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Entrepreneurial Financing and Enterprises Performance in Nigeria: Prospects and Challenges

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Abstract
The world economy is now growing at the lowest rate since the onset of the global financial crisis in 2008-2009, and enterprises of all sizes encounter significant policy uncertainties and regulatory burdens that constrain their business activities in the markets. Despite recent improvements, MSME financing remains fragile in the medium term. The downside risks in the macro-economic outlook may reverse recent gains, and bank deleveraging will continue to impact SME lending disproportionately, especially in countries where the banking system is burdened by high levels of non-performing loans. This study therefore established a relationship between entrepreneurial financing and performance in the North Central region by examining key objectives which included the relationship between entrepreneurial financing and the performance of enterprises in North Central Nigeria, factors militating against entrepreneurial financing on the performance of enterprises in North Central and the prospects of entrepreneurial financing on the performance of enterprises in North Central Nigeria. The study adopted non-probability sampling technique that established a strong relationship between the dependent variables of financing SMEs as critical to their performance. The major recommendation from the study was that funding plans for schemes of major financial institutions should consider prioritizing SMEs' funding in the country because finance plays a key role in their survivability the same as the macro economy's performance reflects the micro economic sector of which the

SMEs play vital roles, the performance has a net impact on the nation's GDP and, by implication general development.

Keywords: Entrepreneurial Finance, Performance, MSMEs, Prospects, Challenges.

Introduction

The Micro, Small, and Medium Scale Enterprises (MSMEs) sector is a vital driver of Nigeria's economic growth as it is propelled by a strong entrepreneurial base and numerous start-up groups whose productivity levels and employment generation capacity is significant to the macro economy. Despite the importance of SMSE in the economy, the sector still performed below its forecast expectation due to a mirage of reasons including constraints in accessing diverse resources (United Nations, 2020) such as financial capital, human capital and physical capital, with each playing significant but different roles during the life cycle of a new business (Fatoki, 2014). Others include regulatory and policy related issues with compliance requirements and standards beyond the reach of many entrepreneurs. However, the government being not oblivious of these limitations, have initiated and implemented several reforms to address observed challenges among entrepreneurs. Laudable of these reforms include the enactment of the Secured Transaction in Moveable Assets STMA (2017) to guarantee investment confidence between borrowers and lenders through creation of assured frameworks such as the National Collateral Registry (NCR) and other mechanisms which perfects loan transactions between relevant parties. The STMA though beneficial to entrepreneurial performance had its defects in that it fails to incorporate some of the fundamental elements of the unitary-functional approaches regarded as the fundamental backbone of modern secured transaction laws. Another intervention which has moved the frontiers of entrepreneurial performance is the Small and Medium Industries and Equity Investment Scheme (SMIEIS). The intervention remains a potential MSMEs sector until complementary actions are taken to strengthen the infrastructures in the country, particularly electricity, water and communication. Furthermore, the introduction of N50 billion Targeted Credit Facility (TCF) by the Central

Bank of Nigeria (CBN) introduced in March, 2020 as a stimulus package to support Micro, Small and Medium Enterprises (MSMEs) affected by the COVID-19 is another strategic intervention aimed at helping businesses adjust to disruptions on existing Business Model canvass operated by most entrepreneurs in the country to the Post COVID Model Canvass. Given the flexibility and fluidity of the scheme, households could access a maximum loan of N3 million while the loan amount to SMEs is determined based on the cash flow and industry/segment size of beneficiary, subject to a maximum of N25 million with friendly interest rate at nine percent per annum and working capital for a maximum period of one year, with no option for rollover.

According to the Nigeria Incentive-Based Risk Sharing System for Agricultural Lending (NIRSAL), more than 80,000 applications on the N50 billion Targeted Credit Facility (TCF) by the Central Bank of Nigeria (CBN) had been received and processed upon activation of the Scheme in March 2020.

Despite these measures, access to finance is still a hurdle for may MSMEs. Those who have accessed some of the interventions still require other facilities like management advice, training to employees, managing administration and so on, to thrive. (Theamozhi & Amaladas, 2014). Without doubt, the role of finance is akin to entrepreneurial performance when other parameters such as internal security and safety issues are set in their right frames and conditions.

