

## EFFECTS OF INTERVENTION FUNDS ON THE BUSINESS FINANCING OF MSMEs IN SOUTH- WEST, NIGERIA

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### Abstract

Access to finance and capacity development play a significant role in the sustenance and development of Micro, Small, and Medium Enterprises (MSMEs). Despite laudable government schemes and institutions established over the years to provide intervention funds to budding enterprises, the financing and performance of MSMEs have continued to fall below expectations. The study employed cross-sectional survey design to collect data from a population of 6,445,452, in proportion to the population of registered MSMEs in Lagos, Oyo and Ogun states in the South-West, Nigeria. A sample size of 1,560 was determined, from which a response rate of 1,192 was recorded. Descriptive and inferential analyses were used to explore the data at  $\alpha = 0.05$  level of significance. The robustness analysis utilizing the coefficient of multiple determination (adjusted  $R^2$ ) reveals that only 12% of the fluctuations in Operating cash flow can be attributed to the intervention funds. Additionally, the analysis of the adjusted  $R^2$  signifies that just 9.2% of fluctuations in Working capital can be attributed to intervention funds. Thus, it can be inferred that the effect of the intervention funds on the business finance of Micro, Small, and Medium Enterprises (MSMEs) is low, however significant. It is therefore recommended that intervention funds within the nation be structured as result-based financing. This entails that the designated program would solely provide assurance to banks to grant loans to MSMEs without requiring collateral and with reduced interest rates. Additionally, a first-time loan would be jointly financed by both the banks and the program.

## **1. Introduction**

It is envisaged that a well-structured and nurtured micro, small and medium enterprise (MSME) sub-sector would contribute significantly to employment generation, wealth creation, poverty reduction and sustainable economic growth and development in Nigeria. Micro small and medium enterprises (MSMEs) are considered to be the engine of growth as they play a vital role in the growth of the Nigerian economy and by their characteristics, MSMEs are labor-intensive, helping to improve on the socio-economic climate of the country. The Government of Nigeria has recognized the contribution of small-scale units in promoting balanced and equitable growth of the country since the period of independence.

Micro, small, and medium-sized enterprises are established as the core engine for growth and optimism throughout the global economy (Eltarabishy, 2022). Also, micro and small enterprises (MSEs) form a large part of the Nigerian economy and are regarded as the drivers of socio-economic development in all countries, their roles in an economy include employments generation, rural development, youth empowerment, contribution to national income and growth (Okoli & Okeke, 2018). However, financing constraints are evidently one of the biggest concerns impacting entrepreneurs' performance around the world (Odebunmi, Afolabi, Agboola, & Adekunle, 2017).

Globally, MSMEs have been described as a vital engine for economic development as they are found to have contributed and performed significantly to the economic and social improvement of the country, they are the bedrock through which larger firms develop (Adefulu, Asikhia & Aroyeun, 2020). Worldwide, the distinctive role and inputs of Micro and Small Enterprises due to their distinctive contribution to economic growth, cannot be overemphasized due to their economic impact worldwide (Al-Haddad, Sial, Ali, Alam, Khuong, & Khanh, 2019). Furthermore, they iterated that most countries have reached a consensus that Micro, Small and Medium Enterprises as well as entrepreneurs have an important role in the development of their industries, therefore, they are considered as the “seed” for economic growth and development.

Nevertheless, finance has been identified in many business surveys as one of the most important factors determining the survival and growth of small and medium enterprises (SME) in both developing and developed countries (WB, (2021), Babajide & Olokoyo (2016)). Access to finance allows SME to undertake productive investments to expand their businesses and to acquire the latest technologies, thus ensuring their competitiveness and that of the nation as a whole. Poorly functioning financial systems can seriously undermine the microeconomic fundamentals of a country, resulting in lower growth in income and employment. Despite their dominant numbers and importance in job creation, SMEs traditionally have faced difficulty in obtaining formal credit or equity. This is because the maturities of commercial bank

loans extended to SME are often limited to a period far too short to pay off any sizeable investment and poor collateral (Arogundade, 2010). SMEs are indeed recognised as pivotal to economic growth, job creation, poverty reduction and industrial development (Akhtar, Ismail, Hussain & Rehman, 2015).

Consequently, governments have since implemented numerous national improvement plans and programmes aimed at boosting productivity, as well as, diversifying the domestic economic base and emphasizing on the micro, small and medium scale production. The CBN is reviewing these intervention programs and is determined to ensure, they continue to achieve the desired results (CBN, 2022).

It is estimated that more than 80% of MSMEs do not survive beyond the first five years of existence because of a variety of issues that include but not limited to tough and intemperate business environment, inadequate financing (SMEDAN (2012); Ajibola, (2020); Asikhia & Naidoo, 2020). In view of the critical role which these enterprises play in the economy, their mortality rate as reported, presents a huge concern to policy makers and governments. While some of the challenges faced by MSMEs are within the control of the businesses, others are external and thus beyond their control. The role of government is thus seen through the various programmes that are designed and put in place to address the typical needs of these MSMEs.

