Harvard Research and Publications International

December 31, 2021 Vol. 17 No. 2 ISSN: 0081 – 3998

JOURNAL OF AFRICAN SUSTAINABLE DEVELOPMENT

ENTREPRENEURIAL FINANCING AND GROWTH OF SMALL AND MEDIUM ENTREPRISES: A STUDY OF SELECTED SMES IN ABEOKUTA, NIGERIA

***AKINYELE, SAMUEL TAIWO; **AKINYELE, ESTHER FEYISAYO; & ***SHODUNKE, YUSSUF DAMILOLA**

**Dept. of Entrepreneurial Studies, Federal University of Agriculture, Abeokuta, Ogun State, Nigeria. **Dept. of Business Administration, School of Postgraduate Studies, Crawford University Igbesa, Ogun State, Nigeria. ***Dept. of Entrepreneurial Studies, Federal University of Agriculture, Abeokuta, Ogun State, Nigeria.*

Abstract

This study investigates entitled entrepreneurial financing and growth of small and medium enterprises in selected SMEs in Nigeria.

Keywords: *Crowd funding, Entrepreneurial financing, Enterprises, Equity financing, SMEs growth, Market share,*

INTRODUCTION

The existence of small and medium scale enterprises (SMEs) in a developing country like Nigeria is of great importance, as they promote and contribute to economic growth. When SME's are positioned properly, they provide employment opportunities, income redistribution, and promotion of indigenous entrepreneurship. They strengthen industrial linkage and contribute to the nation's Gross domestic product (GDP). In view of the above, government and Non-government organizations, as well as experts, have come to recognize SMEs as the main engine of economic growth. This recognition not-withstanding, there is still low attention to SMEs, a consequence

Entrepreneurial financing is the independent variable which is measured through bank credit, equity financing and crowding funding while the dependent variable is growth of small and medium enterprise which is measured through SMEs growth, market share, and Smes net profit margin . The researchers have employed quantitative research design. To collect primary data well-structured and cross sectional questionnaires were distributed to 109 owner/managers/employees of SMEs from 240 populations consisting of registered SMEs, by using simple random sampling techniques. To achieve the objectives of the study, three hypotheses were formulated and tested from the structure of the research questions. Pearson correlation and linear regression were used to analyze the data with the help of SPSS. The findings show that bank credit has significant effect on Smes growth with p value (0.000) which is less than 0.005, equity financing has high positive relationship *with market share with P value of (0.000) which is less than 0.005, also crowding funding has positive relationship on Smes net profit margin with P value of (0.000) which is less than 0.005, this implies that entrepreneurial financing plays a huge role on new ventures in Abeokuta South LGA. Recommendations were made to SMEs and Government ought to, as a matter of criticality, help planned business visionaries to have admittance to the public purse to back them up and provide them easy access to fundamental data identifying with business opportunities, present day innovation, crude materials, business sector, plant and hardware which would empower them to diminish their working expense as this study discovered the insignificance of accessibility to fund a major problem.*

Of which may be the slow development of the industrial sector in the State. (Udechukwu, 2003). Entrepreneurial financing activities, as opined by Okafor & Onebunne (2012) are fundamentally borne out of innovative development of goods and services by an individual (entrepreneur). Progressively, an entrepreneur represents an individual who innovatively and with consciously calculated risk creates new ideas and develop new business prospect (Ofili, 2014), which usually requires adequate funding for their long and short run goals and objectives. Without proper finance, SMEs needs to acquire and motivate the service of skill labour, modern technology, and machinery for creation of value to meet the perceived needs for profit, makes the pursuit of SMEs growth and development a mirage as explained by Akinola (2013). According to Obadeyi (2015), the entrepreneurial financing are specialized to promote grass root businesses towards achieving rapid integrated rural development and entrepreneurship development. The rapid growth of the informal sector in the recent years in most developing countries like Nigeria has a number of implications for activities in this sector. For instance in the financial aspect, the strident condition attached to loan by any entrepreneurial financing (like deposit money banks) and the inability of funds made available by existing banks to reach the poor segment of the population (which constitutes the largest proportion of the total population) have increased the relevance of the entrepreneurial financing which includes the activities of angel investors, pawn brokers and rotating savings credit association that provide credit services to meet the needs of borrowers (usually members) in short notice and with little or no control and restriction in the use to which the loans can be put (Noah, Gafar & Muftau, 2009). A crucial problem identified with entrepreneurial financing in Nigeria by the World Bank (2010) is the low level of financing of the entrepreneurial ventures in the nation which rests at a miserly 1.6% of the overall total credit disbursed to the private sector, a trend which was repeated in subsequent years (Olukayode & Somoye, 2013) and this also has hampered the level at which the entrepreneurs have contributed towards the nation’s employment rate which is relatively low and was identified to be at 10% as confirmed by CBN periodicals (2010) . Also, preceding this is the scarcity of funding due to lack of loan collateral security and current macroeconomic anomalies such as galloping inflation rate, high bank interest rate, rocketing level of poverty and high level of closure of firms usually after five years of operations as observed by the Central Intelligence Agency (2014). Entrepreneurial financing contribute enormously to encouraging small and medium enterprises, communal development and the promotion of education, general business and industry. Communities with many traditional financial institutions manifest a higher level of development due to high volume of savings and investment that are encouraged. In the absence of entrepreneurial financing and other financial institutions, they have constituted the only sources for the harnessing of funds of the relatively surplus economic units of the rural and urban areas (Onoh, 2002). It has been established that small and medium enterprises (SMEs) play significant roles in the economic development of most developed and developing countries in terms of job creation, innovation of new ideas, contribution to Gross Domestic Product and welfare. It is therefore in good taste to see various government and other institutions supporting SMEs in performance of such important role However, the ability of SMEs to improve its performance depends on investing, restructuring, and innovation, market expansion, recruiting, maintaining and motivating quality staff (Ndife, 2013). Access to external finance plays an important role in implementing all these actions so as to achieve the targeted growth and development, since most businesses rely heavily on external finance sources such as bank loans and equity finance in their business activities.