Statement of the Problem

The performance of SMEs in Nigeria is poor and has been reducing year-in-year-out, despite the contribution of SMEs towards employment creation, productive utilization of capital and financial resources, wealth creation, innovation development and poverty alleviation (Abiodun & Harry, 2018; Aremu & Adeyemi, 2011; Memba, Gakure & Karanja, 2012). Several scholars have attributed the poor performance of SMEs to financing because SMEs' access to capital remains the most commonly cited challenge mainly due to lack of collateral security to secure bank loans for startup capital (Fatoki & Garwe, 2010; Hove & Chikungwa, 2013; Saari, 2020). Limited access to loans from commercial banks is a major contending issue inhibiting SMEs growth in the country.

The Central Bank of Nigeria (CBN) acknowledged that globally, commercial banks are skeptical on financing SMEs because there is a high probability of default on the part of the borrower, as in the case of many of the SMEs (Watse, D.U. 2017). Furthermore, Adewale and Afolabi (2013) tried to justify that inadequate funding has been the main challenge to SMEs in Nigeria since it got its independence to date. Lack of capital has been identified as the most serious problem in establishing and running small and medium enterprises. Many operators face this challenge and are often constrained to rely on personal and family funds to carry out their business. On a regional basis, entrepreneurial performance relative to financial investments is lower in the North Central area despite the attempt by government in recent times to boost the performance of MSMEs in Nigeria. On this note, the researcher is poised to embark on this study.

Research Questions

i) What is the relationship between entrepreneurial financing and the performance of MSMEs in North Central Nigeria?
ii) What factors are militating against entrepreneurial financing on the performance of enterprises in North Central Nigeria?
iii) What are the prospects of entrepreneurial financing on the performance of enterprises in North Central Nigeria?

Research Objectives

The general objective is to examine the impact of entrepreneurial financing on the performance of enterprises in North Central Nigeria with a view to proffering recommendations and implementation strategies.

The specific objectives of the study are to:

a. Establish the relationship between entrepreneurial financing and the performance of enterprises in North Central Nigeria,
b. Examine the factors militating (challenges) against entrepreneurial financing on the performance of enterprises in North Central Nigeria.
c Highlight the prospects of improving entrepreneurial financing on the performance of enterprises in North Central Nigeria
d. Present recommendations that will improve entrepreneurial financing and the performance of enterprises in North Central Nigeria.

Significance of the Study

Government: it will assist the government in decision making and policy formulation that will promote entrepreneurship and enhance the activities and programmes of small and medium scale enterprises with the attendant reduction on the level of unemployment in the country with particular reference to north-central Nigeria.

Financial institutions: it will assist financial institutions (banks) determine which sector of the economy they can channel their resources to achieve the maximum benefit on investment.

Firms: this knowledge will help the entrepreneur be more prudent and conscious in deciding the kind of business to venture into, and at the same time ensure effective and efficient allocation of resources.

Individuals: it will assist individuals to be self-reliant and also ensure proper utilisation of available resources to avoid wastage.

Consultants: the knowledge gained will help develop good feasibility and viability studies together with a business plan for the proposed business; and proffer sound advice that will aid the effective operation of SMEs in north-central Nigeria.

Education: the findings from the studies, apart from their usefulness as academic materials for knowledge; it would serve as a vital tool or guide to the agencies' concerned in the decision making process. It will also serve as reference material for future research in similar or related areas.

Scope of the Study

The scope of this study is defined in terms of time, space and content.

i. **Time**: the study covers the period between 2000 and 2018; when Nigeria began to experience deviation in implementing government policies/programmes on SMEs and entrepreneurship.

ii. **Space**: the study covers the entire north-central Nigeria of Kogi, Benue, Plateau, Nasarawa, Kwara, Niger and FCT.

iii. **Content**: The study willgenerally focus on the impact of entrepreneurial financing on the performance of enterprises in North Central Nigeria.

