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Effect Of Financial Intermediation On The Development Of Small And Medium Scale Enterprises In Anambra State Nigeria

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ABSTRACT
This work examined effect of financial intermediation on the development of small and medium scale enterprises in Anambra State Nigeria. The study specifically is designed to scale enterprises in Anambra state Nigeria. Determine the effect of bank lending rate, collateral security, bank credit and Bank loan and advances has no significant effect on the development of small and medium scale enterprises in Anambra state Nigeria Relevant conceptual, theoretical and empirical literature were reviewed. This study is anchored on supply leading theory. Descriptive survey research design was adopted. The study was carried out in Anambra State, Nigeria. Population of study is infinite. The sample size is 384 using Cochran determining the sample size for an unknown population. The study makes use of primary source of data. Face and content validity was employed to establish the validity of the research instrument. The instrument was pilot tested with representative sample of 30 owners of SMES in Onitsha, Awka and Nnewi in Anambra State. Cronbach Alpha value of 0.812 was obtained which is within the acceptable threshold. The data that will be generated through the questionnaire was analyzed using Multiple regression. The hypotheses will be tested at 0.05 level of significance. The study found that Bank loan and advances has a significant effect on the development of small and medium scale enterprises. Bank lending rate has a significant effect on the development of small and medium scale enterprises. Collateral security has a significant effect on the development of small and medium scale enterprises and Bank credit availability has a significant effect on the development of small and medium scale enterprises in Anambra state Nigeria. The study concludes that financial intermediation had significant effect on the development of small and medium scale enterprises in Anambra state. The study recommends that Government should put in place measures to enhance the availability of finance to SMEs, particularly in the area of institutional credit that would provide affordable medium and long-term loans for expansion and working capital needs. Government should establish credit guarantee and insurance schemes to address the problem of SMEs providing collaterals to banks before loans are administered to the sub-sector. CBN, the apex bank of the country in recognition of the importance and contribution of SMEs to the nation’s economic/industrial development should encourage commercial banks and other financial institutions to lend to the SME sub-sector with ease. Various credit schemes targeted at SMEs in Nigeria should be re-energized, coordinated and monitored so that they can effectively impact on the growth and development of the economy.
Keywords: Bank Lending Rate, Collateral Security, Bank Credit and Bank Loan and Advances Development Of Small and Medium Scale Enterprises

INTRODUCTION
Finance has been identified as the underlying requirement for input factors in the development process and also regarded as an engine of growth and development in any economy. In an economy like Nigeria which is in hurry to develop in the face of serious constraints, much attention is placed on

the financial system and its components for the mobilization of funds for economic growth and development. The economic agents responsible for such transfers are called financial intermediaries and the process through which it is done is called financial intermediation (Odhiambo, 2011). Shittu (2012) posited that the services provided by financial intermediaries: mobilizing savings, evaluating projects, managing risks, monitoring managers, and facilitating transactions are essential for technological innovations and economic development.
Financial intermediation is the process whereby financial service providers like banks pull funds from the public as deposits and transform them into loanable funds (Agbada & Osuji, 2013). This implies that the intermediation process help turns deposit liabilities from surplus economic units to bank’s major interest earner, loans and advances to the deficit units of the economy. Financial intermediation involves the transformation of mobilized deposits liabilities by financial intermediaries such as banks into bank assets or credits such as loan and overdraft. It is simply the process whereby financial intermediaries take in money from depositors and lend same out to borrowers for investment and other economic development purposes (Andrew & Osuji, 2013).
Deposit money banks constitute the most important intermediaries in the financial system by virtue of their control of the largest proportion of the assets of the financial system and their dominant position in the intermediation of short term funds. Other forms of depository institutions whose liabilities possess relatively low degree of moneyness also play the financial intermediation in the monetary (banking) sector. In the non-monetary financial sector, the financial intermediaries include insurance companies, Pension and provident funds, saving and loan associations, lending companies, venture capital companies, finance institutions and discount houses. While complementing the banking institutions in financial intermediation, their operations are aimed at bridging the gap in term structure of credit by providing long term investible funds for the growth and development of the economy (Ogiriki & Andabai, 2014).
The financial sector of any economy plays a vital role in the development and growth of the economy. The development of this sector determines how it will be able to effectively and efficiently discharge its major role of mobilizing fund from the surplus sector to the deficit sector of the economy (Adekunle, Salami & Adedipe 2013). This sector has helped in facilitating the business transactions and economic development (Aderibigbe, 2004). Nwaeze, Onydikachi and Nwabekee (2014) posit that financial intermediaries emerge to lower the costs of researching potential investments, exerting corporation, controls, managing risks, mobilizing savings and conducting exchanges. Financial intermediaries by providing these services to the economy, influence savings and allocation decisions in ways that may alter long-run growth rates. Banks play effective roles in the economic growth and development of a country. This role they perform excellently by helping to mobilize idle savings of the Surplus Unit (SUs) for onward lending to the Deficit Units (DUs), thus helping in the capital formation of a nation (Ujah & Amaechi, 2005). It is in realization of the importance of bank’s role in financial intermediation that successive governments in Nigeria have been allocating deliberate roles to them in various National Development Plans.

