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A Critical Review of SMES Access to Credit and Their Performance/Growth in Nigeria

Gbenga I . Olorunsola PhD, ACA, FCIB
Department of Management and Accounting,
Lead City University, Ibadan

Nwankwo, Alexius Ndudi
Department of Banking and Finance,
Covenant University, Ota, Nigeria.

Abstract:- In one of their publications, the Development Finance Department of the CBN noted that Small and Medium-Sized Enterprises (SMEs) are essential to any nation's economic growth. It has been discovered that small and medium-sized businesses (SMEs) have tremendous potential for employment generation, technological advancement, output diversification, the nation's entrepreneurship development, forward growth, and eventual integration into large-scale industries. The increasing significance of small and medium-sized enterprises (SMEs) and the contributions they make to the nation's economic development necessitate that they receive the necessary assistance and resources, particularly access to financial resources, in order to increase their economic contribution; However, for a variety of reasons, including assumptions and facts, this has not been the case. Financial intermediaries are the most unprepared stakeholders in the provision of the necessary finance for bridging the gap between the SME's financial needs and available funds. Despite the potential that SMEs have demonstrated, they still do not feel comfortable considering them top in loan/credit allocation and pricing. Access to lending or other external sources of financing is one of the factors that determines the growth, survival, and development of a business, including small and medium enterprises, according to previous and recent research. This is especially true for small and medium-sized businesses, which face a number of obstacles when trying to get credit financing from banks and other financial institutions. Some of these obstacles are said to be caused by banks and financial institutions not having enough information to evaluate the credit opportunity. This paper examines the performance and growth of Nigerian SMEs as well as their access to credit. The findings and conclusion showed that the performance and growth of small and medium-sized enterprises (SMEs) in Nigeria are influenced by their access to credit; however, SMEs in Nigeria have less access to credit than large corporations. Despite the difficulties and setbacks that SMEs face, they have always demonstrated the potential for greater performance, growth, and retention of their position as a significant contributor to the country's GDP if they have access to the necessary credit.

I. INTRODUCTION

Small and Medium-Sized Enterprises (SMEs) comprise the majority of private businesses in Nigeria. The term "small and medium enterprises" (SMEs) refers to start-up businesses and service organizations that either exist to provide goods and services to individuals or other institutions that require their services for continued operation and existence or are primarily start-up businesses anticipating growth and other expansionary qualities. They are referred to as "Small and Medium Enterprises" in contrast to "conglomerates" or large organizations. The publication from the World Bank says that small and medium-sized businesses play a big part in the performance of most economies, especially in developing countries without a lot of industrialization. They are significant contributors to the creation of employment and the development of the global economy and account for the majority of business in most of the world. According to reports, they account for roughly 90% of businesses and have contributed to more than 50% of employment worldwide. In emerging economies, formal SMEs account for up to 40% of the GDP. When informal SMEs were taken into account when determining any of the indices, the aforementioned numbers would have been significantly higher. However, these numbers pertain to formal SMEs. The World Bank estimates that 600 million jobs will be required by 2030 to accommodate the expanding global workforce, making SME development a top priority for numerous governments worldwide. Small and medium-sized businesses (SMEs) create 7 out of 10 formal jobs in emerging economies and markets like Nigeria. Access to finance, on the other hand, is a major impediment to the expansion of small and medium-sized enterprises (SMEs), ranking second in the list of challenges they face in expanding into emerging markets and developing nations.

➢ *Objectives of the Study*

The following are the objectives of this study:

- Conduct a cursory review of the existing literature on SME financing with the intention of gathering relevant data for gaining insight into SME finance in relation to access to credit financing.
- Determine the credit financing options available to SMEs and how these options can help them meet their financing needs.
- Determine the obstacles and constraints that SMEs face when trying to close financing gaps in their businesses.

- Based on the challenges that have been identified, propose solutions and recommendations for the credit financing requirements of SMEs.

