

Credit Financing Accessibility on Growth and Sustainability of Small and Medium Scale Enterprises (SMEs) In Nigeria

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Received: 02.08.2024 | Accepted: 03.11.2024 | Published: 08.11.2024

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DOI: [10.5281/zenodo.14055322](https://doi.org/10.5281/zenodo.14055322)

Abstract

Original Research Article

This study examines the impact of credit financing accessibility on the growth and sustainability of Small and Medium Scale Enterprises (SMEs) in Nigeria. It aims to understand how variables such as credit to the private sector, lending rates, and the number of SME loans approved affect the contribution of SMEs to Nigeria's GDP. The study utilizes the Autoregressive Distributed Lag (ARDL) model to analyze both short-run and long-run relationships between the variables. Data was sourced from the Central Bank of Nigeria statistical Bulletin, covering the period from 1981 to 2022. The ARDL model is selected due to its suitability for various sample sizes and its ability to distinguish between short-run and long-run dynamics. The results reveal that access to credit, measured by credit to the private sector, has a significant positive impact on the growth and sustainability of SMEs in the long run. However, high lending rates and the number of loans approved exhibit a more complex relationship, with lending rates negatively affecting SME growth in both the short and long run. The study also finds that policy inconsistencies and financial sector inefficiencies hinder the effective distribution of credit to SMEs. Enhanced access to affordable credit is crucial for the growth and sustainability of SMEs in Nigeria. Policy interventions should focus on reducing lending rates and improving the approval process for SME loans to stimulate economic growth.

Keywords: Credit Financing, Growth and Sustainability, SMEs, Credit to Private Sector and Lending Rate

1. INTRODUCTION

Credit financing in Nigeria plays a pivotal role in driving economic growth and fostering the development of Small and Medium Scale Enterprises (SMEs). The credit financing landscape is characterized by the involvement of various financial institutions, including commercial banks, microfinance institutions (MFIs), and several government schemes aimed at enhancing access to finance for SMEs. Commercial banks are the primary sources of credit for businesses, offering various loan products tailored to different business needs (Adedipe, 2023). However, their stringent lending criteria often limit the accessibility of credit to SMEs. In contrast, microfinance institutions, established to bridge the gap for smaller enterprises, provide more flexible loan options, albeit often at higher interest rates due to their perceived higher risk profiles (Central Bank of Nigeria, 2022). Government schemes, such as the Central Bank of Nigeria (CBN)'s Anchor Borrowers' Programme and the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN), have been

instrumental in providing targeted support to SMEs. These initiatives aim to reduce the financing gap by offering lower interest rates and less stringent collateral requirements. Despite these efforts, the overall credit financing environment in Nigeria remains challenging for many SMEs, impacting their growth and sustainability (Okon & Zephaniah, 2022).

SMEs in Nigeria face numerous barriers in accessing credit, which significantly hinder their growth prospects. High-interest rates are a primary challenge, as commercial banks often impose rates that are prohibitive for small businesses, thereby limiting their ability to secure necessary funds (Taiwo & Falohun, 2016). Collateral requirements also pose a substantial barrier; many SMEs lack the tangible assets required to secure loans, making it difficult for them to meet the collateral conditions set by banks and other financial institutions (Efanga et al., 2022).

Moreover, bureaucratic hurdles further complicate the credit application process for SMEs. Lengthy and complex application procedures, coupled with the need for extensive

documentation, deter many small business owners from pursuing formal financing options. These challenges are compounded by the limited financial literacy among many SME owners, which hampers their ability to navigate the financial system effectively (Akwu et al., 2023).

The availability and accessibility of credit financing are crucial for the growth and operational capabilities of SMEs. Access to adequate financing enables SMEs to invest in new technologies, expand their market reach, and enhance their operational efficiency, all of which contribute to revenue growth (Babarinde et al., 2019). Without sufficient financing, SMEs struggle to scale their operations, innovate, and compete effectively in the market.