Statement of Problem

The Nigerian financial markets are rudimentary and under banked, with a large volume of financial intermediation taking place in the informal sector and this have made savings not to be sensitive to the real interest rates (Hassan & Sanchez, 2011). Also, substantial savings had not been mobilized and efficiently channeled for productive investment and sustained growth and development (Ekpo, Ndebbio, Akpakpan & Nyong, 2014). Also, there is issue of high lending rates, inadequate mobilization of funds, the existence of high systemic risk, and inadequate supply of credit to investors (Mahmood & Bilal, 2010). Furthermore, the Nigerian business environment is highly risky and uncertain with corruption ravaging almost all sectors of the economy. Consequently, banks demand high levels of collateral; charge high interest rates and avoid loans of more than a year maturity period.
Similarly, Small and Medium Scale Enterprises (SMEs) in Nigeria is reported to be very low in term of survival rate and contribution to Gross Domestic Product (GDP) (Yusuf & Dansu, 2013). The low survival rate and poor contribution of SMEs to Gross Domestic Product (GDP) is attributed by researchers to a lot of factors. According to Akinruwa, Awolusi and Ibojo (2013) and Komppula (2004), SMEs performances are constrained by two major factors: internal factor such as entrepreneur competencies, commitment, resource, strategic choice and external factor like competitors, culture,

technology, infrastructure and government policy. In addition, Onugu (2005) reported that ten key broad problem areas militate against SMEs in Nigeria which are crystallized in the following decreasing order of intensity. They include: Management problems, Access to finance/capital, Infrastructural problems, Government policy inconsistency and bureaucracy, Environmental factor related problems, Multiple taxes and levies, Access to modern technology problems, Unfair competition, Marketing related problems, Non-availability of raw materials locally. These have contributed negatively to the development of SMEs in Nigeria.

Among the catalogue of problems listed in extant literature, access to finance/capital remain a teething problem (Ogujiuba, Fadila & Stiegler, 2013). Government and stakeholders at all levels in Nigeria have continued to mediate in the promotion of SMEs in the country by introducing one form of economic empowerment programme or the other yet the financial mediations are rarely seen in the eye of the people. According to Shittu (2012), the role of financial intermediation has been exemplified in numerous literatures of finance. Besides the performance of specialized tasks, several theoretical models posit that they mitigate the costs associated with information acquisition and the conduct of financial transactions. As cited by Shittu (2012), several studies have revealed that financial intermediation does more than cost mitigation. It makes provision for insurances and risk sharing, stimulates the funding of liquidity needs through credit lines, and aids the creation of specialized products (Allen & Gale, 2004). This therefore, suggests the important role of financial intermediation in facilitating the efficiency of the financial system and also serves as a conduit through which monetary policy is affected. At micro-level, financial intermediation stimulates the restructuring and liquidation of distressed firms as well as eliminating the inefficiencies associated with the absence of intertemporal smoothing, as a result of incomplete market (Araujo & Minetti, 2007). But a closer look at SMEs in South South region suggest that they find it difficult to access loan and advances from financial institutions and where they are available, there are stringent conditions that must be accomplished before the loans can be accessed. This might affect the overall development of SMEs in the region. Based on the foregoing, the study evaluated the effect of financial intermediation on the development of small and medium scale enterprises in Anambra state Nigeria.