Literature Review

Globally, economic growth and development has been associated with the contributions made by Small and Medium Scale Enterprises (SMEs) (Ayyagari et al., 2007). In Nigeria, for instance, SMEs have contributed to the reduction of imports of some foreign products through local fabrication thereby making the country, less import dependent in some manufacturing sectors, provided a vehicle for the reduction of income disparities, production of a variety of goods and services, creation of jobs at relatively low capital cost, provided an inventory of skilled and semi-skilled workers to spur future industrial expansion (Hamilton and Nwokah, 2009) and to a large extend, added to the growth of technical competence within the country. In addition, SMEs in Nigeria are strategically positioned to absorb up to 80 percent of jobs, bridge the industrial development gap, improve per capita income, increase value addition to raw materials supply, contribute to improving Gross National Product (GNP), improve export earnings, enhance capacity utilisation in key industries and unlock economic expansion and GDP growth. (NBS, 2010).

The vital position of SMEs in the country to economic growth and development has raised a concern among different bodies such as government and non-governmental, the private sector and the academia to the development and classification of enterprises as MSMEs (Micro, Small and Medium Scale Enterprises).

Classification of MSMEs

Many factors and conditions such as turnover, employee size, and varied per context, scholars, and countries influences the classification of MSME (Buckly, 2004). Other indices such as business characteristics, including the size of the capital, investment, number of employees, turnover, management behavior, location, and market share may determine their classification as well, but mostly used indicators includes the number of employees in the enterprise (Theamozhi & Amaladas, 2014).

In Nigeria, the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) (2012) defined micro, small and medium enterprises as follows: (a) Micro Enterprise is any enterprise employing between one to nine people and having a capital base from one naira to ₦5 million excluding the cost of land. (b) Small enterprises employ between 10 and 49 employees and having a capital base from ₦5 million to ₦50 million so once a business is within that confine, it is running a small enterprise. (c) Medium Enterprise is any enterprise that employs from 50 to 199 employees and has a capital base from ₦50 million to ₦500 million. If a business is within that confine it is running a medium enterprise and if it has anything above that, it is a large enterprise or a multinational as the case may be.

Sources of Finance

Financing an SME project is regarded a key priority in its performance profile. Thus, identification of the various sources of financing is paramount to any business undertaking. The two most fundamental sources of financing are debt and equity (Abbasi, Zongrun, and Abbasi, 2017). Debts are borrowed funds usually from a financial institution, individuals or legitimate creditor meant to be paid in future specified period with an interest amount agreed upon. Equity on the other hand, is an investment made to get share/ownership of firm and whose profits are essentially given to the investors. SMEs can be funded internally and externally; internally generated funds include investment profits, sales of assets, extended payment terms, reduction in working capital and accounts receivable; whereas, external sources are firm owners, companions and relatives, banks and financial institutes, suppliers and merchants, government and non-government offices. Financing is an important tool for any firm growth and is required throughout the firm's lifecycle (Abbasi, Zongrun, and Abbasi, 2017).

Types of Financing

Two main categories of institutions have been identified in the provision of credit facilities to SMEs in Nigeria (Fatoki, 2014). They are the private sector-led institutions consisting of mainly DMBs and micro-finance banks and the public sector-led institutions established by the government to improve SMEs' access to credit. In recognition of financial uncertainties prevailing around the SMEs performance environment in the country, successive governments in Nigeria had demonstrated interest in guaranteeing availability of adequate funds. This was achieved by establishing diverse schemes and various specialized financial institutions including the Bank of Industry and other interventions form the nation's Apex bank, the Central Bank of Nigeria to deliver appropriate funding and provide stabilizing regulations for operations in the sector.

Theoretical Review

Information Asymmetry Theory

Commercial banks have been noted as the main providers of finance to SMEs. Although in Nigeria, other options are available such as the Bank of Industry (BoI), Agricultural Bank, etc which provide credit facilities to support the sector. These alternatives have limits due to the vast volume of applications for financing thus making the commercial banks the most preferred as earlier stated. However, the commercial banks are strict with detailed documentation processes and are likely willing to give financial support to SMEs with proven track records which many of the SMEs lack. This is one of the main factors identified as responsible for lack of access to finance, thus making information asymmetry an important theory of consideration in this review.

Information asymmetry theory stresses that when two parties are making decisions or transactions, there is a high probability that one of the parties will have more information than the other which will eventually serve as a competitive edge in a competition.

