

GOVERNMENT FUNDING INTERVENTION AND SUSTAINABLE OPERATIONS OF MICRO, SMALL AND MEDIUM ENTERPRISES IN NIGERIA

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ABSTRACT

This paper investigated the effect of government financial intervention on the operations of the Micro, Small and Medium Enterprises (MSMEs) in Nigeria. Based on contextual analysis on relevant academic studies. The micro, small, medium enterprises (MSMEs) sector of the Nigerian economy, as discovered from the study, has been performing strategic role in promoting the economy: in encouraging start ups and entrepreneurial development; has a high capacity in providing employment for the teeming population of youths; contributing substantially to the country's export drive, poverty alleviation, gross domestic product (GDP), growth and development, and utilization of the available productive resources. Furthermore, this subsector of the economy is recognized for workforce employment, income generation and development of both technical and entrepreneurial skills, which is well documented in empirical literature, and will continue to be of great significance to the economy (Abu, 2024). In recognition of these inherent benefits of MSMEs to the economy, there have been some financial supports accorded by the government to the sector, among which are the CBN MSMEs Fund and TraderMonie. However, the study revealed that such financial supports have not made appreciable impact on their sustainable operations due to some intractable factors. Hence, this paper recommends that there is the pressing need to refocus the government financial support for these vital enterprises, such as equipment financing to obviate funds diversion while they fund their working capital through financial bootstrapping. Such approach is considered imperative towards ensuring the sustainable operations of the MSMEs for their robust contribution to the nation's economic growth and development.

Key words: Government; Sustainable Funding; MSMEs; Growth; Nigerian Economy.

INTRODUCTION

According to the World Bank (2020), MSMEs account for about ninety percent (90%) of business undertakings as well as more than fifty percent (50%) of employment worldwide. Belatedly, the well-established ones amongst the MSMEs provide about forty percent (40%) of the gross domestic income (GDP) in evolving economies in the world (PwC, 2020). Relatedly, it has been posited that small and medium-sized enterprises (SMEs) constitute significant source of employment for many people in developing

and developed economies but they face a major significant constraint of limited access to finance for funding their operations.

Regarding the contention of Chilambwe (2019), micro, small and medium enterprises (MSMEs) are the most common business undertakings in Zambia and many countries, and they constitute very significant benefits for the development of various market economies. The author further contends that such enterprises are known for creating and providing new job opportunities for the populace thus presenting a vital core of the

market economy. Empirical evidence from the well developed economies portrays that the sector micro, small, medium enterprises ((MSMEs) provide a basic link to the growth and development of their industrialisation and hence economic policy making for the entrepreneurship undertakings.

Ahmed (2022) observed that micro and small businesses (MSEs) create jobs at a low cost and assist society's progress toward wealth and growth, and individuals and their relatives are the main source of finance for the majority of MSEs in Ethiopia. In the view of Ofosu et al. (2015), SMEs through their contributions to employment generation, GDP Growth and increased tax revenue in Ghana “makes their operations a major pivot of economic growth to Ghana”.

The micro, small, medium enterprises (MSMEs) subsector of the Nigerian economy has been playing strategic role in: encouraging startups and entrepreneurial development in any country due to its high capacity in providing employment for the teeming population of youths; contributing substantially to the country's export drive, poverty alleviation, gross domestic product (GDP), wealth creation and food security; development of indigenous technology; and growth and development: and above all, the utilization of the available productive resources (Nwosu & Ochu, 2017; Fred et al., 2018; Adegbola et al., 2023).

Many Nigerians who are not economically empowered, found in the operations of micro, small and medium enterprises (MSMEs), do not have the capacity to save towards meaningful funding of such business entities; their savings should have constituted the first source in respect of funding their business establishments. Empirical evidence provides that such people do not have requisite collateral for accessing funds from the formal financial institutions. Hence, their quest to engage in sustainable business undertakings, particularly the operations of the MSMEs, is hampered by the serious issue of funding paucity, which also paints a general scenario in all less developed economies of the world (Adegbola, Araga, Alabi & Ibrahim (2023).

Such funding gap militating against MSMEs startups and development in the country prompted the government to institute some funding support in enhancing their operations. Such funding supports include, but limited to, the Anchor Borrowers Programme introduced in 2007 by the Central Bank of Nigeria (CBN) with which to create economic linkages between smallholder farmers (SHFs) and reputable companies (anchors) involved in the production and processing of key agricultural commodities.