Small firms are disproportionately handicapped by a lack of finance, but they receive a stronger boost in growth than large firms if financing is provided. When it comes to SMEs access to external finance in developing countries, there are market imperfections not only in times of crisis, but on an on-going basis as a fundamental structural issue, and this has been partially attributed to uncertainties and asymmetric information between the demand side (entrepreneur) and the supply side (financial intermediary). SMEs are strongly restricted in accessing the capital that they require growing and expanding, with nearly half of SMEs in developing countries rating access to finance as a major constraint. This was direct opposite of what pertained among most SMEs in some European countries, where SMEs in developing countries, outside the entrepreneurial financial system, taking advantages of tradition and cultural practices of the people (Usman & Tanko, 2018).

Statement of the Problem

Small and medium scale Enterprises (SMEs) were faced with many problems such as dearth set up capital, lack of funds for expansion, unreliable and inadequate economic infrastructure and lack of management skills and techniques. Among all the pressing and limiting factors, accessing finance for set up and working capital for expansion seemed to be the most challenging. Lack of access to finance was one of the major limitations of Nigerian entrepreneurs because they were restricted by lack of collateral, absence of past track records for business appraisal, sometimes lack of cognate experience and also the inability of pioneering entrepreneurs to persuade financial institutions to invest in risky projects with potentially low returns. Financing early stage business involved special problems and was fundamentally different from investments in matured and well established companies (Keuschnigg & Nielsen, 2000, Oma-William, 2003, Oluwajoba & Oluwagbenga, 2005, Abereijo & Fayomi, 2005, Golic, 2014, Zhao, Chen, Wang, & Chen, 2016). When it comes to SMEs, it is crucial to find a way to improve access to the wide range of external sources of finance. Entrepreneurial financing gave SMEs industries the opportunity to finance their development projects, which led to the increase in competitiveness, economic growth and total employment. The common problem that entrepreneurs faced was raising money that will ensure the greatest success in business compared to the costs that these sources require. In developed countries micro, small and middle-sized companies fixate on numerous funding sources such as bank loans, leasing, factoring, mezzanine financing, stock exchanges, and venture capital (Abdulsaleh & Worthington, 2013, Petković et, al., 2016).

Lack of access to credit is a major constraint inhibiting the growth of SMEs sector. The issues and problems limiting SMEs acquisition of entrepreneurial financing include lack of tangible security coupled with inappropriate legal and regulatory framework that does not recognize innovative strategies for lending to SMEs. Limited access to entrepreneurial financing due to poor and insufficient capacity to deliver financial services to SMEs continues to be a constraint in the growth and expansion of the sector. Entrepreneurial financing perceive SMEs as high risk and commercially unviable. As a result only a few SMEs access credit from formal financial institutions in the country (Adebisi & Olayinka, 2013, Golic, 2014). Furthermore, many non-financial constraints inhibit the success of such enterprises. SME owners were reluctant to be transparent or open up involvement of their businesses to outsiders. They seemed to be unaware of or oblivious to the obligations and responsibilities they had toward capital providers and the need to acquire or seek support for technical services like accounting, management, marketing, strategy development and establishment of business linkages. Management and support services are perceived to be cost prohibitive and non-value adding (Dagogo & Ollor, 2009, Fatoki,2013, Ghandi & Ammissah, 2014, Peter & Anyieni, 2015).

Research Question

These are some of the questions which the research intend to find solutions to, which include the followings;

1. What effect does a bank credit have on expansion of SMEs growth?
2. To what extent does equity financing charged affect market share?
3. Is there any significant effect between crowd funding and SMEs net profit margin?

Literature Review

Entrepreneurial Financing

The successful entrepreneurial process encompasses developing opportunities, assembly of necessary assets, financial resources, human capital and managing and building operations with the ultimate objective of value creation. Ofili (2014) conceptualises entrepreneurial finance as 'the application and adaptation of financial tools, techniques and principles to the planning, funding, operations and valuation of an entrepreneurial venture'. In essence, entrepreneurial finance laid emphasis on the financial management of a venture as it passes through the entrepreneurial process. Access to finance can assist entrepreneurial ventures to start up and expand their businesses through the development of new production processes and new products and investment in human capital.

Akinola (2013) considered access to financing from either internal or external sources and inferred that these constitute the crucial determinant of business start-up, development and performance for entrepreneurial ventures. According to Olukayode & Somore (2013) internal financing involve entrepreneurs getting capital on their own, mainly from savings, retained profits, depreciation and sale of assets, which thus form a crucial part of the survival and entrepreneurship development. They argued that more profitable SMEs deploy external sources of financing like individual investors, financial banks, venture capital and crowd-funding to become successful in their entrepreneurial pursuits. Thus, merchant, commercial banks and development banks respectively constituting formal sources of external financing which can take the form of debt or equity. Okafor & Onebunne (2012) posited that as the business start to expand, financing from external sources become imminent and their availability decisively determine the growth path of SMEs. Entrepreneurs and SMEs result to external sources of funding such as: Government sponsored programs/grants, business loan from banks, professional investors (venture capitalists, angel investors and corporate investors), the equity market and initial public offering (IPO) to meet their funding needs.

A cursory look at SME financing reveals that funding for the SME sub-sector is derived from micro-finance banks, deposit money banks (DMBs), governments and agencies in the dimension of soft loans and interventions. Worlbank (2010) posited that though Nigeria remains a large and fast growing economy with a relatively competitive banking sector, however credit advancement to the SME sector is extremely small with loan to the sector representing about 5% of the total loan portfolio of deposit money banks despite MSMEs contributing about 48.47 percent to the Gross Domestic Products (GDP) of Nigeria. In the same vein, CBN (2010) estimated that less than 10% micro; small and medium enterprises took loan from DMBs. The report also reveal that only 3% of SME's working capital and 2% of their fixed assets were financed from private funding sources, thus creating a substantial financing gap.

Peter & Anyieni (2015) observed that traditional debt financing options availed by banks through term loans, overdrafts or the use of credit cards constitute the most common source of external finance for SMEs as they provide moderate returns for the lender. The after effect of global financial crises of 2008-2009 have resulted in more stiffening conditions in bank lending as the financial institutions have become more risk-averse in expanding credit to the SME sector. According to Fatoki (2013), the crisis not only impacted negatively on SMEs activity in terms of output, employment, exports and sales, but the low profitability arising from it also has adverse effect on SMEs' credit worthiness. Adebisi & Olayinka (2013) identifies supplier credit as common source of finance for a number of SMEs worldwide. In this circumstance, trade credit allows businesses to delay payment for goods and services purchased, thus helping in effective cash flow management and bridging of short-term working capital requirement.