II. LITERATURE REVIEW

A. *Small and Medium Enterprises (SMEs) in Nigeria*

The low startup costs and adaptability to meet the needs of promoters, individuals, and other businesses in their niche markets are the main drawbacks that owners or promoters of such a business find appealing. They have made a significant contribution to Nigeria's GDP growth and are the primary drivers of the country's economic and industrial transformation. Their contribution to Nigeria's economic growth cannot be overstated.

B. *The Nigeria Contest's definition and classification of small and medium enterprises (SME).*

In Nigeria, the definitions of SMEs have been established by the Small and Medium Enterprises Development Agency (SMEDAN) and the Bank of Industries (BOI), the two primary institutions established by the Government for the sustenance of this important part of the economy. The adjectives Small and Medium are used to describe the scales of engagements, production, and sizes of businesses. The classification of an enterprise as a Small and Medium Enterprise (SME) varies from country to country. The Bank of Industry has categorized businesses based on three indices—number of employees, total assets, and annual turnover—while SMEDAN has defined and classified SMEs based on two indices—total assets and number of employees. The two organizations considered to be Nigeria's most important SME-facing government institutions have divided SMEs into the categories listed below.

Table 1: Small and Medium Enterprises Development Agency (**SMEDAN**) definition of SME.

INDICES	SMALL SCALE ENTERPRISES	MEDIUM SCALE ENTERPRISES
Number of Employees	10 to 49	50 to 199
Total Assets (₦)	≥ 5 < 50 million	≥ 50 < 500 million

Table 2: Bank of Industry (BOI) definition of SME.

INDICES	SMALL SCALE ENTERPRISES	MEDIUM SCALE ENTERPRISES
Number of Employees	>11 ≤ 50	> 51 ≤ 200
Total Assets (₦)	> 5 ≤ 100 million	> 100 ≤ 500 million
Annual Turnover (₦)	≤ 100 million	≤ 500 million

We could note from the above that the two institutions materially agrees on the number of employees an organisation should have to be classified as SME, they however, had their definitions of other criteria including the value of the total assets and the Bank of Industry further included annual turnover as one of the indices for classification of SMEs. Because our discussion focuses solely on small and medium-sized businesses, the Micro Enterprises have been left out of the aforementioned definitions. The majority of SMEs are the products of Micro Enterprises that had grown in the aforementioned indices from a one-man business and other lower scales of the aforementioned indices, as adopted by SMEDAN and Bank of Industries, in order to attain or acquire scales that meet the aforementioned criteria.

III. CONCEPTUAL FRAMEWORK

Small and Medium-Sized Enterprises (SMEs) make up the majority of Nigerian businesses. Being able to fill a need in niche markets with greater flexibility and requiring less capital appeal to the owners. Because they are driving the country's economic and industrial transformation, their contribution to the expansion of the Nigerian economy cannot be overstated.

Despite their acknowledged significance, small and medium-sized businesses are constrained by a number of factors in their capacity to expand to meet the country's growing demand and close the growth gap. The lack of readily available financing is one of these factors that plays a significant role. Globally, commercial banks, despite continuing to be the largest source of external funds for SMEs, have generally avoided providing credit to SMEs due to the perceived risks and uncertainties associated with doing so. SME practices in Nigeria have become more expensive and inefficient as a result of the country's unstable economic climate and lack of necessary infrastructure, making them less competitive in the credit market.

Through the establishment of institutions like the Bank of Industry (BOI) and previous targeted intervention policies like the SMEs Equity Investment Scheme (SMEEIS), the government has attempted to address the financing issues that SMEs face. However, these efforts have proven to be futile due to a lack of capitalization, bureaucracy, and knowledge of the industry they are meant to serve. Nigerian financial institutions are reluctant to provide SMEs with long-term loans because they view them as high-risk. When small and medium-sized businesses (SMEs) are able to obtain debt financing through formal or informal financial intermediaries, it typically has a short term and exploitative interest rate. According to Akingunola (2005;2011), owners of Nigerian small and medium-sized enterprises (SMEs) are reluctant to share ownership of their businesses with "outsiders" in order to raise additional capital through the equity financing option.

IV. SME FINANCE AND FUNDING

This section provides an overview of the various forms of debt and equity financing that are available to SMEs.

