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ISTANBUL AYDIN UNIVERSITY

INSTITUTE OF GRADUATE STUDIES

THE IMPACT OF TRADE CREDIT ON SMALL AND MEDIUM ENTERPRISES IN NIGERIA

MASTER'S THESIS

Oluwabunmi Philip OTENIYA

Department of Business

Business Administration Program

MARCH, 2021

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Thesis Instructor: **Prof. Dr. Erginbay UĞURLU**

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ONAY FORMU

DECLARATION

I hereby declare with respect that the study “the impact of trade credit on small and medium enterprises in Nigeria”, was written without any defilement of scientific ethics from the introduction phase to the conclusion of the study and the sources were being referenced accordingly.

Oluwabunmi Philip Oteniya

FOREWORD

This thesis is written in completion of the Master`s Program in Business Administration, at Istanbul Aydin University. The research is focused on "the impact of trade credit on small and medium enterprises in Nigeria".

First and foremost, all thanks to the Almighty God for making the program a success. Also, my profound appreciation goes to my thesis supervisor Prof. Dr. Erginbay UĞURLU who never felt demotivated by my endless mistakes, words alone cannot describe my gratitude, I say thank you, sir. I would also like to present my gratefulness to my parents (Mr & Mrs Oteniya) for their endless support towards the success of this programme, including my friends and family.

May God bless you all.

March 2021 **Oluwabunmi Philip OTENIYA**

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THE IMPACT OF TRADE CREDIT ON SMALL AND MEDIUM ENTERPRISES IN NIGERIA

ABSTRACT

SME's are basic for the advancement of any economy since they structure the weight of financial commitment in creating economies. Trade credits are one of the stimulators of the economy and SMEs. The connection between trade credit and SMEs cannot be belittled which enables this study to examine the impact of trade credit on small and medium enterprises using Nigeria as a case study. We used questionnaire to collect data. The empirical section is started with frequency analysis. To test the hypothesis constructed, logistic regression and correlation analysis are used. The results show that the cost of trade credit affects SMEs positively and significantly. The credit grant has a significant and positive effect on SMEs. Government restriction has no impact on SMEs.

Keywords: *Trade Credit, SMEs, Loan, Business, and Government Restriction.*

TİCARET KREDİSİNİN NİJERYA'DAKİ KÜÇÜK VE ORTA İŞLETMELER ÜZERİNDEKİ ETKİSİ

ÖZET

KOBİ'ler, ekonomilerin yaratılmasında finansal taahhüdün ağırlığını yapılandırdıkları için herhangi bir ekonominin ilerlemesi için temeldir. Ticari krediler, ekonominin ve KOBİ'lerin uyarıcılarından biridir. Ticari kredi ve KOBİ'ler arasındaki bağlantı küçümsenemez, bu da bu çalışmanın Nijerya'yı bir vaka çalışması olarak kullanan küçük ve orta ölçekli işletmeler üzerindeki etkisini incelemesini sağlar. Veri toplamak için anket kullandık. Ampirik bölüm, frekans analizi ile başlar. Oluşturulan hipotezi test etmek için lojistik regresyon ve korelasyon analizi kullanılır. Sonuçlar, ticari kredi maliyetinin KOBİ'leri olumlu ve önemli ölçüde etkilediğini göstermektedir. Kredi tahsisi KOBİ'ler üzerinde anlamlı pozitif etkiye sahiptir. Devlet kısıtlamalarının KOBİ'ler üzerinde hiçbir etkisi yoktur.

Anahtar Kelimeler: *Ticaret Kredisi, KOBİ'ler, Kredi, İşletme ve Devlet Kısıtlaması.*

1. INTRODUCTION

1.1 Study Overview

Trade is an important stimulator of growth and development nevertheless, to be operative, suitable funding and size structure aid is crucial. Funds and funds insurance support to encourage the wheels of trade by connecting the gap between exporters' and importers' differing potentials about when payment is expected to be made. This is thus vital to recognize funding gaps and discourse it at when needed. However, trade credit typically requires short-term conditional payment of sales of intermediary products. It can be described as keeping the payment approved by the creditor or raw material supplier against the purchased goods. In a broader view, trade credit refers to both trade payables and trade receivables, while trade payables serve as a source of funds, the receivable represents the supply for funds (Bhole & Mahakud, 2004). When the goods and services are traded, the supplier often allows the purchasers some time before payment are made. During this interval of time, the buyers receive credit whose volume is not under the control of the authorities. Comparing trade credit with loans, trade credit is usually not subjected to specific, formal contracts between the borrower and the lender (Cuñat & Garcia-Appendini, 2012).

Trade credit exists from the global practice in the business world of several transactions taking place without spot payments (Bhole & Mahakud, 2004). Trade credit is an agreement between a sellers and buyers where the supplier enables deferred payment for its goods (Mian and Smith, 1992), rather than cash payment. As said by Lee and Stowe (1993), this is part of a mutual product and monetary agreement where a business sells product and at the same time transfers the credit to the buyer for the purchase. Trade credit plays a significant part in the strategy of firm financing. For the supplier, it is a source of funding via accounts payable, whereas with the supplier, trade credit is an asset in accounts receivable.

Small and Medium-Scale Enterprises are basic for the advancement of any economy since they structure the weight of financial commitment in creating economies. SMEs definition changes starting with one nation then onto the next, contingent upon the degree and scope of exercises secured by them and the measure of capital required to fund their tasks. SMEs in Nigeria are those organizations with an advantage, barring area and working, of at least 5m Naira and not more than 500m Naira, with the quantity of representatives at the very least 10 and not more than 200 (NBS, 2013). SMEs are major contributors to key development indicators which are confronted with many difficulties that limit their profitability and growth (Aliero & Yusuf, 2015). Researches on SMEs profitability and development have showed that low profit and failure rate in developing economies is higher than in the advanced economies (Arinaitwe, 2006). Banks have become increasingly unable to meet the rising request for credits by private and public enterprises.

The huge interest in small and medium enterprises and entrepreneurship is likely due more to awareness and acceptance among decision makers and international bodies of the issues of poverty and unemployment than to any change in attitude among economic experts in economic development. SMEs form the bulk of the manufacturing base in many developed countries contribute greatly to the exports including to the GDP (Kharbanda, 2001). Bello & Mohammed (2015) Say that the potential of small and medium-sized businesses is apparent in their labor-intensive nature, capital-saving ability, productive use of the available resources on a few inputs, flexibility, innovation and close relations with other economic sectors. Which essentially describe why SMEs are the favorite of policymakers and governments worldwide (Bello & Mohammed, 2015). The Nigerian government at different stages has established numerous policy measures designed to boost small business output to alleviate poverty and improve economic growth (Akande & Ojokuku, 2008).

1.2 Problem Identified

SMEs are very important component of the industry sector of the Nigerian economy, but they are still faced with challenges that hinder performance and growth. In a country like Nigeria, SMEs generate a significantly higher proportion to GDP relative to other developing markets (Oyelaran-Oyeyinka, 2010). SMEs face the best jumps in getting to financing on moderate terms.

Finance is being described as the key indicators that militate against the growth of SMEs in Nigeria (Lawson 2007). Recognizing this challenge in the availability of credit for trading purposes, the Nigerian government established small and medium-sized businesses as key intervention areas. It was centered on the government's willingness to help the country's medium and small-sized businesses as a strategy to fulfill its determination to the development strategy and policy. (Patrick, 1966) notes out that the biggest impediment to SMEs 'access to development is deficiency of adequate to a low-priced and productive means of funding and classified small and medium-sized businesses as a prerequisite in certifying that the Government's objectives in the areas of alleviating poverty, job development, creation of wealth and value orientation are achieved.

This is of specific worry as SMEs are a main driver of trade, work what's more, financial improvement. Literature appears that SMEs face these obstacles in both created what's more, creating nations, yet the difficulties are most noteworthy in lower income nations. This will in general be because of their moderately little banking segments and the absence of craving among worldwide financial related foundations to work together in those nations – an issue which has expanded essentially since the financial related emergency. The number of SMEs in Nigeria currently stands at 72,838; employing about 1.9million people (SMEDAN & NBS 2013), compared to India with 36.2million SMEs and employing 101.2million people or Vietnam with 242,453 SMEs and employing 32.5million people (Saurabh,2015). Furthermore, Nigeria SMEs account for about 90percent of the industries in terms of the figure of companies, but donate just around 1 % of GDP in contrast to 40percent in Asian nations and 50percent in the United State and Europe (Oyelaran-Oyeyinka, 2010).

There is the requirement for SMEs to assess and get to elective wellsprings of funds accessible for interest in taking care of deficient financing issues and given that trade credit offer numerous potential advantages to a creating economy particularly to SMEs that may have open door for development and expanded benefit. This however necessitates this research to investigate the impact of trade credit on the Nigerian SMEs profitability.

1.3 Study Questions

The research answers the following questions:

- What are the factors affecting SMEs assessing trade credit in Nigeria?
- How does trade credit impact on the profitability of SMEs in Nigeria?
- What is the correlation between trade credit and profitability of SMEs in Nigeria?

1.4 Other Specific Objectives

The broad objective of the research is to determine trade credit dynamics on the profitability of SMEs in Nigeria. The sub-objectives are to:

- Examine the factors affecting smes accessing trade credit in Nigeria.
- Determine the impact of trade credit on the profitability of smes in Nigeria.
- Investigate the correlation between trade credit and profitability of smes in Nigeria

1.5 Study Hypotheses

H_o: There is no relationship between factor affect SMEs accessing trade credit in Nigeria.

H_1: There is a relationship between factor affect SMEs accessing trade credit in Nigeria.

H_o: Trade credit has significant and negative impact on the profitability of SMEs in Nigeria.