Ways of Reducing Constraints to Entrepreneurial Financing

In exploring constraints to entrepreneurship development, both financial and non-financial barriers disproportionately affect SMEs although often times, these constraints are correlated. Prominent non-financial components of the business environment that SMEs often rated to be critical obstacles as heavy regulations, lack of electricity, high tax rates, corruption and practices of competitors in the informal sector (World Bank, 2010). These non-financial constraints are also binding on financial institutions which might ultimately undermine SME outreach and access to finance. Abdulsaleh & Worthington (2013) observed that the removal of regulatory obstacles more especially in the aspect of property registration could significantly increase SMEs' access to finance as reducing cost of registering properties may lead to an increase in collaterisable assets. In view of the fact that property registration and legal procedures constitute a vital part of financial infrastructure, an improved and efficient courts and legal proceedings is seen as having the capability to reduce enforcement costs for lenders.

Certain attributes of entrepreneurs and SMEs sometimes confine them at a disadvantage situation in comparison with large firms. Benson (2017) opined that lack of business and management skills can amplify financial barriers for SMEs. Benson further emphasized that low degree of financial literacy can deprive SMEs from sufficiently assessing and comprehending different financing options and from manoeuvring complex loan application procedures. Also, the fact that SMEs' accounting and financial statements are most times not transparent makes them risky borrowers and thus less attractive to lenders. According to International Finance Corporation (Dagogo &Ollor, 2009), persistent inadequacies in the enabling environment (including both financial infrastructure and general legal and regulatory framework for financial instruments and institutions) assist in explaining the limited access of entrepreneurs and SMEs to finance. Ghandi & Amissah (2014) suggested the institution of financial regulation typified by the case of maximum interest rate. They opined that effective legal and regulatory frameworks foster entrepreneurs' access to finance while at the same time preserving financial stability.

Financial infrastructure development has also been identified as contributing to the improvement of financial access by SMEs as this reduces the phenomenon of information asymmetry, opacity and legal uncertainties that aggravate risk to lenders, thus constraining supply of finance (World Bank, 2010). Consequently, entrenching strong accounting and auditing standards have the tendency of improving access to finance because as it enhances informational transparency, it encourages lending on the strength of financial statements (Golic, 2014). The development of credit bureaus and registries improves access to finance in view of severe challenges of information asymmetry and opacity. According to Dagogo & Ollor (2009) lower financing constraint is observed in countries where financial information can be accessed through credit bureaus, thus reducing cost of finance with resultant increased use of external finance. It has also been established that an effective collateral regime act as support to SME finance by lowering the risks and losses arising from lenders' exposure to entrepreneurs and SMEs (Obadeyi, 2015). The authors further stressed that collateral system that is well-functioning entails diverse permissible collaterals (more importantly movable collateral), efficient enforcement of collateral when there is default and clear priority ranking (specifying the rights of secured creditors).

Alternative Entrepreneurial Financing Options

Bank lending is the most regular source of external finance for many entrepreneurs and SMEs, which are often heavily reliant on traditional debt to satisfy their start-up, cash flow and investment needs. Though it is commonly used by small businesses, however, traditional bank finance presents challenges to SMEs, precisely to newer, innovative and fast growing companies, with a higher risk-return profile. Alternative finance strategies play an increasingly important role in helping businesses meet their financing needs to grow and contribute to the economy (Adebisi & Olayinka, 2013). The capital structure of a firm contends with decisions about debt and/or equity financing.

According to Dagogo and Ollor (2009) the change in financing structure from debt to the adoption of more sustainable equity-based financial strategy represents an important solution to entrepreneurial financing challenge. A distinction exit between two aspects of equity investment: Public equity investment involving raising share capital straight from the public through the stock exchange and private equity investment in a private company by a few individual or institutional investors. The adoption of alternative channels of funding (though gradually gaining ground in Nigeria) is a re-orientation towards appropriate debt-equity capital restructuring by ensuring a hybrid capital structure with differing degrees of risk and return. The wide spectrum covers low risk/return (Asset-based finance e.g. leasing, asset-based lending, purchase order finance) and Alternative debt (e.g. Crowd-funding), medium risk/ return (hybrid instruments e.g. Mezzanine finance) and high risk/return (equity instruments e.g. venture capital, business angels).

Asset-based finance

Represents the channel through which firms obtain financing based on the value of a particular asset generated in the course of its business, rather than on its own credit standing) and this constitute a well-established and broadly used alternative for many SMEs (CBN, 2010). This financing option makes it a little more flexible for SMEs to access working capital under more flexible terms than they could from conventional lending channels.

Venture Capital

Constitute a vital source of innovative financing alternative to traditional debt finance for entrepreneurial sector as it encompasses the provision of debt and equity financing to young privately held firms. Peter &Anyieni (2015) defined venture capital as “professionally managed pool of equity capital’’. It is a strand of private equity finance which involve investments in unquoted companies (with growth potential) in exchange for a stake in the company by the venture capitalists (Dagogo & Ollor, 2009). An empirical study by the researchers on the effect of venture capital financing on the economic value added profile of Nigerian SMEs reveal that venture capital backed SMEs contributed more to the society in terms of provision for corporate social responsibility, taxes to government and staff welfare than non-venture capital backed SMEs. The venture capitalists take part in active management of the business they funded and often collaborate with the stock market to take the firm they fund public (Abereijo & Fayomi, 2005). In Nigeria, Small and Medium Enterprises Equity Investment Scheme (SMEEIS) represents the major institutional framework for promoting venture capital financing.