The CBN Micro, Small and Medium Enterprises Development Fund (MSMEDF) was established in on August 15, 2013 with a capital fund of two hundred and twenty billion (N220b). This intervention programme was in recognition of the important contributions of such enterprises to the economy coupled with the existing huge financing gap in the country CBN (2013). The Central Bank of Nigeria in establishing the fund as an intervention programme.

There is also the Trader Moni scheme as one of the arms of the Government Enterprise and Empowerment Programme (GEEP) initiated by the Federal Government of Nigeria on the platform of its National Social Investment Programme. The GEEP was initiated in May 2016 as introduced by Buhari civilian administration to provide zero-collateral soft loans to traders, artisans and farmers, aiming to improve their standards of living by expanding their businesses (Odiase, 2020).

However, it has been observed that despite the fact that the Micro, Small and Medium Enterprises are an important part of the business landscape in the country; they are faced with huge challenges that compromise their ability to function and to contribute optimally to the economy. Militating factors against their effective operations include poor funding; low managerial skills; unfriendly business environment; failing infrastructure; bureaucratic bottlenecks and lack of access to modern technology (CBN 2011, Nwosu & Ochu, 2017).

Amongst all the constraints militating effective performance of SMEs, access to capital occupies a central position, lack of adequate financial

resources places significant constraints on SME development, especially in Nigeria. A large portion of the SMEs does not have access to adequate and appropriate forms of credit and equity (Nwosu & Ochu, 2017) despite the various funding support from the government over the years. The micro enterprises are harder hit in these circumstances. Hence, this study has been carried out to assess the militating factors against the effectiveness of government funding support for the MSMEs in Nigeria.

LITERATURE REVIEW

Nigeria, from empirical evidence, is plagued by stunted economic growth and development being ravaged by poverty, appropriate financial support from the government stands as a strategic conveyance towards enhancing the operations of MSMEs which concomitantly aids in improving the quality of life for individuals, families and communities and sustain a healthy economy and environment” (Petrin, 1994; (Adegbola, Araga, Alabi & Ibrahim, 2023). Studies by many scholars, such as Inyang and Enuoh (2009), Sanni (2009), Siyanbola et al. (2011), Onaolapo and Oladejo (2011), Abimbola and Agboola (2011), Chukwuemeka (2011), Evbuomwan et al. (2012), Osemeke (2012), and Adegbola et al. (2023), all indicate that the Nigerian government has formulated a series of public policies to stimulate MSME development and entrepreneurship.

The results of some past studies abound portraying that Nigerian government has enacted an array of policies and established several agencies to enhance the operations of the MSMEs and promote their development (Abimbola & Agboola, 2011; Abiola, 2011; Adegbola, Araga, Alabi & Ibrahim, 2023; Aisha & Abdullahi, 2024; Oni and Daniya, 2012; Siyanbola et al., 2011). Relatedly, the government also established an agency called Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) to coordinate government policies in entrenching

sustainable operations of the MSMEs in the country. Typical examples of the funding support for MSMEs include: the Small and Medium Industries Equity Investment Scheme (SMIEIS) which was designed to reserve 10 percent of their pre-tax profits for equity investment in MSMEs (EFInA, 2012; SMEDAN, 2010); and the CBN Micro, Small and Medium Enterprises Development Fund (MSMEDF) was established in on August 15, 2013.

As a precursor to the above funding programmes was the Anchor Borrowers Programme introduced in 2007 by the Central Bank of Nigeria (CBN) with which to create economic linkages between smallholder farmers (SHFs) and reputable companies (anchors) involved in the production and processing of key agricultural commodities. Furthermore, there is also the Trader Moni scheme as one of the arms of the Government Enterprise and Empowerment Programme (GEEP) initiated by the Federal Government of Nigeria on the platform of its National Social Investment Programme. The GEEP was initiated in May 2016 as created by Buhari civilian administration to provide zero-collateral soft loans to traders, artisans and farmers, aiming to improve their standards of living by expanding their businesses.