H_1: Trade credit has no significant and negative impact on the profitability of SMEs in Nigeria.

H_o: There is no significant correlation between trade credit profitability SMEs in Nigeria.

H_1: There exist significant correlation between trade credit profitability of SMEs in Nigeria.

1.6 Purpose of the Study

This study examined trade credit effects on the Nigerian SMEs. Specifically, the findings from this study provides knowledge for entrepreneurs about alternative sources of finance available for business. It suggests how SMEs can determine the magnitude of trade credit impact to their profitability. Also, it guides policy makers and regulatory authorities in the formulation and implementation of relevant policies. Lastly, it adds evidence by providing an insightful knowledge to the existing literature about trade credit in the Nigerian economy.

1.7 Scope of the study

The goal of the study is to examine the influence of trade credit on the performance of the Nigerian SMEs. However, Ekiti State, Nigeria shall be purposively used as the study area.

2. CONCEPTUAL FRAMEWORKS

2.1 Conceptual Frameworks

2.1.1 Small and Medium Businesses

The idea of small and medium-sized companies differs from country to country, based on the level and range of options they perform, and the amount of capital needed to fund their activities. The SMEEIS (Small and Medium Enterprise Equity Investment Scheme) described SMEs as entities with a capital base of no more than 500 million naira except land and working capital, and employees of no less than 10 and no more than 300 (CBN 2010). In general, SMEs are referred to as the consequence of sustainable innovation and proper growth in emerging economies (Lalkaka, 1997). SMEs are labour intensive, investment-saving and generating many new jobs and resources.

2.1.2 Trade Credit and Its Role

Trade credit is the imperative working capital base provided by the organization. This applies to delay of payment of the products or goods acquired from the manufacturer of products. There exist three vital constraints in finance such as loan amount: cost of return and prepayment time of the loan. For this, the bill is the sum of credit, the rate of return is basically zero, and the balance limit is the loan limit given in terms of payment. Additionally, trade credit is alluded to as a random form of funding. In most companies, whether new or old, it is a significant source of capital funding. Figure 2.1 shows usage of trade credit as alternative finance by European SMEs. It can be observed from the figure that, irrespective of the age, about 30% of European SMEs has been financed by trade credit.

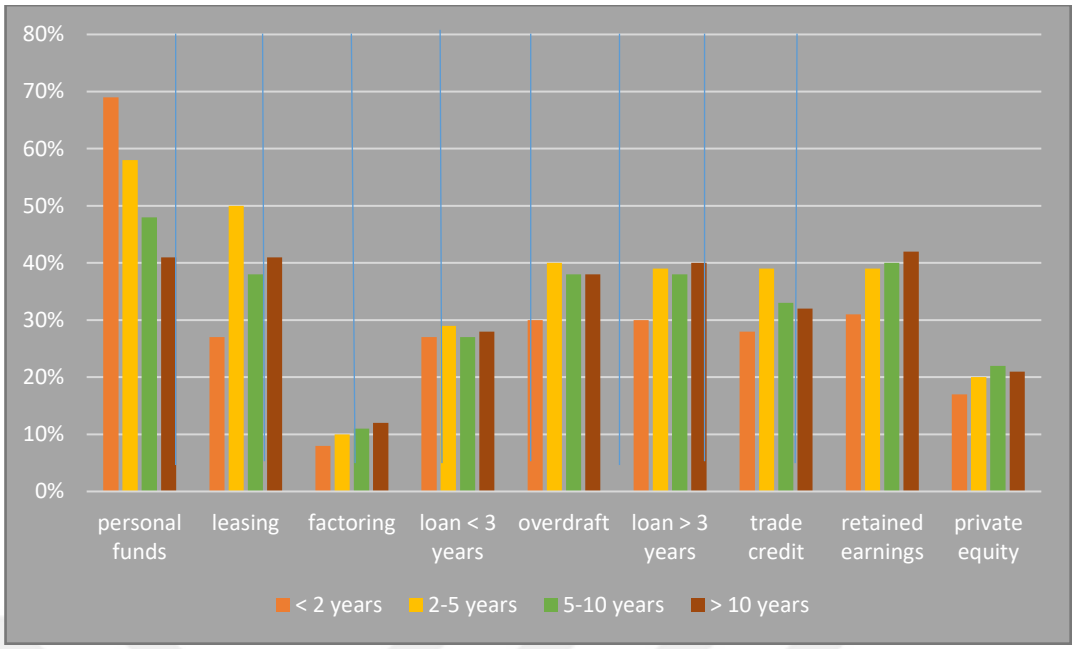

Figure 2.1: Use of Trade Credit and Other Financing Source by EU SME Age Class in 2010

Source: Oxford Economics (2011)

2.1.3 Sources of Finance for SMEs in Developed Economies

Many SMEs do not become multinationals, due to common challenges in their early stages, such as seeking the right form of financing at a fair rate to start and develop the enterprise. SMEs' capacity to create, expand, maintain and improve is center by their potential to obtain and handle finance. SMEs may get the requisite financing from a variety of various credit derivatives, such credit derivatives provide informal financing that applies to all transactions, loans and deposits that exist beyond the central monetary authority 's control (Atieno, 2001). These capitals may come from personal deposits, family borrowings or export credits.

Another form of financial instrument is internal finance. Internal finance is the way of raising capital from the activities of an organization, like sales, retained earnings and working capital (Atieno, 2001). Likewise, trade financing, which is refer to a means of monetary source to SMEs, naturally takes the form of lines of credit and term loans that have to be repaid over time, usually with interest. The majority of debt financing is provided by banks including corporate bonds.

2.1.4 Credit and Markets Access

The plausibility of getting exchange credit is identified with the client's reliability. Businesses with more finance quality, estimated by factors, for example, size and age, ought to get more finance from their providers. Nonetheless, bigger and more established businesses may likewise possibly utilize less credit from their providers, since they can go to different wellsprings of fund as an outcome of their credit limit and notoriety. Nonetheless, Berger and Udell (1998) posed that trade credit is increasingly significant when firms are littler, more youthful and progressively hazy. In an example of Finnish SMEs, that bigger and more seasoned firms utilize less exchange credit than littler and more youthful ones (Niskanen & Niskanen, 2006). From this point of view, a negative connection between trade credit and firm age and size is expected. SIZE is determined as the logarithm of the deals and the age is characterized as the logarithm of (age+1) where the age is the quantity of years since the establishment of the firm.

2.1.5 SMEs in the Content of Nigeria

In Nigeria, observational report demonstrates that a gauge of 70% of the modern work is held by SMEs and over half of the GDP is SMEs created. Given the impact of SMEs to the economy of Nigeria, different systems of government since autonomy during the 1960s, have concentrated on different projects and spent massive measure of cash with the essential objective of building up this part, these have anyway not yielded any noteworthy outcomes as clear in the current situation with the SMEs in the nation. The circumstance is similarly predominant in the Nigerian economy where business banks regularly want to loan to government, exchange remote trade, and financing purchasing and selling. An investor in Nigeria apropos put such inclinations that "the banks are not a philanthropy, consequently for what reason should they go for broke with SMEs when they can earn substantial sums of money somewhere else". These inclinations and propensities of the business banks have intensified the absence of financing for SMEs which has likewise influenced the monetary development. The financial structures of each country assume a key role in economic growth and expansion, although the willingness to take on this job sufficiently and effectively depends to a large extent on the degree of advancement of the money-related system. In Nigeria, the circumstance is much progressively pervasive as verified (Olutunla & Obamuyi, 2008).

2.1.6 Criticism of Trade Credit Finance

The drawbacks of using trade credit include lack of reputation, higher raw material rates, the potential cost of discount, management costs and, in the worst of cases, the manufacturer could even be avoided. Opportunity loss of early payment discount if the buyer enjoys trade credit is one of the criticisms of trade credit because it can result in increased raw material cost. To begin with, the idea that the manufacturer reduces the quality of the products, leading to a similar rise in the buyer's quality of finished products though finished products with higher costs in a dynamic market are hard to maintain. It is an established fact that price is a major influence in commodity production. Higher rates may have a negative effect on the purchaser's appetite for goods.

The possibility of loss of good will is another criticism of trade credit. Some managers tend to delay payments till the last point possible. Yet in the absence of a prompt payment they remain ignorant of the issues presented by their manufacturers. This concept influences the firm's reputation in the market over a stretch of time. The manufacturers will come to know about the purchasing firm's payment delays and will first entertain other customers. The company may face issues such as late delivery, no emergency supplies etc. Nevertheless, irrespective of the criticisms, trade credit finance remains an integral alternative finance for businesses, particularly for SMEs. Huyghebaert, Gucht and Hullepaper (2007) investigated the option between corporate debt and commercial credit in start-ups showed that, while trade credit is now more costly than bank debt, manufacturers appear to follow a more slow liquidation strategy while consumer businesses are in financial anguish. Suppliers may often renegotiate the unpayable balance or raise new debt, while banks are much more likely to liquidate default debtors. Due to the uncertain nature of start-ups business, it is asserted that the choice of debt instruments by the entrepreneur represents these discrepancies in the liquidation strategy between borrowers and is thus dictated by the probability of default, the private control benefits of the entrepreneur lost on liquidation and the liquidation value of corporate assets.

2.1.7 Credit to SMEs

Credit Provision also known as lending is a legal role of any bank. While relating bank historic presence with its borrowing function, a little clarification here demonstrates that banks were paying enthusiasm on stores kept with them (Ubesie, Onuaguluchi & Mbah, 2017). What's more, for bank to pay enthusiasm on stores, they probably been loaning out the cash to clients who pay them premium or more likely than not been contributing the cash somewhere else for benefit. Loaning is maybe one of the most significant jobs performed by store cash banks. These banks for the most part assume their intermediation job by sourcing for assets through stores from clients and loaning such assets out as advance which might be on present moment, medium-term or long-haul premise to corporate bodies, government at different levels, organizations and people. The act of loaning by store cash banks basically comprises the rotate of their tasks and business. This is the more reason which advises their arrangement regarding impressive skill and deftness with respect to the bank supervisory groups on loaning organization and the executives.