Objectives of the Study

The main objective of the study is to investigate the effect of financial intermediation on the development of small and medium scale enterprises in Anambra state Nigeria. The specific objectives are to:

1. Determine the effect of bank loan and advances on the development of small and medium scale enterprises in Anambra state Nigeria.
2. Ascertain the effect of bank lending rate on the development of small and medium scale enterprises in Anambra state Nigeria.
3. Evaluate the effect of collateral security on the development of small and medium scale enterprises in Anambra state, Nigeria.
4. Investigate the effect of bank credit availability on the development of small and medium scale enterprises in Anambra state Nigeria.

Research Questions

The following research questions will guide this study:

1. To what extent does bank loan and advances affect the development of small and medium scale enterprises in Anambra state Nigeria?
2. To what extent does bank lending rate affect the development of small and medium scale enterprises in Anambra state Nigeria?
3. To what extent does collateral security affect the development of small and medium scale enterprises in Anambra state Nigeria?
4. To what extent does bank credit availability affect the development of small and medium scale enterprises in Anambra state Nigeria?

Hypotheses

The following hypotheses postulated in null form will guide this study:

1. Bank loan and advances has no significant effect on the development of small and medium scale enterprises in Anambra state Nigeria.

2. Bank lending rate has no significant effect on the development of small and medium scale enterprises in Anambra state Nigeria.
3. Collateral security has no significant effect on the development of small and medium scale enterprises in Anambra state Nigeria.
4. Bank credit availability has no significant effect on the development of small and medium scale enterprises in Anambra state Nigeria.

REVIEW OF RELATED LITERATURE

Conceptual Framework

Financial Intermediation

Financial intermediation is the process whereby financial service providers like banks pull funds from the public as deposits and transform them into loanable funds (Agbada & Osuji, 2013). This implies that the intermediation process help turns deposit liabilities from surplus economic units to bank's major interest earner, loans and advances to the deficit units of the economy. Ekong and Okon (2016) see financial intermediation as the art of mobilizing savings from the surplus units and channeling them into deficit units of the economy for productive investment. It is the art of channeling funds from savers to investors by mobilizing funds and ensuring efficient transformation of funds into productive capital formation. It involves the transformation of mobilized deposits liabilities by financial intermediaries such as banks into bank assets or credits such as loan and overdraft. It is simply the process whereby financial intermediaries take in money from depositors and lend same out to borrowers for investment and other economic development purposes (Andrew & Osuji, 2013). According to Acha (2011), financial intermediation is a system of channeling funds from lenders (economic surplus unit) to borrowers (economic deficit unit) through financial institutions.

Onwe and Adeleye (2018) see financial Intermediation as a process whereby a financial intermediary such as bank mobilizes bank deposits and transforms deposit money into bank credits, usually loans and overdraft. It is simply the process of taking in money from depositors and then lending same out to borrowers for investment and other economic development purposes. The process allows financial institutions acting as intermediaries' channel funds from surplus economic units (individuals and firms having surplus savings) to deficit economic units (firms and businesses in need of funds to carry out desired business activities). Relatively, it involves the conversion of bank largest liabilities (deposit liabilities) to bank largest interest earning assets (bank credits which include majorly loans and overdrafts). Thus, the efficiency of the financial system of every nation could be said to hinge largely on financial intermediation process because it plays very vital and proactive roles in ensuring capital accumulation necessary for productive investments and development. As a matter of fact, the global financial system and the business of banking in particular flourishes on financial intermediaries' abilities to receive deposit at low interest rate and lend them at a pretty higher rate of interest to businesses.