Conceptualization of Micro, Small and Medium Enterprises

The conceptualization of the MSMEs is subject to many views and definitions as they are authors and institutions. Hence, there are varied definitions of MSME given by various authors and institutions of which some are outlined below.

The definition of MSMEs in terms of number of employees, total assets and annual turnover vary from country to country, and from one organization to another. Below are a couple of definitions from foremost MSME.

Table I: Bank of Industry's (BOI) Definition for Micro, Small, and Medium-size Enterprises

Enterprise category / Indicator	Micro Enterprise	Small Enterprise	Medium-size enterprise
Number of Employees	≤ 10	$>11 \leq 50$	$> 51 \leq 200$
Total Assets (₦)	≤ 5 million	$> 5 \leq 100$ million	$> 100 \leq 500$ million
Annual Turnover (₦)	≤ 20 million	≤ 100 million	≤ 500 million

Source: PwC survey 2020.

The above description of MSMEs (Table I above) according to the Bank of Industry considers number of employees, total value of assets being used in operations, and the value of turnover of such enterprises. Such criteria for describing are very germane considering the fact that no business entity can be in operations without them.

Table II: SMEDAN National Policy on MSMEs Definition

Indicator / Size of the Enterprise	Micro Enterprise	Small Enterprise	Medium-size enterprise
Number of Employees	< 10	10 to 49	50 to 199
Total Assets (₦)	< 5 million	$\geq 5 < 50$ million	$\geq 50 < 500$ million

Source: PwC survey 2020.

The above description of MSMEs (Table II above), according to the SMEDAN on National Policy on such enterprises, is limited to only two criteria devoid of turnover but still very relevant in the operations of such business entities, and the value of turnover in such enterprises is taken for granted.

Table III: National Bureau of Statistics Definition of MSMEs

S/N	SIZE CATEGORY	EMPLOYMENT	ASSETS (# MILLION) EXCLU LAND BUILDINGS
1	Micro Enterprises	Less than 10	Less than 5
2	Small Enterprises	10 to 49	5 to less than 50
3	Medium Enterprises	50 to 199	50 to less than 500

Source: NNBS, 2019.

The above description of MSMEs (Table III above), according to the National Bureau of Statistics, on using only two criteria is similar to the that of SMEDAN being limited to only two criteria and also devoid of turnover but still very relevant in the operations of such business entities, and the value of turnover in such enterprises is also taken for granted.

Table IV: National Policy on MSMEs Definition

S/N	SIZE CATEGORY	EMPLOYMENT	TURNOVER (IN #MILLION)
1	Nano/Housestead Enterprises	1-2	Less than 3
2	Micro Enterprises	3-9	3-25
3	Small Enterprises	10-49	25+ but less than 100
4	Medium Enterprises	50-199	100+ but less than 1000

Source: The 2021-2025 National Policy on MSMEs

A comprehensive definition on the MSMEs has been advanced in National Policy on MSMEs. Hence, nano, micro, small and medium-scale enterprises are all captured in the taxonomy on their definitions. The new classification of the MSMEs in Nigeria as laid out in the revised National Micro, Small and Medium Scale Enterprise Policy (2021-2025) is as portrayed in Table IV above.

The working definition of the Micro, Small and Medium Enterprises (MSMEs) in this paper can only be formulated on the basis of the above explanations on the term. Hence, the definition of MSME in this paper, can only be based on the characteristics associated with their operations such as number of employees, total assets, and annual turnover.

Role of MSMEs in the Nigerian Economy

According to the Nigeria Bureau of Statistics 2004, SMEs represent about 96 percent of firms in the Nigerian industrial sector. Despite the dominance of SME in the country, however, they contribute as low as one percent of the nation's Gross Domestic Product (GDP). This is in contrast to countries like Indonesia, Thailand and India where SMEs contribute almost 40 percent. Also, the micro and small enterprises sector provides, on average, only about 50 percent of Nigeria's employment and 50 percent of its industrial output. No government can afford to ignore such a high contributor to its economy (Lawal & Abdullahi, 2024). The proportion of Nigeria micro and small enterprises and their impact on the economy are pretty much similar to those of other countries of the world, especially in advanced economies. These altogether employed more than 50 percent of the private workforce, and generate more than half of the

nations. Furthermore, the 2012 Enterprise Baseline Survey revealed that there are over 17 million Small and Medium Scale Enterprises in Nigeria, employing over 32 million people and contributing 46.54 percent of the nation's Gross Domestic Product in nominal terms (Nwosu & Ochu, 2017).