It has been stated that money is a necessary requirement for a business to survive. It has been referred to as the lubricant that greases any organization's wheels. This suggests that SMEs' access to low-cost medium- and long-

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term financing is necessary for their survival, expansion, and meaningful contribution to the country's GDP. SMEs may receive funding internally, externally, or a combination of the two; Investment retained profits, sales of the company's assets, extended payment terms, a decrease in working capital, and accounts receivable are examples of internally generated funds. In contrast, business owners, associates, and relatives, financial institutions, suppliers, merchants, and government and non-government offices are all examples of external sources (Hisrich and Peters, 1995).

There are different ways to finance equity and debt; SME financing strategies vary from initial internal sources; such as the owner-manager's personal savings and retained earnings to informal external sources like family and friends, trade credit, venture capital, and angel investors, and consequently to formal external sources like banks and other lending financial institutions. For some small and medium-sized enterprises (SMEs) and business promoters, who rely heavily on conventional debt to meet their start-up, income, and investment requirements, bank credit and lending is the most widely recognized external source of funding.

➢ *The Different kinds of credit available to SMEs*

Having access to credit is SMEs' lifeline. It enables the SME to manage liquidity (conserve the cash on hand) to cover their costs of doing business. Additionally, it enables the SME to cover day-to-day expenses, purchase inventory, hire additional staff, and obtain the necessary capital for startup, continuity, and expansion. The SME can get some of the following kinds of credits:

A. Startup Loans

A SME startup loan might be right for a new business that hasn't started up yet. There are a variety of options for business startup financing, and the terms vary depending on which option is chosen. This is available through NIRSAL Microfinance Bank, a government agency.

➢ *Advantages and Drawbacks of Startup Loans*

Startup loans are typically available to businesses with no credit history or who have not been in business for a long time. As a new business, a SME may find it easier to qualify for a startup loan, giving it a chance to improve its business credit history in the future. Startup lenders typically only offer a very limited amount of money, which can only be used to set up a Micro Business and not a Small or Medium Business. This credit's drawback is that it can sometimes be a pricey way to get started.

B. CBN on-lending Loans or Anchor Borrowers Loans

The CBN provides single-digit loans to SMEs through commercial banks. These loans are called CBN on-lending Loans or Anchor Borrowers Loans. The CBN connects other beneficiaries whose inputs are the outputs of another borrower to each other. The loans' terms and terms of repayment are designed to fit the business for which they were obtained.

The advantages and disadvantages of CBN on-lending loans, also known as Anchor Borrowers Loans, CBN on-lending loans, also known as Anchor Borrowers Loans, are among the least expensive options available to SMEs seeking financing. However, there may be extensive borrowing requirements. Additionally, the loan procedure may take several weeks or even months to finish.

C. Term Loans

When discussing credit with lenders, a lot of businesses think of term loans. A term loan allows a small business to borrow money from a traditional bank and then repay it over a predetermined time frame (often at a predetermined interest rate). These loans come with a variety of terms and conditions, but a business with good credit may be able to borrow a lot of money for a medium to long time. The money that SMEs get from this kind of credit are used for a lot of different things, like buying inventory and assets, covering operating and working capital costs, and so on.

➢ *Advantages of Term Loans*

The SME may be able to obtain a term loan at a competitive interest rate—especially from a traditional lender like a Commercial Bank—if the promoters have good personal and business credit worthiness. Additionally, term loans offered by microfinance lenders frequently have faster application and funding procedures.

➢ *Disadvantages of Term Loans*

- The SME may be required to provide a personal guarantee, which is a legal agreement between the promoters or the guarantor to repay the loan with his personal funds in the event that the business fails to do so. This is one of the disadvantages of term loans.
- ii.This kind of credit requires collateral. This is a constraint because the promoter or SME might not have the necessary collateral.

D. Short-term Loans

A short-term loan might be something to think about if a business needs money for a short time and the repayment terms are usually less than three years. Small and medium-sized enterprises (SMEs) that meet the requirements may be able to obtain funding from some lenders in as little as one day. The details and requirements for a short-term loan from a lender can be affected by a variety of factors; however, a well-qualified small and medium-sized enterprise (SME) may be able to obtain a loan with repayment terms ranging from six to 18 months.

