Asian Journal of Social Science and Management Technology
ISSN: 2313-7410
Volume 5, Issue 6, November-December, 2023
Available at www.ajssmt.com

Financial inclusion and Performance of the Small and Medium Enterprises in Ibadan, Oyo State, Nigeria

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Abstract: The study examined financial inclusion and Performance of the SMEs in Ibadan, Oyo State. The financial inclusion theories and Perking Order Theory served as the theoretical background upon which this study was based. The target population for this study was made up of business centres, grocery stores and fashion houses in the Ibadan Southwest Local Government Area, Oyo State. This study adopted a quantitative survey technique because it was more explanatory and related directly to the SMEs that were selected for the research. Data was collected through primary sources with the use of a structured questionnaire to obtain relevant information from the participants as well as secondary sources. The Statistical Package for Social Sciences software programme was used to analyze the data. From the research findings, it was discovered that performance of the selected SMEs was influenced positively using financial inclusion parameters of financial service access, usage and quality as measurement. This study concluded that SMEs are crucial to the growth of the country as they use local raw materials and technology, thereby assisting in the realization of the goal of self-reliance and poverty alleviation. Finally, the study recommended that Government and financial institutions should create a comprehensive strategy to manage the wealth creating SMEs programs they have started and programs started should be properly funded in a sustainable manner and that in improving the socioeconomic development of Nigeria such as eradicating poverty, creating jobs, advancing human development and enhancing social welfare for the people, government should formulate financial inclusion methods aimed at facilitating the SMEs performance.

Keywords: Financial inclusion, Financial institutions, SMEs, Performance, Strategy

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1. Introduction

Financial inclusion is a state where individuals and businesses have access to useful and affordable financial products and services that meet their needs and delivered in a sustainable and responsible way i.e. payments, transactions, investments, credit, borrowing, savings, and insurance. The road maps of actions defined and agreed either as a whole nation or sub national levels which they use to actualize the financial inclusion/deepening objectives are referred to as financial inclusion strategies. For strategies to be successful, they should coordinate efforts with the main stakeholders, define responsibilities and state a clear planning of resources by, e.g. targets highlighting. Strategies can encourage efficient and effective procedures aimed at achieving notable development in financial inclusion, this is usually prepared alongside the private sector in order to establish and achieve shared, achievable goals for financial inclusion/deepening. A very comprehensive way to financial inclusion/deepening addresses at least three parameters to financial inclusion and they are access to financial services and products; usage of financial services and products; and quality of financial services and products (Ovedje, 2021).

The Small and Medium Enterprises are extremely important to most economies, especially those in emerging nations. SMEs comprise majorly of enterprises globally and engage in an important role in creating employment and expanding the economy globally. They account for more than 50% of all jobs globally and roughly 90% of all enterprises. In emerging economies, the percentage of formal SMEs in the GDP can reach up to 40%; however, the numbers are substantially greater when SMEs in the informal sector are added. It is projected that 600 million jobs will be required by 2030 to accommodate the expanding global workforce, making SMEs expansion a top focus for many nations the world over. In rising economic power, the SMEs represent seven out of every ten formal jobs created. Accessing finance was a major barrier to the expansion of SMEs, and it is also the second-most-mentioned challenge to SMEs' expansion in developing markets and emerging nations (Ovedje, 2021).

In Nigeria, the roles of the SMEs in achieving sustainable economic growth cannot be overemphasized. SMEs activities are continually the foundation and building blocks of any meaningful and sustainable economic growth. SMEs are in the fore front to attain industrial and economic growth and it is because of their enormous potentials in aiding diversification and expansion of industrial production. It has been highlighted that the SMEs are capable of assisting in bringing about a positive economic turnaround and complementing the efforts of existing large-scale industries for a sustainable economy (Owenvbiugie & Igbinedion, 2015).
SMEs in Nigeria have contributed 48% of the country's gross domestic product during the past five years (GDP). These statistics demonstrated the crucial roles that the nation's retail sector played. Recent data provided by the National SMEs collaborative survey 2020 in Nigeria recorded the number of the Micro, Small and Medium Enterprises as 39,654,385, with total employment put at 59,647,954 (76.5 per cent of the labour force) contributing 46.31 per cent to GDP and 6.21% to exports (Olayinka, 2022).

In Nigeria the SMEs are major sources of employment creation as they contribute immensely to the nation's Gross Domestic Product, and they constitute about 92% of businesses in Nigeria (Ifeakachukwu & Olasunkanmi, 2013). Also, the SMEs play a crucial part in enhancing economic activities and sustaining livelihoods in developing countries. Likewise, several researchers have argued in their studies that if all stakeholders are to show serious commitment to the growth of the SMEs sector, the economy will undoubtedly witness meaningful transformation and prosperity. Despite governmental actions aimed at ensuring financial access and credit by the SMEs in Nigeria, they still find it very difficult to finance their business programs due to some constraints. These challenges faced by the SMEs are directly linked to the nation's economic variables as well as the difficulties that collectively characterize the national economy. The Association of Nigerian Development Institutions in year 2018 listed one major reason why the SMEs are still under performing contrary to expectation as lack of access to credit financing with the source of credit remaining the major factor hindering their contributions to economic activities in Nigeria. Financial inclusion/deepening is a situation where there is productive access to an extensive variety of financial services for everybody including the SMEs and clearly that is currently not our experience.

