



Commercial Banks and the Growth of Small and Medium Scale Enterprises (SMEs) in Yobe State

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ABSTRACT

The study “Commercial banks and the growth of small and medium scale enterprises(SMEs) in Yobe State, was discovered to adequately addressed the financial needs of the poor and low income groups of (SMEs) who are considered the economic engine of growth in Yobe State, which have the tendency of increasing individual productive capacity and creating wealth. To achieve this, a survey method of research was adopted drawing a sample of 190 SMEs from 363 SMEs in Yobe state. The data analysis technique adopted is the Multiple Linear regression using the SPSS Package for Social Sciences version 25.0. Regression analysis was also used to analyse the relationship between the independent and the dependent variables. The study Concluded that there is a significant relationship between the Variables, Suggestions were made towards building the fountain of Knowledge to enable researchers carry out further studies. The multiple linear regressions (SPSS version 25) were used to analyse the data collected, the study discovered payment loans and advances, e-banking, investment services and survey as having significant effect on the growth of SMEs. As a result, the study concluded that loans advances, e-banking, investment services and payment services have influence on the growth of SMEs in Yobe State generally. Measures such as sensitization and encouragement of the Small, Medium Scale Entrepreneurs to enable them apply for short term loans were proffered to government and other stakeholders.

Keywords: commercial banks, growth, small/medium scale enterprises

INTRODUCTION

Money deposit or Commercial banks are the most important savings mobilizing and financial resource allocation institutions. Commercial banks also known as commercial banks are financial institutions that provide services, such as accepting deposits, giving business loans and auto loans, mortgage lending, and basic investment products like savings accounts and documents of deposit activities.

Small and Medium Enterprises are imperative in advancing monetary development intensity, business advancement, and in making new employments (Habibulla, 2010). Small and Medium Enterprises (SMEs) have been considered as the engine of growth in Yobe State economy and have the tendency of increasing individual productive capacity and creating wealth.

Therefore, the objective of this research is to examine the potential impacts of money deposit banks in the growth of SMEs in Yobe state and to what extent they have contributed to the funding of the SME sector, with the focus on; loans and advances, investment services, e-Banking and payment services.

Deposit Money Bank; Refers to financial institutions reputed for offering monetary loans and other financial services to SMEs in other to enhance economic activities, business growth and sustainability. Loans and advances granted by money deposit banks are highly beneficial to individuals, firms, companies and industrial concerns. The growth and diversification of business activities are effected to a large extent through bank financing

Electronic banking (e-Banking) can be seen as the use of electronic delivery channels for banking products and services, and is a subset of electronic finance. Electronic banking (e-banking) can be seen as the use of electronic delivery channels for banking products and services, and is a subset of electronic finance. The most important electronic delivery channels are the Internet, wireless communication networks, automatic teller machines (ATMs), and telephone banking. Internet banking is a subset of e-banking that is primarily carried out by means of the Internet.

Investment Services; offer a wide range of professional services through a team of trained, experienced professionals on Whether for short term deployment of funds or planning for retirement, and other financial advices to investors with the aim to making your investments work for you. Investment Services, each individual investor has their own unique set of circumstances. However, some financial situations are common to wealthy individuals and families. Investment services analyses the needs and create tailored investment solutions to suit the need of the existing problem.

Loan and Advances; are funds given out by the deposit Money Banks for traders and businessmen to be paid at a letter period, and charge a reasonable rate of interest on such loans and advances in order to develop their business. Loans and advances granted by money deposit banks are highly beneficial to individuals, firms, companies and industrial concerns. The growth and diversification of business activities are effected to a large extent through bank financing

Payment services; is any system used to settle financial transactions through the transfer of monetary value. This includes the institutions, instruments, people, rules, procedures, standards, and technologies that make it exchange possible. Payment service providers connect merchants to the broader financial system so they can accept credit and debit card payments from customers. Payment service providers connect merchants, consumers, card brand networks and financial institutions. Payment service providers bring all financial parties together to deliver a simple payment experience for merchants and their customers by processing payments quickly and efficiently. Invisible to most but essential to all, payment service providers make modern commerce possible

Statement of the Problem

Inadequate/inappropriate information and regulatory intervention respectively, exploitive practices by some predatory banks, poor e-banking/credit facilities, poor policy execution in an attempt to catalysing the economy, increasing poor investment and inadequate payment services which undermine the growth of SMEs leading to under development quagmire among others are some of the major problems having negative influence on survival, growth and sustainability of SMEs in Yobe State

Research Questions

The following research questions were raised in other to guide the study;

1. What is the relationship between loans and advances and growth of SMEs?
2. What is the relationship between e-Banking services and growth of SMEs?
3. What is the relationship between investment services and growth of SMEs?
4. What is the relationship between payment services and growth of SMEs?