The MSMEs veritably constitute the bedrock of Nigeria's industrialization and inclusive economic development as well as the most important component of industrialization. In related terms, Micro, Small, and Medium Enterprises (MSMEs) are regarded to have a significant role to play, constituting the engine for economic transformation and industrialization for a developing country like Nigeria (NBS, 2019). Furthermore, NBS (2019) stressed the fact that the MSMEs from their operations, are inherently beneficial to the economy in ways such as enhancing and stimulating: income re-distribution; job creation and skills development for youths, women and even the elderly especially the retirees; adoption of technology & innovation for competitiveness; industrial diversification; and the GDP through the value chain in production.

According to the National Bureau of Statistics (20219), there are about forty one million, five and forty three and twenty eight (41, 543, 028) micro, small and medium enterprises in the country comprises the following:

I) Micro enterprises are about 41,469,947 (99.8%);

II) Small: enterprises are about 71,288 (0.17%); and

III) Medium enterprises are about 1,793 (0.004%)

Based on the above figures on micro, small and medium enterprises in the country that are spread all over the various states of the federation are indicative of the fact that the sub sector of the economy has tremendous capacity to create millions of jobs for the populace. Furthermore, such enterprises create incomes for their entrepreneurs and operators, which goes to reduce the level of poverty and unemployment in the country.

Theoretical Framework

This work is hinged on the *pecking order theory*. The theory holds that business entities can be more favorably disposed in the use of internal sources of funding in comparison with the external sources funds. This is because of “higher information costs associated with external financing” (Myers, 1984; Myers & Majluf, 1984). However, whenever the external funding is required, business entities tend to favour loan as a preference to equity funding arising from the higher information costs and inherent weakening of control (Myers, 1984; López-Gracia & Sogorb-Mira, 2008; Mac & Bhaird & Lucey, 2010). Empirical evidence provides that the pecking-order theory is prevalent in the operations of SMEs (Watson & Wilson, 2002; López-Gracia & Sogorb-Mira, 2008; Mac an Bhaird & Lucey, 2010) in which micro and small enterprises are in favour of internal sources of “financing or short-term external loans rather than long-term debts and equity” (Mac an Bhaird & Lucey, 2010).

Empirical Review

Related past studies were reviewed herein for this paper towards so as to bring forth some salient information of their applicable findings in relation to this study.

Adegbola et al. (2023) investigated the pattern of funding of SMEs in Nigeria and implications for their growth. The study was based on a sample of 1,800 SMEs from the six geopolitical zones in the country using questionnaire instrument. The result indicated that the financing pattern of the SMEs was tilted heavily towards the use of

internal sources particularly funds from personal savings of the operators, funds from relations and friends as well as cooperative societies and community funds. In addition, that the SMEs that have access to funds from external sources are few and far between, which made SMEs to heavily rely on the internal sources of funding thus perpetuating their weakness in operations and most of them therefore, could not generate sufficient funds with which to finance their working capital. The study recommends, among others, the Central Bank of Nigeria should ensure that its various funding schemes such as the Micro, Small and Medium Enterprises (MSMEs) Fund is devoid of restrictive conditionalities so that many of them can access the schemes for their operations.

Ahmed (2022) examined major factors that determine the growth of MSEs in the Siltie Zone, in southern Ethiopia based on a sample of 488 units using stratified and simple random sampling techniques with application of descriptive statistical tools and a binary logit model. Employment was employed as a growth indicator in the study. The findings of the study showed that out of the total sample, 49% of MSEs were growing and 51% of MSEs were not growing in terms of employment. The results showed that individuals and their relatives are the main source of finance for the majority of MSEs for two major reasons due to religion factor wherein majority of the respondents replied that access to credit is forbidden to Muslim followers. The second reason being unwillingness to access credit; they fear the high interest rate of debt, the complexity of the procedure, and the lack of collateral in addition to that access to infrastructure, access to finance and government policy other major factor affecting MSEs engaged in construction sector.