Ekundayo (1994) pointed that the banks have been showing important contributions in the growth of the economy of Nigeria by organizing, mobilizing and distributing fabulous volumes of resources in form of funds to the public and private investors in the economy. Oke and Aluko (2015) demonstrate that the key reason banks want to deposit is to encourage them to offer credit is to gain interest. Essentially, growing credit is the main target that banks have with real division, serving as an impetus and leading to economic growth.

2.2 Theoretical Framework

2.2.1 The life-cycle Theory

This model states that changes in the company's advancement are parallel to the adjustments in its entrance to funds and changes in its investment structure. According to Timmons (2004), infant firms will in general draw funds from inner bases, individual reserve funds, casual speculation, family and companions. As the firm ages, outside financial specialists can watch the company's reputation and analyze its credit value after some time in building up a notoriety, Firms interchange the issue of deviated data and have improved access to transient wellsprings of

subsidizing, for example, exchange credits and bank overdraft offices. To raise adequate assets to meet investment speculation need, the organizations may progressively source accounts from budgetary foundations and obligation levels increment as the firm gets bigger and more seasoned. As held income gather after some time the organizations obtaining necessity will decrease and obligation as a level of complete resources decay as well (Bhaind & Lucy, 2002).

2.2.2 Packing order theory

It was created by Myers and Majluf in 1984, set up data asymmetry that firms support inner funding over outer funding, short-term over long-term obligation, and obligation over the issue of offers. In addition, the monetary chain of importance set up by the Pecking Order Theory is especially pertinent for SMEs considering their constrained access to outer capital. This hypothesis positions that firms organize the wellspring of financing from inner sources and outside sources as indicated by relative accessibility and opportunity cost. For most businesses the inside sources are consistently not accessible or inadequate to attempt the required degree of exchange for gainful tasks. This require the outer fund to fill the hole (Olutunla & Obamuyi, 2008). If the whole of cash acquired is contributed by the firm and the speculation has demonstrated to succeed extra resources are made which can again be utilized as security for further getting. From the above it very well may be accepted that entrance to credit is required to decidedly impact the accessibility of elements of creation, for example, land, work capital and hardware based on the imperative of information and expense of capital. The financing cost is required to be conversely identified with volume of credit of a firm.

The theory of pecking order stems from the principle of asymmetric knowledge. Asymmetric information, also known as information loss, happens when one entity has more (better) information than another, creating an imbalance in the power of transaction. Company executives usually have more knowledge about the results, outlook, risks and outlook of the business than outside users like borrowers (debt holders) and creditors (shareholders) do. Of this purpose, in order to account of knowledge asymmetry, external users need a higher return to offset the risk they are taking. Essentially, due to asymmetry, various sources of financing need a greater return to offset the higher risk. The retained earnings funding (inner funding) comes directly from the client in the light of the pecking order principle and reduces

knowledge asymmetry. Unlike external financing, such as bond or equity financing where the organization is expected to pay payments for external financing, internal financing is the cheapest and most flexible form of funding. When an organization funds an investment scheme through external support (loans or equity), there is a desire for a higher return as creditors and investors have less knowledge about the company than managers. As for external funding, administrators tend to use debt over equity – debt costs are lower relative to equity costs.

2.2.3 SMEs in Nigeria and some Historical Data about their Growth

According to the Nigeria Bureau of Statistics, Nigeria's small and medium-sized enterprises (SMEs) have contributed about 48% of national GDP over the last five years. With a total of about 17.4 million workers, they account for about 50 per cent of industrial employment and about 90 per cent of the retail industry in terms of number of enterprises. According to the National Bureau of Statistics (NBS) in conjunction with SMEDAN's 2010 Survey Study on SMEs in Nigeria, the SME sector in Nigeria is strategically placed to absorb up to 80% of employment, boost per capita wages, increase value added to raw materials supply, improve export earnings, enhance capacity utilization in key industries, and unlock economic potential.

The SMEEIS (Small and Medium Enterprise Equity Investment Scheme) described SMEs as entities with a capital base of no more than 500 million naira except land and working capital, and employees of no less than 10 and no more than 300 (CBN 2010). In general, SMEs are referred to as the consequence of sustainable innovation and proper growth in emerging economies (Lalkaka, 1997). The number of SMEs in Nigeria currently stands at 72,838; employing about 1.9million people (SMEDAN & NBS 2013), compared to India with 36.2million SMEs and employing 101.2million people or Vietnam with 242,453 SMEs and employing 32.5million people (Saurabh,2015). Furthermore, Nigeria SMEs account for about 90percent of the industries in terms of the figure of companies but donate just around 1 % of GDP in contrast to 40percent in Asian nations and 50percent in the United State and Europe (Oyelaran-Oyeyinka, 2010).

2.2.4 Role of Trade Credit

In business transactions, trade credit occurs where products or services are not charged directly upon arrival but are delayed for a period. This behavior changes the amount of working capital required to fund the manufacturing process, which has an impact on individual firm decision-making. Its widespread usage can influence business partnerships and can reduce creditor company profitability. Furthermore, trade credit exists outside of the banking system, resulting in a lack of clarity on terms and practices, as well as monetary authority oversight (Alarcon, 2008).

Table 2.1: Domestic Credit & Credit to Private Sector

Year	Net domestic credit (current LCU)	Domestic credit to private sector (% of GDP)
2001	11.97662986	9.880807397
2002	12.14410732	8.084342998
2003	12.26791526	8.909484726
2004	12.13544191	8.461664055
2005	12.10287891	8.435095263
2006	11.96309774	8.120360453
2007	12.57395109	13.79701693
2008	12.78302861	18.6330147
2009	12.94589684	19.62560166
2010	12.98243129	13.49074284
2011	13.13079825	11.04362961
2012	13.16190239	10.60470377
2013	13.23402435	11.53321494
2014	13.27412167	13.29700538
2015	13.32900646	13.07868448
2016	13.42861892	14.60803886
2017	13.41423979	12.85202981
2018	13.45412853	10.2465813
2019	13.55844869	10.46918463

Source: World Development Indicator 2019

The above Table shows the yearly domestic credit and credit to private sector in Nigeria from 2001 to 2019 which was sourced from World Development Indicator.

The trend is presented in the below chart seperately

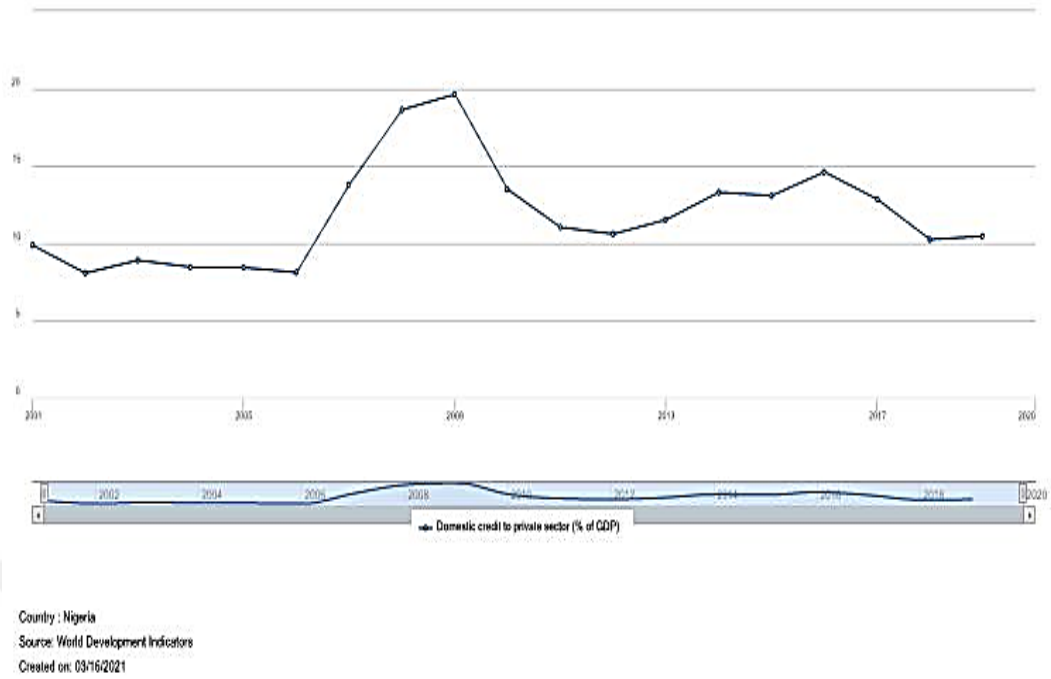

Figure 2.2: Domestic Credit to Private Sector

The domestic credit to private sector moves in a moderate direction from 2001 which later oscillated significantly upward from the beginning of 2007 to 2008 and later dropped still the end of 2019.