Objectives of the Study

The main objective of this study is to examine the influence of Commercial banks on the growth of SMEs in Yobe State.

Other specific objectives include the following;

1. To ascertain the relationship between loans and advances and growth of SMEs.
2. To assess the relationship between e-banking and growth of SMEs.
3. To assess the relationship between investment services and growth of SMEs
4. To evaluate the relationship between payment services and growth of SMEs.

Research Hypotheses

To achieve the objectives, the following hypotheses were tested.

H₀₁: There is no significant relationship between loan advances and growth of SMEs.

H_{a1}: There is a significant relationship between loan advances and growth of SMEs.

H₀₂: There is no significant relationship between electronic banking and growth of SMEs.

H_{a2}: There is a significant relationship between electronic banking and growth of SMEs.

H₀₃: There is no significant relationship between investment services and growth of SMEs.

H_{a3}: There is a significant relationship between investment services and growth of SMEs

H₀₄: There is no significant relationship between payment services and growth of SMEs

H_{a4}: There is a significant relationship between payment services and growth of SMEs

Scope of the Study

This study basically covers the impact of money deposit or commercial banks on the growth of SMEs with specific reference to; Loans and advances, E-banking, Investment Services, and Payment Services of SMEs in Yobe State,

LITERATURE REVIEW

This chapter reviews literature of other studies related to the present study, the chapter addresses the conceptual, theoretical and empirical reviews of the study. Also, the research gap is addressed with a summary of the chapter at the end under the following sub headings; Concept of Deposit Money Bank, Concepts of SMEs, loan and advance's, and the growth of SMEs, e-Banking and the growth of SMEs, investment services and the growth of SMEs, (payment services and the growth of SMEs, Theoretical Review, Review of Empirical Studies and Summary of the Review.

Concepts of Small and Medium Scale Enterprises (SMEs)

The term Small and Medium Scale Enterprises (SMEs) has no generally established definition. Musa (2013) noted that definition and criteria for classification of an enterprise as small, medium or large varies from one country to another, depending on whether it is developed or developing country. A small business for example to one country may be a large-scale business to another. SMEs in Nigeria, as defined by Small and Medium Industries Equity Investment Scheme (SMIEIS), are enterprises with a total capital employed not less than N1.5 million, but not exceeding N200 million, including working capital, but excluding cost of land and/or with a staff strength of not less than 10 and not more than 300.

According to the Nigeria's National Council on Industry; an SME is defined in terms of employment i.e. as one with between 10 and 300 employees. Currently small and medium sized enterprises are defined by their size.

Concept of Commercial or Money Deposit Banks

Deposit money banks has no any single definition but it is widely conceptualising by different individual authors such as; Mohret (2009) Deposit money banks is reputed for offering monetary loans to small and medium scale enterprises to enhance economic activities and business growth and sustainability. Everyone needs a diverse range of financial instrument to grow his/her businesses, build asset, stabilize consumption, and shield self against risks.

The main objective of Money Deposit Bank according to Asikhia (2010) is to improve the welfare of the poor as a result of better access to small loans that are not offered by the formal financial institutions.

The Concept of Loan and Advances

The term loan means the disbursement of amount; direct or indirect guarantee and right to recover the loan against its interest or other charges; refinancing against the collateral given for loan or investment; renew or restructure of loan; and guarantee issued or commitment made for clearance of loan. It also denotes any kind of credit." (Bank and Financial Institution's Act; 2006: 5).

Loan is any financial asset of bank arising from a direct or indirect advance or commitment to advance funds by bank to a person that was conditioned on obligation of the person to repay the funds either on specific date or date on demand, usually with interest (National bank of Ethiopia, 2008).

Concept of E-Banking

E - Banking involves consumers using the internet to access their bank account and to undertake banking transactions. Electronic Banking System is seen to be an innovative service delivery mode that offers diversified financial services like cash withdrawal, funds transfer, cash deposits, payment of utility and credit card bills, cheque book requests, and other financial enquiries, (Onyedimekwu & Oruan, 2013). E banking generally implies a service that allows customers to use some form of computer to access account-specific information and possibly conduct transactions from a remote location like home or workplace (Okey, 2012).