In spite of these vast interventions from government, on MSMEs agro-allied industry on local and global economy, Mwede, Muturi, and Njeru (2019) opined that small and medium scale agro-allied businesses have long-suffered from incessant challenges of competitive disadvantage, low market share and sales growth, poor financing and declining in profitability. Therefore, this study seeks to investigate the effect of intervention funding on financing business enterprises in the South west, Nigeria.

## **2. Theoretical framework and literature review**

### **2.1 Financial Intermediation Theory**

The financial intermediation theory was founded on the agency and information asymmetry. The theory was developed by Gurley and Shaw in 1960. The theory emphasized the roles of the financial intermediaries in the financial systems. The theory establishes that the contribution of intermediaries is to ensure steady flow of the funds from the surplus unit to the deficit units. The role of financial intermediaries is essential

in that it ensures the growth of the economy through supply of financial commodities (Scholten & Wensveen, 2003). The financial intermediaries ensure the creation of a platform that enables transaction of different commodities. The financial intermediaries exist due to the market imperfections. As such, in perfect market situation, with no transaction or information costs, financial intermediaries would not have existed. Numerous financial markets are characterized by informational differences between buyers and sellers.

Furthermore, the financial intermediary theory analyzes the functions and roles of financial intermediaries in the economy, the way in which the financial intermediation influences the economy on the whole and the effects of government policies on financial intermediaries Shittu (2012). This theory is based on the assumption of the presence of informational asymmetry and the agency theory. In principle, the existence of financial intermediaries is explained by the existence of the following categories of factors: high cost of transaction, lack of complete information in useful time and the method of regulation. In financial markets, information asymmetries are particularly pronounced. Investors tend to borrow with the collateral and entrepreneurs have inside information about their own investment seeking financing (Scholten & Wensveen, 2003). It explains the importance of intermediation process of financial intermediaries in the economy as a whole. This theory is useful particularly in the evaluation of the barriers and constraints the SMEs face in getting credit from diverse source surplus funds like commercial banks. The theory will guide the establishment of how asymmetry, bargaining power and transactional costs and other market imperfections affect the ability of MSMEs to source and manage intervention funds and how it influences their business performance. Furthermore, the theory is relevant to this study as it emphasizes the functions of financial institutions in providing credit facility to micro-small-medium enterprises (MSMEs) and increasing the growth and survival of MSMEs.

## **2.2 MSMEs Business Performance**

The perceived industry characteristics of the MSMEs engaged in coffee manufacturing were found to be very high in terms of competitive rivalry, in terms of threat of potential entrants, threat of substitutes, bargaining power of suppliers, and bargaining power of buyers. The performance of these firms, on the average, in terms of return on assets (ROA), profit margin, sales growth, and market share were perceived by the participants to be better than their set target. Perceived industry characteristics by the firms, in general, were found to influence the firms' performance with four parameters affecting return on assets (ROA) and profit margin, while three parameters influenced sales growth and market share (Consignado, & Dimaculangan, 2022).

Ihemeje, Efanga, Umoh, Okafor, & Egwu (2020) from their research, revealed that the equity financing scheme had a positive and significant effect on sustainable productivity of agro-allied small businesses in South-South Nigeria. The study recommends that efforts should be made to educate the small business entrepreneurs on the merits of equity financing as a viable option towards business growth and expansion and that the government through the various intervention agencies should restructure the long-term loan policies to give access to more growth-oriented agro-allied businesses, to increase their presently low capacity to procure heavy-duty technology to increase productivity and achieve food security in Nigeria.

Gherghina, Botezatu, Hosszu & Simionescu, (2020) estimated several log–log linear regressions, on the impact of investments and innovation on territorial economic growth, as measured by turnover, for Romanian active enterprises. In respect of expenditures on innovation, a positive impact on turnover was recognized for all enterprises and especially for large companies, however, there was an absence of any statistically significant relation in the case of SMEs. The impact of firm size on turnover was positive for all active enterprises at the national level, along with active micro-units. Also, the estimation results show a positive impact of the number of active micro-units on territorial economic growth. The empirical findings are relevant to managers and policymakers in order to stimulate, encourage and offer support to SMEs' development through their strategies.

The results of the 2016 Economic Census (EC) recorded that the number of Micro Small Enterprises (MSEs) and Medium-Large Enterprises (MLEs) in Aceh Province is 432,819 business units. This figure increased by a percentage of 17.54 if equated with the results of the 2006 EC that amounted to 368,244 business units. This reveals that the number of MSEs units, the average MSEs workers, the total wages received by the SMEs workers, the SMEs wage average, and the district/city economic growth in 2016 had a significant effect on the income inequality in the districts/cities of Aceh Province. While the number of MSEs workers, the number of MLEs workers, the average of MSEs workers, the total wages of MLEs workers, and the average wage of MLEs workers have not significantly influence the community income gap. The one factor having a significant influence in reducing the gap in community income is the total remuneration (wages) received by MSEs workers. The study recommended that the Aceh government should strengthen MSEs, including cooperatives as the drivers of the Aceh's economy as it can absorb more labor and compensation as wages received by workers also increases (Hasan, Azwar, & Majid, 2019).