Ed Vos *et al.*, (2007) established that limitation to access to finance by SMEs and invariably their dismal economic performance is traceable to information asymmetry. It is also contemplated that information asymmetry between the banks and entrepreneurs is the main stumbling block to SME financing in Sub-Saharan Africa.

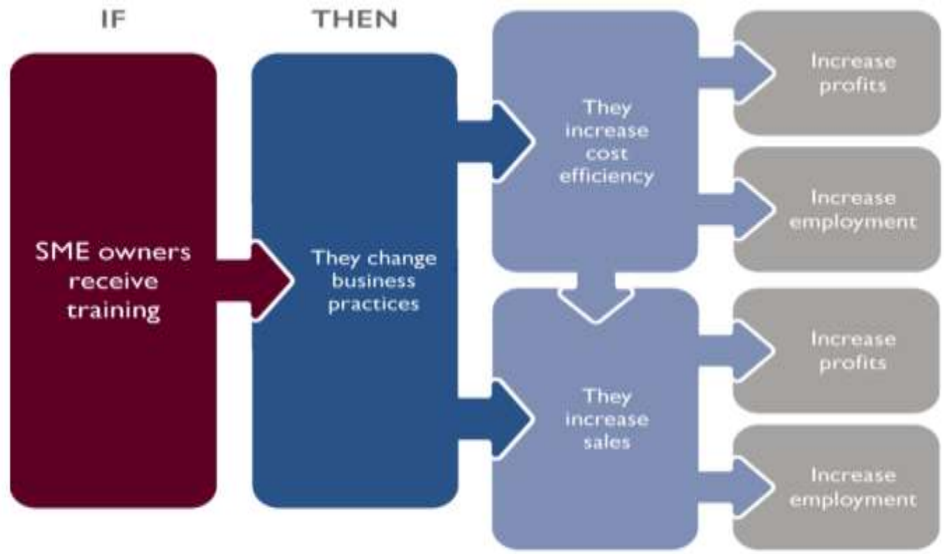
A balance in information asymmetry enables commercial banks to acquire requisite details on the performance of the SME before granting loans or other requested assistance to ensure the commercial viability of projects and protection of hard-earned capital. This probably explains why some SMEs experience difficulties in accessing loans (Riding et al, 2010).

Imperfect Information Theory

According to Robinson (2001), this theory is based on the assumption that Banks cannot differentiate cost effectively between low risk and high risk loan applicants. In addition, it is thought that formal financial institutions cannot compete successfully with informal lenders because such lenders have access to better information about credit applicants than formal institutions. Imperfect information theory suggests that it would be difficult for banks to operate profitability in developing countries' credit markets and attain extensive outreach. Based on this model, it would be difficult for economists, bankers, financial analysts, donors and government decision-makers to muster much enthusiasm for advocating the entrance of commercial banks into microcredit markets.

Theory of Change (ToC)

According to Romano *et al.,* (2001), there is no specific theory that postulates how finance can be formally accessed by Start-up companies like the Small and Medium Enterprise sector. The Theory of Change concept underscores greater outcomes and improvements by changing some conditions around a business. The Theory of Change method is an outcomes-based, participatory approach that applies critical thinking to the design, implementation, and evaluation of an initiative. It explains how and why a sequence of logically linked events should lead to an ultimate outcome.



Source: Romano, C.A (2001)

A diagram illustrating Theory of Change for a business and training and its resultant outputs.

In this theoretical review, both the theory of information asymmetry and Theory of Change have been found valuable to the study. Due to limitations in accessing relevant and detailed information on SMEs necessary for banks to grant financial assistance, the Theory of Change is adopted since the input dynamics or dependent variables are already known. Therefore, Theory of Change is opted.

Empirical Review

Peer reviews on Small and Medium Enterprise financing and performance includes the effects of microfinance credit on the performance of Small and Medium enterprises study carried out in Uasin Gishu County, Kenya. The study targeted over 5,000 entrepreneurs with a sample size of 47 SMEs. The study employed an ex-post facto design using both open and closed ended Questionnaires, observations and interview guides as research instruments. The study used simple random sampling of 47 SMEs out of which 17 SMEs did not take the loan with Micro Finance Institutions (MFIs), while 30 SMEs had loans with MFIs. Data was presented using frequency tables, pie charts and percentages and analyzed using inferential statistics. The research established that MFC had a positive effect on the performance of SMEs with a level of significant of less than 5%.