The study of Ahmed (2022) also revealed that the major drives affecting growth of MSEs engaged in manufacturing sector are access to infrastructure, working premises, government policy and market linkage. Factors such as lack of access to finance, absence of market linkage and poor business management capacity are factors hindering growth of MSEs operating within trade subsector. In addition, access to infrastructure, market place and government policy were the

determinant factors affecting the growth of MSEs operating in the service sector. Access to working premises, market linkage, government policy and owner motivation are affecting the growth of MSEs operating urban agriculture sector. Hence, the paper recommended that government organizations concerned with the promotion and development of MSEs needs to work with the factors in each sector for economic growth.

Adegbola, Araga, Alabi & Ibrahim (2022) assessed the influence of the 2013 Central Bank of Nigeria MSMEs fund on the growth of entrepreneurship in some Nigerian states using on a quantitative approach to data gathering and analysis as an exploratory study based on a survey approach. Questionnaire instrument was administered on 720 SMEMs from selected six geopolitical zones of the of Nigeria. Data collected analyzed using SPSS 23. Results demonstrated a strong positive association between the growth of entrepreneurship in a few Nigerian States and the CBN MSMEs fund. Conditions for MSMEs in Nigeria to obtain CBN funds are another crucial aspect that propels the growth of entrepreneurship in the nation. The study suggests, among other things, that: a vigorous campaign be used to inform MSMEs' operators of the fund's existence in order for majority of them to benefit from it; sufficient funds be granted to some businesses, especially the micro and small ones, in order to meet their operational working capital needs; and the time between documentation and the release of funds by participating banks be shortened.

PwC (2020) reported, based on its MSME survey, that access to funds for operations represents the major difficulty confronting the SMEs and the micro enterprises in Nigeria. The report identifies that adequate funding of the enterprises is sine qua non to the growth and development of such enterprises. The scenario is such that "the credit situation for the SME "is notoriously characterized by market failures and imperfections". The implication is that between 50% and 70% of SMEs are trapped in "unserved and underserved" conundrum in respect of credits from financial institutions. Therefore, a huge credit gap exists particularly in Nigeria, and this has been aggravated by the advent of the COVID-

19 pandemic. Evidence from the National Bureau of Statistics (NBS) as captured in PcW (2020) MSME survey report, not up to 5% SMEs in Nigeria could generate "adequate finance for working capital" and by extension financing their operational expansion and development but paradoxically still have been able to generate about have of the volume of GDP in the country.

According to OECD (2019), based on report from a study on SMEs and entrepreneurs' access to finance over the period 2007-17 covering 46 sampled countries across the globe, excluding Nigeria, showed overall positive trends in financing of SMEs but with some implicit very large cross-country variations. For instance, in countries that were most affected by the financial crisis, SME access to finance is still struggling to recover. In some large emerging economies, where the economic climate has remained difficult, indicators point to a deterioration in SME access to finance in recent years. Moreover, in a number of large developed economies, many countries have initiated or expanded initiatives to address persistent structural finance gaps confronted by SMEs in recent years, with the aim to strengthen their resilience and embrace digital opportunities. In this context, the adoption of a suitable regulatory framework or the development of targeted policies to foster the Fintech industry have become more widespread in recent years.

Alabi and David (2019) evaluated the impact of government policies on business growth of small and medium enterprises that operates in six states that made up the South-west geopolitical zone of Nigeria using descriptive ex-post facto type with primary and secondary data. Structured questionnaire was used on sampled respondents and descriptive and inferential analytical techniques of the SPSS packaged to analyze data. The research result showed a significant relationship between government policy and business growth of Small and Medium Enterprises (SMEs) in South Western Nigeria, which indicate the need for government to formulate and implement policies that will help ensure the optimal performance and subsequent survival of small scale businesses in the country. Furthermore, the country's monetary policies and

macroeconomic indicators ought to be modified, to become more suitable for SMEs operating in the country, and the various levels of government in the country to embark on the massive infrastructural development.

Chilambwe (2019) investigated the influence of government policy on small medium enterprises' (SMEs) growth in Zambia. Micro, small and medium enterprises as the most common form of enterprise in many countries are very significant for the development of their market economies. They are the main creators of the new working places and they present a vital core of the market economy. The experiences of well-developed countries show that the sector of micro, small, medium enterprises is a basic link to the growth and development of their public economy. Policy making in the entrepreneurship field is complex and messy. Many areas of government policy affect levels of entrepreneurial activity. The mix of policy options will depend on a number of factors, including the prevailing attitudes of the population towards entrepreneurship, the structure of labor force, the size and role of Government, the prevalence of existing level of entrepreneurial activity and the existing MSMEs.