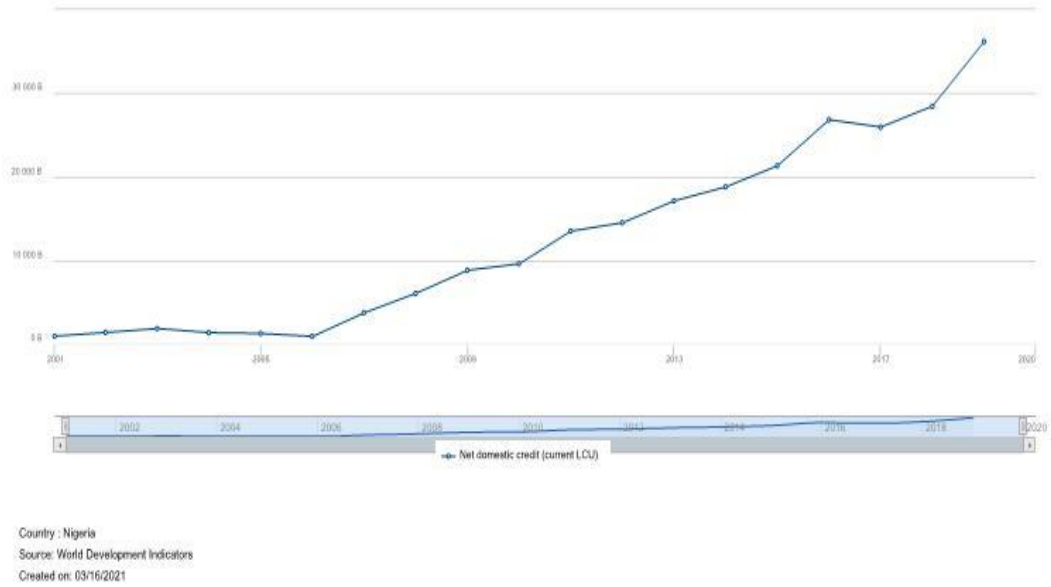

Figure 2.3: Net Domestic Credit

The above graph shows the movement of net domestic credit from 2001 to 2019. It was showed that net domestic credit oscillated from the beginning of 2001 to 2019 indicating that net domestic credit moves significantly in an upward direction.

2.2.4.1 Motivation of Trade Credit

The motivations for the use of trade credit must be sought in market failures. Without them, there is no reasonable argument that justifies the fact that firms are so used to selling on credit. As mentioned by Blazenko and Vandezande (2003), if product and financial markets are competitive and transaction or information costs do not exist, no advantage is obtained by offering or receiving trade credit. There have been numerous arguments and theories that explain the use of trade credit because of frictions in the payments system and of imperfections in the financial and product markets.

2.2.4.2 Operational motives

It is evident that using trade credit reduces transaction costs. Late payments allow invoices to accumulate, reducing the amount of payments and making cash handling simpler and less expensive (Schwartz, 1974). Long-term cooperative arrangements between sellers and consumers will also help to maximize commodities and cash flows (Ferris, 1981).

2.2.4.3 Financial motives

Although the key operation of suppliers is not commercial, they could have greater capabilities than financial firms resulting from the advantages of information collection, monitoring of customers and recovery of products supplied (Petersen & Rajan, 1997).

2.2.4.4 Commercial motives

More has been written about the importance of credit facilities as a means of promoting the buying of sellers. Nadiri (1969) was the first to recognize commercial credit as a marketing cost. Like ads, it changes the position of the company and gives a profit over time. As an additional sale expense, it can be optimally calculated in the light neoclassical philosophy. Sellers will make an enhanced bid (product plus credit) and, in the long run, they can strive to build a long-term and contingent partnership with customers in order to maximize their projected earnings (Wilner, 2000).

2.3 Studies Review

Some available research has been focused on firms supplying trade credit and not on the firms that seek trade credit as a source of finance.

Martinez-Sola *et al.* (2014) tested the link between a firm's provision of trade credit and its profitability in Spain. It was reported that managers can boost the profitability of the firm by increasing their investment in trade credit provision. The problem here is that the conclusion cannot be employed for firm seeking trade credit as a substitute source of finance. There have also been some findings that contradict the perceived positive impact of trade credit on profitability.

Li, Yu and Yang (2013) conducted a study to reveal if trade credit does boost firm's performance in China, using instrumental variable approach to solve potential endogeneity issues, and the study settled that trade credit play a limited role in improving firm performance. Also, Kohler, Britton and Yates (2000), examining trade credit and the monetary transmission mechanism, found that in the period of tight monetary policy, firms both extend and receive less trade credit, which questions the offsetting hypothesis that states that firms should use more trade credit under conditions of monetary tightening. This further pose problem that need to be address. Furthermore, most of the available study on trade credit and SMEs were researched in developed economy. It is critical to comprehend that the issues faced by SMEs in Africa differ greatly and are different to those encountered in advanced economies (Okpara, 2011).

In the face of recent financial crisis and reduced revenue, it has become imperative for businesses to seek alternative financing for operation and investment. Trade financing is an example of such alternative financing and it offers immense opportunities particularly for SMEs. An efficient trade financing system offer a developing economy, like Nigeria, opportunities and benefits. Rehman and Khurshid (2016) wrote on trade credit impact on profitability of the firms in Pakistan, and their investigation depicted that providing trade credit, providers could improve the non-financial firms' growth and profitability. Akinbobola and Obanuyi (2018) studied the dynamics of trade credit on SMEs profitability in Nigeria contents using panel data analysis and GMM between 2014 and 2016. They found out that negative and insignificant contribute reveal between trade credit and SMEs profitability.

Aliero and Yusuf (2015) wrote on the influence of credit on the performance of SMEs in Sokoto State of Nigeria. It was discovered that credit is a major factor of employment generation of SMEs. Kpakiyai and Mugo (2015) focused on the effect of trade credit on SMEs financial performance in Kenya. The study used statistical tools such as inferential and descriptive, and they found that trade credit exhibits positive impact on financial performance. Also, a study carried out by Tang (2014) on the connection between trade credit and profitability of SMEs of Holland. The study used a sample 71 SMEs between 2009 and 2013. Meanwhile, the investigation showed that account payable depicted a positive related to SMEs profitability.

Abiodun and Ivanivna (2015) studied the effect of trade credit on firms' profitability in Nigeria using panel data from a sample of 80 quoted firms between the periods of 2000 to 2009. The study showed that trade credit positively influenced the profitability of firms in Nigeria.

Li, Yu and Yang (2013) studied whether trade credit boost performance of the firms in China. OLS was used as the estimation technique. The study revealed that trade credit exhibited a significant and positive connection with the performance of the firms. Kim (2016) wrote on the reason for trade credit in Korean firms employing 14,660 firm-year observation, and it was deducted that trade credit reveals consistence with the funding restraint supposition, but it does not blend with growth supposition.

Kwenda and Holden (2014) investigated trade credit on company financing in South Africa. They found out and deducted that firms ought to have a target account payable for competent alternate source finance. Chant and Walker (1988) studied the need for trade credit and found that trade credit is referred as a counterpart to bank credit in some cases, and an alternate in some other cases. It was then suggested the presence of financing motive in the use of trade credit by small business.

The study of Carvalho and Schiozer (2014) examined the influences of supply and demand for trade credit by Micro, Small and Medium-Sized enterprises in Brazil from 2008 to 2010. Path analysis used showed that trade credit and short-term bank financing are additional finance for MSMEs and not alternatives. In a similar study conducted by Andrieu, Stagliano and Zwan (2016) on bank debt and trade credit for SMEs among European SMEs. Simultaneous technique was used and revealed that

age and size showed positive related to debt capacity since new and small firms are more subject to refusal as a result of the higher risk they pose to financing.

Fukuda *et al.* (2006) studied the effect of trade credit for small firms during the banking crisis in Japan, revealed that both bank credit and trade credit contracted simultaneously during banking crisis, hence the complementary hypothesis also holds. Biais and Gollier (1997) studied trade credit and credit rationing, and the study revealed that asymmetric information between companies and financial institutions can hinder financing of positive projects. Peterson and Rajan (1997) investigated some evidence of trade credit and revealed that firms used trade credit rather more when credit from financial institutions is not available and further showed some evidence of discrimination in price through trade credit among firms.

Deloof and Jegers (1999) investigated trade credit, corporates and the firm financing in Belgium, and revealed that trade credit is mainly used to finance short- term businesses, and that it is a substitute not only for short-term bank debt but also for long-term debt, including intra-group debt. They also found that no evidence that the volume of trade credit engaged is influenced by affiliation with the suppliers. McMillan and Woodruff (1999) investigated into inter-firm relationship and informal credit in Vietnam and found that trade credit tends to be offered when suppliers have information about the buyer's credibility through prior investigation or experience of trading with the buyer. Nilsen (2002) studying trade credit and the bank lending channel have indicated that under tight money policy, trade credit increases while bank lending decreases.

Kohler *et al.* (2000) studied the relationship between trade credit and the monetary transmission mechanism, showed that the trade credit channel is an essential channel for monetary policy transmission mechanism, and that it offsets the financial institution credit channel. Fisman and Love (2001) studied the connection between trade credit and financial development including industry growth. The study discovered that industries who mainly focus on trade credit exhibit high rates of growth in country with relatively weak financial institutions.

Mateut *et al.* (2002) examined the trade credit, bank lending and monetary policy transmission and found that there is a reduction in bank lending, and an increase in trade credit, under tight monetary policy. The study further found that the measures of financial health such as size, age, solvency, credit rationing, level of indebtedness,

and quotation on the market in respect of the firms are used to assess the creditworthiness of firms by both the banks and suppliers of trade credit. Ojenike and Olowoniyi (2014) studied the determinant of trade credit in Nigeria and the empirical findings revealed that firms are credit constrained and therefore resort to trade credit as alternative source of finance.