➢ *Advantages and Drawbacks of Short-term Loans*

The primary advantage of this credit source is the speed with which financial institutions process applications and the simpler terms for qualifying SMEs. However, there are some drawbacks to these loans as well. First, borrowing costs can be high for some small and medium-sized businesses, and they may have to pay fees like management fees and processing fees. With some lenders, the borrower may also be required to agree to daily or weekly payment drafts, limiting the availability of cash for value turnaround. This funding's inability to be used for the purchase of machinery, equipment, or other assets is another major drawback.

E. Overdrafts

Overdrafts are a type of credit that lets a small business borrow money as needed and only pay interest on the money used. A credit limit is granted to the SME by the lender bank, and as the SME repays their debts, they can access additional funds up to the limit established during the draw period. These loans typically have a term of months.

Overdrafts: Benefits and Drawbacks Overdrafts are a flexible way for small businesses to borrow money when they need an open source of funding. They can also be useful for short-term working capital financing.

A good credit history and sometimes collateral are usually required to secure the best borrowing terms for an overdraft. The promoter of the company's personal guarantee may be required.

F. Equipment Financing

When an SME needs money to buy machinery or equipment, equipment financing might be the best option. The equipment that was acquired with the loan is used as collateral for this method of financing. The equipment can be repossessed and sold by the lender to recover the loan if the borrower defaults.

V. ADVANTAGES AND DISADVANTAGES OF EQUIPMENT FINANCING

The Lenders in most case offer repayment terms of up to a little below the expected life of the equipment; making the equipment look like pay-as-you-use, saving cost of hiring the equipment or outright cash purchases. These helps the SME manage liquidity.

Other available Credits to SMEs

- Microloans
- Invoice Factoring
- Invoice Financing
- Working Capital Loans
- Personal Loans for Business Use

➢ *Credit Purchases as a Source of Funding*

Beyond raising or borrowing fund from lending institutions and persons, credit available to SMEs include the buying of needed raw materials and other inputs for the SME's business with the benefit of deferring payment to a later date; this is known as credit purchases or payables. Credit purchases enables the SME to acquire the required raw materials and other input for production of its goods and pay for same on an agreed later date. The longer the delayed payment time, the better for the SME, as the payment deferral enables the SME structure its repayment optimally in line with it cash flow.

➢ *Advantages of Credit purchases as a source of business fund for the SME*

Credit purchases as a source of business finance for the SME has a lot of advantages that positively affects the frowth and development of SMEs and the effective playing of their role in the development of the economy. Some of the advantages include:

- Payables is a cheaper source of credit than collecting funds from Financial Institutions and other lenders as it helps the SME to avoid the costs of borrowing, including fixed charges and interests paid on loans.
- Credit purchases enables SMEs meet demands at short notice while also providing ready market for other SMEs which in some cases are the suppliers of the raw materials, thereby, creating geometric value addition and multiplier effects on all the SMEs in the value chain.
- Delayed payments will enhance availability of cash/fund to enable the SME take advantage of discounts and other avoidable expenses, including interests and charges.
- Access to raw materials created by the availability of credit purchases enables the SME take advantage of business opportunities, example is in the case of a production contract, the SME will be able to meet up with the contract within time, leading to higher patronage and business growth.
- The business growth resulting from credit purchases will increase the turnover and other indices which will positively affective the SME's credit profile, qualifying it to for larger loans from the Commercial and other Banks and other big lenders.

➢ *Impact of Credits to SMEs*

From the above, we could deduce the following as impact of the various credits to the SMEs:

- It enables the business to obtain the needed capital for startup, continuity, expansion, cover day to day expenses, purchase inventory.
- It enables the business to achieve optimal liquidity management that can help it achieve growth in production and profitability.
- It serves as source for the required finance for the expansion and growth of the SME.
- Credit enable the SME to meet the demands of its customers, providing the need input and finished products for growth economic activities in the country.
- The expansion effects of credit on SME results to the increase in employment and other contributors to the GDP.
- Credit provides the required lifeline for SMEs business continuity and going concern.