Small and Medium Enterprises activities is such an important factor that can solve economic problems facing any country. SMEs are scattered everywhere across the geo-political regions, cities, and towns in Nigeria, there are hundreds of thousands of them and most have the potentials to grow into full-fledged production, manufacturing, or service enterprises that if properly funded and managed would have a significant impact on the macroeconomic activities. Ironically, what you see in Nigeria is that most of these SMEs are managed and funded solely by the owners or their families, and in some cases, they receive assistance from friends and close associates. This route does not however give the SMEs the required funding size needed to drive them to the next level. Evidently, the growth of the sector in Nigeria is constrained by the dearth of adequate funding and this adversely affects them (Olayinka, 2022). Due to the inadequacy of finance and/or the absence of access to sustainable financing, the nation's SMEs activities are dwarfed; either they completely collapse or remain in the infant stage for many years. It is common knowledge that sufficient capital required to stay in and expand business is frequently unavailable to the small and medium enterprises forcing them to close their doors. Affirmatively, banks find it challenging to cover the high costs of credit associated with lending to this sector because of the weak capital base, poor financial records, poor performance, and market competition of the SMEs (Olayinka, 2022).
In year 2020 PwC released a report in Nigeria that identified getting financing, discovering customers, and infrastructural shortages as the most critical challenges facing the SMEs. This is not healthy for national economic growth as the optimal performance of the SMEs contributes positively to the overall wellbeing of a nation. The Nigerian experience is worth examining deeply because studies show that approximately 96% of the nation's businesses are SMEs, compared to 53% in the USA and 65% in Europe. Notably, SMEs contribute significantly to GDP across the world, for instance it is 40% in Asian countries and 50% in Europe or America but in Nigeria, due to myriad of problems, contributions by the SMEs is on

a downward slope which continues to fall short of expectations (Ifeakachukwu & Olasunkanmi, 2013).

Financial inclusion/deepening efforts should promote financial literacy among the SMEs. It is safe to say that informed and financially educated SMEs will benefit more from financial service and enhance their performance e.g. through a wholesome knowledge of what types of financial product best suits their individual business needs, and thereby more accurately assessing risks associated with the service/product chosen by them (Ifeakachukwu & Olasunkanmi, 2013). The thoughts expressed in these last two paragraphs are obviously lacking from the actuality of the Small and Medium Enterprises in Ibadan, Oyo State, hence why this study is needed. The objectives of the study are to determine the impact of the financial service access level on performance of the SMEs; and to examine the impact of the financial service usage level on performance of the SMEs.

2. Literature Review

Financial Inclusion

Most recently, a growing number of countries have introduced financial inclusion/deepening strategies. These strategies are often part of broader financial development strategies, and they may involve various types of government agencies and sometimes other stakeholders. It was estimated by the World Bank Global Financial Inclusion and Consumer Protection 2017 Survey that a quarter of countries have developed such strategies in recent years, and another quarter is preparing new ones (Ifeakachukwu & Olasunkanmi, 2013).

Certain national financial sector master plans have been found overall to contribute significantly to greater financial sector escalation, involvement and maturity. Experience shows that key factors for success included adequate coordination across government agencies, efforts by the leading governmental agency e.g. the central bank to consult with the private sector, and reforms on regulations to promote better information sharing, contract enforcement, and bankruptcy schemes. Across many countries, a range of policies and reforms have already been implemented to support the SMEs financial inclusion. They included straight interferences to strengthen bank credits, e.g. through state-owned banks for SMEs, credit guaranteed schemes, and interest rate rules. The Small and medium-sized enterprises (SMEs) financial inclusion is at the core of the economic diversification and growth challenges that many countries are facing. In many places, the SMEs share of firms is important, and many countries fall behind when accessing finance is considered (Taiwo, Falohun & Agwu, 2016).

Generally, all over the world the share of firms and employments represented by the SMEs is important. The SMEs represent about 96% of all registered businesses and employ about half of the total labour force, but on the other hand, the concentration of credit has been rising but the share for the SMEs has been decreasing globally. Evidence of the appreciable gains specifically from the SMEs financial inclusion abound. Estimates of gains in employment and labour productivity growth is clear and by deliberately relaxing some key constraints to the

SMEs access to financing, it could yield long-term cumulative measurable growth benefits. It has been stated that improving the SMEs financial inclusion/deepening can enlarge economic growth, creation of job, poverty alleviation and the success of budgetary and financial strategy can support their financial stability also. Financial inclusion/deepening on a higher level can support financial stability provided there is a strong risk management and financial supervision put in place by the government. Sustainable granting of credits to the SMEs can contribute to financial stability because it allows banks to diversify properly their credit portfolios and risk exposures. However, the SME credit line is still a very risky asset class, if it grows too quickly, it may lead to a build-up of unsound credit exposure. Managing this policy trade-off therefore requires proper institutional safeguards, including sound financial supervisory frameworks/models, to ensure strong credit discipline and risk management standards. Sound financial governmental and supervisory frameworks can help enhance the SMEs financial inclusion/deepening. As noted earlier, such frameworks are critical in order to monitor and address potential emerging risks and to support financial deepening and inclusion programs. Moreover, financial supervisory capacity effectively contributes to the SMEs financial inclusion/deepening.

In addition, financial inclusion and anti–money laundering and resisting the funding of terrorism (AML/CFT) can be mutually supportive because usage of approved financial services improves the traceability of financial transactions (Abbasi, Wang & Abbasi, 2017). Further, the Capital markets can play a prominent role in serving the peculiar financial desires of the SMEs. The market can play the role directly or indirectly by helping in channelling funding to intermediaries that have solved/managed the microeconomic challenges of lending to the small businesses. Such intermediaries include banks, which raise funds in capital markets and the level of intervention may be at various stages of the SMEs life cycle e.g. start-up, growth, maturity, decline and succession. As the SMEs grow and set up a performance track record, credits from bank loans or asset-based financing may become increasingly available, and loans securitization may also help mobilize new lending. The established SMEs can issue debt and equity through over-the-counter or exchange markets. Increased market competition and diversification could also play an important role in promoting the SMEs financial inclusion and productivity. Among key features of an economy that produces a conducive environment for the SMEs financial inclusion are adequate infrastructure, competition and economic diversification. Conversely, nations with huge non-formal sector are inclined to be up against stringent restrictions on the SMEs access to approved financial services. Notably, when there is absence of healthy rivalry among banks, it decreases access to funding for the SMEs. It has been established that bank competition has a helpful effect on the SMEs accessing finance (Abbasi, Wang & Abbasi, 2017).