Obamuyi (2007) explored a study among SMEs in Nigeria and his finding revealed that poor credit worthiness; deficiency of surety security and high default risk are some of the reason commercial banks do not grant credit to SMEs. Therefore, most entrepreneurs rely on personal savings; family; friends, or funds from private credit providers at high interest rates. Ronddinelli and Kasarda (1992) research about small enterprise development revealed that, about 42percent of the street sellers measured in the Philippines of Iloilo City. The research also revealed that lack of financing was the main reason for 68% of the SMEs employing less than five workers. Therefore, trade credit financing can be an alternative source of financing for financially weak SMEs in cases where loan requests are rejected by commercial banks. Trade credit financing must exist for SMEs to survive and grow because trade finance providers are able to consider higher level of risk than the commercial banks. Trade finance suppliers accept higher level of risk because the gross margin on a sale allows greater latitude for loss than the normal bank interest rate (Brasch, 1972). Furthermore, Trade finance can be essential in seasonal businesses by financing the extra inventories that must be available during a period of the year and subsequently sold off during the active selling season. Seasonal goods need short term credit which a commercial bank might view as risky investment because in a case of loan default, it might be difficult for the bank to resell the seasonal goods pledged as security.

Some government also uses trade credit as a source of short-term finance. Bhole and Mahakud (2004) analyzed the movements and characteristics of trade credit public, private, and international companies of the Indian economy from 1966 to 2001. The study reported that the public sector has seen as a substantial user of trade credit during the time period. The study also revealed that the behavior of trade credit and the variations over the years clearly depend upon the type or ownership of corporations.

Alphonse, Ducret and Severin (2006) investigated if trade credit facilitate access to bank finance and concluded that trade credit can also be considered as a complementary source of short-term finance with bank debt. The research also reviewed that trade credit can work as a signal about firm's quality, and as such facilitate access to bank credit. Atanasova (2012) examined firm's short-term financing choices between loans and trade credit. It was found that strong evidence exists for firms with high agency costs and the use of trade credit enables access to conventional bank loans. Burkart and Ellingsen (2004) investigated trade credit as in-kind finance and they observed that it is less profitable for an opportunistic borrower to divert good than to divert cash, therefore, trade credit can be offered by suppliers liberally than bank will offer debt finance.

Trade credit can also offer benefits to the provider, which is the supplier of the goods. Martinez-Sola, Garcia-Teruel and Martinez-Solano (2014) investigated the relationship between a firm's provision of trade credit and its profitability and revealed that managers can improve firm's profitability by increasing their investment in the provision of trade credit. Hill, Kelly and Lockhart (2012) examined shareholder wealth insinuations of supplying trade credit finance to customers and concluded that Investors acknowledge trade loaning as an effective tool to mitigate friction that hinders sales growth. Some suppliers are thus positioned to derive increased strategic advantages from credit policy.

Raddatz (2010) provided evidence of the presence and relevance of the credit chain propagation and amplification mechanism by looking at its implications for the correlation of industries. It tested the hypothesis using 378 manufacturing industry pairs across 43 countries with different degrees of use of trade credit. The results provide strong support that the mechanism is quantitatively relevant. Although there have been some critics with the opinion that firms do not voluntarily cut bank loans, since they increase their demand for a less desirable alternative like trade credit, firms cut it due to economic downturn or recession, nevertheless trade credit importance cannot be overlooked (Atanasova & Wilson, 2003).

2.3.1. Tabulation of Literature Review

This study had review various studies in relation to the impact of trade credit on small and medium scale enterprises in Nigeria. The study review was tabulated below:

Table 2.2: Summary of Empirical Review

S/N	Author	Topic & Year	Method
1	John	The Role of Trade Credit in Economic Development (1972)	Descriptive Analysis
2	Chant and David	Small Business need for Trade Credit (1988)	Regression Analysis
3	Biais and Christian	Trade credit and credit rationing (1997)	Bayesian Nash Equilibrium model
4	Petersen and Raghuram	Trade Credit Theories and Evidence (1997)	Panel Regression
5	Kohler, Britton and Yates	Trade credit and the monetary transmission mechanism (2000)	Regression Analysis
6	Fisman and Inessa	Trade credit, financial intermediary development and industry growth (2001)	Regression Analysis
7	Nilsen	Trade credit and bank lending channel (2002)	Time Series Analysis
8	Simona, Spiros and Paul	The connection between trade credit and bank lending	Panel Regression
9	Vicente and Emilia	Trade Credit and its role in Entrepreneurial Finance (2012)	Descriptive Analysis
10	Alphonse, Ducret and Severin	When Trade Credit Facilitate Access to Bank Finance: Evidence from USA Small Business Data (2006)	Regression Analysis
11	Christina	How do Firms Choose Between Intermediary and Supplier Finance (2012)	Cross Sectional Analysis
12	Burkart and Tore	In-Kind Finance: A Theory of Trade Credit (2004)	Simultaneous Equation
13	Martinez-Sola, Garcia-Teruel and Martinez-Solano	Trade Credit and SME Profitability (2014)	Panel Regression Analysis
14	Matthew, Wayne and Brandon	Shareholders Return from Supplying Trade Credit (2012)	Regression Analysis
15	Christina and Nicholas	Bank Borrowing Constraint and the Demand for Trade Credit: Evidence from Panel Data (2003)	Panel Regression
16	Tang	Trade Credit and Profitability in Small and Medium Enterprises (2014)	Regression Analysis
17	Li, Lu and Yang	Does Trade Credit Boost Firm Performance? (2013)	Regression Analysis
18	Fukuda, Kasuya and Akashi	The Role of Trade Credit for Small Firms: An Implication from Japan's Banking Crisis (2006)	Multiple Regression Analysis

Source: Writer's computation (2020)

Table 2.3: Empirical Summary from Nigeria

S/N	Author	Topic & Year	Method
1	Deloof, and Jegers	Trade Credit, Product Quality and Intra group Trade (1999)	Regression Analysis
2	McMillan and Christopher	Inter Firm Relationship and Internal Credit in Vietnam (1999)	Regression
3	Demirguc-Kunt, and Maksimovic	Bank Competition, Financing Obstacles and Access to Credit (2002)	Panel Regression
4	Rondinelli and Kasarda	Foreign Trade Potential, Small Enterprise Development and Job Creation in Developing Countries (1992)	Descriptive Analysis
5	Bhole and Jitendra	Behaviour of Trade Credit Time Series and Panel Data Analysis (2004)	Time Series, Panel Regression
6	Claudio	Credit Chain and Sectoral Shock: Does the Use of Trade Credit amplify Sectoral Shocks (2010)	Regression Analysis
7	Aliero and Yusuf	Analysis of the Impact Credit on the performance of SMEs in Sokoto Metropolis of Sokoto State of Nigeria (2015)	Regression Analysis
8	Obamuyi	An Exploratory Study of Loan Delinquency among Small and Medium Enterprise in Ondo State of Nigeria (2007)	Descriptive Analysis
9	Abiodun and Ivanivna	The Effect of Trade Credit on Firm's Profitability in Nigeria (2015)	Regression Analysis
10	Ojenike and Olowoniyi	The Determinant of Trade Credit: Evidence from Nigeria (2014)	Regression Analysis
11	Rehman and Khurshid	A Review of Impact of Trade Credit on Firm's Profitability: A study of Non-Financial Firms in Pakistan (2016)	Descriptive Analysis
12	Kapkiyai and Mugo	Effect of Trade Credit on Financial Performance of Small Enterprises: Evidence of Eldoret Town, Kenya (2015)	Descriptive Statistic
13	Carvalho and Schiozer	Determinant of Supply and Demand for Trade Credit by Micro, Small and Medium-Sized Enterprises (2014)	Regression Analysis
14	Andrieu, Stagliano and Zwan	Bank Debt and Trade Credit for SMEs: International Evidence (2016)	Simutaneous Analysis
15	Kim	Determinants of Corporate Trade Credit: An Empirical study on Korean Firms (2016)	Panel Regression model
16	Kwenda and Holden	Trade Credit in Corporate Financing in South Africa: Evidence from a Dynamic Panel data Analysis (2014)	Generalised Method of Moments

Source: Writer's computation (2020)

3. METHODOLOGY

3.1 Introduction

This part discusses the method in which the study employed to achieve the stated objectives and it also contains how the data was collected, the strategy used are being presented accordingly in this section.

3.2 Research Design

Research design is the design and construction of inquiry to obtain answers to certain research questions. Research design requirements are activity-based and time-based designs; which always give answers to study's objectives and questions; and guides the selection of channels and kinds of information; provides a framework for clarifying the relationship of the variables and highlights the procedures for each experimental research. This study employed descriptive approach to assemble information from the participants. As a result, the descriptive method presents an efficient profile of persons, events or attributes such as attitude, views, skills, beliefs and expectations of the people, individually or group. The descriptive technique is better because it certifies a complete view of the situation and ensures that there is the lowest bias in the gathering of evidence.

3.3 Study Population

The population of this study focused on SMEs in the sixteen Local Government areas of Ekiti State. The state is in the South Western part of Nigeria and falls on Longitude $4^{o}45^{1}$ and $5^{o}45^{1}$ East of the green wish meridian and latitudes $7^{o}15^{1}$ North of the equator. It has a total of sixteen Local Government areas, with the population of 3,166,000 population census (2015). The state is caved out of her sister state, Ondo state in October 1996 by then Head of State, Late General Abacha.

3.4 Sample and Sampling Techniques

The sample consists of a few selected SMEs within Ado metropolis. 300 SMEs shall be selected from all sixteen Local Government areas of the Ekiti State using multistage sampling technique. The first phase is to randomly select two Local Government Areas from each of the three senatorial districts, giving a total of six Local Government areas in total. The second phase is the choice of one rural area and one urban area of each of the six areas of local government. Finally, a random selection of fifteen SMEs from each of the selected rural and urban areas a total of 300 participants.