The government and microfinance providers should put in place policies that would increase participation in microfinance by MSEs. This may be through government and microfinance providers encouraging and upscaling financial literacy programmes and also creating incentives that would increase acquisition of permits and licences by MSEs. To increase performance of youth-owned MSEs (owners who are below 35 years), the government and microfinance providers should address youth-specific barriers that prevent these MSEs from deriving any effects of participation in microfinance. These barriers may include lack of business training and little business experience. This implication rests on the finding that participation in microfinance did not, on average, have any effects for firms whose owners were below 35 years (Obebo, Wawire & Muniu, 2018).

In addressing the characteristics of dynamic capabilities and their role in contribution to the firm's ultimate success, Pervan, Curak and Kramaric, (2018) analysed a sample of 118 small Croatian manufacturing companies. The application of the Structural Equation Modelling (SEM) approach revealed a statistically significant influence of both the industry's characteristics (represented by Porter's five forces framework) and dynamic capabilities (based on Teece's theory) on the firm's performance, where the influence of dynamic capabilities is proven to be larger than that of the industry.

Peter, Adegbuyi, Olokundun, Peter, Amaihian, and Ibidunni, (2018) explored the impact of financial assistance on the performance of SMEs across three states in Nigeria. Mixed methods approach was adopted using the survey and semi-structured interview methods. The study makes use of stratified and simple random technique to select the respondent of the questionnaire. A total of four hundred (400) copies of questionnaire were administered to owners/managers of SMEs, out of which only three hundred and sixty (360) were returned and adjudged usable for the analysis, while 20 semi-structured interviews were conducted on the owners/managers of SMEs. Descriptive statistics and Multiple Regression were used to facilitate the estimation process. In addition, thematic analysis was used to analyze the qualitative interviews. The study identified that while financial assistance has significant impact on the performance of SMEs, these supports are inadequate and characterized by stringent, unrealistic bureaucratic details. Based on these findings, the study recommended that facilitating access to adequate funding are highly effective in enhancing performance.

Similarly, Oyedokun (2016) in his study working capital finance and entrepreneurship business growth in Nigeria utilized ex-post facto research design using panel data analyses of financial information removed from Financial Statements for the years 2010 to 2014 of 10 organizations listed under "consumer goods"

on the floor of Nigeria Stock Exchange. In order to come to the testable end result, stratified and purposive random sampling technique was adopted, of all the business sectors, just organizations under “Consumer Goods” sub-sector were considered in this study while others were avoided. This is because organizations working under “consumer goods” sub-sector have a few qualities of entrepreneurship business. However, the study concludes that entrepreneurial ventures represent significant engines for future financial development but for these organizations to form and subsequently develop, financial resources are needed.

Muritala, Awolaja and Bako (2015) utilised survey method in gathering data from 200 SME/Entrepreneurial officers and Managers from five selected local governments in Nigeria namely; Ijebu North, Yewa South, Sagamu, Odeda and Ogun Waterside Local government with a well-structured questionnaire. This was analyzed with several descriptive statistics to identify the perception of the roles of SMEs in Nigeria. The findings of the study revealed that the most common constraints hindering small and medium scale business growth in Nigeria are lack of financial support, poor management, corruption, lack of training and experience, poor infrastructure, insufficient profits, and low demand for product and services. Hence, it therefore recommends that Government should as a matter of urgency, assist prospective entrepreneurs to have access to finance and necessary information relating to business opportunities, modern technology, raw materials, market, plant and machinery which would assist them in reducing their operating cost and be more efficient to meet the market competitions.

The Micro, Small and Medium Enterprises (MSME) sector in India, contributes significantly to manufacturing output, employment and exports of the country. It is estimated that in terms of value, the sector accounts for about 45 % of the manufacturing output and 40% of total exports of the country. To make this sector to become more vibrant and significant player in development of the Indian economy the Government of India has taken various initiatives. However, SMEs in India still face a number of problems, among which are absence of adequate and timely banking finance, non-availability of suitable technology, ineffective marketing due to limited resources and non availability of skilled manpower (Dey, 2014)

Sefiani & Bown (2013) observed that performance is the indicator used to measure set goals and objectives. Business owners make performance an utmost priority. Gibcus & Kemp put forward that general performance of an organization is largely dependent on the right management approach which involve three levels of management. The authors further alluded that business performance measures market-related items such as sales growth and market share and future positioning of the firm. Financial performance is the major outcome organizational effectiveness. Though such performance standards are considered vital,

but not sufficient to determine the overall effectiveness. Accounting-based considers profitability in terms of Return on Sales (ROS), Return on Assets (ROA) and Return on Equity (ROE) to measure financial performance. Organizational effectiveness measures tend more towards stakeholders than shareholders. There are two perspectives with indicators in respect to quality such as product quality, worker satisfaction, overall quality and those indicators linked with social responsibility like environmental and community responsibility.