Crowd funding

Crowd funding is an emerging trend for small, micro businesses and individual entrepreneur to source for fund via an internet dominated platform. The term crowd funding comes from crowd sourcing which has been defined as the process of obtaining required services, ideas or content by soliciting contribution from the large group of individual especially through internet platform of online community (Petkovic et al, 2016). Crowd funding on the other hand is a process of fund raising from potential investors, donors or sponsors to finance creative ideas, start-up business or new ventures as a form of turning ideas into business reality. The word crowd in crowd funding means the people (general public) connected through the internet platform and this might include potentials investors such as banks, individuals, donors, business angels or venture capital providers. The major difference between crowd funding and crowd sourcing is what being provided by the crowd. In crowd funding, the crowd provides the fund while in crowd sourcing, it is the labour that the crowd provides. Kadian & John (2016) defined crowd funding as an internet based method of fund raising for creative ideas, projects or task in form of contribution or pledge of money by large pool of people within a limited time frame. Usman & Tanko, (2018) stated that entrepreneurs will rely on the internet to directly source for financial help from the general public (the crowd) instead of approaching financial investors such as business angels, banks or venture capital funds because of the stringent method of sourcing fund from these channels.

Crowd funding has appeared to be an innovative source of entrepreneurial financing for SMEs with a projected value of USD 16.2 billion raised globally in 2014 (Ndife, 2013). Crowd-funding has an immense potential of turning out to be the largest financier of SMEs worldwide as entrepreneurs constantly seek flexible ways of raising funds outside family loans and traditional bank loans. Crowd funding started in US as an online annex of traditional financing by friends and family where communities combine money to fund members who have business ideas. This new form of capital formation appeared in the wake of the 2008 financial crisis largely because of the challenges encountered by entrepreneurs and artisans in raising funds.

Nigeria though categorised as having the largest internet users in Africa and 8th in the world with more than 70.3 million internet users in 2014 is yet to fully embrace crowd-funding (Fatoki, 2014). This is attributed to the absence of appropriate legislation that guide crowd-funding, the culture of entrepreneurship with entrepreneurs and willing investors and the slow pace of e-commerce adoption in contrast to some developed countries of Europe and America where the practice is heavily guided by legislation (CBN, 2010). Notwithstanding, the pace of crowd-funding finance is continuously developing in Nigeria though not comparable to that of the US where $1.5 billion was raised in 2011 (Akinola, 2013).

Equity Financing

Equity financing comprise of retained profits, own savings, contribution from board members, contribution from partners and friends, deferred income and cash flows of the business (Akinola, 2013). Angel Investors (business angels) are wealthy individuals who place equity in business that they believe have high growth and return prospects and are interested in supporting the entrepreneur (Ofoli, 2014). Many successful large companies which attracted venture capitalists or public equity relied first on angels (CIA, 2014). Equity financing is important source of income and have a positive relationship to the performance of the business. Firms that use equity finance are able to make it performance better since there is direct control and because equity holders are residual claimant they have to ensure that resources are allocated efficiently (Benson, 2017).

Many small firms are established as family business which may not pursue growth strategies. Moreover, if SMEs have unconstrained choice between external debt and internal resources, they will choose not to use debt financing because of a desire to retain control and independence (Fatoki, 2013). They further conceded that the owners of SMEs may show strong preference for the funding options, which have minimal or no intrusion into the business that is retained earnings and personal savings (Golic, 2014).

SMEs financing motives and behavior are often different from those of large companies. Most SMEs owners have a strong desire for control and hence are averse to external equity finance (Abereijo & Fayomi, 2005). SMEs also prefer debt to equity because they are much more familiar with the borrowing model (Caroline & Willy, 2005). In addition, external equity finance is limited especially for SMEs without strong growth prospects (Gulani & Usman, 2013). However, interest in upper-tier SME investment by other private equity has increased in recent years, as low interest rates have pushed investors to seek yields and diversification within their portfolios (Ibrahim & Shariff, 2016; (Zhao et al, 2016).

SMEs are heterogeneous in terms of size; growth potential; formalization; stage of development; industry; and owners' motives, ability and sophistication and these affect their potential to access and work with different types of external financiers. Some equity investors have business models that are more suited to SMEs than others. For example, angel investors and crowd funders have much lower cost structures compared to venture capitalists. They meet SMEs through social networks and can easily follow them up (Ofoli, 2014). For this reason, they can invest in smaller businesses compared to venture capitalists. Venture capitalists have a high cost model that relies on highly paid experts to undertake due diligence and support the business, and are therefore more suited to larger businesses. Equity investment companies fall in between venture capitalists and angel investors in terms of the cost of their business model, and can therefore invest in mid sized enterprises.

Bank Credit

Small and medium enterprises (SMEs) in Nigeria, like other SMEs in countries of the world have been faced with restricted access to credit for their expansion. With the poor development of the Nigeria stock exchange as a source of funds for firm growth, SMEs in Nigeria have had to resort to seeking credit from the Nigeria bank system or other non-bank sources so as to have the required funding for their activities. The Structural adjustment programme which Nigeria undertook from 1986 to 1993 further contributed to restricting the access of SMEs in Nigeria to credit as the Nigeria financial system was liberalized and consequently interest rates and exchange rates were allowed to rise as the Nigerian economy became market-oriented and government relinquished control over interest rates, exchange rates and other financial system indicators. Of course, there have been further financial system challenges and from which it is inevitable that losers and winners will emerge. In the context of the Nigeria corporate sector, SMEs in general, including those in Nigeria were one of the most hit as banks tightened lending policies and hence further deprived SMEs of access by their tight lending policies.

Venture Capital Financing

Venture capital financing has been in practice for more than half a century. It is well developed in Western economies where it has helped many businesses to bring innovative ideas and products to the market. It is relatively a new concept in Nigeria, although history has it that some venture capital financing took place in 1980s and 1990s (CBN, 2010).Venture capital (VC) is a type of private equity capital typically provided for early-stage, high-potential, and growth companies in the interest of generating a return through an eventual realization event of the company. Venture capital investments are generally made as cash in exchange for shares in the invested company. A venture capital company will in all likelihood require a stake in your business (existing net assets) and the venture capital company will bring their finance (to increase or grow the assets), (Benson,2017).