3.5 Instruments of Data Collection

Questionnaire remains the primary tool of gathering data in this study. Meanwhile, closed ended form of the questionnaire was employed which was structured as items in the questionnaire. The structured questions evaluate different reactions from the participants, while enhancing the study's recommendations. The researcher employed trained study participants to obtain information from the target audience.

3.6 Study Instrument

The form of research instrument that was used for gathering of data from the participants was self-constructed questionnaire ranking with yes/no for the dependent variable while the control variables was ranked with 5point Likert scale such as strongly agree, agree, neutral, strongly disagree, and disagree. The questionnaire was categorized into 2-parts. Part 1 consists of the demographic features of the participants while the second part shall contain information on respondents' views on the subject matter.

3.7 Study Validity

This study used validity of the content and construct. The validity of the content used examine the facilities of the questions in the questionnaire that the participants provide answer. Before being administered, the questionnaire was subjected to the observations and suggestions of an expert. The construct validity of the research

instrument was analyzed using the main component analysis with the rotation of varimax.

3.8 Study Reliability

This section entails the degree in which the scale measurement produces reliable results. To ensure instrument reliability, the instrument was subjected to different testing techniques, however, the instrument was distributed to some of the traders in all the Senatorial Districts of Ekiti State, response was analyzed using coefficient alpha, and a coefficient above 0.5 is considered reliable.

3.9 Study Model

This study model is specified as:

Prof = f(TC, U)

Where

Prof = Profitability of the SMEs

TC = Trade Credit

U = Others

Where

Prof = $\frac{1{:}if\ trade\ credit\ increases\ profitability\ of\ the\ SMEs}{0{:}if\ otherwise}$

$$\sum Prof = bo + b1\sum TC + b2\sum U \text{ ----------eq1}$$

Where

b_0 is the intercepts or constants;

$b_1 - b_4$ are the shift parameters or the coefficients

3.10 Logit Regression Analysis

This study employed binary logistic regression. This analysis is the suitable to conduct when the dependent variable is dichotomous that is, within two elements. The logistic regression, like any regression analysis, is a predictive analysis. Logistic regression is used to describe the data and to illustrate the linear

relationship between a dependent variable and one or perhaps more independent variables. This cover the case of binary dependent variable, that is, when it can take only two values, such as Yes/No, Success/Failure, Heart Attack/No Heart Attack, In/Out of the Labor Force etc. Cases of more than 2 categories are called multinomial logistic regression.

4. RESULT PRESENTATION AND INTERPRETATION

4.1 Reliability Statistics

Table 4.1: Reliability Report

Cronbach's Alpha	N of Items
.501	20

Source: Research compilation

The content of the questionnaire was subjected to reliability testing to examine whether the contents are reliable and the report reveals that the 20 items contain in the questionnaire has the value of 0.501 implying that the items are moderately reliable to achieve the objectives of the study.

Table 4.2: Item-Total Statistics

	Scale Mean	Scale Variance	Corrected Item-Total Correlation	Cronbach's Alpha
Age	56,72	60,219	,039	,504
Trading	56,58	59,253	,086	,498
AccessCredit	58,23	61,471	-,033	,507
Aid	58,21	61,344	-,016	,505
Banks	54,87	55,564	,188	,481
SMEs	55,14	54,353	,250	,468
Trade	55,40	56,148	,162	,486
Required	55,22	53,273	,309	,455
Process	55,40	57,054	,116	,496
Amount	55,22	52,622	,331	,450
CreditApproved	55,12	55,085	,228	,473
CreditFacilities	54,98	57,399	,097	,500
TradeCredit	55,37	54,109	,241	,469
Rate	55,22	55,232	,213	,476
Inability	55,25	57,791	,124	,493
Higherdemand	55,46	56,776	,162	,486
SMEloans	55,46	55,947	,172	,484
Prone	55,44	59,208	,023	,513
Government	55,41	59,243	,013	,516
Encourage	55,58	56,447	,163	,486

Source: Research compilation

Table 4.2 shows each item reliability variation and it was revealed that all the items are close to 50% variance.

4.2 Demographic Analysis

Table 4.3: Sex

	Frequency	%	Valid	Cumulative %
Male	117	45.2	45.2	45.2
Female	142	54.8	54.8	100.0
Total	259	100.0	100.0	

Source: Author's collation

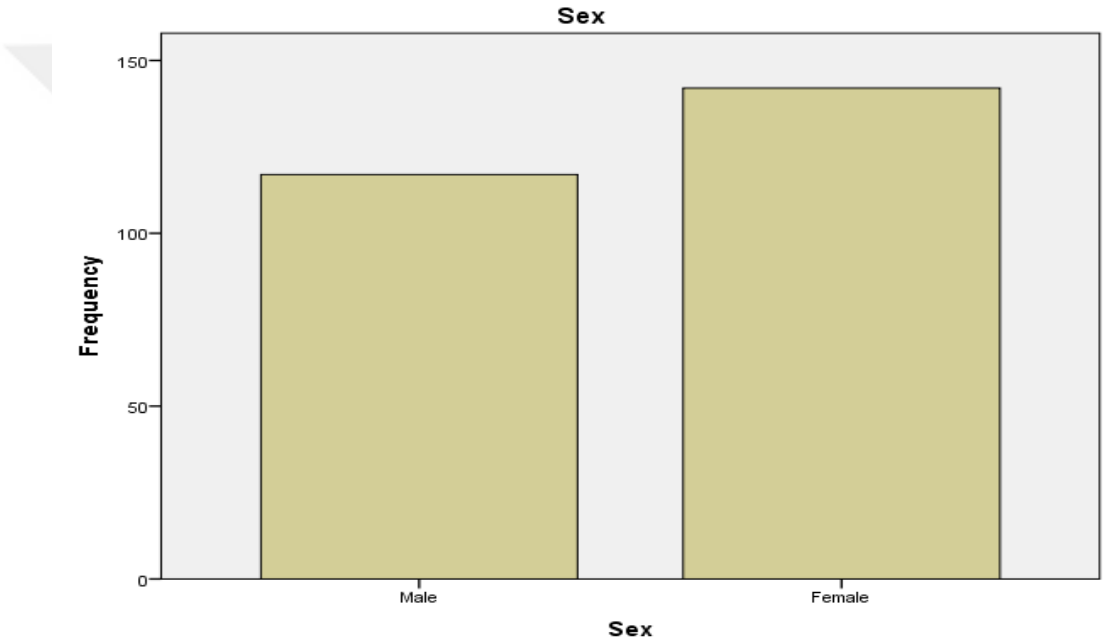

Figure 4.1: Sex

Source: Author's collation

Table 4.3 and Figure 1 display the sex category of the respondents and 45.2 percent is for the male with 117 frequency while 54.8percent is for the female with 142 frequency indicating that female participants are more than the male participants during the survey.

Table 4.4: Marital Status

	Frequency	%	Valid	Cumulative %
Single	81	31.3	31.3	31.3
Married	159	61.4	61.4	92.7
Divorce	19	7.3	7.3	100.0
Total	259	100.0	100.0	

Source: Author' collation

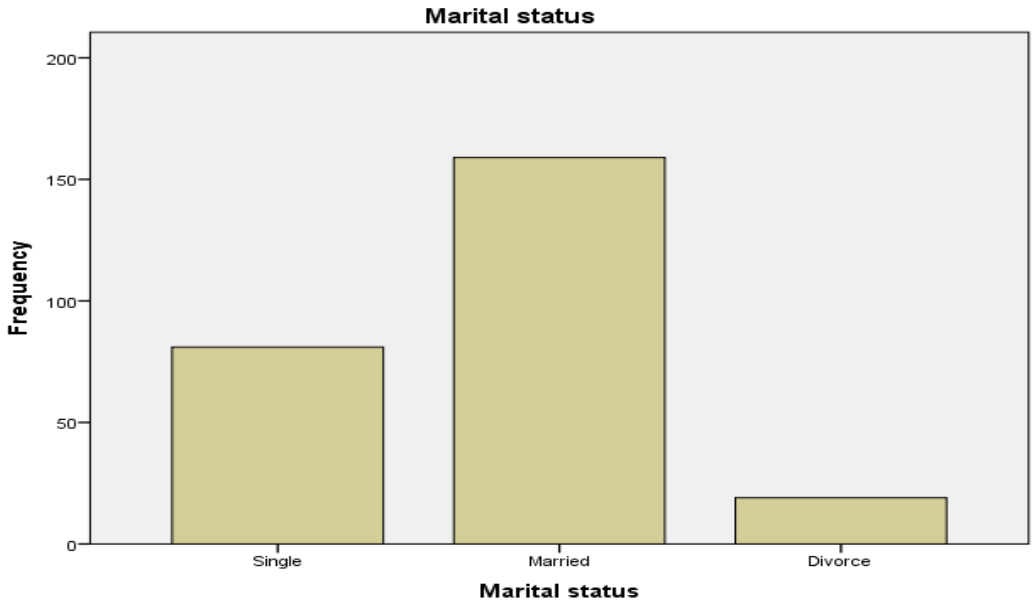

Figure 4.2: Marital Status

Source: Author' collation

The respondents' marital status presented in Table 4.4 shows that 31.3percent are single with 81 frequency, 61.4 percent are married with 159 frequency and 7.3 percent are divorce with 19 frequency. This shows that married respondents are more than the single and divorce respondents.

