variables under study, from 1992 - 2015 for estimation of functions. Data shall be collected from various issues of Central Bank of Nigeria statistical bulletin and United Nations Conference on Trade and Development (UNCTAD) publications.

Operational Measures of Variables

The variables of this study will be measured accordingly;

Human development index (HDI) will be proxied for economic development: which is a composite statistic of life expectancy, education, and income per capita indicators, which are used to rank countries into four tiers of human development.

Banks' loans to SMEs (**BLSME**): This captures the commercial bank loans to the small and medium enterprises as a percentage of total credit (%).

Model Specification

Following the lead of Nwankanma, et al (2014) the following model was estimated to capture the relationship between Banks' loans to SMEs and its contribution to economic development in Nigeria thus;

$$HDI_t = \beta_0 + \beta_1 BLSME_t + \pi_t \dots \dots \dots (3.1)$$

Where

HDI_t = Human development index at time t

$BLSME_t$ = Bank loan to small and medium enterprises at time t

β_0 = Intercept

β_1 = Slope

π_t = Error term

a priori expectation

we expect the exogenous variable to respond in a positive manner to the criterion variable thus;

$$\beta_1 > 0$$

Method of Data Analysis

Unit Root Test

To avoid having spurious result, this paper tends to begin data analysis by first testing the properties of the time series data under investigation. This is done by testing for unit root using Augmented Dickey Fuller (ADF) tests. Thus, the ADF test dwells on the following regression as proposed by Omoke and Ugwuanyi (2010) as:

Π EMBED Equation DSMT4 r]

$$\Delta y_1 = \alpha_0 + \alpha_1 y_{i-1} + \sum_{i=1}^n \alpha_1 \Delta y_i + \delta_1 + e_1 \quad (3.2)$$

Where:

y represent a time series, t represent a linear time trend, Δ represent the first difference operator, β_0 represent a constant, n denotes the number of lags from the dependent variables and e represent the stochastic variable.

Co-integration Test.

The Johansen (1988) test is used to check for co-integration which intends to establish long-run relationship between the variable in the model and Engle-Granger Approach to co integration will be adopted. This approach is based on conducting unit root test on residual obtained from the estimated regression equation. If the residual is found to be stationary at level, we conclude that the variables are co integrated and as such as long-run relationship exists among them.

$$HDI_t = \beta_0 + \sum \theta_i BLSME_{t-i} + \pi_t \dots\dots\dots(3.3)$$

Autoregressive Distributive Lag (ARDL)

Autoregressive distributive lag (ARDL) mechanism is a technique employed to ascertain the long run dynamics nexus between Bank loan to SME's and various indices of economic development in Nigeria. Following the work of Nwakanma, et al (2014) as cited in monogbe and Achugbu (2016) ARDL technique is used basically on two conditions. Firstly when the sample size of the employed time series is small and secondly when time series became stationary at different level. That is, at level 1(0) and first 1(1) differencing Gujarati (2004). ARDL mechanism can be presented thus;

$$y_t = \beta_0 + \beta_1 t \sum_{i=1}^p \theta_i y_{t-1} + \beta_2 x_t + \sum_{i=0}^p \beta_3 \Delta x_{t-1} + \pi t \quad (3.4)$$

x_t represent the dimension of 1(1) variable which are not stationary β_1 represent the matrix which makes autoregressive process stable while πt is the error term peseran et al (2001)

However, the ARDL technique employed for this study is written as follows;

$$\Delta HDI_t = \beta_0 + \beta_1 \Delta HDI_{t-1} + \beta_2 BLSME_{t-1} + \beta_3 \Delta HDI_{t-1} + \beta_4 \Delta BLSME_{t-1} + \pi t \dots\dots\dots(3.5)$$

Where

ΔHDI_{t-1} = first lag value of human development at time t

$BLSME_t$ = Banks loan to SME's at time t

HDI_t = Human development at time t

$\Delta BLSME_{t-1}$ = first lag value of Banks loan to SME's at time t

π = Error term

Granger Causality Test

The main objective of this study is to investigate the causality between the independent and the dependent variables. Granger (1996) proposed the concept of causality and exogeneity: a variable Y_t is said to cause X_t , if the predicted value of X_t is ameliorated when information related to Y_t is incorporated in the analysis.