Financial intermediaries can be classified into institutional investors, pure intermediaries like investment banks and deposit money banks. Among all the financial intermediaries, banks are the major financial intermediaries that accept deposits and make loans directly to the borrowers (Quilym, 2012). The Nigerian financial system comprises of various institutions, markets and operations that are in the business of providing financial services. These institutions can be broadly categorized into money and capital markets while money market is a market in which short term financial instruments are traded, the capital market on the other hand deals with long term transactions. The major players in the money market are the banks and discount houses. The intermediation role of banks ensures the mobilization of idle funds from the surplus units to the deficit sector. Just like the money market, the capital market is a major channel for mobilizing long-term funds. The main institutions are the Securities and Exchange Commission (SEC) which is the apex regulatory body, the Nigerian Stock Exchange (NSE), the issuing houses, stock brokerage firms and the registrars (Olofin & Udoma, 2008).

Financial Intermediation is a process whereby a financial intermediary such is a bank mobilizes and consolidates bank deposits and transforms the mobilized or consolidated deposit money into bank credits, usually loans and overdraft. It is simply the process of taking in money from depositors and then lending same out to borrowers for investment and other economic development purposes (Agbada & Osuji 2013). The process allows financial institutions acting as intermediaries channel funds from surplus economic units (individuals and firms having surplus savings) to deficit economic units (firms and businesses in need of funds to carry out desired business activities). Relatively, it involves the conversion of bank largest liabilities (deposit liabilities) to bank largest interest earning assets (bank credits which includes majorly loans and overdrafts) (Agbada & Osuji 2013).

Theoretical Framework

This study is anchored on supply leading theory. Supply leading theory was postulated by Schumpeter (1911). The supply leading theory postulates that the existence of financial institutions like the Nigerian deposit money banks and the supply of their financial assets, liabilities and related financial services in advance of demand for them would provide efficient allocation of resources from surplus units to deficit units, thereby leading to other economic sectors in their growth process. The central argument underlying supply leading theory is that financial deepening is a determining cause of economic growth. It posits that optimal allocation of resources is an outcome of financial sector development. The supply-leading hypothesis suggests that causality flows from finance to economic growth with no feedback response from economic growth. A well-developed financial sector is a pre-condition for economic growth. Mckinnon (1973) and Shaw (1973) argue that a well-developed financial sector minimises transaction and monitoring costs and asymmetric information; thus there is improvement in financial intermediation. The existence of well-developed financial sector enhances the creation of financial services as well as accessibility to them in anticipation to their demand by participants in the real sector of the economy. The supply-leading hypothesis presumes that the economy responds to growth in the real sector facilitated by financial development.

The supply leading theory presents an opportunity to induce real growth by financial means. Its use, analysts believe is more result oriented at the early level of a country's development than later. According to Gerschenkron cited in Adewole, Nwankwo, Ogbadu, Olukotun and Samuel (2018) 'the more backward the economy relative to others in the same time period, the greater the emphasis on supply leading finance'. According to Keynes, an increase in investment results in an increase in income, while people's propensity to consume will lead to lack of savings, nevertheless in the economic market when a function of the individuals is spending, they put back part of the income into the economy. Besides, this theory makes it clear that higher interest rate makes it more expensive for SMEs to borrow money, which means that enterprises invest less and when they do that, income is reduced such that the amount left over for savings equals the lesser amount now invested. In the theory also, investment and savings have been considered two critical macroeconomics variables with microeconomic foundation for achieving price stability and promotion of employment opportunities, which contribute to the sustainable economic growth. The conventional perception through which investment, savings and economic growth are related is that savings contribute to higher investments, hence higher GDP growth in the short run.