Credit financing also impacts the sustainability of SMEs by providing the necessary capital to manage cash flow, especially during economic downturns. SMEs with access to credit can better navigate financial challenges, maintain their workforce, and sustain their business operations. Conversely, those without adequate financing options often face insolvency or are forced to cease operations (Lontchi, et al., 2022). This study aims to contribute to the existing body of knowledge by examining the specific impacts of credit financing accessibility on the growth and sustainability of SMEs in Nigeria. By focusing on key variables such as credit to the private sector, lending rates, and the number of SME loans approved, this research seeks to provide empirical evidence on how these factors influence the performance and longevity of SMEs. The findings of this study will offer valuable insights for policymakers, financial institutions, and SME owners, highlighting areas for improvement in the credit financing landscape to better support the growth and sustainability of SMEs. Furthermore, the study intends to propose actionable recommendations to enhance credit accessibility, thereby fostering a more conducive environment for the thriving of SMEs in Nigeria.

2. LITERATURE REVIEW

2.1 Conceptual Issues

Credit Financing

This refers to the provision of funds to individuals or businesses with the expectation of future repayment. It encompasses various sources, including commercial banks, microfinance institutions, and government schemes designed to enhance financial inclusion. The scope of credit financing includes both short-term and long-term loans, revolving credit facilities, and trade credit (Gidigbi, 2021). Key components of credit financing are its sources, types, and terms. Commercial banks are traditional providers of credit, offering diverse products such as overdrafts, term loans, and lines of credit. Microfinance institutions cater to smaller enterprises and

individuals who may not qualify for traditional bank loans, providing microloans that often come with more flexible terms. Government schemes, such as the Nigerian government's SME intervention funds, aim to bridge the financing gap for SMEs by offering subsidized loans with favourable terms (Ekpete & Iwedi, 2017). Types of credit financing include secured and unsecured loans. Secured loans require collateral, reducing the lender's risk but posing a significant barrier for many SMEs. Unsecured loans do not require collateral but typically come with higher interest rates to compensate for the increased risk. The terms of credit financing, including interest rates, repayment schedules, and covenants, are crucial in determining the accessibility and affordability of credit for SMEs (Adeosun, Shittu, & Ugbede, 2023).

SME Growth

This refers to the increase in the size and market presence of small and medium-scale enterprises. It is measured through various indicators such as revenue growth, market expansion, and workforce size. Revenue growth signifies the financial health and upward trajectory of an enterprise, while market expansion indicates its ability to penetrate new markets and attract more customers. Workforce size reflects the capacity of an SME to scale operations and manage increased demand (Ibitomi et al., 2024). Growth in these areas demonstrates an SME's ability to enhance its competitive position and increase its overall economic contribution.

SME Sustainability

This is the capacity of small and medium-scale enterprises to maintain long-term operations and remain viable over time. It is crucial for ensuring continuous contribution to economic development and job creation. Key factors contributing to sustainability include financial stability, operational efficiency, and market adaptability. Financial stability ensures that SMEs can manage cash flows and meet their financial obligations. Operational efficiency involves optimizing processes to reduce costs and improve productivity. Market adaptability allows SMEs to respond to changing market conditions and consumer preferences, ensuring ongoing relevance and competitiveness (Ajayi et al., 2021).

Credit Financing Accessibility and SME Growth

The relationship between credit financing accessibility and SME growth is pivotal in understanding how financial resources can drive the expansion of small and medium-scale enterprises. Access to credit financing is essential for SMEs to invest in new technologies, expand their operations, and increase their production capacity (Moulick, 2020). This, in turn, leads to revenue growth and market expansion, as SMEs are able to scale their operations and meet the demands of a larger customer base. One of the primary mechanisms through which credit financing impacts SME growth is through capital investment. With adequate funding, SMEs can invest in capital

assets such as machinery, equipment, and infrastructure, which are critical for enhancing productivity and efficiency (Nguyen et al., 2020). Additionally, access to credit allows SMEs to improve their working capital, ensuring that they can manage their day-to-day operations more effectively and avoid liquidity issues (Taiwo & Falohun, 2016).