Venture capital typically comes from institutional investors and high net worth individuals and is pooled together by dedicated investment firms. By definition, VCs also take a role in managing entrepreneurial companies at an early stage, thus adding skills as well as capital (thereby differentiating VC from buy out private equity which typically invest in companies with proven revenue), and thereby potentially realizing much higher rates of returns (Benson,2017) Akinola (2013) defines it as engagement by the venture capitalist in the management of the client enterprise. He further argues that venture capital is the commitment of long - term equity capital where the venture capitalist makes his profit in the form of capital gain. The underlying assumption, according to him, is that the entrepreneur and the venture capitalist act as partners. To him, venture capital is a powerful mechanism that can institutionalize innovative entrepreneurship. In fact, it is a commitment of capital or shareholding for the formation and setting up of small and medium scale enterprises with a focus on the business growth.

According to Peter & Anyieni (2015), it is a professionally managed pool of equity capital that is frequently gotten from the resource of wealthy limited partners. Ovadje (2003), view venture capital as the financing for new, often high - risk ventures. Okey (2016), also see venture capital as finance meant for the improvement of ongoing business with good managerial and high growth potential.

Venture capitalists and venture capital firms recognize that many or most new ventures will not succeed if adequate funding is not given to them. To limit their risk, venture capitalist provides finances in stages, at each stage; sufficient money is invested to enable it grow and develop progressively to the next stage or mile-stone.

Obadeyi (2015), defines venture capitalist as the provider of equity financing that makes money available to both new ventures and existing ventures. Udechukwu (2003), argued that it is an equity investment for new private companies in which the investor is seen as a financial intermediary acting as a director, adviser and a manager of the enterprise. Fatoki (2014), defines it to mean a process whereby investors commit their fund to early stage and more risk - oriented firms. From Dagogo & Ollor (2009) it is financial intermediaries whose contribution comes from institutional investors or wealthy individuals in the economy who wish to invest the fund in small private and high technology enterprise. Benson (2017) describe the venture capital investment process over the complete venture capital cycle (Okafo & Onebunner, 2012); firstly, the venture capitalists raise funds (fundraising), and invest those funds in an investment process (deal origination, screening, evaluation, structuring), Secondly, they manage their investments once an investment decision has been made (monitoring and value adding) (Akinloa, 2013;Ofili, 2014). Thirdly, they eventually realize any profits from their investments (exit) (Okey, 2016). The reality is that most investing involves a process of acquiring, retaining, exercising and abandoning options (Ovadje, 2003). Venture capital financing is optimal only if firms face highly risky and positively skewed project cash flows, with low probability of success, low liquidation value, and high returns if successful, and if they face highly volatile cash flows across two continuation strategies. Venture capital is a specialized form of financial intermediation which is centered on supporting innovative companies, by providing finance and also by providing monitoring and advice services. Venture capital firms are sophisticated investors, whose partners have extensive knowledge of the industry and often previous managerial experience. Their strong commitment to generate high returns in the medium term makes them active investors. As a new form of financing, venture capital has attracted the interest of researchers in the field of finance (Oma-Williams, 2003)

Overview of Small and Medium Enterprises in Nigeria

Adebisi & Olayinka (2013) observed that SME has a long history like every other part of the world. Historically, "Small and Medium enterprises have its origin in the eastern", small and medium enterprises, all over the world is divergent arrays of business concerns involve in economic activities sparring from micro and rural enterprises, to contemporary industrial organizations that uses sophisticated technologies. As a result of their relevance aid contribution i.e. small and medium enterprises to national economics, policy planners, academic and national government have shown interest in issues pertaining to small and medium scale enterprises (SMEs) all over the world. It was the means of survival for the people since ages; it has managed to save many poor homes that have the innovation to start a unique business but with different problems with establishment or survival. In Nigeria there is no generally acceptable definition of SMEs but it varies over time from organization to organization.

In spite of the absent of a universal definition for small and medium scale enterprises (SMEs) there is a general consensus regarding the variable used in identifying SMEs, the critical include capital investment fixed assets annual turnover gross output and employment. According to CBN (2010), SMEs is defined small scale industries as those with annual turnover, SMEs defined enterprises with a maximum assets base of 200 million excluding land and working capital with number of staff employed by the enterprises of not less than 10 and not more than 300. Udechukwu (2003) cited in Usman & Tanko (2018) were of the view that Small scale business, small scale industries and small scale entrepreneurship are used interchangeably to man a small scale industry firm. In Nigeria and worldwide, there seems to be no specific definition of small business. Different authors, scholars, and schools have different ideas as to the differences in capital outlay, number of employees, sales turnover, fixed capital investment, available plant and machinery, market share and the level of development. Obadeyi (2015) established that small and medium enterprises play a major role of employment generation, national growth, poverty reduction and economic development. Muganda et al. (2016) concluded that, the contribution of small and medium enterprises to an economy, especially developing ones like Nigeria include: greater utilization of raw materials, employment generation, encourage of rural development, development of entrepreneurship, mobilization of local savings, linkages with bigger industries, provision of regional balance by spreading investments more evenly, provision of avenue for self-employment and provision of opportunity for training managers and semi-skilled workers.

Research Methodology

The area of the study was conducted in Abeokuta South local government area, Ogun State. The descriptive survey was adopted. The population of this study consists of two hundred and fifty seven (257) respondents residing in the Abeokuta south senatorial district. The research adopted the descriptive sampling technique in selecting the sample for this study. The linear regression analysis was used via SPSS version 20.

Presentation of Data

A total of one hundred (100) purposive questionnaires were distributed among the respondents, out of which eighty two (82) were filled and returned. Given this, it implies that approximately 82.0% of the administered questionnaires were retrieved. The reason for administering 86 questionnaires was to ensure a high return rate. The tabular presentation of the questionnaire analysis is given below:

Table 1 Presentation of Questionnaire

Questionnaire	**Respondents**	**percentage**
Returned	82	75.2%
Not returned	27	24.8%
Total distributed	109	100%

Source: Field Survey, 2021

Gender

Classifies the respondents based on different biography and status. It revealed that 30(36.6%) of respondents were male and 52(63.4%) were single female. This implies that tie and dye production is majorly female work in the choosing area of study.

Martial Status

The respondents was also classifies respondents based on marital status. It revealed that 32 (39%) were single, 50 (61%) were married while there was no account for other status. This infers that majority of the respondents are married.