Concept of Payment Services

The significance of electronic retail payments for promoting financial inclusion lies in, among other factors, the fact that the arrival and rapid penetration of information and communication technologies (ICT) in the financial industry, particularly for providing payments services, has led to the emergence of products and services that have adapted more conveniently to the current needs of the population

for exchanging value. Among the new ways adopted by ERPS are the use of mobile phones as a device and access channel for making and receiving payments (mobile payments), use of internet on different devices for making purchases (internet payments), use of payment cards in ATM and POS networks and with contactless technology (card payments) and electronic billing (Morales, 2014; CPMI, 2012), as well as the use of systems and platforms, which although planned for making other types of operations, also allow retail payments to be made, such as using RTGS systems for making instant payments, as well as the use of systems and platforms, which although planned for making other types of operations, also allow retail payments to be made, such as using RTGS systems for making instant payments. Pagani (2004), states that accessibility (ability to reach the required services) is one of the main advantages of mobile payment services.

Theoretical Review

This study explores the credit rationing theory and the financial intermediation theory to explain the concepts of money deposit banks and the growth of SMEs.

Credit Rationing Theory

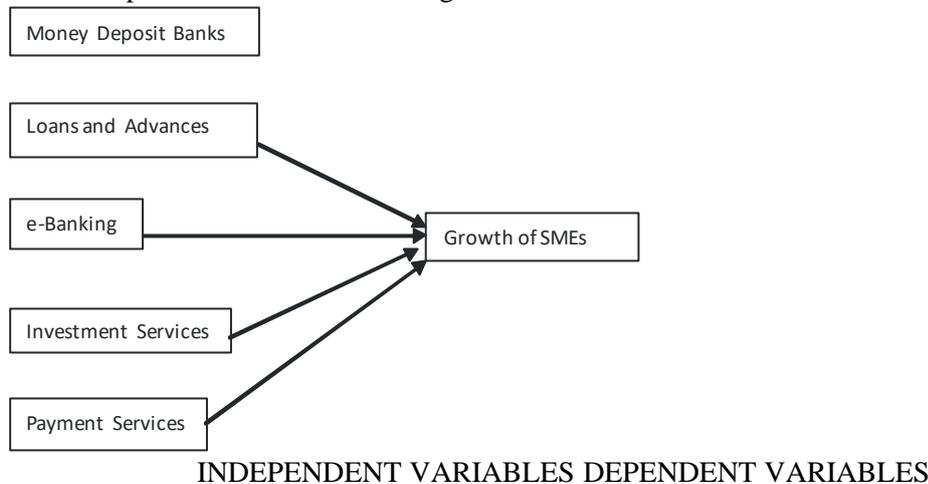
The credit-rationing model emanated from the revolutionary work of Stiglitz and Weiss (1981). According to Stiglitz and Weiss (1981) lenders seek to impose quantitative restrictions on the amount of debt the borrower can obtain, so-called "equilibrium quantity rationing of credit", because higher interest rates may give a further stimulus to adverse selection and risk taking.

Financial Intermediation Theory

Financial intermediaries are financial institutions specialized in the activity of buying and selling (at the same time) assets and financial contracts. Financial intermediaries mediate between the providers and users of financial capital. Financial intermediaries do not resell the assets they buy, but create new assets, which they sell on the market;

Conceptual Framework

The conceptual model is shown on figure 2.1 below



METHODOLOGY

This chapter presents the blue print of the study. Specifically, it describes the research design, population, sample size/ sample size determination; method of data collection and method of data analysis.

Research Design

This study adopted a descriptive research to achieve its objectives. As such, the study aims at examining the influence of money deposit banks on the growth of SMEs in Yobe State in general.

Population and Sample Size

The population for the study comprised the entire 363 registered SMEs which constitute the exact population of SMEs found in Yobe state (Commerce and Industry Records and Statistics 2019)

Sample Size

The techniques will make use of a Yamane, (1973) formula for sample size determination at 95% confidence level. The formula is given as

$$n = N / 1 + N(e)^2$$

Where:

n= Sample size required

N= Number of people in the population

e= Allowable error (%) [0.05]

Therefore;

$$n = 363 / 1 + 363 (0.05)^2$$

n= 190 (Rounded)

Therefore, the sample size for the study is 190 out of the 363 SMEs in Yobe State.

Instruments for Data Collection

The instrument use for data collection in the study is structured questionnaire titled Money Deposit Bank and the Growth of (SMEs) questionnaire, the instrument (MDBGSMEs). The instrument was developed by the researcher. It consisted of 20 items structured in the following order; the instruments were used to seek data from all the respondents.