It is common place for Governments to have policies to encourage the growth of local micro, small, medium enterprises as they can help to directly alleviate poverty by increasing income levels and creating jobs (Nnajiofor et al., 2024). This paper evaluates the government policies with respect to the MSMEs, and the performance of these enterprises in relation to these policies and assistance. In particular the article concentrates on the growth of entrepreneurship within the micro, small and medium sized enterprises in Zambia. In addition, it also considers the contribution of MSMEs towards the country employment generation. The global market has changed considerably as also the activities of MSMEs. Today, for business to survive, dynamism and entrepreneurship must exist in its fullest degree. We found in the records of MSMEs development that, those countries have succeeded in achieving higher growth of

MSMEs, who have given much more emphases on Entrepreneurship Development program.

The study of Eniola & Entebang (2018) revealed the salient SMEs characteristics, high borrowing cost due to lack of collateral, entrepreneur specific characteristics, poor business enablers, low profitability, lack of entrepreneurial traits. The study further revealed that: micro and small enterprises cannot gain financing provision as they are smaller in size and their credit rating is lower; these enterprises cannot expand and, since most SMEs operate with labour intensive technology, they find it less easy to shift from one product line to something radically different which means their economic activities cannot be diversified; and have to rely on informal sources of financing with fewer of choice of sources of financing provision.

The study of Masiak et al. (2017) on financing patterns of European SMEs by assessing a large number of different financing instruments and their complementary and substitutive effects based on an empirical taxonomy of SME financing patterns in Europe, applying cluster analyses, revealed that European SME financing is not homogenous, but that different financing patterns exist such as: loans, retained earnings, sale of assets, state-subsidies, trade-finance asset-based finance, and internal funds.

In a study on the sources of funds available for the development and growth of SMEs in Nigeria by Watse (2017), based on mixed methodology approach of desk research and interview instrument, which was administered on some SMEs in Kano, and Lagos in Nigeria. The enterprises used were the ones with a capitalization of between N5 million to N500 million. The result showed that the themes on financing of SMEs include personal savings, family, business associates, credit suppliers, government, and banks.

The study of Nwosu et al. (2016) was conducted on the operating environment and circumstances of Small and Medium Scale Enterprises in Nigeria with a view to actually identifying why SMEs are not playing major roles in the Nigerian economy as in other economies. The random sampling method was employed and responses to

the questionnaire were complemented with personal interviews of key operators. Findings revealed that SMEs have performed below expectation in the development of Nigeria economy due to a combination of factors.

Eniola and Entebang (2018) reviewed the relationship between government policies and small and medium enterprises (SMEs) performance in Nigeria. SME firm was selected because they hold an important position in the economy, especially from the point of persuasion of the growth of local and regional economic systems. This is important for at least three parties, clients, companies, and the relevant authorities' bodies, to strategize on continuing the existence of the effect in SMEs by accordingly controlling the selected elements. This study found the relationship between government policy and SME firm performance. Likewise, government policy has a major impact on the competitiveness of SMEs. In additionally, the study indicated that SME firm performance varies with the choice of the government policy they adopted. Hence, conceptually, the survey showed that the performance of SME varies with the choice of the government policy, spatial relations and guidelines of government, schemes and incentives and support arrangements for the individual sector. Furthermore, micro and small enterprises cannot gain financing provision as: they are smaller in size; their credit rating is lower or non, they cannot expand and, since most SMEs operate with labour intensive technology, they find it less easy to shift from one product line to something radically different which means their economic activities cannot be diversified; and they have to rely on informal sources of financing with fewer of choice of sources of financing provision.