Institutional factors are also essential for the SMEs financial deepening. Looking at a broad range of related variables shows that several of them play an important role in facilitating or constraining the SMEs access to credits and productive potentials. Nations have often relied on direct public intervention to boost the SMEs financial inclusion; it ranges from targeted lending to the SMEs by the state-owned banks to the SMEs credit guarantees and to interest rate regulations. The State-owned banks responsible for supporting the SMEs financial inclusion must continue to play a well-coordinated role, and they should be exposed to a strong oversight. Moreover, a good replacement of the traditional bank lending to the SMEs is Fintech and there are new electronic platforms which have emerged that have led to a scaling up of crowdfunding, peer-to-peer lending, and other modern channels (Olayinka, 2022).

Combinations of government and country-specific factors have played a part in the broadening of Fintech. Fintech development has been boosted through government measures ranging from funding support to the establishment of attractive regulatory and legal frameworks for incubators and accelerators and for foreign investors, this is in addition to the availability of private capital. Globally, it is well noted that the SMEs financial inclusion can guarantee the financial sector soundness. Financial sector stability can improve financial inclusion by engendering trust in the financial eco system (Abbasi et al., 2017).

The Small and Medium Enterprises

In a nation like Nigeria, no precise definition that characterizes a small-scale from a medium-scale enterprise exists. In the Central Bank of Nigeria Monetary Policy Circular Number 22, small-scale enterprises are viewed as entities with yearly sales not more than #500,000. More so, the Federal Government of Nigeria in its fiscal policy guidelines described small scale enterprises for the purposes of deposit money bank (DMBs) loans as enterprises with yearly sales not above #500,000 and for merchant bank loans as enterprises with capital investments exceeding #2M (excluding costs of land) or a maximum of #5 Million Naira. Similarly, the National Economic Reconstruction Fund (NERFUND) fixed the ceiling for small-scale enterprises at #10M Naira. In reality, the SMEs remain a fundamental sector in any economy given the belief that they have been broadly acknowledged as critical mechanisms for the growth of an economy as they possess great potentials for employment generation, enhancement of local technologies, output diversification, growth of local entrepreneurship and advancing consolidation with large scale industries[5]. It is safe to say that for an economy to live up to expectation, achieve sustainable growth and better their performance, activities of the small and medium scale enterprises should therefore not be undermined. From the above, it had been established that there are various ways to define the SMEs from nation to nation and even inside sectors in a nation, however, the yardsticks used commonly in the definition of the SMEs include figure of employee, revenue or non-current assets (Wang, 2019).

Significance of the Small and Medium Enterprises Sector Performance in the Nigerian Economy

The SMEs operating in Nigeria are not shielded or immune from the typical problems and constraints of the SMEs in other emerging or developed economies. Nearly all nations help her SMEs generally due to the inherent crucial roles played by them in economic growth and the assistance is usually in the form of facilities and supportive services than on protection and subsidies. Other services provided by some governments include commercial finance, venture capital, information training and retraining, research and development (R&D)

support, infrastructure and tax incentives. Some of these facilities are provided through local authorities and industry associations at times with the involvement of non-governmental organisations (NGOs) (Abbasi et al., 20017).

Some of the support institutions and opportunities created by the Nigerian government to enable SMEs access funding include; Nigerian Bank for Commerce and Industries (NBCI) 1973; Nigerian Industrial Development Bank (NIDB) 1964; SMEs Apex Unit of Central Bank (1989); State Ministry of Industry SMEs Schemes; Small and Medium Industries Equity Investment Scheme (SMIEIS); Bank of Industry (BOI); Small and Medium Enterprises Development Agency of Nigeria (SMEDAN); and Credit Guarantee Scheme for SMEs, etc. (Wang, 2019).

Unfortunately, most of these well-intentioned institutions designed to provide succor to the SMEs notwithstanding the sub-sector is yet to find its bearing in the murky waters of the Nigeria's business environment. This represented the government's recent introduction of the last three support schemes i.e. BOI, SMEDAN and the Credit Guarantee Scheme, discussions on these have reached an advanced stage and the Bankers Committee's decision to institutionalize SMIEIS has been applauded. It is expected that the Credit Guarantee Scheme would enhance and facilitate easy access to credits by the SMEs while SMIEIS would boost access to equity financing and SMEDAN would provide other much needed non-financial support and leverage for the SMEs to perform optimally (Wang, 2019).

Small and Medium Enterprises in Nigeria

In both the developed and developing nations, the small and medium enterprises (SMEs) are a very vital component of the economy. The International Finance Corporation (IFC) revealed that approximately ninetysix percent of businesses in Nigeria were SMEs. About ninety percent of the manufacturing/industrial sectors are SMEs regarding the figure of enterprises in Nigeria. More worrisome is the fact that while the SMEs constitute a significant portion of the enterprises in Nigeria, their contribution to the Nigerian gross domestic product (GDP) is less than optimal. (Wang, 2019).

The SMEs are distributed by clusters within geo-political areas in Nigeria. For instance, we have clusters of the SMEs at Aba, Abia state in the east for the leather work, automobile industries at Nnewi in Anambra state in the east, ICT hub in Lagos state in the South-west, tie and dye in Abeokuta and Oshogbo in Ogun and Osun states, in the south-west, Kano leather work in Kano state in the north, among others. The bulk of the SMEs are within the eastern, western and northern regions as identified above. A survey by the National Bureau of Statistics (NBS) indicated that Anambra state in the east recorded the highest number of the SMEs in Nigeria particularly in the automobile sector compared to other parts/regions of Nigeria (NBS, 2017).