Firms' performance can be viewed as a measure of financial ability which can be measured quantitatively or qualitatively (Ibrahim, et al., 2017). While performance can be measured using an objective concept based on absolute measures of performance and by a subjective concept based on self-reported measures, many researchers prefer to use subjective measures because it is cost effective and widely used to measure business performances of small enterprises, public services, and voluntary sector organizations (Noordin & Mohtar, 2013)

The introduction of micro finance banks by CBN in 2005, associated microfinance institutions, microfinance institutions and development finance institutions have not bridged this gap of inequality in credit accessibility in Nigeria after a decade of their operations. It becomes imperative to evaluate the effectiveness of both the formal and informal sources of microfinance to Micro, Small and medium Enterprises (MSMEs), especially in the South West of Nigeria where majority of these MSMEs thrive. It is therefore believed that understanding these micro credit problems and providing practical solutions for them would be the right step towards making micro, small and medium enterprises contribute effectively towards growth and development of the industrial cluster in South West, Nigeria and the nation as a whole.

### **3. Methodology**

The operational model for the study variables is denoted in the equations below:

$$Y = f(X_i)$$

Y = Dependent Variable

X = Independent Variable

Z = Moderating Variable (z)

$Y_1$  = MSMEs Business Financing (MBF)

$Y_2$  = MSME Performance

$X_i$  = Intervention Funds (IF)

The dependent variable (Y) is business finance and performance, measured as follows:



$$Y = (y_{1a}, y_{1b})$$

For MSME's Business Finance (MBF)

$$MBF = (WC, OCF)$$

Where:

$$y_{1a} = \text{Working Capital (WC)}$$

$$y_{1b} = \text{Operating cash flow (OCF)}$$

The dimensions of Intervention funds (IF) (Independent variables) are as follows:

$$IF = (AGSF, ANBF, TRMF, BOIYF, MSMF, TCFF)$$

$$X = (x_1, x_2, x_3, x_4, x_5, x_6)$$

where:

$$x_1 = \text{AGSMEIS Funding (AGSF)}$$

$$x_2 = \text{Anchor borrowers Funding (ANBF)}$$

$$x_3 = \text{Agricultural credit Guarantee scheme Fund (ACSF)}$$

$$x_4 = \text{BOI/YES Funding (BOIYF)}$$

$$x_5 = \text{MSMEDF Funding (MSMF)}$$

$$x_6 = \text{Targeted credit facility Funding (TCFF)}$$

The general functional relationship between the variables is:

$$Y = f(X_i)$$

$$Y_1 = f(WC, OCF)$$

The functional relationship of the equations are:

$$WC = f(AGSF, ANBF, ACSF, BOIYF, MSMF, TCFF)$$

$$OCF = f(AGSF, ANBF, ACSF, BOIYF, MSMF, TCFF)$$

The regression equation to test the specific hypotheses formulated is:

$$WC = \beta_0 + \beta_1 AGSF_i + \beta_2 ANBF_i + \beta_3 ACSF_i + \beta_4 BOIYF_i + \beta_5 MSMF_i + \beta_6 TCFF_i + \epsilon_i$$

Where,  $i(i=1,2,3,\dots, 1,560)$

## 4.1 Results and Discussion of Findings

### Working Capital

**Table 4.1 – Respondents’ Feedback on MSME’s Working Capital**

ITEM	SD	D	U	A	SA	Mean( $\bar{x}$ )	SD
	F %	F %	F %	F %	F %		
The business has adequate amount of funds available for managing day to day operations	202 16.9%	371 31.1%	166 13.9%	262 22.0%	191 16.0%	2.89	1.35
The business has the ability to cover its short-term operating expenses	143 12.0%	145 12.2%	237 19.9%	488 40.9%	179 15.0%	3.35	1.22
The working capital of the business enables the management to take advantage of occasional opportunities	167 14.0%	191 16.0%	190 15.9%	322 27.0%	322 27.0%	3.37	1.39
The cash flows of the business are normally distributed	144 12.1%	108 9.1%	367 30.8%	394 33.1%	179 15.0%	3.30	1.19
Due to the unavailability of sufficient working capital, the business loses investment in profitable opportunities	108 9.1%	191 16.0%	177 14.8%	335 28.1%	381 32.0%	3.58	1.32
The business has the ability to meet its payment obligations as they fall due	188 15.8%	254 21.3%	237 19.9%	333 27.9%	180 15.1%	3.05	1.31
There is adequate monitoring of fund flows and controlling of activities relating to the sources and application of funds in the business	96 8.1%	287 24.1%	142 11.9%	488 40.9%	179 15.0%	3.31	1.21
There is adequate and effective management of our business inventory	96 8.1%	203 17.0%	177 14.8%	442 37.1%	274 23.0%	3.50	1.23
There is adequate assessment of debtors according to terms of payment and maintenance of records in the business	120 10.1%	156 13.1%	214 18.0%	332 27.9%	370 31.0%	3.57	1.31
Access to various intervention funds have enabled adequate working capital for the business	334 28.0%	182 15.3%	214 18.0%	260 21.8%	202 16.9%	2.84	1.46
<b>Weighted Average Mean</b>						<b>3.27</b>	