➢ *Issues/challenges affecting SMEs*

The Development Finance Department of the Central Bank of Nigeria (CBN) published a list of the top four issues affecting small and medium-sized enterprises (SMEs) in the country: a hostile business environment, inadequate funding, inadequate managerial abilities, and inaccessibility to cutting-edge technology (FSS 2020 SME Sector Report, 2007). The PWC Survey 2020, which stated that "Obtaining finance, finding customers, and infrastructure deficits are the most pressing problems of SMEs," confirms the CBN's assertion

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that inadequate funding is the primary issue or obstacle facing small and medium-sized enterprises (SMEs). This assertion by stakeholders in the existence, operation, and regulation of SMEs that obtaining finance tops the challenges faced by SMEs emphasizes the challenge's existence and magnitude, as well as the urgent requirement for appropriate short-, medium-, and long-term solutions.

Short-, medium-, and long-term financial investments are the source of all the expansion and transformation that led to the SME's existence and ongoing existence. Access to short-, medium-, and long-term financial resources is necessary for small and medium-sized enterprises (SMEs) to expand, employ more people, and contribute more to GDP. However, the majority of these vital businesses require more funding than they currently have access to. As a result of inadequate funding for small and medium-sized enterprises (SMEs), the sector's expected contribution to economic growth and development has been undermined. The majority of SMEs may not require long-term funds (capitals), but they have not been able to access medium- and short-term funds (credits and loans).

SMBs face a significant obstacle in the form of limited credit. Small and medium-sized businesses (SMEs) are unable to make short-term investments necessary for their growth because they lack or have limited access to external sources of working capital, which results in growth stagnation. Inadequate access to financing becomes a barrier to poverty reduction and economic expansion because of the significance of SMEs as employment sources.

With the disposition of Commercial Banks and other large institutional lenders to lend to businesses of certain sizes, age and with certain other qualities which the SMEs might not immediately possess, Bank loans are less likely to be available to SMEs than to large corporations; Instead, they start and run their businesses with money from within or from family and friends. According to the findings of the PwC MSME Survey 2020, 48% of SME businesses in Nigeria used family and friends as their primary source of financing over the previous year. According to the 2019 NBS SMEDAN MSME survey, personal savings were the most common source of capital for most businesses, including micro and small and medium-sized enterprises (SMEs). Only 49.5% of SMEs—sole proprietorships—in the United States reported having access to bank credit. According to estimates from the International Finance Corporation (IFC), 65 million businesses, or 40 percent of formal micro, small, and medium enterprises (MSMEs) in developing nations, have an annual unmet financing need of $5.2 trillion, which is 1.4 times the current global MSME lending level. The gap's volume varies greatly from region to region. The fact that half of formal SMEs do not have access to formal credit provides additional information. When micro and informal businesses are taken into account in the research, the financing gap becomes even wider.

VI. SMES AND FUNDING CONSTRAINTS

The majority of small and medium-sized enterprises (SMEs) in Nigeria are currently confronted with funding constraints, which range from short-term overdrafts to long-term capital. Owner/proprietor finance, equity finance, and debt financing are some of the options available to SMEs for financing. In addition to proprietor financing, which has always been deemed insufficient to meet the financial requirements of businesses; The majority of small and medium-sized businesses are frequently unable to meet or fulfil the stringent conditions and borrower obligations imposed by alternative financing options. According to Abereijo & Fayomi (2005), lenders and investors view Nigerian SMEs as high risk due to their low asset and capital base, susceptibility to market dynamics, and high mortality rate. As a result, SMEs are unable to raise funds from outside sources. Evaluation of SMEs' creditworthiness is also difficult due to inadequate financial statements, inadequate accounting records, and proper business plans; Another intimidating factor is the high transaction costs associated with lending to SMEs.