Given the fundamental role of the SMEs in the Nigerian economy, various government regimes since independence have focused on diverse programmes aimed at energising their growth and performance. It resulted in spending a significant amount of funds with the primary goal of developing the sector. Notwithstanding the considerable funds spent on augmenting the SMEs activities, it has not yielded a substantial boost as the SMEs still do not contribute maximally to Nigeria's GDP. Most Nigerian SMEs are vulnerable and only a few can withstand the numerous challenges e.g. severe economic conditions resulting from unsteady government policies, inadequate infrastructural facilities, exceedingly rising operating costs, lack of sustainable government assistance for the SMEs among others. (Taiwo et al, 2016).

Banks and other financial institutions which are key players in the financial system of every economy has the potential to meet with the credit needs of the SMEs; however, there is still a huge gap between funds supply from these institutions and the needs of the SMEs.

The efficiency recorded in performing these roles by bank and other financial institutions, particularly intermediation between surplus and deficit units of the economy depended largely on the level of growth of the financial system (Abbasi et al., 2017).

From the fore-going, a trend of inadequate access, usage and quality funding as the fundamental challenges and parameters of financial inclusivity which are not met and that hinders SMEs’ performance in Nigeria is clearly seen, consequently, the need for this study to assess financial inclusion/deepening and the performance of the SMEs, this premises was actively pursued.

3. Some Financing Sources

Venture Capital

Venture capital is another means of funding the SMEs in both the developed and developing nations across the world. The term venture capital encompassed the provision of investment finance to the SMEs in the form of equity or quasi-equity instruments not traded on the Nigerian Stock Exchange. Besides, venture capital is viewed as risk capitals which focus on high growth enterprises in early stages of growth. The stages of venture capital are basically in two categories which is seed capitals and start-up/early stage capitals. In reality, venture capitalists provide funds for expansion and growth, buyout etc. for the SMEs (Abbasi et al., 2017).

Venture capitalists are financial mediators and a method of non-banking financing to the SMEs. A Venture capitalist is an investor who invests by providing capital and support for business expansion that may not have access to equity markets. Venture capitals are one kind of funding where funds obtained from investors were redeployed by putting it in high-risk enterprises which generally were start-up enterprises. Venture capital is relatively widespread for small and young SMEs in developed financial markets (Abbasi et al., 2017).

Trade Credits

In SMEs funding, trade credit is an important funds raising method. Trade credit occurs when the SMEs purchase goods and services by means of deferred payment to their suppliers. Trade credit is a short-term credit and payment is usually due in thirty to ninety days. If money is not paid within the specified time frame, interest charges are imposed. It is observed that funding the SMEs via trade credit is a universal practice other than conventional bank lending. It is considered an externally significant method of funding the SMEs in most developed and developing countries[76]. Trade credit is an impulsive type of SMEs funding and it arises directly from ordinary transactions of the business. Commonly, trade credit cost is embedded in the prices of goods sold on credit which incidentally makes it an expensive funding method for the SMEs. However, the period of trade credit is limited especially if the suppliers are larger companies and have identified the SMEs as potentially risky, so the ability to extend the credit period may be limited. In a situation where the SMEs are more open to risks, creditors may be reluctant to further elongate credit period. Although trade credit has few demerits, it is still a fundamental source of funding for start-up SMEs (CBN, 2018).

Crowd Funding

It involves raising finance over the internet from a huge number of people (i.e. the crowd) to fund a venture. It is a relatively new concept but has evolved quickly with billions of dollars raised worldwide through crowdfunding, with over 500 crowdfunding platforms and over 400 crowdfunding campaigns launched on a daily basis. Finance raised through crowdfunding can be invested in the debt or equity of the business seeking the funding. Crowdfunding are done on "keep it all basis" where monies raised are retained by the recipient, others are done on an "all or nothing basis" where the recipient receives the funds only if the total required for the particular project is raised within a given time frame, a proportion of the amount raised is usually taken by the crowdfunding platform. Important features of crowdfunding is the possibility for online interaction within the crowd just as in a real physical crowd, therefore, keen supporters of any business idea will very often encourage others to get on board and it lets people search for and invest in projects/ideas they have interest in which can make the investors prepared for bigger risks and take lower returns than usual. This method has the capability of been beneficial to the SMEs by allowing them connect and plea with investors directly, with those who don't mind taking the risk inherent in financing the new technologies and innovativeness the SMEs are superb at producing. However, you may receive no funding at all if you do not meet your goal, again, many reward based fundraisers are met with great interest but small amount donation may be because the investor is not getting any equity, likewise, some reward based fundraisers crowdfunding websites have significant fees (Olayinka, 2022).

4. Theoretical Framework

Financial Inclusion Theories

It has been argued that theories are useful in providing reasonable explanations for financial deepening objectives, processes and outcomes. Financial inclusion theories give a platform which set out principles whereon the workings of financial deepening is premised. In several years, many financial inclusion/deepening principles helpful to the academics, practitioners, leaders and others have been presented. The theories are broadly categorized into three, namely:(i) financial inclusion beneficiaries' theories; (ii) financial inclusion funding theories;(ii) financial inclusion delivery theories. The third category-theories of financial inclusion delivery have been singled out for more discussions due to its relevance to this research.

Financial Literacy Theory

The Theory states that financial literacy will increase people's willingness to join the formal financial sector. The theory argued that financial inclusion can be achieved through education that increases the financial literacy of the populace. It opined that when people become financially educated, they will seek formal financial services wherever they can find it. Financial literacy simply means the custody of awareness and expertises which allow people take intelligent resolutions on their monies. Merits of the financial literacy theory are: people can be made aware of the available formal financial services through financial literacy; when they become aware, that knowledge can improve their welfare, they can then join the formal financial sector by owning/opening an account; and also when financial literacy is increased, they can take advantage of other benefits in the formal financial sector e.g. investment and mortgage products.