Source: Field Data (2023)

KEY: SD=Strongly Disagree, D=Disagree, U=Undecided, A=Agree, SA=Strongly Agree.

\*\*\*Decision Rule: If mean is  $\leq 1.00$  Strongly Disagree; 1.01 to 2.00 = Disagree; 2.01 to 3.00 = Undecided; 3.01 to 4.00 = Agree; 4.01 to 5.00 = Strongly Agree

Table 4.1 above indicates that generally, the respondents agree that the working capital of the MSMEs is above average ( $\bar{x}=3.27$ ). Specifically, findings showed that the respondents agree that the business has adequate amount of funds available for managing day to day operations ( $\bar{x}=2.89$ ), the respondents agree that the business has the ability to cover its short-term operating expenses ( $\bar{x}=3.35$ ), the respondents agree that the working capital of the business enables the management to take advantage of occasional opportunities ( $\bar{x}=3.37$ ), the cash flows of the business are normally distributed ( $\bar{x}=3.30$ ), the business loses investment in profitable opportunities ( $\bar{x}=3.58$ ), the respondents agree that the business has the ability to meet its payment obligations as they fall due ( $\bar{x}=3.05$ ), the respondents agree that there is adequate monitoring of fund flows and controlling of activities relating to the sources and application of funds in the business ( $\bar{x}=3.31$ ), the respondents agree that there is adequate and effective management of our business inventory ( $\bar{x}=3.50$ ), and the respondents agree that there is adequate assessment of debtors according to terms of payment and maintenance of records in the business ( $\bar{x}=3.57$ ). However, the respondents are undecided as to whether the access to various intervention funds have enabled adequate working capital for the business ( $\bar{x}=2.84$ ), and the respondents agree that due to the unavailability of sufficient working capital. Verifying the results above, the table also showed that 16.9% (n=202) of the respondents strongly disagreed that the business has adequate amount of funds available for managing day to day operations, 31.1% (n=371) disagreed, 13.9% (n=166) were undecided, 22.0% (n=262) agreed, while 16.0% (n=191) strongly agreed. Also, 12.0% (n=143) of the respondents strongly disagreed that the business can cover its short-term operating expenses, 12.2% (n=145) disagreed, 19.9% (n=237) were undecided, 40.9% (n=488) agreed, while 15.0% (n=179) strongly agreed. Similarly, 14.0% (n=167) of the respondents strongly disagreed that the working capital of the business enables the management to take advantage of occasional opportunities, 16.0% (n=191) disagreed, 15.9% (n=190) were undecided, 27.0% (n=322) agreed, while 27.0% (n=322) strongly agreed.

Additionally, 12.1% (n=144) of the respondents strongly disagreed that the cash flows of the business are normally distributed, 9.1% (n=108) disagreed, 30.8% (n=367) were undecided, 33.1% (n=394) agreed, while 15.0% (n=179) strongly agreed. Similarly, 9.1% (n=108) of the respondents strongly disagreed that due to the unavailability of sufficient working capital, the business loses investment in profitable opportunities, 16.0% (n=191) disagreed, 14.8% (n=177) were undecided, 28.1% (n=335) agreed, while 32.0% (n=381) strongly agreed. Also, 15.8% (n=188) of the respondents strongly disagreed that the business can meet its payment obligations as they fall due, 21.3% (n=254) disagreed, 19.9% (n=237) were undecided, 27.9% (n=333) agreed, while, 15.1% (n=180) strongly agreed. In addition, 8.1% (n=96) of the respondents strongly disagreed that there is adequate monitoring of fund flows and controlling of activities

relating to the sources and application of funds in the business, 24.1% (n=287) disagreed, 11.9% (n=142) were undecided, 40.9% (n=488) agreed, while 1.50% (n=179) strongly agreed.

Correspondingly, just 8.1% (n=96) of the respondents strongly disagreed that there is adequate and effective management of their business inventory, 17.0% (n=203) disagreed, 14.8% (n=177) were undecided, 37.1% (n=442) agreed, while 23.0% (n=274) strongly agreed. Also 10.1% (n=120) of the respondents strongly disagreed that there is adequate assessment of debtors according to terms of payment and maintenance of records in the business, 13.1% (n=156) disagreed, 18.0% (n=214) were undecided, 27.9% (n=332) agreed, while 31.0% (n=370) strongly agreed. Lastly, 28.0% (n=334) of the respondents strongly disagreed that access to various intervention funds have enabled adequate working capital for the business, 15.3% (n=182) disagreed, 18.0% (n=214) were undecided, 21.8% (n=260) agreed, while 16.9% (n=202) strongly agreed.