SMBs face the greatest obstacles to credit and debt financing due to the following factors:

- *Credit Availability*

Not all credits are universal; some are specialized and available only for specific uses. Credit availability refers to the availability of specific types of credit that can be used to meet a borrower's specific needs, such as financing for agriculture, leasing machinery, mortgage financing for buildings and landed property, and so on. Most of the time, small and medium-sized businesses (SMEs) can't get these specialized loans from their banks when they need them, so they have to work with what they have. The majority of SMEs do not have these requirements, so the availability of credit to a Bank-customer Borrower is contingent on the provision of specific business financial and other records and the length of the Borrower's relationship with the lending Bank. The most important things that affect credit availability and the growth and development of Nigerian SMEs are whether or not these conditions are met. An SME may be eligible for credit if it meets the requirements of the bank or lender. These requirements include the SME's age and size, financial records and results, and the length of the business relationship with the lender or financial/banking institution.

- *Credit Affordability*

The cost of funds or the cost of borrowing by an SME, which includes interest and other charges on the borrowed fund, is a factor in credit affordability. It discusses the borrower's willingness and capacity to borrow money at the lender's rates and fees. When a credit's fixed charges and interest rate are high, a small business with a low operating margin will likely consider the facility unaffordable due to the high cost of doing business. The PWC Survey 2020 on Small and Medium-Sized Enterprises found that "29% of SME businesses see the high interest rates on loan as the highest limiting factor to getting external funding for working capital and business expansionary activities." This further supports this. Insufficient guarantees or collateral for funding is cited by 25%, and the most important limiting factor is the state of the economy by 22%. Speaking about how easy it is for small and medium-sized businesses (SMEs) to get credit, Mr. Olusegun Awolowo, chief executive officer and executive director of the Nigerian export promotion council (NEPC), said that SMEs in Nigeria face a lot of problems. One of those problems is getting access to finance, which he said is the biggest problem they face. He went on to say that SMEs have a hard time getting financing when interest rates exceed 20%. Small and medium-sized businesses (SMEs) are unable to obtain the financing they need to boost production and performance, making it difficult for them to meet both domestic and international demand.

➢ *Credit Accessibility*

The borrower's ability to obtain external financing and use the credit in accordance with its requirements are all aspects of credit accessibility. When the issues of availability and affordability are resolved, credit accessibility becomes a factor. The answer to the question, "Can the SME obtain the loan/credit?" for an SME is that accessibility is a factor in credit. Can they apply for a credit at a bank, and if it is approved, will the credit be available and affordable? Access to credit has been shown in a lot of research and literature to have a significant impact on SMEs' success and profitability. According to Kira & He (2012), SMEs benefit from economies of scale and productivity enhancements when they have access to credit. The SME's growth and contribution to the economy are hampered if credit facilities are not available to the company. This prevents the SME from reaping the growth and expansion benefits of external funding.

Throughout the company's lifecycle, financing is a necessary tool for growth. According to Ou and Haynes (2006), one of the most important factors in the growth, success, and development of SMEs is the availability of funds. However, raising funds typically presents challenges for SMEs; According to Beck, Demirgüç-Kunt, Laeven, and Maksimovic (2006), they consistently report higher financing obstacles than large businesses. According to the findings of the PWC Survey 2020 on SME, which summarized the findings regarding finance of SME/credit on the growth of SMEs in Nigeria, one of the obstacles to obtaining the necessary funding for the acquisition of cutting-edge machines as well as the technology required to build capacity necessary for increased performance and business expansion is the combination of extremely high interest rates and extremely stringent requirements.

➢ *The risk side of credit on Small and Medium Enterprises (SMEs') growth and development.*

Credit as a source of external financing is good and helps the expansion, growth and development of businesses without dilution of ownership, it in facts, takes care of deficiencies of capital as a source of external finance for the business, particularly, the dilution of ownership. The adoption of Credit as a source of external finance, however, has it own risk or possible adverse effect, especially when not properly managed. Some of such scenarios are:

- Loan charges and interests are fixed financial cost to the business, they When a credits is wrongly matched, it results to negative synergy, as the mismatch will generate a loss instead of profit or will only cause a marginal increase in income without contributing to the growth of the SME. Example is when the SME uses a short term loan to finance long term asset instead of a long term borrowing.
- Credit may lead to increase in the cost of doing business with out having positive impact on both business profitability and growth. This happens when the credit is overpriced or the resulting sales from the additional products resulting from the borrowing does not yield the required or expected additional profit.
- Credit can lead to loss of the business or dilution of ownership of the business, thereby, resulting to the same problem with financing the business with additional external capital, the same problem which might have made loan the preferred financing option for the business owners.
- Credit can lead to loss of the business asset. An unforeseen adverse incident which affects the ability of the SME to meet it obligations regarding loan servicing and repayment could lead to loss the assets used as loan collateral to the lender. With the depletion in the asset of the business to lender resulting from credit, the credit has served as a business retardant rather a business growth enhancer.
- One bad loan can lead to the SME having a negative reputation which may adversely affect their business rating, credit worthiness and ability to raise further fund from the finance market.
- Large credits, if not well managed, can lead to complete loss of the ownership of the business, especially, when the credit is convertible to equity.

Credit to a business is a two-edged sword, one use of it gives the borrower an edge and another edge of it places the borrower on the edge. Skills and expert advise are required for optimum utilisation benefit derivation from any borrowing.

VII. METHODOLOGY

This paper looked at previous research on Small and Medium Enterprises, how they can get funding, and how they help the economy of Nigeria grow. These previously published news articles, opinions from industry experts, reports from the industry, and feedback from face-to-face communication on the subject of the research both before and during the research work. The researcher's prior work in the banking industry, particularly in the area of credit and lending to SMEs, is also taken into account.

➢ *Gap in Literature, Area for Further Research*

A review of SMEs' ability to access/obtain credits from microfinance and informal credits and the impact of same on the SMEs' growth and performance is recommended because it has been observed that obtaining bank financing is not popular for small scale enterprises, but credit from the other sources, other than Commercial Banks, have been at their reach. This gap in the literature is an area for further research. During the course of the review, it was discovered that the majority of the literature on Nigerian SMEs' credit accessibility.

VIII. CONCLUSION

The research article was critical review of SMEs access to Credit and their performance/growth in Nigeria. We observed from the review that there is a direct relationship between access to credit by the Small and Medium Enterprises and their performance in one hand and their growth on the other hand. We observed that their access to credit has a number of advantages which include: It enables the business to obtain the needed capital for startup, continuity, expansion, cover day to day expenses, purchase inventory; It enables the business to achieve optimal liquidity management that can help it achieve growth in production and profitability; It serves as source for the required finance for the expansion and growth of the SME; Credit enable the SME to meet the demands of its customers, providing the need input and finished products for growth economic activities in the country; The expansion effects of credit on SME results to the increase in employment and other contributors to the GDP; Credit provides the required lifeline for SMEs business continuity and going concern. The implication of this is that the limited access of SMEs to credit would produce the opposite of these advantages and would limits their performance and growth as a result.

RECOMMENDATIONS

In view of our observations and conclusion that credit is positively correlated with performance and growth of SME in Nigeria as seen above, we recommend as follows:

- Provision of accessible and well-priced credit facilities to SMEs by financial intermediaries/lenders to encourage leveraging on same for by the SMEs for improved performance and growth.
- Effective training and orientation by the government agencies in charge of SMEs on the need for proper financial management and financial recod keeping and their importance in sourcing for credit.
- Recommend the use of Microfinance Banks as agents of government to disburse loans and attainable payback mechanisms, considering that they are closer to the SMEs.
- The recent policy of the government in providing assess to credit facility to SMEs in the form of on-lending or anchor borrowers facilities is tilted in favour of the SMEs in the agricultural industries, this should be expanded to include more of the SMEs operating in other industries.
- Make the CBN anchor borrowers programme and the CBN on-lending programme more accessible to qualifying SME.
- Financial Institutions should structure loans to SMEs for input purchases using a tripartite arrangement where loan proceeds are directly paid from the financial institution (lender) to the Suppliers and the proceeds from sale of the finished goods paid directly into the account of the borrowing SME with the lender to liquidate the loan as sales are made. This will protect the loan from going bad while also helping the SME grow.

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