Methods of Data Collection

Data will be sourced for the purpose of this study using a questionnaire to be served to respondents which will include owners and employee of the registered SMEs in Yobe State

Description of Instruments

The questionnaire titled, “Money Deposit Bank and the Growth of (SMEs) questionnaire, the instrument (MDBGSMEs)), is divided in to two Part, namely A and B. Part A of the questionnaire provides information on demographic data of the respondents, while part B request the respondents to complete the questionnaire meant to answer the research questions posed for the study. The part B has 20 structured items posed for the four research questions that is 5 items for each research question and four point rating scale as SA- strongly agree, A- agree D- disagree, SD- strongly disagree, and Respondent were required to indicate their opinion by tick (✓) using rating scale provided. The rating scale has value as SA=4, A=3, D=2, and SD =1.

Procedure for Instrument Development

The instrument ware designed after consultation with experts in the field of management sciences of the School of Business Education Unit all in Federal College of Education (Tech) Potiskum Yobe State. Experts cross checked the instruments to see if it is in line with the aims and objectives of the study. Experts in the English Education Unit looked at the grammatical errors and punctuation marks of the sentences in the instruments, while the experts in the Test and Measurements Unit looked at the instruments to see either it answered the research questions.

Validity of the Instruments

The instruments (DMBGSMEs) Questionnaire were subjected to validity by experts from the field of management, in the Department of Business Education in School of Business Education Federal College of Education (Tech) Yobe State. The experts were requested to look at the adequacy of the items in line with the purpose of the research, as well as the objectives and the research questions. Corrections were effected in some of the items and on the response options. The instrument was considered valid by the experts for the study.

Reliability of the Instruments

A trial test was carried out to test the instrument, the researcher administered the instruments to 10 SMEs from Gombe state, which the side has the same characteristics with the study area. A Cronbach Alpha coefficients of, 0.78 was used to test the reliability of the instruments as stated below

This confirmed that the instrument was reliable for the study. Cronbach alpha is defined by the formula

$$K = \frac{1 - \sum S^2_{\text{items}}}{S^2_{\text{test}}}$$

Where:

X = Cronbach alpha

K = Number of items

S² = Variance

To ascertain the reliability of the instrument as affirmed by (Ker, 1973)

Procedure for Data Collection

The researcher employed some staff of the FCE (T) Potiskum, as a research assistant and trained them on how to administer the instrument and to ensure high rate of return of the instruments. The research assistants will help in the administration and collection of the instrument after completion by the respondents. The reason was to ensure a high return rate of the instruments.

Administration of the Instruments

Direct method was used in administering and collecting the instruments by the researcher with the help of the research assistants after presenting letter of introduction from the Department of Business Education FCE (T) Potiskum to the authority of the sampled respondent. Copies of the instrument were distributed to the respondents to elicit responses from them in order to ascertain the reliability of the instrument.

Method of Data Analysis

The data analysis technique is the Multiple Linear regression using the SPSS Package for Social Sciences version 25.0 Regression analyses was used to analyse the relationship between the independent and the dependent variables. The regression statistical tool is given by the following formula(s)

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \epsilon$$

Where;

Y = Growth of SMEs, X1 = Loan and Advances, X2 = Investment services
 X3 = e- banking β_0 = Constant ϵ = Stochastic term (error)

Data Presentation and Analysis

This chapter deals with the presentation, analysis of data and discussion of findings.

Questionnaire Administrations

Table 1: Questionnaire Administrations

Number of Questionnaire Administered	No of Questionnaire Returned	No of Questionnaire Not Returned	Percentage of Retrieval rate
190	186	4	98%

Field Survey, 2021

Table 1 questionnaire Administrations Out of the 190 questionnaires that were administered on the respondents, 186 were properly filled and returned while 4 were not returned. This represent 98 percent retrieval rate. The retrieved questionnaires were properly coded in statistical package for Social Sciences (SPSS v. 26). The data were properly cleaned before analysis. Multiple regressions were used in testing the hypotheses of the study and the results were adequately discussed.