Age Distribution

The results of respondents based on age. It reveals that 20 (24.4%) are within the range of less than 25 years, 42 (51.2%) were 26-45 years, 10 (12.2%) were 46-55 years and 10 (12.2%) are within the range of 56 years and above. This implies that majority of the respondents (i.etie and dye makers) are within the range of 26 - 45 years. This indicate that majority of respondents falls between range of 26 - 45 years.

Business Experience

It show that 20 (24.4%) respondents fall within the range of 1-5 years, 50 (61%) fall within 6-10 years, 7 (8.5%) fall within 11- 15 years and 5 (6.1%)

are have more than 15 years' experience in working. This implies that experience of majority of the respondents fall within the range of 6- 10 years. This indicate that majority of respondents falls between range of 6 - 10 years

Education Qualification

The classification of respondents based on Education qualification. It reveals that 20 (24.4%) are SSCE holders, 50 (61%) are both HND or B.Sc holders, and 12 (14.6%) are Master's degree/MBA holders. This implies that majority of the respondents are HND or B.Sc holders. This indicates that majority of respondents' falls between HND or B.Sc holders.

Post Held

The respondents was classifying based on the post held in workshop show 60 (72.2%) as owner of the workshop, 11 (13.4%) as Journeyman and 11(13.4%) as apprentice. This implies that the majority of respondents are shop owner. This indicates that majority of respondents' are business owners.

Table 2: Distribution of Respondents by Demographic Characteristics n=82

Variables	Categories	Frequency	Percent	Mean
Gender	Male	30	36.6	
	Female	52	63.4	
	Total	**82**	**100**	**1.52**
Marital Status	Single	32	39	
	Married	50	61	
	Total	**82**	**100**	**1.55**
Business Experience				
	1- 5 years	20	24.4	
	6- 10 years	50	61	
	11-15 years	7	8.5	
	15 years above	5	6.1	
	Total	**82**	**100**	**2.58**
Age	Less than 25 years	20	24.4	
	26-45 years	42	51.2	

46-55 years	10	12.2	
56 years and above	10	12.2	
Total	**82**	**100**	**3.11**
Educational Qualification			
SSCE	20	24.4	
HND/B.Sc	50	61	
M.Sc/MBA	12	14.6	
Total	**82**	**100**	**2.99**
Post Held in Workshop			
Shop owner	60	72.2	
Journeyman	11	13.4	
Apprentice	11	13.4	
Total	**82**	**100**	**1.93**

Source: Field Survey, 2021

Testing Of Hypotheses

Regression and correlation analysis technique was used to establish and test the relationship between independent variable and dependent variable of hypotheses.

Hypothesis 1: H_{01}: Bank credit does not have significant effect on SMEs growth.

Table 3 a Model Summary of Bank credit and SMEs growth

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.689[a]	.475	.470	.56417

a. Predictors: (Constant), Bank credit

Table 3b ANOVA[a] of Bank credit and SMEs growth

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	29.110	1	29.110	91.458	.000[b]
	Residual	32.147	101	.318		
	Total	61.257	102			

a. Dependent Variable: SMEs growth
b. Predictors: (Constant), Bank credit

The result from the model summary table revealed that the extent to which the variance, SMEs growth can be explained by bank credit is 47.5% (R Square = 0.475). The ANOVA table shows the Fcal 91.458 at 0.000 significant level. The table shows that there is a significant effect between bank credit and SMEs growth.

Table 3c Coefficients[a] of Bank credit and SMEs growth

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.573	.265		5.943	.000
	Bank credit	.652	.068	.689	9.563	.000

a. Dependent Variable: SMEs growth

The coefficient table above shows that the simple model that expresses the significant effect between bank credit and SMEs growth. The model is shown mathematically as follows Y=a+bX where y is SMEs growth and x is bank credit, a is a constant factor and b is the value of coefficient. From this table therefore, SMEs growth = 1.573 + 0.652 bank credit. Therefore, a unit increase in bank credit will lead to 0.652 increase in SMEs growth. The above result implies that there is a significant impact between bank credit and SMEs growth i.e. since our P value (0.000) is less than 0.05. Thus, the decision would be to reject null hypothesis (Ho) and accept alternative hypothesis (H1), i.e. there is a significant effect between bank credit and SMEs growth.

Hypothesis 2: H_{02}: There is no significant relationship between equity financing charged on Market share.

Table 4a Model Summary of Equity financing and Market share

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.330[a]	.109	.100	1.19380
a. Predictors: (Constant), Equity financing				

Table 4b ANOVA[a] of Equity financing and Market share

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	17.559	1	17.559	12.321	.001[b]
	Residual	143.940	101	1.425		
	Total	161.499	102			
a. Dependent Variable: Market share						
b. Predictors: (Constant), Equity financing						

The result from the model summary table revealed that the extent to which the variance, Market share can be explained by equity financing is 10.9% (R Square = 0.109). The ANOVA table shows the Fcal 12.321 at 0.000 significant level. The table shows that there is a significant relationship between equity financing and Market share.

Table 4c Coefficients[a] of Equity financing and Market share

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.858	.666		2.791	.006
	Equity financing	.567	.162	.330	3.510	.001
a. Dependent Variable: Market share						

The coefficient table above shows that the simple model that expresses the significant relationship between equity financing and Market share. The model is shown mathematically as follows: Y=a+bX where y is Market share and x is equity financing, a is a constant factor and b is the value of coefficient. From this table therefore, Market share = 1.858 + 0.567 equity financing. Therefore, a unit increase in equity financing will lead to 0.567 increase in Market share. The above result implies that there is a significant relationship between equity financing and Market share i.e. since our P value (0.000) is less than 0.05. Thus, the decision would be to reject null hypothesis (Ho) and accept alternative hypothesis (H1), i.e. there is a significant relationship between equity financing and market share.

Hypothesis 3: H_{03}: There is no significant effect between crowd funding and SMEs net profit margin.

Table 5a Model Summary of Crowding funding and SMEs net profit margin

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.750[a]	.562	.558	.46277
a. Predictors: (Constant), Crowding funding				

Table 5b ANOVA[a] of Crowding funding and SMEs net profit margin

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	27.790	1	27.790	129.764	.000[b]
	Residual	21.630	101	.214		
	Total	49.420	102			
a. Dependent Variable: SMEs net profit margin						
b. Predictors: (Constant), Crowding funding						

The result from the model summary table revealed that the extent to which the variance, SMEs net profit margin can be explained by crowding funding is 56.2% (R Square = 0.562). The ANOVA table shows the Fcal 12.321 at 0.000 significant level. The table shows that there is a significant relationship between crowding funding and SMEs net profit margin.