This theory is relevant to the study in that it postulates that a well functioning financial sector is necessary to facilitate growth in the real sector which resultantly leads to economic development. In other words, economic development is reliant on how well the financial sector is deepened or developed. As the financial sector deepens, there is increase in the supply of financial services. The financial institutions especially banks help in the reduction of risk faced by firm and businesses in their process, improve the portfolio of diversification and isolation of the economy from the change of international economic changes. It also provides linkages for the different sectors of the economy and encourages a high level of specialized expertise and economies of scale.

Empirical Review

Micah (2020) investigated microfinance banks services and small scale enterprises (SSEs) financing in Abuja, Nigeria. The specific objectives of the study were to evaluate the impact of micro loans on SSEs financing in Abuja, Nigeria and assess the influence of micro savings on SSEs financing in Abuja, Nigeria. The research design used for the study was survey research design. The population of the study comprises of 57 MFBs and 2,794 SSEs in Abuja, Nigeria. A sample of 349 SSEs and 26 MFBs were selected through stratified random sampling techniques. The data was analyse through simple percentages and order logit regression. The finding of the study revealed that an increase in the amount of loan given by microfinance banks increase the growth of small scale enterprises; an increase in micro savings of small scale enterprises lead to an increase in small scale enterprises financing by microfinance banks. The study concluded that MFBs impact positively on financing SSEs in Abuja, Nigeria.

Ghulam and Iyofor (2017) examined the effect of firm and owner characteristics on the availability of bank credit to small and medium size enterprises (SMEs) in Nigeria using firm-level data from the World Bank Enterprise survey. Firm with financial statement, firm with audited financial statement, firm size, firm performance, firm age, firm legal status, owner gender and owners educational level were employed as the independent variables while loan status was employed as the dependent variable. Descriptive statistics, logit and probit regression analysis were employed in analyzing the data. The study found that SMEs with a financial statement and an audited financial statement are more likely to have credit than SMEs that don't. Medium sized firms are more likely to have credit than small firms whilst higher performing firms are more likely to have credit than SMEs that have lower performance. Additionally, the study found that also found that firms with a sole proprietor are less likely to have credit than partnerships or corporations. These findings provide empirical support to the theory that a reduction in information asymmetry reduces the perceived higher lending risk and hence the bank is more likely or willing to lend in these circumstances.

Ovat (2016) investigated commercial banks' credit and the growth of small and medium scale enterprises in Nigerian. Small and medium scale enterprises' (SMEs) output was employed as the dependent variable while commercial banks' credit, lending rate, inflation rate, exchange rate and bank density were employed as the independent variables. Co-integration and error correction mechanisms were employed in analyzing the data. The findings revealed that Commercial Banks' credit has not contributed significantly to the growth of Small and Medium Scale Enterprises in Nigeria. The study recommends that SMEs should be made to have easy access to credits by commercial banks, to achieve this, the monetary authority should ensure that the lending rate at which commercial banks lend to the SMEs is reduced to the barest minimum.

Aguwamba and Ekienabor (2017) investigated bank lending and its impact on small scale enterprises in Nigeria. Total Deposit Money Banks and Bank Lending were employed as the independent variables while small scale enterprises growth was employed as the dependent variable. Ordinary least square was employed in analyzing the data. The study revealed a positive impact of bank lending on small-scale enterprises. The study recommends that measures be taken to create a pool of long-term funds to enable long tenor lending. In addition, measures should be taken to influence the regime of interest rate downward, ease loan documentation process and requirements, create additional inducement to boost lending to SMEs and augment monitoring of funds disbursed under the CBN intervention schemes, etc.

Adamu (2019) investigated the effect of microfinance banks on the growth of selected small and medium scale enterprises in Makurdi Metropolis, Benue State. Job creation and business expansion were employed as the dependent variable while credit by microfinance bank and savings mobilization were employed as the independent variable. Descriptive statistics such as frequency, simple percentage and multiple linear regression analysis was employed in analyzing the data. The findings indicates that a significant positive relationship exist between credit by microfinance and job creation of selected SMEs; a significant positive relationship exist between credit by microfinance and business expansion; an insignificant negative relationship exist between savings mobilization and the growth of small and job creation; and a significant positive relationship exist between savings mobilization and business expansion of selected SMEs in Makurdi Metropolis. The study concluded that micro finance does enhance the job creation and expansion capacity of small business in Nigeria.