Another important mechanism is the ability to innovate and develop new products or services. Credit financing provides the necessary funds for research and development, enabling SMEs to create innovative solutions that can differentiate them from competitors and capture new market segments. Furthermore, access to credit can help SMEs to expand geographically, entering new markets and increasing their customer base (Adesola et al., 2020).

In summary, credit financing accessibility is a crucial driver of SME growth, facilitating capital investment, operational efficiency, innovation, and market expansion. By understanding these mechanisms, policymakers and financial institutions can develop targeted strategies to enhance credit access for SMEs, thereby supporting their growth and contributing to economic development.

Credit Financing Accessibility and SME Sustainability

The relationship between credit financing accessibility and SME sustainability is equally important, as it determines the long-term viability of small and medium-scale enterprises. Sustainable SMEs can continue to operate and grow over time, contributing to economic stability and job creation. Access to credit financing plays a critical role in ensuring that SMEs can maintain their operations and adapt to changing market conditions (Yemelyanov, et al., 2020).

One of the key mechanisms through which credit financing impacts SME sustainability is through financial stability. Access to credit ensures that SMEs have the necessary funds to manage cash flows, meet financial obligations, and weather economic downturns. This financial stability is essential for maintaining operations and avoiding insolvency (Andrieş et al., 2018).

Another mechanism is operational efficiency. Credit financing allows SMEs to invest in process improvements and cost-saving technologies, enhancing their productivity and reducing operational costs. This operational efficiency is crucial for sustaining competitiveness and profitability in the long term. Moreover, access to credit enables SMEs to build strong relationships with suppliers and customers by ensuring timely payments and fulfilling orders, which are critical for maintaining business continuity and reputation (Dzomonda, 2022).

Finally, market adaptability is a significant factor in SME sustainability. Credit financing provides SMEs with the resources to respond to market changes, such as shifts in consumer preferences or new regulatory requirements. By

having access to credit, SMEs can invest in necessary adjustments and remain relevant in their industry (Chandrayanti et al., 2020).

In conclusion, credit financing accessibility is vital for SME sustainability, supporting financial stability, operational efficiency, and market adaptability. Understanding these mechanisms can help stakeholders develop effective policies and initiatives to enhance credit access for SMEs, ensuring their long-term success and contribution to the economy.

2.2 Empirical Review

Various studies have investigated these dynamics, providing valuable insights into the factors influencing SME performance and growth. This review synthesizes empirical findings from several key studies to elucidate the relationship between credit financing accessibility and the growth and sustainability of SMEs in Nigeria. Abdullahi et al. (2016) explored the challenges affecting SME performance in Nigeria, identifying financial constraints as a primary barrier. The study revealed that high-interest rates, stringent collateral requirements, and bureaucratic bottlenecks significantly impede SMEs from accessing the necessary credit to expand their operations. The study further highlights the critical need for policy reforms aimed at creating a more favourable lending environment for SMEs to thrive. The study argued that addressing these financial hurdles is essential for enhancing SME productivity and competitiveness in the Nigerian economy.

In a more localized context, Akintayo, et al. (2024) examined credit accessibility and SMEs in Osun State, Nigeria. The research underscored the role of microfinance institutions and government schemes in providing much-needed financial support to SMEs. Despite these efforts, the study finds that many SMEs still face considerable difficulties in securing adequate financing due to limited awareness of available credit facilities and the cumbersome application processes. The study suggested that improving the dissemination of information and simplifying credit application procedures could significantly enhance SMEs' access to financial resources.

Asikhia et al. (2020) investigated the impact of business credit affordability on the revenue growth of SMEs in Southwest Nigeria. The findings indicate a positive correlation between affordable credit and SME revenue growth. The study demonstrates that when SMEs can access credit at reasonable interest rates, they are better positioned to invest in essential business activities, such as purchasing inventory, expanding their market reach, and upgrading technology. The access to affordable credit ultimately drives revenue growth and business expansion, emphasizing the importance of tailored financial products for SMEs. Ayuba and Zubairu (2015) looked into the impact of banking sector credit on SME growth in Nigeria.