Ofosuaa et al. (2015) delved into the general contributions of Small and Medium-scale Enterprises (SMEs), the perception of owner managers or entrepreneurs of SMEs and goes on to further determines the long-term strategies that would sustain their existence in Ghana and make them a formidable force and pillar to the nation's development. A total fifty (50) copies of questionnaire were administered to various entrepreneurs to ascertain their perception of role

played in the economic development of Ghana out of which only forty (40) copies representing (80%) were properly completed and retrieved and supplemented with interview. Statistical method employed for analysis was the simple percentage. Results showed that SMEs through their contributions such as employment generation, Gross Domestic Product Growth and Increase in Tax Revenue in Ghana makes their operations a major pivot of economic growth to Ghana. The researchers therefore concluded that for a nation irrespective of its economic ideology to achieve meaningful and sustainable development, adequate attention must be given to wide spread of economic activities through entrepreneurship and small and medium scale enterprise generation

According to Rupeika-Apoga (2014) in his work on the access of SMEs in three Baltic States using secondary information, the difficulties in SMEs financing and also highlighted importance of alternative resources of external financing for small developing countries such as the Baltic ones and the need to support the design and evaluation of policy measures and to monitor the implications of financial reforms on SMEs' access to finance.

Quaye and Sarbah (2014) in a study on the diverse sources of finance to SMEs in Greater Accra Region of Ghana revealed that savings and loans companies were a reliable and alternative source of finance to SMEs in Greater Accra Region; reflecting on the neglect of SMEs' financial needs from banks, as an opportunity to serve the SME private sector businesses. The authors provide that nevertheless savings and loan companies face challenges lending to SMEs in Ghana, which included asymmetry of information, the unusual informal nature of business ownership, and a low level of managerial and financial literacy.

The study of Ogboru (2007) on the alternative funding arrangement available to the SMEs sector in Nigeria based on a survey approach revealed that the major sources of credit available for the establishment and expansion of SMEs in Nigeria include personal saving, banks and cooperatives while generally, different sources of credit available to the SMEs include among others financial institutions, government

agencies, non-governmental organizations, personal savings, friends and family, international donor agencies, cooperatives. The study concluded that it is important to consider conditions that would ensure sustained growth in this sector such as specific incentives to assist its development; development of markets for financial services suited to the special characteristics of SMEs by promoting product innovation and building institutional capacity; improvement in the provision of infrastructural facilities; easy accessibility to credit through specialized or development oriented banking or financing institutions and at preferential interest can go a long way to boost the sector.

Kasekende and Opondo (2003) investigated the economic rationale for intervention in support of Small and Medium Scale Enterprises (SMEs) from both theoretical and empirical perspectives in Uganda. They argued that the inherent weaknesses of SMEs hinder access to financial services. Specifically, the reasons given for supporting SMEs are basically to increase access to financial markets and other services; and to reduce policy-induced bias against them. The Ugandan government and other institutions made significant strides to accelerate the development of markets for both the financial and non-financial services suited to SMEs through the promotion of innovation in products and delivery mechanism and by building institutional capacity. Despite the support, the SMEs have to do more, themselves, to overcome some of the challenges they face.

While existing research has extensively covered the challenges and government intervention for operations of MEMEs, there remains a gap in understanding how these financial supports can be more effectively channeled to ensure sustainability. This study addresses this gap by proposing a refocused approach to MSME funding in Nigeria.

METHODOLOGY

This study conducted a contextual analysis by reviewing relevant literature on the funding of Micro, Small, and Medium Enterprises (MSMEs)

in Nigeria. The research synthesizes findings from academic journals, reports, and policy documents to critically assess the effectiveness of government financial support. By focusing on key themes related to MSME development and economic growth, the study provides a comprehensive overview of existing knowledge and identifies gaps that inform the paper's recommendations. Hence, this study was based on contextual analysis of past studies by some authors. Therefore, the materials in this paper were obtained through the analysis of the results of past studies that are relevant to this paper. This implies that publications in mostly academic journals were employed in this investigation.

RESULTS AND DISCUSSIONS

The findings from the reviews as presented in this subsection of the paper were obtained mainly from journal publications and other credible academic sources. The findings of the conceptual reviews as presented in this subsection of the presentation were based on the outcomes of the various papers reviewed as regards the empirical studies.