Bruno and Lucky (2015) studied the implications of financial institutions on the growth of entrepreneurial development in South-South, Nigeria. A questionnaire was randomly administered on three hundred and thirty-five (335) entrepreneurs determined as the sample size using Taro Yamane formula from a total population of 2056. A high confidence level and recovery rate of at 95% and 85.9% respectively was recorded from questionnaire administration. Data analysis was made and the hypotheses formulated were tested using Kruskal Wallis-oneway analysis of variance by rank. The findings revealed a positive and significant relationship exists between banks and other financial institutions in providing loans to promote entrepreneurship development in South-South, Nigeria.

Theamozhi and Amaladas (2014), conducted a descriptive study on the role of financial institutions in promoting entrepreneurship in small and medium enterprises in Bangalore. Primary and secondary information was used in this study. The study concluded that financial access was a critical performance enhancer for the SME sector. It also noted that financial institutions in the country are responsible for saving mobilization.

Methodology

The area of study is North-Central Nigeria. The number of micro and small enterprises (MSEs) in the region which comprised of the following States; Plateau, Benue, Niger, Nasarawa, Kogi, Kwara, and FCT are known based on published data.

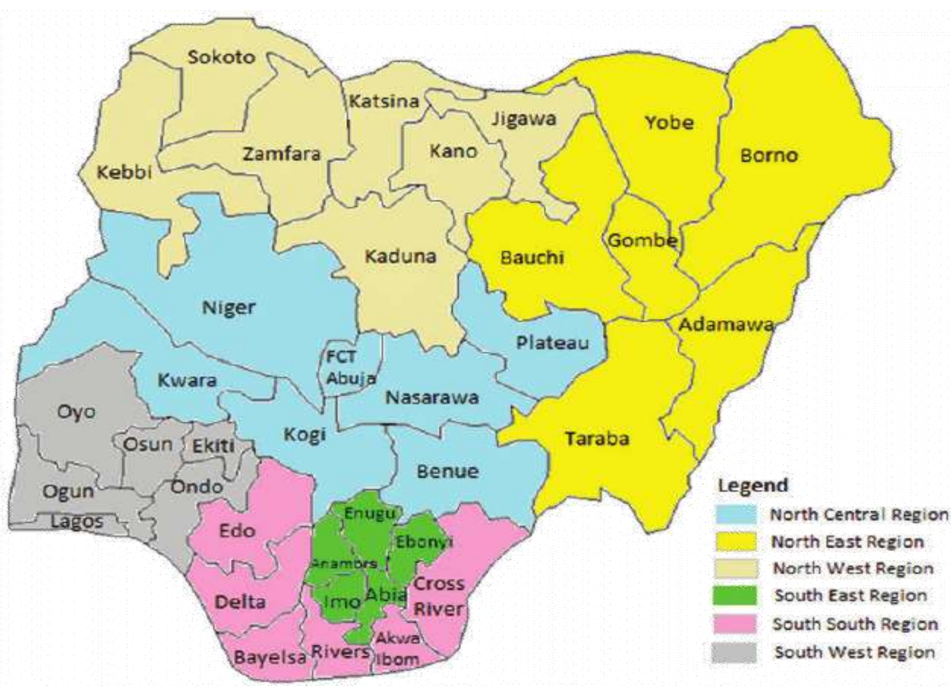


Figure 1: Map of Nigeria showing the States that make up the country's six geopolitical zones with the North Central Zone highlighted in blue colour.

However, a quantitative research design was adopted in this study. This is because quantitative research is for cases where statistical conclusions to collect actionable insights are important. SPSS was deployed in the analysis of the data collected. Both descriptive and inferential statistics were carried out. Although many of the enterprises in the north central States are informal, the total number is known based on registration details available in records. Shown on the table are the figures as captured in the SMEDAN Archive 2021.

Table 1: Showing the number of SMEs in the six (6) States of North Central Nigeria and the FCT.