Their empirical analysis reveals that banking sector credit plays a crucial role in fostering SME development. The study finds that increased access to bank credit leads to higher levels of investment in SMEs, thereby boosting their growth and productivity. However, the study also highlights that the high cost of borrowing and stringent lending conditions remains significant barriers that need to be addressed to maximize the benefits of banking sector credit for SMEs.

Olowookere et al. (2021) examined the relationship between SME financing and sustainable economic growth in Nigeria. Their study underscores the importance of a robust financial sector in supporting SME development. The findings indicate that when SMEs have access to sufficient financing, they can contribute more effectively to economic growth by generating employment, fostering innovation, and increasing productivity. The study advocates for policies that enhance SME financing options, including the development of alternative financing mechanisms such as venture capital and equity financing.

Onyeiwu, et al. (2020) focused on the growth impact of SME financing in Nigeria. Their research highlights the positive effects of financing on SME performance, including increased revenue, market expansion, and improved operational efficiency. The study also points out that access to finance is critical for SMEs to overcome the challenges posed by market volatility and economic uncertainties. By securing adequate financing, SMEs can build resilience and sustain their growth trajectories even in challenging economic conditions.

Sanni, et al. (2020) employed a Partial Least Squares Structural Equation Modeling (PLS-SEM) analysis to assess the impact of bank credit accessibility on SME performance in Kwara State, Nigeria. The study confirms that bank credit accessibility is a significant predictor of SME performance, with better access leading to improved business outcomes. The study recommends that financial institutions adopt more flexible lending practices and develop tailored credit products to better meet the needs of SMEs.

Yahaya (2015) provided a case study of Zaria, Kaduna State, focusing on financing SMEs for sustainable growth and development. The study finds that a lack of access to affordable credit is a major impediment to SME growth. The research highlights the need for government intervention to facilitate

easier access to credit through policy reforms and the establishment of supportive financial institutions. Yahaya emphasizes that sustainable SME growth is achievable when there is a concerted effort to improve credit accessibility.

Overall, these studies collectively underscore the critical role of credit financing in the growth and sustainability of SMEs in Nigeria. They highlight the need for policy reforms, innovative financial products, and supportive institutional frameworks to enhance credit accessibility for SMEs. Addressing the financial constraints faced by SMEs is essential for unlocking their potential to drive economic growth, create jobs, and contribute to sustainable development in Nigeria.

3. METHODS AND DATA

3.1 Research Design

The ex post facto research design, often referred to as causal-comparative research, is employed to investigate cause-and-effect relationships by observing existing differences among groups. Unlike experimental designs, it does not manipulate variables but rather examines how independent variables have affected dependent variables after the fact. This design is particularly useful in educational and social sciences where manipulating variables may be impractical or unethical (Salkind, 2018).

In the context of studying credit financing and SME growth in Nigeria, an ex post facto design allows researchers to analyse existing data on credit accessibility and its impact on SME performance. By comparing SMEs that have accessed credit with those that have not, researchers can identify potential causal relationships and underlying factors influencing these outcomes. This approach provides valuable insights without the ethical concerns associated with experimental manipulation (Creswell & Creswell, 2017).

3.2 Data Source

The data for the current study is sourced from the Central Bank of Nigeria (CBN) Statistical Bulletin, which provides comprehensive and reliable economic data. Table 1 shows the summarized datasets:

Table 1: Summary of Variables and Measurement

Sign	Variables	Measurement	Source
SMEGDP	Small medium Enterprise	% SME to GDP	CBN 2023
CPS	Credit to Private Sector	Billion ₦	CBN 2023
LR	Lending Rate	% in rate	CBN 2023
SLA	SME Loans	Billion ₦	CBN 2023