John-Akamelu and Muogbo (2018) investigated the role of commercial banks in financing small and medium size enterprises in Nigeria with particular reference to selected banks and firms in Anambra state. The main objective of the study is to examine the role of commercial banks in financing SMEs in Nigeria. Structured questionnaire were distributed to the respondents which includes the commercial banks staff and selected SMEs staff in Anambra State Nigeria. Percentage and chi-square method were employed in analyzing the data. The study found that small and medium size businesses encounter problem in the procurement of loans from commercial banks; also, commercial banks have contributed immensely to the development of SMEs through their loans and advances. The study also found that to a high level SMEs has contributed to the growth and development of Nigeria's economy. The study recommended that for small and medium enterprises to survive, there have to be collective effort between them and banks.

Ubesie, Onuaguluchin and Mbah (2017) investigated the effect of deposit money banks credit on small and medium scale enterprises growth in Nigeria using time series data from 1986 to 2015. Specifically, this study ascertains the effect of deposit money banks' credit to small and medium enterprises, credit to private sector and interest rate on small and medium scale enterprises growth in Nigeria. Ordinary least square regression method was employed in analyzing the data. The study found that deposit money banks 'credit to small and medium scale enterprises has no significant effect on SMEs growth in Nigeria. The result also indicates that deposit money banks' credit to private sector has significant effect on SMEs growth in Nigeria. The result also indicates that bank interest rate has serious significant effect on small and medium scale enterprises in Nigeria.

Otonye (2017) carried out an analysis on the impact of commercial bank's loans on the performance of small and medium enterprises in Nigeria. The variables used in the study include Gross Domestic Product, deposit money bank loans to small and medium enterprises, deposit money bank loans to the Agricultural sector, prime lending rates, loans to rural branches of deposit money banks, and small and medium enterprises output (contribution to GDP). Augmented Dickey-Fuller (ADF), Co-integration test, Granger causality test and regression analysis were employed in analyzing the data. Results show that significant relationship exists between deposit money banks loans and SMEs output in Nigeria. The findings revealed that loans to the Agriculture sector and loans to the rural branches of DMBs have a significantly positive relationship with SMEs output, the other two variables, Loans to SMEs and Prime lending rates shows negative and insignificant sign.

Ogbonna (2019) investigated the effect of bank lending on the development of small and medium scale enterprises in Nigeria. Bank loan, bank lending rate and inflation rate were employed as the explanatory variables while growth rate of SMEs was employed as the dependent variable. Regression analysis was employed in analyzing the data. The study found that Bank loan has significant positive effect on the growth rate of SMEs while bank lending rate have significant negative effect on the growth rate of SMEs.

Mesagan, Olunkwa and Yusuf (2018) investigated financial development and manufacturing performance in Nigeria from 1981 to 2015. Three indicators of manufacturing performance such as manufacturing capacity utilization, manufacturing output and manufacturing value added were employed as the dependent variables while money supply as a percentage of GDP, domestic credit to the private sector and liquidity ratio were employed to proxy financial development. Three models were formulated for the study. Unit root, Johansen cointegration test and error correction model was employed in analyzing the data. The result indicates that credit to the private sector and money supply positively but insignificantly enhanced capacity utilization and output, but negatively impacted value added of the manufacturing sector in the short run. There is slight improvement in the long where both money supply and credit to private sector exert positive impact manufactured output.