## 4.2 Operating Cashflow

*Table 4.2 – Respondents’ Perception of MSME’s Operating Cashflow*

ITEM	SD	D	U	A	SA	Mean( $\bar{x}$ )	SD
	F %	F %	F %	F %	F %		
There is an adequate record of our operating cash flows	142 11.9%	167 14.0%	94 7.9%	514 43.1%	275 23.1%	3.51	1.30
The business does not have many debtors as customers pay for goods/services immediately	131 11.0%	235 19.7%	94 7.9%	468 39.3%	264 22.1%	3.42	1.32
The inventory of the business is usually low as we record high sales	108 9.1%	296 24.8%	261 21.9%	347 29.1%	180 15.1%	3.16	1.21
The business is profitable as we sell more than we spend	132 11.1%	176 14.8%	153 12.8%	491 41.2%	240 20.1%	3.45	1.26
There are more cash inflows than outflows in the business	120 10.1%	249 20.9%	225 18.9%	419 35.2%	179 15.0%	3.24	1.22
Our operating cash flow record can enable me forecast future cash flows of the business	94 7.9%	147 12.3%	286 24.0%	354 29.7%	311 26.1%	3.54	1.22
Access to intervention funds improves our operating cash flow	191 16.0%	109 9.1%	298 25.0%	359 30.1%	235 19.7%	3.28	1.32

Funds from an intervention scheme has enabled our business to become profitable from a previous position of loss	275 23.1%	74 6.2%	309 25.9%	403 33.8%	131 11.0%	3.03	1.32
The business can pay off its debts and free up cash flows due to access to intervention funds	251 21.1%	134 11.2%	236 19.8%	367 30.8%	204 17.1%	3.12	1.39
There is adequate management of expenses in the business	83 7.0%	153 12.8%	145 12.2%	572 48.0%	239 20.1%	3.61	1.14
<b>Weighted Average Mean</b>						<b>3.33</b>	

Source: Field Data (2023)

**KEY: SD=Strongly Disagree, D=Disagree, U=Undecided, A=Agree, SA=Strongly Agree.**

**\*\*\*Decision Rule: If mean is  $\leq 1.00$  Strongly Disagree; 1.01 to 2.00 = Disagree; 2.01 to 3.00 = Undecided; 3.01 to 4.00 = Agree; 4.01 to 5.00 = Strongly Agree**

Table 4.9 above indicates that generally, the respondents agree that the operating cashflow of the MSMEs adequate ( $\bar{x}=3.33$ ). Specifically, the results show that the respondents agree that there is an adequate record of our operating cash flows ( $\bar{x}=3.51$ ), the respondents agree that the business does not have much debtors as customers pay for goods/services immediately ( $\bar{x}=3.42$ ), the respondents agree that the inventory of the business is usually low as we record high sales ( $\bar{x}=3.16$ ), the respondents agree that the business is profitable as they earn more than they spend ( $\bar{x}=3.45$ ), the respondents agree that there are more cash inflows than outflows in the business ( $\bar{x}=3.24$ ), the respondents agree that their operating cash flow record can enable them forecast future cash flows of the business ( $\bar{x}=3.54$ ), the respondents agree that access to intervention funds improves their operating cash flow ( $\bar{x}=3.28$ ), the respondents agree that funds from an intervention scheme has enabled their business become profitable from a previous position of loss ( $\bar{x}=3.03$ ), the respondents agree that the business is able to pay off its debts and free up cash flows due to access to intervention funds, ( $\bar{x}=3.12$ ), and the respondents agree that there is adequate management of expenses in the business ( $\bar{x}=3.61$ ).

Verifying the results above, the table also showed that 11.9% (n=142) of the respondents strongly disagreed that there is an adequate record of their operating cash flows, 14.0% (n=169) disagreed, 7.9% (n=94) were undecided, 43.1% (n=514) agreed, while 23.1% (n=275) strongly agreed. Also, 11% (n=131) of the respondents strongly disagreed that the business does not have many debtors as customers pay for goods/services immediately, 19.7% (n=235) disagreed, 7.9% (n=94) were undecided, 39.3% (n=468) agreed, while 22.1% (n=264) strongly agreed. Likewise, 9.1% (n=108) of the respondents strongly

disagreed that the inventory of the business is usually low as they record high sales, 24.8% (n=296) disagreed, 21.9% (n=261) were undecided, 29.1% (n=347) agreed, while 15.1% (n=180) strongly agreed.