Financial literacy theory's major disadvantage is that it addresses the 'willingness' not the 'capacity' to join the formal financial sector. It is generally assumed that financial literacy through education allows improved willingness of people and encourage them to connect with the formal financial sector, but it does not improve their 'capacity' to connect with the formal financial sector, on the basis of this, having money is a measure of capacity that is available to perform any financial transactions. It therefore follows that anyone who does not have money does not earnestly take part in the formal financial sector although they are financially educated (Andrianaivo &Yartey, 2010).

The Pecking Order Theory

This study was also premised on the pecking order theory as propagated by Stewart Myers and Nicholas Majluf (1984). The proponents stated that firms finance their needs in a hierarchical order, first by using internally available funds, followed by debt and finally external equity. This practice is more common in small firms practice and indicates the negative relationship between profitability and external borrowing by small firms. According to the report by South African reserve bank (2004) this hypothesis implies that there tends to be a negative relationship between profitability and external borrowing by small firms. Explained differently, assuming a zero growth, firms with high profitability would generate surpassing internal liquidity which reduces borrowing. It may then be hypothesized that older firms would make less use of external finance and instead would rely on retained funds (World Bank Report, 1998). The theory has explained a diversity of phenomena, including the commonness of debt financing because it is cheaper, the way in which firms invest in new projects, also, methods organizations use to structure their capital.

Review of Empirical Studies

In a study titled-An Investigation into the level of Financial Inclusion in Sub-Saharan Africa (2023), the authors examined the trend of financial inclusion in Sub-Saharan Africa from 2005-2015. Across the whole area altogether, it came to the fore that financial inclusion got bigger unwaveringly in the last decade, the high growth happened after the Maya Declaration of year 2011 and most of the countries that have made this commitment are Sub-Saharan. The Maya Declaration was pursued closely by the issuance of financial deepening Strategies across the area that helped in achieving of higher Index of Financial Inclusion (IFI). However, expansion declined in the later years during the years 2014-2015. Nevertheless, this conclusion was in agreement with Andrianaivo and Yartey (2010), they maintained that financial deepening has enlarged in Africa ultimately, this opposed that of Yorulmaz (2013) who outlined the decreasing level of financial inclusion over time in Turkey.

In a study titled, financing small and medium-scale enterprises for sustainable growth and development in Nigeria, Kaduna State, Yahaya (2015) investigated the role of financial institutions in financing Small and Medium – Scale enterprises in Zaria Local Government Area of Kaduna State. Using multivariate Logit regressions to analyze a cross sectional data sample across 40 enterprises and testing the hypothesis using the log-likelihood statistics, the study rejected the null hypothesis that the total amount generated by financial institutions and disbursed to SMEs is not positively correlated with the growth of the SMEs sector.

A study showed that boardroom politics, loan repayment records, competition, interest rates, value of fixed assets and bureaucratic procedures are some of the significant factors that underscore the capability of potential entrepreneurs in getting loans from financial institutions (Okuneye & Ogunmuyiwa, 2016). It concluded with the recommendations that establishment of functional micro insurance schemes, granting loans to flourishing firms, elimination of all structural and institutional bottlenecks and adoption of the capacity to pay criteria in the disbursement of loans are necessary conditions to ensure vibrant SMEs whose performance create progress.

Ikon and Chukwu (2018) examined small and medium scale enterprises and industrial growth in Nigeria. The objective of the study was to determine the relationship that existed between manufacturing SMEs production and industrial growth in Nigeria. Secondary data were sourced from the Central Bank of Nigeria statistical bulletin and National Bureau of Statistics publications for the period 2002-2016, and regression analysis was used in analysing the data. Findings of the study revealed that manufacturing SMEs production has a statistical significant relationship with industrial growth in Nigeria. This implied that manufacturing SMEs are capable of accelerating industrial growth through their contributions to the economy. The study, however, advocated for more government intervention of facilitating access to concessional funds to the SMEs to trigger SMEs sustainable growth and industrial growth in Nigeria.

The study added to the existing literature in the academic area of entrepreneurship and at the same time offered a springboard that will provide an impulsion for empirical inquiry in this field. Besides, it offered important information and methods that would help entrepreneurs on how crowdfunding can serve as a source of financing and the positive impact on Small and medium enterprises performance.

5. Research Methodology

This study adopted a quantitative survey technique because it was more explanatory and related directly to the SMEs that were selected for the research. The use of the primary source through a survey by questionnaire was adopted. The questionnaire was designed in a way to give the respondents the independence of expressing themselves. The study population consisted of owners/managers of the selected SMEs in the Ibadan Southwest Local Government Area that was registered with SMEDAN in Oyo State who had business centres, grocery stores and fashion houses. The reason for choosing the owners/managers of SMEs was because they are the major decision makers in their operational activities. The total number of registered SMEs owners/managers selected for this study was one hundred and sixty three (163) from the Ibadan Southwest Local Government Area of Oyo State even though a sample size was scientifically determined to be 116 using Taro Yamane formula for sample size determination. The random sampling technique was adopted in which the respondents in the population of study had an equal chance of being selected. The researcher's choice was due to the corporation and willingness of the targeted SMEs to provide information regarding the research variables. The researcher's choice of Ibadan Southwest Local Government Area was because the chosen Local Government Area is a hub of SMEs activities within Ibadan city which was the capital of the Old Western Region and the largest city in Sub Sahara Africa with largely SMEs dominated activities

Two research questions and two hypotheses were developed, each of which was assessed using the Z-Test at the 0.05 level of significance. A summary of the results was then presented in Tables. The respondents' demographic data was further examined using frequency and percentage distribution. The two Statistical tools used to analyse the data derived from the field were Simple Percentage for initial analysis & the Pearson Correlation. The simple percentage which is a descriptive tool for statistics was for initial analysis, while the regression analysis was employed in testing the hypotheses generated.