Table 5c Coefficients[a] of Crowding funding and SMEs net profit margin

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.394	.259		5.376	.000

	Crowding funding	.671	.059	.750	11.391	.000
a. Dependent Variable: SMEs net profit margin						

The coefficient table above shows that the simple model that expresses the significant relationship between crowding funding and SMEs net profit margin. The model is shown mathematically as follows: Y=a+bX where y is SMEs net profit margin and x is crowding funding, a is a constant factor and b is the value of coefficient. From this table therefore, SMEs net profit margin = 1.394 + 0.671 crowding funding. Therefore, a unit increase in crowding funding will lead to 0.671 increases in SMEs net profit margin. The above result implies that there is a significant relationship between crowding funding and SMEs net profit margin i.e. since our P value (0.000) is less than 0.05. Thus, the decision would be to reject null hypothesis (Ho) and accept alternative hypothesis (H1), i.e. there is a significant relationship between crowding funding and SMEs net profit margin.

Empirical Findings

Hypothesis One

The result from test of hypothesis one (1) revealed that there is a significant effect of bank credit towards the SMEs growth in Abeokuta south Local Government area Abeokuta Ogun State, the result has R squared value of 0.475, P value of 0 .000[b] which is implies that 47.5% bank credit will have effect on SMEs growth, based on our decision would be to reject null hypothesis (Ho) and accept alternative hypothesis (H_1)., i.e. there is a significant relationship between bank credit and SMEs growth. This result is in line with previous research of Muganda, Umulkher, Kadian & John (2016) , Okey, 2016, Caroline & Willey, 2005).

Hypothesis Two

The result from hypothesis confirmed the extent to which the variance in: equity financing related with market share is 10.9% i.e. (R square = 0.109), this means that here is a significant impact of equity financing towards the market share. It shows that equity financing has a positive effect on SMEs market share among SMEs operators in Abeokuta south local government, Ogun state. It implies that lager percent of respondent has equity financing in their work place based on this result the decision would be to reject null hypothesis (Ho) and accept alternative hypothesis (H_1). i.e. there is a significant impact of equity financing towards the market share. This result is in line with previous research of Muganda, Umulkher, Kadian & John (2016) , Fatoki (2014, Gulani & Usman, 2013).

Hypothesis Three

The result from hypothesis three revealed that there is a significant influence of crowding funding on the SMEs net profit margin with R square of 0.562 and P value of 0 .000[b] this implies that there is a significant influence of crowding funding on the SMEs net profit margin. The implication of this is that the SMEs net profit margin towards SMEs products can only be determine by the type of crowd financing implement during production in other hand the SMEs net profit margin usually influence by SMEs operators really by entrepreneurial financing strategy. Based on this our decision would be to rejected null hypothesis (Ho) and accepted the alternative hypothesis which says there is a significant influence of crowding funding on the SMEs net profit margin(Ilagbinosa & Jumbo,2015, Ibrahim & Shariff, 2016, Hossain & Oparaocha,2017 & Benson,2017).

Conclusion

The aim of this empirical study is to investigate entrepreneurial financing and SMEs growth. The study applies a linear regression approach and establishes empirical support for some conjectures made in the literatures. Given the importance of entrepreneurial financing to the SMEs growth and development of any economy, it becomes expedient to examine how entrepreneurial financings are contributing to the SMEs growth of Nigeria. Entrepreneurial financings such as bank credit, equity financing, crowd funding, angel investors and venture capitalist have provided financial assistance to individuals, households and small business owners inform of savings and credits. However, they are faced with problems and challenges that hinder their operational strategies. Government through its regulatory agencies must come up with policies that will sustain entrepreneurial financings in developing economy like Nigeria. This is because the institutions help in bridging financial gaps created by formal financial sector such as angel investors and venture capitalist. By the analysis it can be concluded that bank credit, equity financing, crowd funding, angel investors and venture capitalist continue to grow and survive in terms of increase in their growth it helps reduce unemployment because more people are been employed, thus contributing to SMEs growth with signs of increase in gross domestic products and improved standard of living. Conclusively, it is high time government encourage indigenous ownership of businesses, create an enabling environment for them to strive and ensure that they don't windup. Hence, the objective of this project is achieved.

Recommendations

Finally it becomes pertinent to put forward some important recommendations that will help entrepreneurial financing to continue to grow, survive and contribute to SMEs growth and development. The following recommendations were put forward for proper running and management of entrepreneurial financing. These include;

1. Crowd funding awareness is key to its appraisal as alternative means of financing for SMEs and entrepreneur in Nigeria. Awareness means adequate information and better understanding of the crowd funding concept, regulatory guide, process, benefit and risks associated with its implementation. This awareness is very important to both the fund seekers and investors..
2. Government ought to, as a matter of urgency, help planned business visionaries to have admittance to the public purse to back them up and provide them easy access to fundamental data identifying with business opportunities, present day innovation, crude materials, business sector, plant and hardware which would empower them to diminish their working expense as this study discovered the insignificance of accessibility to fund a major problem.
3. Since angel investors determine how healthy an entrepreneurial financing, effort must be made by SMEs operators/entrepreneurs to

bring about sustainable SMEs growth by enhancing their performance.

4. Research and development must frequently carryout by entrepreneurial financing on the reasons why small and medium enterprises windup in the competitive market place and environment.

REFERENCES

Abdulsaleh, A. M., & Worthington, A. C. (2013). Small and medium-sized enterprises financing: A review of literature. *International Journal of Business and Management*, *8*, 36-54. doi:10.5539/ijbm.v8n14p36

Abereijo, I.O. & Fayomi, A.O. (2005). Innovative approach to SME financing in Nigeria: A review of small and medium industries equity investment scheme (SMIEIS). *Journal of Social Sciences, 11*(3), 219-227.