Onwuteaka, Molokwu and Aju (2019) investigated the impact of commercial banking on Nigeria industrial sector from 1980 to 2018. Commercial bank credit to industrial sector, inflation, infrastructure, exchange rate, interest rate, labour force and bank capital were employed as the independent variables while industrial sector proxied by industrial output was employed as the dependent variable. Ordinary least square was employed in analyzing the data. The results show that commercial bank credits to industrial sector, infrastructure, inflation, labour and bank capital have a positive impact on industrial sector while exchange rate has a negative impact on industrial sector. The study also found out that only commercial bank credits to industrial sector and infrastructure were significant in explaining industrial sector growth.

Adeyefa and Obamuyi (2018) investigated the effect of financial deepening on the performance of manufacturing firms in Nigeria from 1970 to 2016 using data sourced from the Central Bank of Nigeria Statistical Bulletin and the National Bureau of Statistics. The model was specified, and the hypotheses were tested with the Autoregressive Distributed Lag model and Mann-Whitney U Test test. The Augmented Dickey-Fuller, Phillips-Perron and Breusch- Pagan-Godfrey tests were carried out to ensure robust regression results. Results obtained from the study revealed that broad money supply has direct and significant impact on index of manufacturing production in Nigeria, credit to private sector has indirect and insignificant impact on index of manufacturing production in Nigeria and market capitalization has an indirect and significant impact on index of manufacturing production in the long-run and a direct and insignificant impact in the short-run. The study also discovered that financial deepening impacted more on the manufacturing sector performance in the post financial reforms period.

METHODOLOGY

The study adopts descriptive survey research design. The study was carried out in Anambra State, Nigeria. Population of study is made up of all conceivable elements, subjects or observation relating to a particular phenomenon that a researcher is interested in studying or describing (Mugenda & Mugenda, 2003). However, no data exist on the actual number of SMEs in Anambra state Nigeria, hence the population of the study is infinite. To determine the sample size, the statistical formula devised by Cochran (1963) for determining the sample size for an unknown population was applied. Therefore, the sample size is 384. The study makes use of primary source of data. Questionnaire will be used to generate the data needed for the study. The questions will be organized on issue-based pattern following the specific objectives. Closed ended questions took care of the former while Likert scale (4-point) 4(Strongly Agree), 3(Agree), 2(Disagree), and 1(Strongly Disagree) handled the later respectively. Face and content validity was employed to establish the validity of the research instrument. The instrument was pilot tested with representative sample of 30 owners of SMES in Onitsha, Anambra State. The scores obtained from the respondents were collated to determine the internal consistency of the scores for the variables. Thereafter, the study employed the Cronbach's alpha coefficient to measure the internal consistency of the instrument. This is because internal consistency measures the degree of interrelatedness of measurement items that are designed to measure the same construct. Cronbach Alpha value of 0.812 was obtained which is within the acceptable threshold. The data that will be generated through the questionnaire will be analyzed using frequency tables and percentages, while the hypotheses formulated will be tested using ordinary least square regression technique. The hypotheses will be tested at 0.05 level of significance. Multiple regression technique is a statistical technique that is used to relate two or more variables**.** The specification of the model for this study is based on the objective of the study. The model will estimate the effect of financial intermediation on the development of small and medium scale enterprises in Nigeria.

DATA PRESANTION AND ANALYSIS

Coefficients of the Regression Result

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	13.024	1.149		11.335	.000
	SME Development	.014	.038	.011	2.361	.008
	Bank Loan and Advances	.089	.038	.148	2.322	.021
	Bank Lending Rate	.177	.042	.316	4.170	.000
	Collateral Security	.317	.049	.673	6.450	.000
	Bank Credit Availability	.573	.056	.391	10.218	.000

a. Dependent Variable: SME Development

Source: SPSS Version 21

Test of Hypothesis One

Ho: Bank loan and advances has no significant effect on the development of small and medium scale enterprises in Anambra state Nigeria.

Hi: Bank loan and advances has a significant effect on the development of small and medium scale enterprises in Anambra state Nigeria.

Bank loan and advances recorded a t-statistics value of 2.361 with a probability value of 0.008 which is statistically significant at 0.05 level of significance. Therefore, the null hypothesis is rejected while the alternative hypothesis is accepted. Hence, Bank loan and advances has a significant effect on the development of small and medium scale enterprises in Anambra state Nigeria.