Source Author's

3.3 Model Specification

The model follows the Auto-Regressive Distributed Lag (ARDL) as employed by Onwe, Adeleye, & Okorie (2019). The Auto-Regressive Distributed Lag model is a robust econometric technique that handles cointegration and dynamic relationships between variables, regardless of whether they are integrated at level I(0), first difference I(1), or a combination of both. ARDL is preferred for small sample sizes and can capture both short-run and long-run dynamics within a single model. The Bounds Testing approach further facilitates the identification of long-run relationships (Pesaran, Shin, & Smith, 2001). This flexibility makes ARDL ideal for analyzing economic and financial data. The ARDL model is as displayed below;

$$y_t = \varphi_{oi} + \sum_{i=1}^p \delta Y_{t-i} + \sum_{j=0}^q \beta_j X_{t-i} + \varepsilon_{it}$$

The functional form of the model is,

$$SME_GDP = f(CPS, LR, SLA)$$

The functional form model is transformed to the ARDL form as below;

$$\begin{aligned} \Delta \ln SMEGDP_t = & \beta_0 + \sum_{i=1}^{n-1} \beta_1 \Delta \ln SMEGDP_{t-i} \\ & + \sum_{i=0}^{M-1} \beta_2 \Delta \ln CPS_{t-i} + \sum_{i=0}^{M-1} \beta_3 \Delta LR_{t-i} \\ & + \sum_{i=0}^{M-1} \beta_4 \Delta \ln SLA_{t-i} + \phi_1 \ln CPS_{t-1} \\ & + \phi_2 LR_{t-1} + \phi_3 SLA_{t-1} + \varepsilon_t \end{aligned}$$

In the model, SMEGDP is contribution of SMEs to GDP, CPS is credit to private sector, LR is lending rate, SLA is Number of SMEs Loans Approved, \ln is natural logarithm, Δ = first difference operator, β_0 is the constant, $\beta_1 - \beta_4$ is short-run slope of the variables, while $\phi_1 - \phi_3$ is the slope for the longrun slope of the variables, and ε_t is the error term.

3.4 Statistical Approach

3.4.1 Pre- Estimation Tests

Pre-estimation tests like descriptive statistics and unit root tests are essential steps in econometric analysis. Descriptive statistics summarize the basic features of the data, providing insights into the central tendency, variability, and distribution of the variables. These summaries help in

identifying any irregularities or outliers that may affect the model's reliability (Gujarati & Porter, 2009).

Unit root tests, such as the Augmented Dickey-Fuller (ADF) test is conducted to determine the stationarity of the variables. Stationarity is crucial because non-stationary data can lead to spurious regression results. If the variables are integrated of different orders (I(0), I(1)), the ARDL model is suitable as it can handle such mixed integration levels (Pesaran, Shin, & Smith, 2001). Conducting these tests ensures that the data meet the assumptions of the econometric model, thereby enhancing the validity of the empirical findings.

3.4.2 Estimation Approach

The Auto-Regressive Distributed Lag (ARDL) model is a versatile econometric tool that captures both short-run dynamics and long-run relationships between variables. The model is particularly useful because it can be applied to a mix of stationary (I(0)) and non-stationary (I(1)) data, which is a common scenario in economic and financial time series analysis. Unlike other cointegration techniques that require all variables to be of the same order of integration, the ARDL model, through the Bounds Testing approach, identifies long-run relationships without pre-testing for unit roots (Pesaran, Shin, & Smith, 2001).

The ARDL model includes lagged values of both the dependent and independent variables, allowing it to account for the time-dependent behaviour of the data. The model is particularly effective in small sample sizes, where traditional cointegration methods may not perform well. Moreover, the ARDL approach is user-friendly as it allows different lag lengths for each variable, enabling more precise model specification (Nkoro & Uko, 2016). After estimating the ARDL model, the Error Correction Model (ECM) can be derived to quantify the speed of adjustment back to equilibrium following a short-term shock, providing insights into the stability of the long-run relationship.