DATA ANALYSIS AND INTERPRETATION

Model Summary

Model Summary^b				
Model	R	R Square	Adjusted Square	R Std. Error of the Estimate
1	.544 ^a	.296	.281	1.81756

a. Predictors: (Constant), Payment services, Loan advance, Electronic Banking, Investment service

b. Dependent Variable: Growth of SMEs

Source: SPSS v. 26

The model summary in table 1 showed an R square of 0.296 which means 29.6% variance in growth of SMEs can be explain by loan advances, electronic banking, investment services and payment services

Tests of Hypotheses

The following two tailed-tests hypotheses or non-directional or which were stated in a null form in chapter one were tested using multiple regression analysis

DISCUSSION OF FINDINGS

The discussion of findings is done in line with the research questions, objectives and the hypotheses of the study.

Relationship between Loan Advance and Growth of SMEs

The study used a sample of 9 commercial bank managers and 115 SMEs that have been borrowers and those who had active loans from the banks. The study revealed that several factors were responsible for banks' altitude of not expanding loan portfolio, principal of which are poor credit worthiness, lack of collateral security and the constraint imposed on banks' capital by regulations. The study also established that loans delinquency rate was low among SMEs in the Yobe State.

Relationship between Electronic Banking and Growth of SMEs

The second research question was: what is the relationship between electronic banking and growth of SMEs? The results revealed that electronic banking significantly determine growth of SMEs.

Relationship between Investment Services and Growth of SMEs

The first research question was that: what is the relationship between investment services and growth of SMEs? The study revealed that there is a significant relationship between investment services and growth of SMEs.

Relationship between Payment Service and Growth of SMEs

The first research question was that: what is the relationship between payment services and growth of SMEs? The study revealed that there is a significant relationship between payment services and growth of SMEs.

SUMMARY OF FINDINGS

The research findings are summarised as follows:

1. The study revealed that loan and advances had no significant relationship with the dependent variable of growth of SMEs.
2. The study also revealed that e-banking does not significantly determine growth of SMEs.
3. The study revealed that payment services had a significant relationship with the dependent variable of growth of SMEs.
4. The study further showed that investment services had a significant relationship with growth of SMEs.

CONCLUSIONS

The findings of this study concluded that loan and advances does not increase growth of SMEs. The study also concluded that e-banking does not lead to increase in growth of SMEs. The study came to conclusion that payment services leads to increase in growth of SMEs. This study further concluded that investment services also lead to increase in growth of SMEs.

RECOMMENDATIONS

Based on the research findings the following recommendations are made:

1. Management of money deposit banks should ensure disbursement of loan; directly or indirectly guarantee and right to recover the loan against its interest or other charges; refinancing against the collateral given for loan or investment; renew or restructure of loan; and guarantee issued or commitment made for clearance of loan.
2. It is recommended that management of deposit money banks should encourage consumers to use internet to access their bank account and to undertake banking transactions because electronic banking system is seen to be an innovative service delivery mode that offers diversified financial services like cash withdrawal, funds transfer, cash deposits, payment of utility and credit card bills, cheque book requests, and other financial enquiries.
3. Management of deposit money banks should encourage electronic retail payments through mobile phones, mobile payments, internet payments and card payments

Limitation of the Study

This study only focused on SMEs in Yobe state. This study is also limited to the constituent of loan and advances, e-banking, investment services and payment services only.

ACKNOWLEDGEMENT

The Author would like thank the Tertiary Education Trust Fund (**TETFund**) for financing this research through the Institutional based Research Grants. In the same vain, the author would also appreciate the Management of Federal College of Education (Technical) Potiskum, for having this research funded from the **TETFund** research grants allocated to the institution.

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APPENDIXE A1

ANOVA

ANOVA^a

		Sum of				
Model		Squares	Df	Mean Square	F	Sig.
1	Regression	251.657	4	62.914	19.045	.000 ^b
	Residual	597.935	181	3.304		
	Total	849.591	185			

a. Dependent Variable: Growth of SMEs

b. Predictors: (Constant), Payment services, Loan advance, Electronic Banking, Investment service

Source: SPSS v. 26

The ANOVA in the table showed a significant value of .000 which is less than $\leq .05$. This means that there is a significant relationship between growth of SMEs on one hand and loan advances, electronic banking, investment services and payment services are good predictors of growth of SMEs. The F-statistics in table 6 is a test needed to test the multiple hypotheses about the parameters in a multiple regression model. This statistics tests the null hypothesis that all the regression coefficients are equal to .000. If the $F_{cal.} > F_{.05. tab.}$, reject the null hypothesis and accept the alternative hypothesis and vice-versa. The F-test with a value of 19.045 and the p-value of .000 showed that there is a strong linear dependency existing among the variables. F-statistics showed a very good fit, economically