S/N	STATES	NO OF SMEs
1.	PLATEAU	815,430
2.	BENUE	1,578,658
3.	NIGER	1,066,792
4.	NASARAWA	385,489
5.	KOGI	996,748
6.	KWARA	802,418
7.	FCT	504,329
TOTAL		**6,149,864**

Source: SMEDAN Archive, 2021

There are many approaches to determining the sample size (Singh and Masuku, 2014). However, Yamane formula for sample size determination will be adopted because it enables the calculation of the ideal sample size given a desired level of precision, desired confidence level, and the calculated proportion of the attribute present in the population. Yamane (1967) provides a simplified formula to calculate sample sizes. Yamane formula is given thus below:

$$n = \frac{\mathrm{N}}{1 + N(e)^2}$$

Where n is the sample size, N is the population size, and e is the level of precision

Given the Yamane formula to calculate sample size, however, the population for this study is 6,149,864 at 95% confidence level; the sample population will be approximately 400.

$$n = \frac{6{,}149{,}864}{1 + 6{,}149{,}864(0.05)^2}$$

n = 399.9

Logit regression analysis was used determine the relationship between the dependent and independent variables on entrepreneurial financing and its performance. This technique is selected to determine the factors affecting savings among rural farming households in the study area. The technique analyzed Sales, Customer satisfaction on product, Product quality level, Profitability level and Production level with the collateral requirement from financing firms, Structure of the financial sector, small business support service, awareness of funding

Opportunities and Education.
The logistic regression equation is:

$\ln\left(\frac{p}{1-p}\right) = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_6 + e_i$……………………..(1)

- **X_i (dependent variable) =** Volume of Sales
  β = Coefficients

The Multiple regression equation is:

PSMEs = f(VOS, CSP, PQL, PFL, PDL)…………………………………….(2)

$B_{0+}\beta_1 X_1$VOS+ $\beta_2 X_2$CSP+ $\beta_3 X_3$PQL+ $\beta_4 X_4$PFL + $\beta_5 X_5$PDL+ e………..(3)

The Univariant Model equation is:

Y= PSMEs(n_{400xp}) = $B_{0+}\beta_1 X_1$VOS+ $\beta_2 X_2$CSP+ $\beta_3 X_3$PQL+ $\beta_4 X_4$PFL+ $\beta_5 X_5$PDL+ e..(4)

Where Y = Performance of Enterprises in North Central Nigeria relative to financial impact reflective on the Volume of Sales**,** Customer satisfaction on product, Product quality level, Profitability level and Production level.

VOS= Volume of Sales
CSP = Customer satisfaction on product
PQL= Product quality level,
PFL= Profitability level
PDL=Production level
n = 400 approximated
p = 5, number of dependent variables
e, β_{1-4} are constants and estimated parameters.

Result and Discussion

Challenges of Entrepreneurial Financing

(i) **Challenges of Access to Funding:**
Finding access to funding when it comes to starting a business is problematic. The challenge is one of the biggest concerns influencing

potential entrepreneurs globally (Kerr *et al.,* 2009). The significance of private sector development and its vital role in funding and accelerating Africa's economic transformation cannot be overstated. Institutional funding for entrepreneurs remains limited in some developing markets in the countries studied. Over 45 percent of entrepreneurs mentioned that funding came from either their savings or family loans, while over 71 percent of entrepreneurs mentioned that accessing equity capital, debt, or loans is prohibitively expensive (Kalan, 2013). So, the International Finance Corporation, up to 84 percent of African entrepreneurs are either underserved or unserved, highlighting a massive credit funding gap of$140 to $170 United States dollars. Financiers, nevertheless, claim that most ventures simply are not fundable or do not seem viable. Venture capitals especially cite a dearth of a good business plan, quality and feasibility of the business idea, and perceived commitment of the entrepreneur as reasons for the slow deal flow.

Given the significant role that entrepreneurship is believed to play in creative destruction and hence economic expansion, it is not surprising that attempts to reduce funding constraints for would-be entrepreneurs are an important goal for policymakers globally (Kerr *et al.,* 2009). Therefore, monetary assistance is also high on the European Union and OECD agenda, where member states are urged to foster the availability of risk capital funding for entrepreneurs.