Results

Table 1: Demographic Variables of Respondents

Variables	Description	Frequency N=116	Percent (%)
Gender	Male	39	33.6
	Female	77	66.4
	Total	**116**	**100**
	Total	**116**	**100**
Level of Education	No Formal Education	36	31.0
	Primary Education	25	21.6
	Secondary Education	33	28.5
	Tertiary Education	22	18.9
	Total	**116**	**100**
Number of Employees	Less than 10	65	56.0
	10-49	45	38.8
	50-199	6	5.2
	200-300	-	-
	Total	**116**	**100**
Capital Sources	Personal Savings	71	61.2
	Crowd Funding		-
	Loans/Bank overdraft	2	1.7
	Family Sources	8	6.9
	Cooperative/Esusu	10	8.6
	Grants	0	0.0
	Venture Capital	5	4.3
	Trade Credit	18	15.6
	Total	**116**	**100**

Source: Field Survey 2023

Table 1 revealed gender participation. The findings established that the male respondents had 39 (33.6%) from all the participants while the female respondents had 77 (66.4%). It therefore followed that there were more female respondents who participated than their male counterparts. The Table 1 shows respondents' qualifications in the distribution. Respondents without formal schooling had 36 (31.0%), respondents who had primary schooling had 25 (21.6%); while respondents with Secondary education had 33 (28.5%) and finally, tertiary education had 22 (18.9%). Expectedly, respondents with no formal education had 36 (31.0%), thus, they had the highest ranking among the respondents. This result confirmed the general belief in Africa that an average household engages in one small business or the other for sustenance with or without having acquired formal education. Respondents with tertiary education's 18.9% confirmed that most higher institutions of learning in Nigeria had introduced entrepreneurship studies in their curriculum to prepare graduates for sustainable livelihood after schooling and also to stem the tide of widespread unemployment which is a worrying trend for most graduates, the authority and the society at large due to the absence of formal employment job opportunities.

Table 1 showed Employees numbers engaged by the responders. Findings showcased that respondent who employed not up to 10 had 65 (56.0%) from all the respondents, 10-49 employees had 45 (38.8%), 50-199 employees had 6 (5.2%) and finally, 200–300 employees had 0 (0.0%). The study showed that respondents who engaged not up to 10 employees had the highest ranking among the respondents of 65 (56.0%) and that is natural because the SMEs would naturally not overstretch their meagre resources by being overburdened with humongous wage bills; hence the trend recorded here followed sound logic and substantiated the actuality that indeed, the SMEs account for almost 97% of the nation's economy.

A particular source of capital in the distribution confirmed an age long belief as recorded in the Table 1. Findings shows that personal savings had 71 (61.2%). This outlook supported the age long culture stating SMEs practically start their businesses with their personal savings before other sources of finance are accessed.

Crowdfunding is an innovative finance source which provides an avenue for the SMEs/Start-Ups to boost funding literally from the crowd (populace) by using the internet as the platform. Interestingly, no responses was received the respondents, it is a well-known fact that it is a new phenomenon which is still growing in popularity in Nigeria even though the first noteworthy instance of crowdfunding happened in 1997 when supporters of the British rock band Marillion raked $60,000 donations via the internet to guarantee a whole USA tour, subsequently, this modus operandi was adopted to finance their studio albums. Moreover, China, USA and UK are the three dominant countries on the world's crowdfunding market but the USA & UK have shown impressive growth rates at 42.4% and 30.7% respectively while the Chinese funding volume has dropped practically by 39.9%.

Loans/bank overdraft had 2 (1.7%), family sources had 8 (6.9%), cooperative/Esusu had 10 (8.6%), grants 0 (0%), venture capital 5 (4.3%), trade credit 18 (15.6%), business angel 2 (1.7%) respectively. Trade credit appeared popular among the respondents also, and is because most SMEs are credit worthy and must have gained the respect of their creditors taking advantage of their goodwill to get goods on credit, payments must be done later on agreed terms.

Research Question One: Does the impact of the financial service access level enhance performance of the SMEs?

Table 2: Financial Service Access level indicators of Financial Inclusion engender SMEs Performance

S/No.	Items	Mean	Std Dev.
1.	Commercial banks branches number within 1,000 kilometre radius that the SMEs can access	2.657	1.446
2.	Commercial banks branches number serving the SMEs in 100,000 adults	2.694	1.435
3.	Number of ATMs serving the SMEs in 100,000 adults	2.612	1.386
4.	Number of access points at a national level serving the SMEs in 10,000 adults and divided by types & relevant administrative units	3.000	1.402
5.	SMEs numbers borrowing from commercial banks per 1,000 adults	2.793	1.210
Aggregate Mean/Standard Deviation		**2.751**	**1.376**

Source: Field Survey 2023

All five indicators in Table 2 scored more than the 2.50 cutoff point of the mean. It was implied that the five criteria with scores over the cutoff means that the effect of the financial service access level enhanced performance of the SMEs. Overall, the grand mean (2.751) was over the mean cutoff limit, which exhibited that the selected SMEs accepted the alternative hypothesis.

Research Question Two: Does the financial service usage level have any impact on performance of the SMEs?

Table 3: Financial Service Usage level indicators of Financial Inclusion impact SMEs Performance.

S/No.	Items	Mean	Std Dev.
1.	Number of the SMEs in the adult population using financial services and products whether it is formal or informal	2.960	1.373
2.	Number of the SMEs in the adult population using formal financial products and formally served	2.520	1.423
3.	Number of the SMEs in the population that are banked who are using commercial bank services and products	2.504	1.421
4.	Number of the SMEs in the population informally served who use informal products	2.556	1.475
5.	Number of the SMEs in the population excluded who aren't using any formal or informal product	2.737	1.275
Aggregate Mean/Standard Deviation		**2.655**	**1.393**

Source: Field Survey 2023

In Table 3, all five indicators scored more than the 2.50 cut-off point of the mean. It was inferred that the five items with scores over the cut-off mark were key indicators affirming that Financial Service Usage level indicators of Financial Inclusion impact SMEs Performance. Overall, the grand mean (2.655) which were more than the mean cutoff was a sign that the chosen SMEs accepted the alternative hypothesis.