$$Y_t = \alpha_o + \sum_{i=1}^n \alpha_1^y Y_{t-1} \sum_{i=1}^n X_{a1} X_{\mu} \dots\dots\dots(3.6)$$

$$X_t = \beta_o + \sum_{i=1}^n \beta_1^y Y_{t-1} \sum_{i=1}^n X_{\beta 1} X_{Y_t} \dots\dots(3.7)$$

4.0 Presentation of Result

4.1 Presentation of Stationality Test Output

Table 1

| Variables | Critical values at 5% | ADF Stat at Level | Order of integration |
|---------------|-----------------------|-------------------|----------------------|
| D(LOG(HDI)) | -3.004861 | -5.591274 | I(0) |
| D(LOG(BLSME)) | -2.998064 | -3.754489 | I(1) |

Source: Extraction From E-View Output

The reliability of the data under investigation is inconsistent due to varying level of stationarity which is one of the pre-conditions of auto regressive distributive lag (ARDL) mechanism. From table 1 above, we observe that the endogenous variable became stationary at level while the corresponding variable became stationary after first differencing in the order of 1(1) integration which is a requirement to employ bound test co-integration. Having justified the stationarity trend, we proceed to test for long run association which may exist among the employ variables using bound test co-integration thus;

4.2 Bound Test Co-Integration

Presentation of Bound Test Co-Integration Output

ARDL Bounds Test

Date: 10/06/16 Time: 15:45

Sample: 1993 2015

Included observations: 23

Null Hypothesis: No long-run relationships exist

| Test Statistic | Value | k |
|----------------|----------|---|
| F-statistic | 2.317305 | 1 |

Critical Value Bounds

| Significance | I0 Bound | I1 Bound |
|--------------|----------|----------|
| 10% | 4.04 | 4.78 |
| 5% | 4.94 | 5.73 |
| 2.5% | 5.77 | 6.68 |
| 1% | 6.84 | 7.84 |

Source: Extraction From E-View Output

Having justified the stationarity trend among employed variables, we proceed to test for co-integration. The decision rule is that if the F statistics is greater than the upper and lower bound value, then we reject null hypothesis if otherwise, we do not reject. The result from table 2 above reveals absence of long run relationship between the variable under investigation due to the fact that the value of the F statistic is lower than the upper and the lower bound values. i.e log(BLSME) maintain a F-statistics value which stood at 2.317305 which is < 4.94/5.73 bound values respectively. Hence, we accept the null hypothesis and then concluded that there exists short run causality between the variable under investigation.

4.3 Presentation of Auto Regressive Distributive Lag Output

Table 3

Dependent Variable: LOG(HDI)
 Method: ARDL
 Date: 10/06/16 Time: 15:03
 Sample (adjusted): 1993 2015
 Included observations: 23 after adjustments
 Maximum dependent lags: 4 (Automatic selection)
 Model selection method: Akaike info criterion (AIC)
 Dynamic regressors (2 lags, automatic): LOG(BLSME)
 Fixed regressors: C
 Number of models evaluated: 12
 Selected Model: ARDL(1, 0)
 Note: final equation sample is larger than selection sample

| Variable | Coefficient | Std. Error | t-Statistic | Prob.* |
|--------------------|-------------|-----------------------|-------------|--------|
| LOG(HDI(-1)) | 0.506657 | 0.220377 | 2.299050 | 0.0324 |
| LOG(BLSME) | 0.019006 | 0.014514 | 1.309504 | 0.2052 |
| C | -0.340273 | 0.152323 | -2.233893 | 0.0371 |
| R-squared | 0.582980 | Mean dependent var | -0.663491 | |
| Adjusted R-squared | 0.541278 | S.D. dependent var | 0.133527 | |
| S.E. of regression | 0.090436 | Akaike info criterion | -1.847232 | |
| Sum squared resid | 0.163575 | Schwarz criterion | -1.699124 | |
| Log likelihood | 24.24316 | Hannan-Quinn criter. | -1.809983 | |
| F-statistic | 13.97967 | Durbin-Watson stat | 1.823048 | |
| Prob(F-statistic) | 0.000159 | | | |

*Note: p-values and any subsequent tests do not account for model selection.