Sources of Funding for MSMEs in Nigeria

It was discovered from the various journal papers reviewed that the main sources of funding of the MSMEs included personal savings of the business owners, family source, loans from varied sources, cooperative societies and 'esusu', grants and other sources. In terms of magnitude, the personal savings constitute the highest magnitude. The breakdown is as follows:

i) Personal Savings is most common source of capital of staggering magnitude, for the MSMEs (business) entities. Essentially, the funding magnitude of this source has risen considerably overtime;

ii) Family source of funding for these business entities is next in the pecking order and magnitude, for funding the working capital in operations of MSMEs.

iii) Loans as obtained from various sources closely follows and being utilized in funding both asset acquisitions and working capital of MSMEs undertakings;

iv) Cooperative/Esusu round out sources of capital for Micro Enterprises; and

v) Thrift Society: Funds from thrift societies in which members engage in monthly contributions that will accumulate overtime and shared amongst the contributors; the members of the scheme.

For SMEs who had access to bank credit, deposit money banks were the main source of these funds (over ninety percent) in staggering magnitude, while small magnitude of the funds were accessed credit from Micro-Finance Institutions, and an insignificant magnitude of the funds was obtained from Development Institutions such as the Development Banks and other government financing agencies.

Role of MSMEs in Nigerian Economy

The fact is that the MSMEs from their operations, are inherently beneficial to the country's economy in ways such as enhancing and stimulating:

- I) income re-distribution;
- II) job creation and skills development for youths, women and even the elderly especially the retirees;
- III) adoption of technology & innovation for competitiveness;
- IV) industrial diversification; and
- V) the nation's GDP through the value chain in production.

Prevailing Problems inherent in Government Financial Support

There are a myriad of obstacles or problems associated with the financial support of government financial support as discovered from the study, among which include the following:

1. It was discovered that the pervasive or endemic corrupt practices in the business operations tended to make the operators of MSMEs not to maintain financial records for fear of being used by the external interests to charge appropriate tax liabilities and enforcing loan repayment and interest payments on them as that when such obligations are due.
2. Majority if not all of the operators of the MSMEs tend to indulge in inanities and frivolities once they lay their hands on the cash inflows from the government financial assistance, while neglecting effective management of the business; resulting in poor leadership, supervision and control, etc.
3. Most of the business entities (MSMEs) depend on their family members, relatives, and friends' relations to run their business. This does spell embezzlement of funds, mismanagement of cashflows, poor financial records for sales and revenue from operations.
4. The officials of government and participating financial institutions (PFIs) have been known to divert business funds into their personal accounts and private pockets while accusing the loan beneficiaries of not meeting up their obligations on regular repayment of loans and loan servicing through interest payments.
5. Some operators of the MSME are never aware about the availability of the government financial support due to lack of access to information and secretiveness of the handling of such funds by the participating financial institutions (PFIs). In the absence of information, those operators or entrepreneurs do not even know how to access the funds or where to go for application and documentation before accessing it.
6. Most entrepreneurs and/or MSMEs operators still prefer to patronize the services of the traditional financial institutions such as cooperative societies, thrift unions or "esusu", and local money lenders to secure funds with which to run their business. They claimed that that is how their fathers financed their business entities because of close knit relationship that exists between them and other members of such

institutions. Above all, they live in the same communities as neighbours who understand the nature of their respective business operations, and they would be ready to bear with them whenever they default in loan repayments.

7. Micro and small enterprises cannot gain financing provision as they are smaller in size and their credit rating is lower.
8. These enterprises cannot expand and, since most SMEs operate with labour intensive technology, they find it less easy to shift from one product line to something radically different which means their economic activities cannot be diversified.
9. These enterprises have to rely on informal sources of financing with fewer of choice of sources of financing provision.
10. Above all, the amount of financial support being accorded particularly the micro enterprises is too meagre as if the government does not want to grow and achieve sustainable operations. For instance,

CONCLUSION AND RECOMMENDATIONS

The main objective of the paper was to investigate the role of MSMEs and government sustainable funding of their operations in order to enhance their contribution to the growth and development of Nigerian Economy. The study provided that an array of financial supports has been used to help these enterprises but not enough to guarantee their meaningful contribution to the growth and development of the nation's economy.

Based on the above findings of the study, it is recommended that the financial assistance from the government should be refocused by channeling the funds through supply of equipment and machines while the working capital of such business entities be financed through the bootstrapping by the business owners and entrepreneurs. Such approach for the financial support from the government would obliterate possibility of fund diversion and their personal savings and funds from family members

would be utilized for the working capital of the business operations.

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