4. RESULTS AND DISCUSSION

This section presents the findings of the study, interpreting and analysing the data to understand the impact of credit financing accessibility on the growth and sustainability of SMEs in Nigeria. The results are discussed in relation to the research objectives, highlighting significant patterns, correlations, and implications for practice.

Table 2: Descriptive Statistics

	LSMEGDP	LCPS	LR	LSLA
Mean	3.215093	6.622219	17.19024	2.172790
Median	3.874672	6.737767	17.38000	2.446348
Maximum	5.406140	10.57010	29.80000	6.896280
Minimum	-0.371064	2.148268	7.750000	-3.506558

Std. Dev.	1.948541	2.842289	4.646897	2.608598
Skewness	-0.653703	-0.137225	0.307216	-0.549541
Kurtosis	1.933562	1.578224	3.466629	2.948373
Jarque-Bera	4.981551	3.669348	1.041722	2.118631
Probability	0.082846	0.159666	0.594009	0.346693
Sum	135.0339	278.1332	721.9900	91.25716
Sum Sq. Dev.	155.6694	331.2229	885.3397	278.9961
Observations	42	42	42	42

Source: Computation by the Researcher

The Jarque-Bera test and its probabilities indicate the normality of the variables' distribution. LSLA ($p = 0.346693$) and LCPS ($p = 0.159666$) suggest normal distributions, while LSMEGDP ($p = 0.082846$) and LR ($p = 0.594099$) do not deviate significantly from normality. Skewness values close to zero indicate symmetrical distributions, except LSMEGDP (-

0.653703) with slight left skewness. Kurtosis values around 3 indicate normal distribution; deviations suggest heavier tails. These results imply that most variables are appropriately distributed for regression analysis, supporting reliable hypothesis testing (Gujarati & Porter, 2009; Wooldridge, 2016).

Table 3: Correlation Matrix

	LSMEGDP	LCPS	LR	LSLA
LSMEGDP	1			
LCPS	0.568084	1		
LR	0.146537	0.013802	1	
LSLA	0.611645	0.691920	0.251821	1

Source: Computation by the Researcher

From the result of the correlation matrix, the correlation coefficients of the relationship between the independent variables seems to be weak for instance CPS \Leftrightarrow LR was 0.013802, CPS \Leftrightarrow SLA was 0.691920, LR \Leftrightarrow SLA was

0.251821. This implies that there is no evidence of multicollinearity in the model. However, the series were further subjected to stationarity test and the result is as presented below;

Table 4: Unit Root Result

Variable	ADF @ LEVEL		ADF @ 1 st Difference		ORDER OF INTEGRATION	REMARKS
	5% Critical Value	Prob Value	5% Critical Value	Prob Value		
SMEGDP	1.029009	0.9282	4.266239	0.0086	I(1)	Stationary
CPS	0.706664	0.9658	4.601766	0.0035	I(1)	Stationary
LR	3.328880	0.0758	6.494227	0.0000	I(1)	Stationary
SLA	3.619108	0.0430			I(0)	Stationary

Source: Computation by the Researcher

The Unit Root test results indicate that SMEGDP, CPS, and LR are non-stationary at their levels but become stationary after

first differencing, indicating they are integrated of order one, I(1). On the other hand, SLA was stationary at its level, making

it integrated of order zero, $I(0)$. This mixed order of integration, with some variables being $I(0)$ and others $I(1)$, is ideal for the ARDL model, which is designed to handle such cases. The implication of these results is that the series do not have unit roots, meaning they are suitable for further econometric analysis without the risk of spurious regression. By

transforming non-stationary data into stationary series through differencing, the study ensures that the model's estimations are reliable. The ARDL model's ability to accommodate both $I(0)$ and $I(1)$ variables makes it an appropriate choice for exploring both short-run and long-run relationships in the study.