Source: Extraction From E-View Output

The result of the dynamic regression model is discuss thus; we observe a positive and insignificant relationship between bank loans to small and medium enterprises and economic development. Log (BLSME) maintain a positive P-value of 0.2052 with a corresponding coefficient of 0.019006 respectively. This suggest that bank loans to small and medium enterprises does not seem to statistically stimulate economic development within the periods under investigation in Nigeria. The insignificances could be attributed to the fact that the percentage of loans allocated to the SME's is not sufficient enough to ameliorate growth and

hence debunk its contributive effect to economic development. The global statistic report that the adjusted R^2 stood at 0.54127 which implies that about 54% variation in the dependent variable is explained by the independent variable while the remaining 46% is anchored by the error term. The F statistics and probability value show the general significance of the model while the Durbin Watson statistics stood at 1.8230 which is within the acceptable range hence suggesting absence of auto correlation.

4.4 Diagnostic Test

Table 4 presentation of Breusch-Godfrey Serial Correlation Test

Breusch-Godfrey Serial Correlation LM Test:

| | | | |
|---------------|----------|---------------------|--------|
| F-statistic | 0.883528 | Prob. F(2,18) | 0.4305 |
| Obs*R-squared | 2.056061 | Prob. Chi-Square(2) | 0.3577 |

Source: Extraction From E-View Output

To justify the fitness of our model, we employ LM serial correlation test. The result above reveals absent of serial correlation due to the chi square (2) value which is greater than the 5% preferred alpha level. On this premises, we reject null hypothesis and conclude that our model is fit and free from serial correlation hence, the outcome of this empirical findings is prudent enough for decision making.

Table 5 Presentation of Heteroscedasticity Test Output

Heteroskedasticity Test: Breusch-Pagan-Godfrey

| | | | |
|---------------------|----------|---------------------|--------|
| F-statistic | 0.584126 | Prob. F(2,20) | 0.5668 |
| Obs*R-squared | 1.269345 | Prob. Chi-Square(2) | 0.5301 |
| Scaled explained SS | 1.600600 | Prob. Chi-Square(2) | 0.4492 |

Source: Extraction From E-View Output

The result of the output above shows absent of the Heteroscedasticity. This is established by the chi-square (2) probability value which stood at 0.5301 which is greater than the 5% preferred level of significant and hence justifies the presence of homoscedasticity which implies that the residual are normally distributed.

4.5 Granger Causality Test

Table 6 Presentation of Granger Causality Test Result

Pairwise Granger Causality Tests

Date: 10/06/16 Time: 16:59

Sample: 1992 2015

Lags: 2

| Null Hypothesis: | Obs | F-Statistic | Prob. |
|--|-----|-------------|--------|
| LOG(BLSME) does not Granger Cause LOG(HDI) | 22 | 0.94543 | 0.4080 |
| LOG(HDI) does not Granger Cause LOG(BLSME) | | 1.76357 | 0.2014 |

Source: Extraction From E-View Output

The result of the granger causality test report the absence of causality flow among employed variable under investigation. Judging by 5% level of significant, we observe that none of the variable is significant at the preferred alpha level. On this premises, we conclude that there exist neither uni nor bi-directional relationship among variables under investigation. Hence, we accept null hypothesis of no existence of causality.

5.0 Discussion of Findings, Conclusion And Recommendation.

The study has empirically investigated the long run effect of loans to small and medium enterprises and its contribution to development of the Nigeria economy between the periods 1992 and 2015 using time series data and more dynamic estimation tools.

The output of our findings reveals that there exist no long run relationship between loans to SME's and economic development in Nigeria. The result of autoregressive distributive lag (ARDL) shows an absence of significant relationship between loan to SME's and economic development. These insignificances could be attributed to inefficiency in fund allocation to the SME's and hence debars its significant contribution to economic development. The result of the granger causality test reveals the existence of no causality flows between the variable under investigation. This justifies the fact that loans to SME's does not granger-cause economic development neither did economic development granger cause BLSME's between the period under study. This suggest that bank loan to SME's has not been productive in Nigeria. This could be due to the fact that the percentage of the total credit allocated to the small and medium enterprises is small and insignificant to constitute reasonable level of contribution to economic development. This therefore calls for review in the spectrum of loan allocation scheme so as to ensure that significant percentage of loan is allocated to the small and medium enterprises which will help in achieving sustainable level of economic development in the long run.

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