(ii) **Challenges of access to credit and entrepreneurship**:

Sustained entrepreneurship requires supportive and accessible financial institutions, such as commercial banks, development finance institutions, microfinance banks, credit bureaus, and money deposit banks. In most African countries, financial institutions are under developed, and access to credit is limited. Data from the World Bank Enterprise Surveys indicate that one of the key impediments to firms in Africa is a lack of access to credit (World Bank, 2014). Financial institutions demand outrageous collaterals for extending investment loans as a condition sine qua non.

iii. **Challenges of physical infrastructure and entrepreneurship:**

In some countries like Kenya, a high-speed fibre optics backbone has enable dan ecosystem of ICT entrepreneurs to build apps and web and mobile services; in others connections are dismal, and a dearth of physical infrastructure presents a huge barrier (Kalan, 2013). The poor infrastructure condition across sub-Saharan Africa is a crucial challenge to the expansion of entrepreneurial enterprises; it seriously creates a huge problem for entrepreneurs in terms of efficiencies, costs, and market access. Looking at the significant impact on the cost of doing business, infrastructure is highlighted as having a significant influence on the success and growth of entrepreneurs. A strong national physical infrastructure is critical to the competitiveness of the economy (World Bank, 2015). Agboli and Ukaegbu (2006) emphasised the critical nature of physical infrastructure for Nigerian entrepreneurs. Physical infrastructure includes transportation (roads and highways, seaports, airports, and railroads), telecommunications, and electric power generation. The presence of infrastructure helps create an environment conducive to locating a business and supportive of startups, growth, and expansion. Physical and sufficient infrastructure, such as transportation, helps to link MSMEs to their customers, suppliers, and markets.

iv. **Transportation/Logistics:**

Transportation/Logistics: Most African nations face weak communications, inferior quality, and limited rail network and road breadth. The critical nature of logistics for MSMEs lies in creating value for customers and suppliers. As Sama (2011) pointed out, the value in logistics is expressed in time and place: "Product and services have no value unless they are in possession of the customers when (time) and where (place) they wish to consume them." According to UNCTAD (2008), firms, particularly MSMEs, in developing countries cannot benefit from the opportunities of global value chains because of their low connectivity to global transportation networks and their weak productive capacity.

v. **Electricity power generation:**

Electricity power generation: For most entrepreneurs, the greatest obstacle to running a successful business is the dearth of electricity; most African nations face unreliable power supply. In Sub-Saharan Africa, the cost to get electricity as a percentage of income per capital is 4,747 percent, compared to 1,895 percent in South Asia (Herrington and Kelly, 2012).An unreliable power situation adds to startup and production costs. A2005 survey by the Manufacturing Association of Nigeria found that the costs of generating power accounted for about 36 percent of the production costs (Moyo, 2012). Based on the World Bank Surveys, the Global Entrepreneurship report indicates that, among 142 countries captured, the rankings for the quality of electricity for certain African countries are: Ethiopia, 112; Ghana, 116;

Malawi, 128; Uganda, 129; Angola, 135;and Nigeria, 138 (Herrington and Kelly, 2012).Inferior quality power supply affects labour productivity and output. A study found that inadequate quality electricity supply is the infrastructure element with the most substantial negative impact on firm productivity, especially in poor African countries (Scott, Darko, Lemma, & Rud, 2014). Arnold *et al.,* (2006) used World Bank Enterprise Surveys data for over 1,000 firms in10 sub-Saharan African countries to show that unreliable electricity supply negatively affects firm total factor productivity. Moyo, (2012) examined the impact of power disruptions confirm productivity in Nigeria's manufacturing sector and found that power outage (measured by hours per day without power and percentage of output lost due to power disruption) have a negative and significant impact on productivity. Power outages and disruptions have created an undesirable phenomenon in Africa as entrepreneurs resort to backup generators to meet their business needs. As Africa increasingly becomes a dumping ground for individual power generating plants, the severity of the noise and air pollutions has intensified.

vi. **The incapability of innovative entrepreneurs**:
Convincing financial intermediaries to invest in risky projects that tend to offer low returns also constitutes a major hurdle for entrepreneurship development is the incapability of innovative entrepreneurship.