Furthermore, 11.1% (n=132) of the respondents strongly disagreed that the business is profitable as they sell more than they spend, 14.8% (n=176) disagreed, 12.8% (n=153) were undecided, 41.2% (n=491) agreed, while 20.1% (n=240) strongly agreed. Also, 10.1% (n=120) of the respondents strongly disagreed that there are more cash inflows than outflows in the business, 20.9% (n=249) disagreed, 18.9% (n=225) were undecided, 35.2% (n=419) agreed, while 15.0% (n=179) strongly agreed. Similarly, 7.9% (n=94) of the respondents strongly disagreed that their operating cash flow record can enable them forecast future cash flows of the business, 12.3% (n=147) disagreed, 24.0% (n=286) were undecided, 29.7% (n=354) agreed, while 26.1% (n=311) strongly agreed. Likewise, 16.0% (n=191) of the respondents strongly disagreed that access to intervention funds improves their operating cash flow, 9.1% (n=109) disagreed, 25.0% (n=298) were undecided, 29.7% (n=354) agreed, while 19.7% (n=235) strongly agreed.

Additionally, 23.1% (n=275) of the respondents strongly disagreed that funds from an intervention scheme has enabled their business become profitable from a previous position of loss, 6.2% (n=74) disagreed, 25.9% (n=309) were undecided, 33.8% (n=403) agreed, while 11.0% (n=131) strongly agreed. Moreover, 21.1% (n=11.2) of the respondents strongly disagreed that the business can pay off its debts and free up cash flows due to access to intervention funds, 11.2% (n=134) disagreed, 19.8% (n=236) were undecided, 30.8% (n=367) agreed, while 17.1% (n=204) strongly agreed. Lastly, 7.0% (n=83) of the respondents strongly disagreed that there is adequate management of expenses in the business, 12.8% (n=153) disagreed, 12.2% (n=145) were undecided, 48.0% (n=572) agreed, while 20.1% (n=239) strongly agreed.

The robustness analysis utilizing the coefficient of multiple determination (adjusted  $R^2$ ) reveals that only 12% of the fluctuations in Operating cash flow can be attributed to the intervention funds. Additionally, the analysis of the adjusted  $R^2$  signifies that just 9.2% of fluctuations in Working capital can be attributed to intervention funds. Thus, it can be inferred that the effect of the intervention funds on the business finance of Micro, Small, and Medium Enterprises (MSMEs) is low, however significant. The results also indicates that the model employed to investigate the effect of intervention funds on operating cashflow is statistically significant, as depicted by the F-statistic's (21.193) p-value, which is below the critical threshold of 0.05 ( $p = 0.000 < 0.05$ ).

To investigate the effects of intervention funds on the business finance of MSMEs in South-west, Nigeria, the study estimates the following models:

$$WC = \beta_0 + \beta_1 AGSF_i + \beta_2 ANBF_i + \beta_3 ACSF_i + \beta_4 BOIYF_i + \beta_5 MSMF_i + \beta_6 TCFF_i + \varepsilon_i$$

$$OCP = \beta_0 + \beta_1 AGSF_i + \beta_2 ANBF_i + \beta_3 ACSF_i + \beta_4 BOIYF_i + \beta_5 MSMF_i + \beta_6 TCFF_i + \varepsilon_i$$

The result of the estimated first regression model is shown in the table below:

**Table 4.3a: Effect of the Intervention Funds on the Working Capital of the MSMEs**

<i>Variables</i>	<i>Coefficient</i>	<i>Std. Error</i>	<i>t-ratio</i>	<i>p-value</i>
<i>(Constant)</i>	29.355	.398	73.694	.000
AGSF	.023	.048	.473	.636
ANBF	.068	.036	1.872	.061
ACSF	-.105	.044	-2.396	.017
BOIYF	.155	.026	5.924	.000
MSMF	.123	.030	4.033	.000
TCFF	-.088	.038	-2.298	.022
<i>Adj. R<sup>2</sup></i>	0.092			
<i>F-stat</i>	21.193			
<i>Prob. (F-stat)</i>	0.0000			

\*\* p<0.05, dependent variable: Working Capital (WC)

**Source:** Field Data Computation (2023)

The estimated multiple regression result above is given as:

$$WC = 29.355 + 0.23*AGSF + 0.068*ANBF - 0.105*ACSF + 0.155*BOIYF + 0.123*MSMF - 0.088*TCFF$$

The regression result above demonstrates the effect of intervention funds on the working capital, and by extension, the business finance of micro, small, and medium enterprises (MSMEs). The regression result indicates that AGSF, ANBF, BOIYF, and MSMF have positive effects on the level of working capital (WC). The statistical analysis reveals that the effects of AGSF and ANBF on working capital is not statistically significant, as the p-values of the t-ratios for both variables do not meet the threshold of 5% significance level. The research results indicate that both ACSF and TCFF had significant adverse effects on working capital (WC), as evidenced by the coefficients that were negative and individual t-ratios with p-values below 5%.