Ho1: The impact of the financial service access level does not enhance performance of the SMEs.

Table 4: Effect of Financial Service Access level of Financial Inclusion on SMEs Performance

Methods of evaluation	Model fit		Standard Coefficients	P-Value	F-test (p)	Sig.
	R	Adj. R^2				
Economic growth SMEs Performance Financial Service Access Level	0.281	0.079	-0.141 0.207 0.196	.027 .008 .002	4.619	0.001

Source: Field Survey 2023

The result in Table 4 was presented in Regression analysis performed on the obtained data. Table 4 showed a strong connection linking financial service access level and performance of the SMEs $F_{(3,263)}=4.62$; $p<0.05$). Additionally, multiple regression adjusted ($R^2=0.08$) and a multiple coefficient (R=0.28) were both in 4.5 above. This suggested that while 8.0% of the variation was accounted for having financial service access enhanced SMEs performance, the other 92.0% may have been caused by residuals from other models.

Table 4 also showed how financial service access sub-variables affected economic growth and SMEs performance positively. On economic growth and SMEs performance, the level of economic growth was ($\beta=-0.14$; $p<0.05$), SMEs Performance was ($\beta = 0.21$; $p<0.05$), and financial service access level ($\beta=0.20$; $p<0.05$) were significant. Table 4.5 confirmed these statistics strongly predicted SMEs performance.

$H_0$2: The financial service usage level does not have impact on the performance of the SMEs

Table 5: Effect of Financial Service Usage Level of Financial Inclusion on SMEs Performance.

Methods of evaluation	Model fit		Standard Coefficients	P-Value	F-test (p)	Sig.
	R	Adj. R^2				
SMEs performance Excluded SMEs SMEs number using financial services	.534	.272	.158 .304 .394	.006 .000 .000	21.558	0.000

Source: Field Survey 2023

Table 5 displayed the result of the regression analysis that was performed on the data obtained. The Table showed that there was a remarkable connection linking SMEs number using financial services and SMEs performance ($F_{(2, 264)}$=21.56; p<0.05). According to Table 5, it showed the multiple coefficient (R=0.534) and multiple regression adjusted (R^2=0.272), SMEs number using financial services and its impact on SMEs performance accounted for 27.0% of the variation reflected in above metrics with the remaining 73.0% possibly attributable to residuals and other factors.

In Table 5, the impact of each sub-variable was further demonstrated when we looked at the effects of SMEs performance (β=0.16; p<0.05), excluded SMEs (β=0.304; p<0.05) and number of the SMEs using financial services (β=0.394; p<0.05), at these levels, the effects of Financial Service Usage Level of Financial Inclusion on SMEs Performance were all shown to be significant and positive. Table 5 also showed that the number of the SMEs using financial services enhanced their performance through standards Coefficients of (β=0.20) which was followed by excluded SMEs (β=0.30) and number of the SMEs using financial services at (β=0.394).

Two hypotheses were tested on financial inclusion and performance of the SMEs in Ibadan, Oyo State. Table 1 among other information revealed that the male had 39 (33.6%) of while the female was 77 (66.4%) of the total population in the study.

The part of the SMEs in the achievement of economic growth using a linear regression model and granger causality test was investigated by a study. The Johansen 2 likelihood ratio test statistics, the trace and maximal Eigen value co-integration test statistics revealed two co-integrating equations or vectors among the fluctuations of interest. The co-integrating regression result indicated that the SMEs are crucial in attaining unceasing economic growth as they manifest helpful effect on the economy. This implies an uplift of the economy for any rise in the running and their activities. The granger causality test revealed a unidirectional causal relationship between the SMEs and economic growth, running from the former to the latter. In improving economic activities, SMEs in Nigeria should access enough, well-coordinated finance with a rational interest rate, as absence of sufficient funding has continued as the main stumbling block to their successful operations. Again, authority ought to provide essential amenities and stimulus e.g. regular electricity, motor able roads and tax holidays. These would greatly enhance and encourage the performance of the SMEs and position them to play their all-important part in the achievement of continual economic growth in Nigeria (Eigbiremolen & Igberaese, 2020).

The impact of the small and medium sized enterprises (SMEs) on the growth of the Nigerian economy between 1986 and 2014. The study which is an ex-post-facto research employed figures gotten from Central Bank of Nigeria's statistical bulletin and ordinary least square (OLS) method of estimation for data analysis. Outcome of the augmented dickey fuller (ADF) test revealed that fluctuations were integrated of the same order one I (1) while the Johansen co-integration test showed that there exist a long run relationship between SMEs performance, Oil revenue (OILR), Inflation (INFRT) and economic growth in Nigeria. The short run dynamic model outcome as shown by the coefficient of error correction term (ECT) revealed that the speed of adjustment from short run disequilibrium to long run equilibrium is about 42.83%

while the OLS multiple regression analysis showed that the SMEs, OILR, INFRT had useful and remarkable effect on the growth of the national economy in the short term but in the long term, it revealed that the SMEs had helpful but inconsequential effect on the growth of the national economy. The research proposed that strategies that will jack up the sector allocated budget could be embraced by what is achievable in the agriculture sector. Banks can expand concessional low interest rate and credit grants to the SMEs sector because it has the ability to invigorate and propel the economy in the long run (Umar & Tahir, 2016).

The "Determinants of the Development of the Small and Medium Scale Enterprises in Nigeria". The work used the ordinary least squares method within the framework of multiple regression models to examine the various factors that determined the growth of small and medium scale enterprises (SMEs) in Nigeria between 1980 and 2013. Results obtained suggest that credit facilities, interest rate and inflation rate were key determinants of the growth and survival of SMEs in Nigeria. It was advised that the authority through the CBN should relax the restrictive regulations and operations which discourage borrowings and promote intervention programmes through which adequate funds will be easily accessible to prospective investors, especially the SMEs. (Okuneye & Ogunmuyiwa, 2016).