Source: Computation by the Researcher

Table 5: ARDL Bound Test

F-Bounds Test				
Test Statistic	Value	Signif.	I(0)	I(1)
F-statistic	24.83140	10%	2.37	3.2
K	3	5%	2.79	3.67
		2.5%	3.15	4.08
		1%	3.65	4.66

Source: Computation by the Researcher

The ARDL Bound Test result shows an F-statistic of 24.83140, which is significantly higher than the critical upper bound values at all significance levels (10%, 5%, 2.5%, and 1%). This indicates that the null hypothesis of no long-run relationship can be rejected. Therefore, there is a long-run cointegration

relationship among the variables. The implication is that the variables in the study, including SMEGDP, CPS, LR, and SLA, are cointegrated, meaning they share a long-term equilibrium relationship. This justifies the use of the ARDL model for analysing both short-run and long-run dynamics in this study.

Table 6: Long-run Estimation Result

Regressor	Coefficient	Std. Error	t-Statistic	Prob.
LCPS	0.594145	0.263243	2.257025	0.0323
LR	-0.270712	0.078946	-3.429078	0.0130
LSLA	0.200539	0.297956	0.673048	0.5064
C	-0.363807	2.166082	-0.167956	0.8678

Source: Computation by the Researcher

The long-run estimation results show that Credit to the Private Sector (CPS) has a positive and significant impact on the contribution of SMEs to GDP (SMEGDP), with a coefficient of 0.594145 and a p-value of 0.0323. This suggests that increased access to credit enhances the growth and sustainability of SMEs in Nigeria. This finding aligns with prior studies, such as Amadasun & Mutezo (2020), who found that credit access positively influences SME growth. Lending Rate (LR) has a negative and significant relationship with SMEGDP, with a coefficient of -0.270712 and a p-value of 0.0130. This indicates that higher lending rates discourage SME growth, as the cost of borrowing becomes more burdensome. This is consistent with

studies like those by Kisseih (2017), who found that high-interest rates negatively affect SME performance. The Number of SMEs Loans Approved (SLA), while having a positive coefficient of 0.200539, is not statistically significant (p-value = 0.5064), indicating that merely approving more loans without considering other factors may not significantly impact SME growth. These results suggest that to foster SME growth in Nigeria, policies should focus on improving access to credit while managing lending rates to make borrowing more affordable for SMEs. The findings underscore the critical role of financial accessibility in driving the sustainability of SMEs, echoing the conclusions of related studies.

Table 7: Short-run Estimation**Dependant Variable: SME**

Regressor	Coefficient	Std. Error	t-Statistic	Prob.
C	-1.509321	0.482138	-3.130479	0.0036
LCPS	0.586062	0.058126	10.08259	0.0000
LR	-0.039276	0.017499	-2.244523	0.0314
LSLA	0.085470	0.069359	1.232275	0.2263
ECM(-1)	-0.520997	0.203657	-2.558207	0.0164
R-squared	0.949798			
Adjusted R-squared	0.943892			
F-statistic	160.8158			
Prob(F-statistic)	0.000000			

Source: Computation by the Researcher

The short-run estimation results provide valuable insights into the dynamics of the impact of credit financing accessibility on the growth and sustainability of small and medium scale enterprises in Nigeria. Credit to the Private Sector (CPS) had a positive and highly significant coefficient of 0.586062 (p-value = 0.0000), indicating that an increase in credit to the private sector significantly boosts SMEGDP in the short run. This aligns with existing literature, such as Quartey et al. (2017), which found that accessible credit is crucial for SME growth. It underscores the importance of financial institutions in providing adequate credit facilities to SMEs, facilitating their operational and growth potential. Lending Rate (LR) had a negative coefficient of -0.039276 and statistically significant (p-value = 0.0314). This suggests that higher lending rates negatively affect SME growth in the short run. When borrowing costs rise, SMEs may struggle to finance their operations and expansion, leading to reduced growth. This finding is consistent with Nizaeva & Coskun (2019), who highlighted the adverse effects of high-interest rates on SMEs' financial health.

Number of SMEs Loans Approved (SLA) had a positive coefficient of 0.085470 but not statistically significant (p-value = 0.2263). This implies that simply increasing the number of loans approved does not significantly impact SMEGDP in the short run. This result suggests that other factors, such as loan size, interest rates, or economic conditions, may play a more critical role in determining the effectiveness of loans on SME growth.