Table 4.5: Age

	Frequency	%	Valid	Cumulative %
Below 30years	88	34.0	34.0	34.0
31-40years	118	45.6	45.6	79.5
41-50years	37	14.3	14.3	93.8
Above 51years	16	6.2	6.2	100.0
Total	259	100.0	100.0	

Source: Author' collation

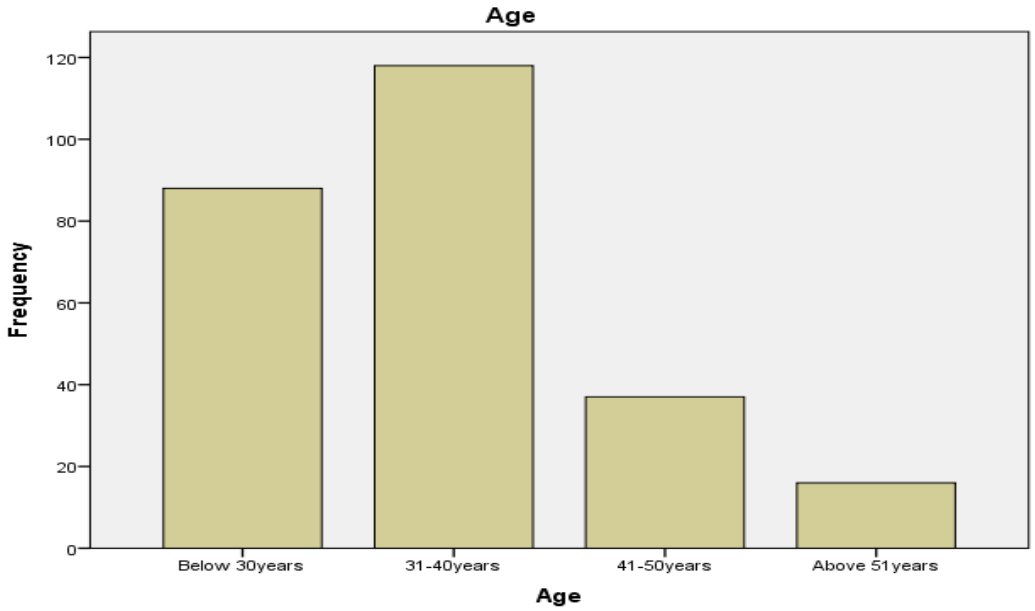

Figure 4.3: Sex

Source: Author' collation

Table 4.5 shows the age bracket of the participants, 34 percent are below 30years with 88 frequency, 45.6percent of the participants are within bracket of 31-40years, 14.3 percent are within age bracket of 41-50years while 6.2percent are within age bracket of above 50years, indicating that age bracket 31-40years has the higher respondents followed by below 30years, 41-50years and above 51years respectively.

Table 4.6: Qualification

	Frequency	%	Valid	Cumulative %
O'Level	21	8.1	8.1	8.1
OND	42	16.2	16.2	24.3
HND/B.Sc	111	42.9	42.9	67.2
M.Sc/MBA	79	30.5	30.5	97.7
PhD	6	2.3	2.3	100.0
Total	259	100.0	100.0	

Source: Author' collation

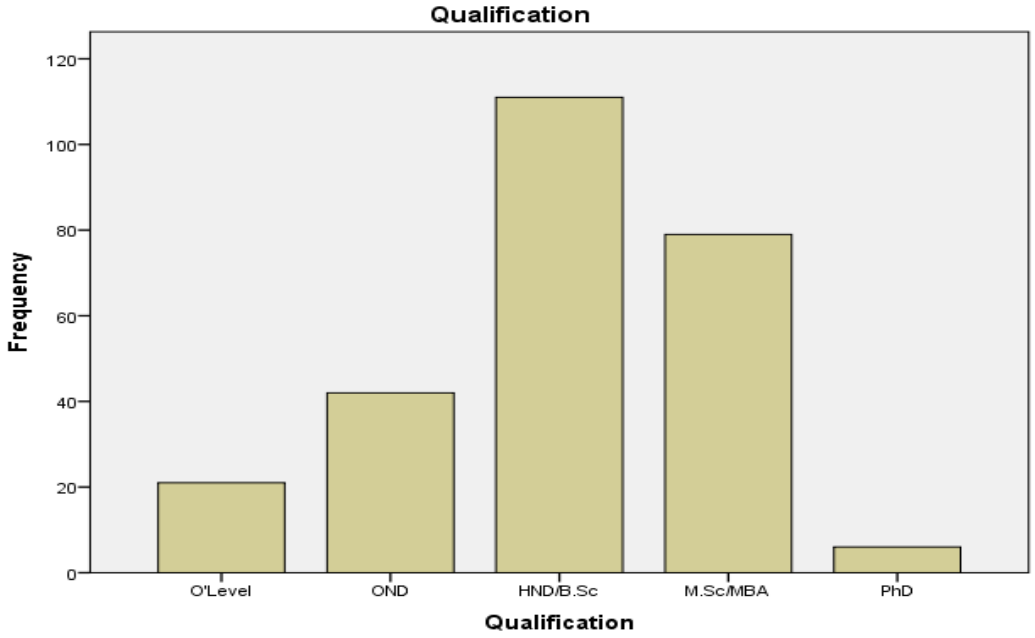

Figure 4.4: Qualification

Source: Author' collation

The qualification of the participants presented above shows that 21 frequency with 8.1percent owns O'Level, 42 frequency with 16.2percent owns Ordinary National Diploma (OND), 111 frequency with 42.9percent owns Higher National Diploma (HND)/ Bachelors' Degree (B.Sc.), 79 frequency with 30.5percent owns Masters while 6 frequency with 2.3 percent owns Doctorate Degree (Ph.D.). This implies that most of the participants own HND/B.Sc. followed by M.Sc./MBA, OND, O'Level and Ph.D.

Table 4.7: How Long Have You Been Trading

	Frequency	%	Valid	Cumulative %
Less than 5years	90	34.7	34.7	34.7
5-8years	80	30.9	30.9	65.6
9-12years	73	28.2	28.2	93.8
13-16years	13	5.0	5.0	98.8
17years and above	3	1.2	1.2	100.0
Total	259	100.0	100.0	

Source: Author' collation

Figure 4.5: How Long Have You Been Trading

Source: Author' collation

The above table and figure show that 34.7 percent with 90 frequency has less than 5 years trading experience, 30.9 percent with 80 frequency has between 5-8 years, 28.2 percent with 73 frequency has between 9-12 years trading experience, 5.0 percent with 13 frequency has between 13-16 years trading experience while 1.2 percent with 3 frequency has 17 years and above experience, implying that most of the participants have less than 5 years trading experience, followed by between 5-8 years, 9-12 years, 13-16 years and 17 years and above.

4.3 Frequency Analysis

Table 4.8: SMEs Do Not Easily Get Access to Trade Credit from Supplier

	Frequency	%	Valid	Cumulative %
No	151	58.3	58.3	58.3
Yes	108	41.7	41.7	100.0
Total	259	100.0	100.0	

Source: Author's collation

The report presented in Table 4.8 shows that 58.3 percent with 151 frequency chose No that SMEs do not easily get access to trade credit supplier while 41.7 percent with 108 frequency chose yes. This indicates that SMEs do not easily get access to trade credit from supplier.

Table 4.9: Have You Received Financial Aid from Any Financial Institutions Before?

	Frequency	%	Valid	Cumulative %
No	146	56.4	56.4	56.4
Yes	113	43.6	43.6	100.0
Total	259	100.0	100.0	

Source: Author's collation

The report above shows that 146 frequency with 56 percent chose No that they have received financial aid from any financial institutions before while 113 frequency with 43.6 percent chose, indicating that most of the respondents have not received financial aid from any financial institutions before.

Table 4.10: Banks and Other Non-Banking Have Specific Focus in Financing Small and Medium Enterprises

	Frequency	%	Valid	Cumulative %
Strongly agree	114	44.0	44.0	44.0
Agree	65	25.1	25.1	69.1
Neutral	16	6.2	6.2	75.3
Disagree	39	15.1	15.1	90.3
Strongly disagree	25	9.7	9.7	100.0
Total	259	100.0	100.0	

Source: Author's collation

114 frequency with 44.0percent of the participants chose strongly agree that banks and other non-banking have specific focus in financing small and medium enterprises, 65 frequency with 25.1 percent chose agree, 16 frequency with 6.2 percent are neutral, 39 frequency with 15.1 percent chose disagree while 25 frequency with 9.7 percent chose strongly disagree to the subject. This signifies that many of the participants chose that banks and other non-banking have specific focus in financing small and medium enterprises.

Table 4.11: Higher Return Rate on Loans and Advances Discourage Most Traders to Participate in Trade Credit

	Frequency	%	Valid	Cumulative %
Strongly agree	78	30.1	30.1	30.1
Agree	80	30.9	30.9	61.0
Neutral	14	5.4	5.4	66.4
Disagree	44	17.0	17.0	83.4
Strongly disagree	43	16.6	16.6	100.0
Total	259	100.0	100.0	

Source: Author's collation

Table 4.11 shows that the participants who chose strongly agree have 78 frequency with 30.1 percent, 30.9 percent with 80 frequency chose agree, 5.4 percent with 14 frequency chose neutral, 17.0 percent with 44 frequency chose disagree while 16.6 percent with 43 frequency chose strongly disagree that higher return rate on loans and advances discourage most traders to participate in trade credit. This connotes that higher return rate on loans and advances discourage most traders to participate in trade credit.

Table 4.12: SMEs Funding Faces Limited of Geographic Coverage

	Frequency	%	Valid	Cumulative %
Strongly agree	80	30.9	30.9	30.9
Agree	76	29.3	29.3	60.2
Neutral	33	12.7	12.7	73.0
Disagree	35	13.5	13.5	86.5
Strongly disagree	35	13.5	13.5	100.0
Total	259	100.0	100.0	

Source: Author's collation

80 frequency with 30.9 percent of the participants chose strongly agree that SMEs funding faces limited of geographic coverage, 76 frequency with 25.1 percent chose agree, 33 frequency with 12.7 percent chose neutral, 35 frequency with 13.5 percent chose disagree while 35 frequency with 13.5 percent chose strongly disagree. This means that many of the partakers chose that SMEs funding faces limited of geographic coverage.