Adebisi, J. F., & Olayinka, M. (2013). Small business financing in Nigeria: An investigation of the angel options. *Canadian Social Science*, *9*, 98-103. doi:10.3968/j.css.1923669720130902.7193

Akinola, A.O. (2013). Entrepreneurship in Nigeria-funding and financing strategies. *European Journal of Accounting Auditing and Finance Research*. 1(4). 115-128.

Benson, M. O. (2017). Bank credits and its impact on Nigerian economic growth. International Journal of Development Strategies in Humanities, Management and Social Sciences, 7(3), 39-52

Caroline. G., & Willy. M. (2015). Effect of capital structure on financial performance on Firms in Kenya. Evidence from firms listed at NSE. international journal of economics, Commerce and Management. 3(2), 56-63.

Central Bank of Nigeria (2010). First annual monetary policy conference on growing the Nigerian economy. Abuja: CBN Press, Nigeria.

CIA Report. (2014). *Credit delivery to SMEs: Post bank consolidation in Nigeria*.

Dagogo, D.W. & Ollor, W.G. (2009). Effect of venture capital financing on the economic value added profile of nigerian SMEs. *African Journal of Accounting, Economics, Finance and Banking Research, 5*(5), 37-51.

Fatoki, O. (2013). An investigation into the financial bootstrapping methods used by immigrant entrepreneurs in South Africa. *Journal of Economics*, *4*, 89-96.

Fatoki, O. (2014). The financing options for new small and medium enterprises in South Africa. *Mediterranean Journal of Social Sciences*, *5*, 748-755.

Gbandi, E. C., & Amissah, G. (2014). Financing options for small and medium enterprises (SMEs) in Nigeria. *European Scientific Journal January*, *10*, 327-340.

Golic, Z. (2014). Advantage of crowdfunding as an alternative sources of financing of small and medium sized enterprises. Proceeding of the Faculty of Economics in East Sarajevo, 8, 39-48

Gulani, M. G., & Usman, A. (2013). Financing small and medium scale enterprises (SMEs): A challenge for entrepreneurial development in Gombe state. *Asian Journal of Business and Management Sciences*, *2*, 17-23.

Hossain, M., & Oparaocha, G. O. (2017). Crowdfunding: Motives, definition, etymology and ethical challenges. Entrepreneurship Research Journal. Available at: http://www.researchgate.net/publication/311065516. (February 10, 2019).

Ibrahim, M. A., & Shariff, M. N. M. (2016). Mediating role of access to finance on the relationship between strategic orientation attributes and SMEs performance in Nigeria. *International Journal of Business and Society*, *17*, 473-496.

Ilegbinosa, I. A., & Jumbo, E. (2015). Small and medium scale enterprises and economic growth in Nigeria: 1975-2012. *International Journal of Business and Management*, *10*, 203-215.

Keuschnigg, X. & Nielsen, T. (2000). Corporate financing and performance of SMEs: The moderating effects of ownership types and management styles, The Journal of the Malaysian Institute of Management. (2) 119-133.

Muganda, M. M., Umulkher, A. A., Kadian, W. & John, S. (2016). Effect of business financing on the performance of small and medium enterprises in Lurabi sub-country, Kenya. European Journal of Business and Management, 8(2), 1-21

Ndife, C.F. (2013). The impact of micro credit institutions on the development of small and medium enterprises in Anambra state.*IOSR Journal of Business and Management, 14(5), 75-81.*

Noah, Y., Gafar, T. I., &Muftau, A.I. (2009). Informal financial institutions and poverty reduction in the informal sector of Otta town, Kwara State: A case study of rotating savings and credit associations. Journal of Social Science, 20(1), 71-81.

Obadeyi, J. A. (2015). Microfinance banking and development of small business in emerging economy: Nigerian approach. *IOSR Journal of Economics and Finance (IOSR-JEF), 2*(1), 50-60.

Ofili, O. O (2014). Challenges facing entrepreneurship in Nigeria, *International Journal of Business and Management*. 9(12). 258-274.

Okafor, R.G. & Onebunne, I. (2012). Review of financial challenges of Nigerian entrepreneurs in an attempt to reduce financial institutions risk perception index of small firms: Evidence from survey data. *Developing Country Studies*. 2(11). 197-204.

Okey, O. O. (2016). Commercial bank credit and the growth of small and medium scale enterprise: the Nigerian experience. IOSR Journal of Economics and Finance, 7(6), 23-30.

Olukayode, R. & Somoye, C. (2013). The impact of finance on entrepreneurship growth in Nigeria: A cointegration framework. *ACRN Journal of Entrepreneurship Perspectives*. 2(2). 21-45.

Oluwajoba, I., & Oluwagbenga, A. (2005). Innovative Approach to SME Financing in Nigeria: A Review of Small and Medium Industries Equity Investment Scheme (SMIEIS). Jornal of Social Sciences, 11(3), 219- 227.

Onoh, J.S. (2002). *Entrepreneurial Finance (Fourth Edition).* USA:South-Western centage learning

Oma- William, P. I. (2003). Impact of banks loan to SMEs on manufacturing in Nigeria. Journal of Social and development Sciences, 4(5), 212-217

Peter, J. & Anyieni, N. (2015). Choose wisely: Crowdfunding through the stages of the start-up life cycle. Business Horizons, 60(2), 179-188

Petkovicc, A., & Walker, G.& Pekka,H. (2016). The global significance of crowdfunding: Solving the SME funding problem and democratizing access to capital. William and Mary Business Law Review, 7(2). 349- 371

Udechukwu, A. (2003). Crowdfunding of Small Entrepreneurial Venture. In: The Oxford Handbook of Entrepreneurial Finance, NewYork: Oxford University Press

-Shubita, M. F., & Asawalhah, J. M. (2012). The Relationship Between Capital Structure And Profitability. International Journal of Business and Social Science. (3) 16- 20.

Usman, H.I., & Tanko, A.I. (2018).The role financial institutions in financing small and medium enterprises in Nigeria. *International Journal of Economics and Business Management, 4*(4), 2489-0065.

World Bank (2010). Global financial indicators. *economic Outlook*. Washinton: IMF, Washington, D.C.

Zhao, Q., Chen. C. D., Wang, J. L., & Chen, P. C. (2016). Determinant of backer' funding intention in crowdfunding: Social exchange theory and regulatory focus. Telematics and Informatics, 34, 370-384