Furthermore, the magnitude of the individual effects indicates that a 1% positive change in AGSF yields an insignificant 2.3% rise in WC. Similarly, a 1% positive change in ANBF leads to a non-statistically

significant increase of 6.8% in WC. However, a 1% positive change in BOIYF results in a significant increase of approximately 10.5% in WC, while a 1% positive change in MSMF leads to a significant increase of 15.5% in WC. Conversely, a marginal increase of 1% in both ACSF and TCFE would lead to a significant decline in WC by 10.5% and 8.8% correspondingly. The findings suggest that the implementation of AGSF and ANBF did not yield the desired outcomes in terms of enhancing the business finance of the selected MSMEs.

Additionally, the robustness analysis utilizing the multiple determination coefficient reveals that the adjusted  $R^2$  signifies that only 9.2% of fluctuations in WC can be attributed to intervention funds. Thus, it can be inferred that the effect of intervention funds on the business financing of Micro, Small, and Medium Enterprises (MSMEs) is not strong. The statistical analysis indicates that the model employed to investigate the effect of intervention funds on working capital is statistically significant, as evidenced by the F-statistic's p-value (21.193), which is below the critical threshold of 0.05 ( $p = 0.000 < 0.05$ ).

Furthermore, the result of the estimated second regression model is shown in the table below:

**Table 4.3b: Effect of the Intervention Funds on the Operating Cashflow of the MSMEs**

<i>Variables</i>	<i>Coefficient</i>	<i>Std. Error</i>	<i>t-ratio</i>	<i>p-value</i>
<i>(Constant)</i>	29.614	.395	75.052	.000
AGSF	-.153	.048	-3.194	.001
ANBF	.109	.036	3.020	.003
ACSF	-.042	.044	-.957	.339
BOIYF	.187	.026	7.213	.000
MSMF	.087	.030	2.879	.004
TCFF	-.002	.038	-.059	.953
<i>Adj. R<sup>2</sup></i>	0.124			
<i>F-stat</i>	27.999			
<i>Prob. (F-stat)</i>	0.0000			

\*\*  $p < 0.05$ , dependent variable: Operating Cashflow (OCF)

**Source:** Field Data Computation (2023)

The estimated multiple regression result above is given as:

$$\text{OCF} = 29.614 - 0.153 \cdot \text{AGSF} + 0.109 \cdot \text{ANBF} - 0.042 \cdot \text{ACSF} + 0.187 \cdot \text{BOIYF} + 0.087 \cdot \text{MSMF} - 0.002 \cdot \text{TCFF}$$

The regression result above shows the effect of intervention funds on the operating cashflow of micro, small, and medium enterprises (MSMEs). The regression result indicates that AGSF, ACSF, and TCFE exhibited negative effects on the operating cashflow (OCF) of the MSMEs. However, only the effect of AGSF on operating cashflow is statistically significant, as the p-value of its t-ratio is less than of 5%. On the other hand, the table results above indicate ANBF, BOIYF and MSMF each had significant positive



effects on operating cashflow (OCF), as depicted by their individual positive coefficients and individual t-ratios with p-values less than 0.05.

Specifically, the scale of the individual effects indicates that a 1% positive change in AGSF yields a significant 15.3% decrease in OCF. Similarly, a 1% positive change in ACSF leads to a non-statistically significant 4.2% decline in OCF. Likewise, a 1% positive change in TCFE results in a non-significant decline of approximately 0.2% in OCF. On the contrary, an increase of 1% in ANBF would lead to a significant increase in OCF by 10.9%, a 1% positive change in BOIYF leads to a significant increase of 18.7% in OCF, while a 1% positive change in MSMF would result in a significant increase of 8.7% in OCF. The results indicate that the adoption of ACSF and TCFE by the MSMEs did not result in the intended improvements in the business finance of the chosen MSMEs.

Furthermore, the robustness analysis utilizing the coefficient of multiple determination (adjusted  $R^2$ ) reveals that 12% of the fluctuations in OCF can be attributed to the intervention funds. Thus, it can be inferred that the effect of the intervention funds on the business finance of Micro, Small, and Medium Enterprises (MSMEs) is low. The results also indicates that the model employed to investigate the effect of intervention funds on operating cashflow is statistically significant, as depicted by the F-statistic's (21.193) p-value, which is below the critical threshold of 0.05 ( $p = 0.000 < 0.05$ ).

## **5. Conclusion and Recommendation**

Overall, the findings indicate that four out of the six intervention funds variables exhibited significant effects on each of the business finance variables. Consequently, in light of the results and findings, it can be inferred that the hypothesis is rejected, thereby resulting in the conclusion that intervention funds have a significant effect on business finance of MSMEs in South-west, Nigeria. It is recommended that intervention funds within the nation be structured as result-based financing. This entails that the designated program would solely provide assurance to banks to grant loans to MSMEs without requiring collateral and with reduced interest rates. Additionally, a first-time loan would be jointly financed by both the banks and the program.

### Conflicts of Interest

The authors have disclosed no conflicts of interest.

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