vii. **Startup capital:**
Though bank lending is the commonest source of external finance for many entrepreneurs and SMEs, with heavy dependence on traditional debt to satisfy their startup, investment needs and cash flow, traditional bank finance often pose challenges to newer, innovative, and fast-growing SMEs that possess higher risk-return profile (OECD, 2015).

viii. **Deployment and success of alternative forms of financing:**
As much as asset-based finance has widespread usage in entrepreneurial and SME financing terrain, little seems to be known about the extent of deployment and success of alternative forms of financing for entrepreneurship development in Nigeria.

ix. **Stringent conditions (collateral):**
Arising from information asymmetry and the need for banks, particularly the commercial ones to ascertain commercial viability of proposed projects by SMEs, stringent conditions are usually set. To overcome some of the

financial restraints, entrepreneurs and SMEs have made it expedient to explore alternative financing and innovative channels to sustain their businesses.

Prospects

Overcoming the challenges of infrastructure in Africa would significantly enhance the level of entrepreneurship and improve productivity under the following:

- Enhanced infrastructure will foster the prospects of MSME viability and success. For example, the Manufacturing Association of Nigeria attributed the closure of 820 manufacturing companies between 2000 and 2008 and a further 834in 2009 alone to the inflated costs of infrastructure (Arnold et al., 2006 and Akuru and Okoro, 2011).
- Besides being critical to entrepreneurs, improved infrastructure will help make the economies of African countries more competitive and attractive for foreign investment.
- When it comes to entrepreneurs in Africa, it could appear hopeless or rather depressing. The financing, infrastructure, and talent challenges are not easy to solve; they demand large-scale, systematic overhauls to create an enabling environment for Africa's entrepreneurs (African Pulse, 2017).
- Irrespective of all these challenges faced by entrepreneurs in Africa. Inadequate and undependable physical infrastructure is an obstacle to the fruitful establishment and expansion of business ventures.
- Poor power supply, poor communications, mediocre quality and limited breadth of rail networks and road infrastructure are highlighted as having a vital influence on the cost of doing business in African nations.
- The poor infrastructure situation is the most notable constraint highlighted by respondents, with electricity supply emerging as the most essential obstacle African entrepreneurs face.

Table 2: Logit Regression Analysis

Variables	B	S.E	Wald	df	Sig,	Exp(B)	97% C.I for Exp (B)	
							Lower	Upper
- Sales Volume	0.074	0.021	8.991	1	0.004	1.077	1.043	1.144
- Customer	0.059	0.019	0.076	1	0.699	1.006	0.943	1.054
Satisfaction	1.876	0.843	5.443	1	0.022	8.004	1.228	40.006
- Product quality	0.996	0.883	4.338	1	0.311	0.877	0.942	0.883
	0.674	0.995	6.119	1	0.442	1.994	1.979	2.955

- Profitability level	-1.231	3.822	0.227	1	0.612	0.117
- Production level						
Constant						

Source: Author's Computation (2021)

A logit regression was performed to determine the effects the variables; Volume of Sales, Customer satisfaction on product, Product quality level, Profitability level on Production level as a function of financing SMEs on their performance. The logit regression model was statistically significant, $p < .0003$. The model predicated that Product quality were 8.004 times more likely to have been influenced by the quality of financial input made into the enterprise. Similarly, the volume of sales as well as the profitability levels were all impacted positively by the level of financing.

CONCLUSION

The study examined the effect of entrepreneurial financing on the performance of enterprises in North-central Nigeria. It has established that a strong relationship exists between entrepreneurial financing and the performance of Small and Medium Enterprises in the North Central States of the Federation.

It was found that Volume of Sales, Customer satisfaction on product, Product quality level, Profitability level and Production level was positively related to the performance of SMEs and were statistically significant. This formed the scientific basis to exert that entrepreneurial financing has a significant impact on enterprises' performance in North-central Nigeria.

Following the findings made from this study, the following recommendations are presented:

That major financial institutions should consider prioritizing SMEs' funding in the country because finance plays a key role in their survivability. For the above-mentioned recommendation to be actualized, all the enumerated challenges which includes access to funding, credit facilities, physical infrastructures, transport logistics, electrical power generation, lack of innovative thinking capacity, Start-up capitals, alternative source of funding and very stringent conditions for collaterals must be holistically handled to actualize the prospects therein.

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