Test of Hypothesis Two

Ho: Bank lending rate has no significant effect on the development of small and medium scale enterprises in Anambra state Nigeria.

Hi: Bank lending rate has a significant effect on the development of small and medium scale enterprises in Anambra state Nigeria.

Bank lending rate recorded a t-statistics value of 2.322 with an alpha value of 0.021 which is statistically significant at 0.05 level of significance. We reject the null hypothesis and accept the alternative hypothesis. This implies that Bank lending rate has a significant effect on the development of small and medium scale enterprises in Anambra state Nigeria.

Test of Hypothesis Three

Ho: Collateral security has no significant effect on the development of small and medium scale enterprises in Anambra state Nigeria.

Hi: Collateral security has a significant effect on the development of small and medium scale enterprises in Anambra state Nigeria.

Collateral security has a t-statistics value of 4.170 with an alpha value of 0.000 which is statistically significant at 0.05 level of significance. We reject the null hypothesis and accept the alternative hypothesis. This implies that collateral security has a significant effect on the development of small and medium scale enterprises in Anambra state Nigeria..

Test of Hypothesis Four

Ho: Bank credit availability has no significant effect on the development of small and medium scale enterprises in Anambra state Nigeria.

Hi: Bank credit availability has a significant effect on the development of small and medium scale enterprises in Anambra state Nigeria.

Bank credit recorded a t-statistic value of 6.450 which a probability value of 0.000 which is statistically significant at 0.05 level of significance. We reject the null hypothesis and accept the alternative hypothesis. This implies that Bank credit availability has a significant effect on the development of small and medium scale enterprises in Anambra state Nigeria.

Summary of Findings

1. Bank loan and advances has a significant effect on the development of small and medium scale enterprises in Anambra state Nigeria. Bank loan and advances recorded a t-statistics value of 2.361 with a probability value of 0.008 which is statistically significant at 0.05 level of significance.
2. Bank lending rate has a significant effect on the development of small and medium scale enterprises in Anambra state Nigeria. Bank lending rate recorded a t-statistics value of 2.322 with an alpha value of 0.021 which is statistically significant at 0.05 level of significance
3. Collateral security has a significant effect on the development of small and medium scale enterprises in Anambra state Nigeria. Collateral security has a t-statistics value of 4.170 with an alpha value of 0.000 which is statistically significant at 0.05 level of significance.
4. Bank credit availability has a significant effect on the development of small and medium scale enterprises in Anambra state Nigeria. Bank credit recorded a t-statistic value of 6.450 which a probability value of 0.000 which is statistically significant at 0.05 level of significance.

CONCLUSION

The study examines the effect of financial intermediation on the development of small and medium scale enterprises in Anambra State Nigeria. Data generated from the small and medium scale enterprises were tested using multiple regression analysis. The study found that bank loan and advances has a significant effect on the development of small and medium scale enterprises Bank lending rate has a significant effect on the development of small and medium scale enterprises; collateral security has a significant effect on the development of small and medium scale enterprises and bank credit availability has a significant effect on the development of small and medium scale enterprises in Anambra state Nigeria. Therefore, the study concludes that financial intermediation had significant effect on the development of small and medium scale enterprises in Anambra State

RECOMMENDATIONS

1. Government should put in place measures to enhance the availability of finance to SMEs, particularly in the area of institutional credit that would provide affordable medium and long-term loans for expansion and working capital needs.
2. Government should establish credit guarantee and insurance schemes to address the problem of SMEs providing collaterals to banks before loans are administered to the sub-sector.
3. CBN, the apex bank of the country in recognition of the importance and contribution of SMEs to the nation's economic/industrial development should encourage commercial banks and other financial institutions to lend to the SME sub-sector with ease.
4. Various credit schemes targeted at SMEs in Nigeria should be re-energized, coordinated and monitored so that they can effectively impact on the growth and development of the economy

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