This finding also agreed with the review on the relationship between the SMEs financing and Nigeria's economic growth using the Autoregressive Distributed lag (ARDL) Model approach to Co-integration, Error Correction Model and Standard Pair-Wise Granger Causality Test (Anokwuru & Wike, 2021). The results displayed that the data were stationary at first difference, while a long run relationship exist among the variables under study. Concerning the trajectory of influence, the outcome revealed the important unidirectional causalities between GDP per-capita and bank of agriculture credits to SMEs, bank of industry credits to SMEs, micro- finance bank credits to SMEs and commercial bank loans to SMEs to domestic product per capita. It concluded that increase in the credits by the Nigerian bank of agriculture and the loans by commercial banks in Nigeria to SMEs will enlarge and grow the level of the GDP per capita in the country, the study advocated that the financial/credit institutions should increase and mobilize more funds through effective windows of financial intermediation and enhance a better policy that will make the SMEs have easy access to credit facilities.

In agreement with the above findings, a review on the impact of the SMEs on economic growth by assessing the financing options available to SMEs in Nigeria also concluded that the government can focus more on promoting the SMEs by giving more microfinance banks opportunity to operate freely and give loans to the SMEs while strengthening capacity and sensitization programmes for all registered SMEs should be established by government to enlighten them on the merits of good risk management and insurance of their businesses. (Micah, Kassah & Ruth, 2017).

The relationship between the small and medium sized enterprises financing and performance of whole and retail businesses in Nigeria in a time series data from 1992 to 2013 using OLS. Their actual result showed the SMEs activities to be helpful and considerable in relation to economic performance, a causal significant link exists between the SMEs activities and the performance of the economy and that the SMEs have grown at the same level of unemployment in Nigeria, meaning they have grown rapidly. The authors concluded that the SMEs can perform an important part in getting some levels of economic growth in Nigeria.

The performances of the SMEs in fostering economic growth using granger causality and regression method. The analysis disclosed an unimportant relationship between the SMEs and economic growth; it was therefore recommended that smooth access to relatively low interest rate loans will increase the optimal performance of the SMEs towards economic developments. (Gulani & Usman, 2018).
Financing choices accessible to the SMEs and its contribution to economic growth through investment level in Nigeria. Analysis used the spearman correlation test; the outcome revealed strong and productive connection between the SMEs activities and economic growth. (Maduagwu, Dapper & Nlemedim, 2017).
Another study also found that there is a significant positive relationship between performance implementation on corporate business survival. This finding disagreed with the fact in Nigeria, the impact of funding SMEs on economic growth was negative. The impact of financing the SMEs on economic development in Nigeria engaged many econometric tools such as OLS, walt hypothesis test, heteroscedasticity, Philip Perron, Co integration and granger causality test were employed in this analysis; the result revealed strong and positive demand following relationship between the SMEs activities/performance and economic development (Egbeonu, 2016).
As earlier referenced, employing a quarterly time series of data from 1992 to 2009, this study examined how financing small businesses in Nigeria affects economic growth. The research combined some econometric estimating methods. The results revealed that loan to SMEs had a helpful effect on the economic performance while interest rate had an adverse effect on economic growth, however, another conclusion that the study came to was that managerial capacity is the biggest or worst issue facing the SMEs in Nigeria and that having access to capital or financing is important but not sufficient for effective entrepreneurial development. (Bakhtiari, Breunig, Magnani & Zhang, 2020).
The conclusion of another study confirmed that enough finance especially venture capital, trade credit and business angels except bank overdraft positively and considerably precipitated the growth of SMEs in Nigeria (Nwakoby, Kalu & Ezejiofor, 2017).
It followed therefore that there were positive impacts of financial service access, usage and quality level on SMEs performance, therefore, the Alternative hypothesis was valid in all of the cases tested. The results were in line with a study on the expansion of SMEs in Nigeria (Gbandi & Amissah, 2014).

6. Conclusion and Recommendations

The national authority cannot overlook the significance of SMEs. It had been stated that a pillar of the nation's economic growth is the unhindered performance of the SMEs. SMEs are what are causing the nation's industrial development and progress. Hence, it becomes a sector to be concentrated on, protected, and nurtured by making their financial inclusion a priority especially by making financing more readily available to them at a cheap interest rate as they depend on funding for development and survival. In encouraging their performance, more emphasis must be given to the innovative and the entrepreneurship drive of the SMEs in Nigeria.

In improving the socioeconomic development of Nigeria such as eradicating poverty, creating jobs, advancing human development and enhancing social welfare for the people, government should formulate financial inclusion methods aimed at facilitating the SMEs performance. The government must pay close attention to the small and medium-sized enterprises sector and not disregard them. This study recommends based on the findings that emanated that; the capacity to accessing a business account is the initial footstep in the direction of expansive financial deepening since it permits people to save funds, transfer and take remittances.

The business account facilitates means to other financial services, the SMEs should be encouraged to get on board enmass, and this will ensure financial service access and usage level that will engender their performance. It has been stated that improving the SMEs financial inclusion/deepening can enlarge economic growth, innovation, creation of job, poverty alleviation, wealth creation and the success of budgetary and financial strategy can support their financial stability also.

Government and financial institutions should create a comprehensive strategy to control the wealth creating SMEs programs they have started, and those programs started should be properly funded on a sustainable manner to ensure SMEs have a pool of resources they can use. Since internal funds, venture capital, trade credit, business angels and crowdfunding have been determined to influence the SMEs access, usage and quality of finance, managers of the SMEs should employ them more frequently.

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How to cite this article: Godwin Emmanuel OYEDOKUN, Abosede Adebola AMOO, Financial inclusion and Performance of the Small and Medium Enterprises in Ibadan, Oyo State, Nigeria. ***Asian. Jour. Social. Scie. Mgmt. Tech*****. 2023; 5(6): 183-203.**