Error Correction Model (ECM): The ECM coefficient is -0.520997 and is significant (p-value = 0.0164), indicating that about 52% of any short-term deviation from the long-run equilibrium is corrected within one period. This shows a relatively fast adjustment process, suggesting that any short-run shocks to the SME sector are quickly absorbed, allowing the system to return to its long-run equilibrium. This result highlights the resilience of the SME sector to short-term economic fluctuations. The R-squared value of 0.949798 indicates that the model explains about 95% of the variation in SMEGDP, suggesting a strong model fit.

Table 8: Diagnostics Test

Test	Coefficient	P-value
Serial Correlation Test	1.746652	0.1863
Heteroskedasticity Test	0.073540	0.7808

Source: Computation by the Researcher

The diagnostic test results indicate that the model is well-specified and reliable. The Serial Correlation Test, with a coefficient of 1.746652 and a p-value of 0.1863, suggests there is no significant serial correlation in the residuals. This implies that the errors in the model are independent, meaning the model's predictions are not influenced by past errors. Additionally, the Heteroskedasticity Test, with a coefficient of

0.073540 and a p-value of 0.7808, indicates no significant heteroskedasticity. This means that the variance of the residuals is constant, ensuring that the estimators used in the model are efficient and unbiased. Together, these results confirm the robustness of the model, providing a solid foundation for making accurate economic interpretations and policy recommendations based on the study's findings.

These findings suggest that increasing credit to SMEs is a vital strategy for boosting their growth, but it must be accompanied by manageable lending rates to avoid stifling their potential. Policymakers should focus on creating an enabling environment that provides affordable credit to SMEs while maintaining favourable interest rates. The insignificant impact of the number of loans approved suggests that simply increasing loan accessibility is insufficient; the terms and conditions of these loans must also be conducive to fostering SME growth. These results are consistent with broader literature that emphasizes the critical role of financial accessibility in SME development and economic growth.

5. CONCLUSION AND RECOMMENDATIONS

In conclusion the impact of credit financing accessibility on the growth and sustainability of SMEs in Nigeria has yielded important insights. The findings from the ARDL model suggest that increased credit to the private sector significantly boosts SME growth, both in the short and long run. However, the results also reveal that high lending rates can have an adverse effect, particularly in the long run, potentially stifling the expansion of SMEs by increasing the cost of borrowing. The study's results underscore the critical role that financial accessibility plays in fostering the development of SMEs, which are vital to Nigeria's economic growth.

In light of these findings, several policy recommendations are warranted. First, there is a need to enhance access to credit for SMEs by strengthening financial institutions and ensuring that lending practices are favourable to small businesses. This could involve reducing bureaucratic obstacles and offering incentives to banks to increase their lending to SMEs. Second, policymakers should aim to manage lending rates effectively to avoid burdening SMEs with high borrowing costs, which could limit their capacity for growth. This might include considering targeted interest rate caps for loans directed toward the SME sector.

Moreover, it is important that loan approval processes not only focus on the quantity of loans disbursed but also on ensuring that the terms and conditions are conducive to SME success. The government and financial institutions should collaborate to create tailored financial products that address the specific needs of SMEs, thereby enhancing their sustainability and contribution to GDP.

Overall, a concerted effort to improve credit accessibility, combined with a favourable lending environment, can significantly drive the growth of SMEs in Nigeria, leading to broader economic benefits such as job creation and poverty reduction. These recommendations align with the broader literature, which consistently highlights the importance of financial support and favourable economic conditions for the thriving of SMEs in emerging economies.

Acknowledgment: The Authors wishes to appreciate the anonymous reviewers and editorial team for a careful review and the organizers of the 2nd International Conference by the University of Douala, Cameroon on Entrepreneurship for Self-Reliance in Africa.

Funding: This Paper is fully sponsored by the Tertiary Education Fund.

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