Table 4.13: Trade Credit Are Not Easily Available for SMEs From Suppliers

	Frequency	%	Valid %	Cumulative %
Strongly agree	60	23.2	23.2	23.2
Agree	69	26.6	26.6	49.8
Neutral	44	17.0	17.0	66.8
Disagree	46	17.8	17.8	84.6
Strongly disagree	40	15.4	15.4	100.0
Total	259	100.0	100.0	

Source: Author's collation

Table 4.13 shows that the participants who chose strongly agree have 60 frequency with 23.2 percent, 26.6 percent with 69 frequency chose agree, 17.0 percent with 44 frequency chose neutral, 17.8 percent with 46 frequency chose disagree while 15.4 percent with 40 frequency chose strongly disagree that trade credit are not easily available for SMEs from suppliers. This connotes that trade credit are not easily available for SMEs from suppliers.

Table 4.14: The Required Cost of Trade Credit Is Extremely Not Reasonable

	Frequency	%	Valid	Cumulative %
Strongly agree	78	30.1	30.1	30.1
Agree	60	23.2	23.2	53.3
Neutral	48	18.5	18.5	71.8
Disagree	40	15.4	15.4	87.3
Strongly disagree	33	12.7	12.7	100.0
Total	259	100.0	100.0	

Source: Author's collation

78 frequency with 30.1 percent of the respondents chose strongly agree that the required cost of trade credit is extremely not reasonable, 60 frequency with 23.2 percent chose agree, 48 frequency with 18.5 percent are neutral, 40 frequency with 15.4 percent chose disagree while 33 frequency with 12.7 percent chose strongly disagree. This connotes that higher participants chose that the required cost of trade credit is extremely not reasonable.

Table 4.15: The Process for Granting Trade Credit by Suppliers Is Not Always Flexible

	Frequency	%	Valid	Cumulative %
Strongly agree	69	26.6	26.6	26.6
Agree	51	19.7	19.7	46.3
Neutral	49	18.9	18.9	65.3
Disagree	55	21.2	21.2	86.5
Strongly disagree	35	13.5	13.5	100.0
Total	259	100.0	100.0	

Source: Author's collation

Table 4.15 shows that the participants who chose strongly agree have 69 frequency with 26.6 percent, 19.7 percent with 51 frequency chose agree, 18.9 percent with 49 frequency chose neutral, 21.2 percent with 55 frequency chose disagree while 13.5 percent with 35 frequency chose strongly disagree. This means that the process for granting trade credit by suppliers is not always flexible.

Table 4.16: The Amount of Trade Credit Approved by Providers Does Not Meet the Credit Requirement of Most Business

	Frequency	%	Valid	Cumulative %
Strongly agree	70	27.0	27.0	27.0
Agree	89	34.4	34.4	61.4
Neutral	21	8.1	8.1	69.5
Disagree	39	15.1	15.1	84.6
Strongly disagree	40	15.4	15.4	100.0
Total	259	100.0	100.0	

Source: Author's collation

The above table shows 70 frequency with 27.0 percent participants chose strongly agree that the amount of trade credit approved by providers does not meet the credit requirement of most business, 89 frequency with 34.4 percent chose agree, 21 frequency with 8.1 percent are neutral, 39 frequency with 15.1 percent chose disagree while 40 frequency with 14.4 percent chose strongly disagree, indicating that the amount of trade credit approved by providers does not meet the credit requirement of most business.

Table 4.17: Trade Credit Facilities Offered by Suppliers Stimulate Entrepreneurs to Go into SMEs

	Frequency		Valid	Cumulative %
Strongly agree	74	28.6	28.6	28.6
Agree	86	33.2	33.2	61.8
Neutral	29	11.2	11.2	73.0
Disagree	41	15.8	15.8	88.8
Strongly disagree	29	11.2	11.2	100.0
Total	259	100.0	100.0	

Source: Author's collation

Table 4.17 shows that the participants who chose strongly agree have 74 frequency with 28.6 percent, 33.2 percent with 86 frequency chose agree, 11.2 percent with 29 frequency chose neutral, 15.8 percent with 41 frequency chose disagree while 11.2 percent with 29 frequency chose strongly disagree that trade credit facilities offered

by suppliers stimulate entrepreneurs to go into SMEs. This indicates that trade credit facilities offered by suppliers does not stimulate entrepreneurs go into SMEs.

Table 4.18: Suppliers of Credit Visit SMEs by Way of Monitoring and Showing Awareness for Granting More Credit

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly agree	101	39.0	39.0	39.0
Agree	68	26.3	26.3	65.3
Neutral	21	8.1	8.1	73.4
Disagree	40	15.4	15.4	88.8
Strongly disagree	29	11.2	11.2	100.0
Total	259	100.0	100.0	

Source: Author's collation

101 frequency with 39.0 percent respondents chose strongly agree that suppliers of credit visit SMEs by way of monitoring and showing awareness for granting more credit, 68 frequency with 26.3 percent chose agree, 21 frequency with 8.1 percent are neutral, 40 frequency with 15.4 percent chose disagree while 29 frequency with 11.2 percent chose strongly disagree. This signifies that many of the participants chose that suppliers of credit visit SMEs by way of monitoring and showing awareness for granting more credit.

Table 4.19: Suppliers of Trade Credit Ensure That the Purpose of Trade Credit Granted Is Met Through Proper Monitoring

	Frequency	%	Valid	Cumulative %
Strongly agree	55	21.2	21.2	21.2
Agree	99	38.2	38.2	59.5
Neutral	24	9.3	9.3	68.7
Disagree	42	16.2	16.2	84.9
Strongly disagree	39	15.1	15.1	100.0
Total	259	100.0	100.0	

Source: Author's collation

Table 4.19 shows that the participants who chose strongly agree have 55 frequency with 21.2 percent, 38.2 percent with 99 frequency chose agree, 9.3 percent with 24 frequency chose neutral, 16.2 percent with 42 frequency chose disagree while 16.2 percent with 39 frequency chose strongly disagree, connoting that suppliers of trade credit ensure that the purpose of trade credit granted is met through proper monitoring.

Table 4.20: Trade Credit Suppliers Are Often Restricted by The Government in Creates Public Awareness Regarding Offer of Credit

	Frequency	%	Valid %	Cumulative %
Strongly agree	75	29.0	29.0	29.0
Agree	54	20.8	20.8	49.8
Neutral	43	16.6	16.6	66.4
Disagree	42	16.2	16.2	82.6
Strongly disagree	45	17.4	17.4	100.0
Total	259	100.0	100.0	

Source: Author's collation

75 frequency with 29.0 percent of the participants chose strongly agree that trade credit suppliers are often restricted by the government in creates public awareness regarding offer of credit, 54 frequency with 20.8 percent chose agree, 43 frequency with 16.6 percent are neutral, 42 frequency with 16.2 percent chose disagree while 45 frequency with 17.4 percent chose strongly disagree. This signifies that trade credit suppliers are not often restricted by the government in creates public awareness regarding offer of credit.

Table 4.21: The Rate at Which SMEs Obtained Trade Credit from Suppliers Is Decreasing Due to Collateral Issues

	Frequency	%	Valid	Cumulative %
Strongly agree	66	25.5	25.5	25.5
Agree	88	34.0	34.0	59.5
Neutral	32	12.4	12.4	71.8
Disagree	37	14.3	14.3	86.1
Strongly disagree	36	13.9	13.9	100.0
Total	259	100.0	100.0	

Source: Author's collation

The above table shows that the participants who selected strongly agree are 66 frequency with 25.5 percent, 34.0 percent with 88 frequency selected agree, 12.4 percent with 32 frequency selected neutral, 14.3 percent with 37 frequency selected disagree while 13.9 percent with 36 frequency selected strongly disagree that the rate at which SMEs obtained trade credit from suppliers is decreasing due to collateral issues. However, this implies that the rate at which SMEs obtained trade credit from suppliers is decreasing due to collateral issues.

Table 4.22: The Inability of SMEs to Manage Risk Deprived Them from Getting Credit

	Frequency	%	Valid	Cumulative %
Strongly agree	49	18.9	18.9	18.9
Agree	89	34.4	34.4	53.3
Neutral	57	22.0	22.0	75.3
Disagree	44	17.0	17.0	92.3
Strongly disagree	20	7.7	7.7	100.0
Total	259	100.0	100.0	

Source: Author's collation

49 frequency chose strongly agree that the inability of SMEs to manage risk deprived them from getting credit, 89 frequency with 34.4 percent chose agree, 57 frequency with 22.0 percent are neutral, 44 frequency with 17.0 percent chose disagree while 20 frequency with 7.7 percent chose strongly disagree, signifying that many of the participants chose that the inability of SMEs to manage risk deprived them from getting credit.

Table 4.23: There is Higher Demand for Trade Credit but Most of the SMEs are not Creditworthy

	Frequency	%	Valid	Cumulative %
Strongly agree	43	16.6	16.6	16.6
Agree	76	29.3	29.3	45.9
Neutral	56	21.6	21.6	67.6
Disagree	54	20.8	20.8	88.4
Strongly disagree	30	11.6	11.6	100.0
Total	259	100.0	100.0	

Source: Author's collation

Table 4.23 displays that the participants who chose strongly agree have 43 frequency with 16.6 percent, 76 frequency with 29.3 percent chose agree, 21.6 percent with 56 frequency chose neutral, 20.8 percent with 54 frequency chose disagree while 11.6 percent with 30 frequency chose strongly disagree that there is higher demand for trade credit but most of the SMEs are not creditworthy. This implies that there is higher demand for trade credit but not most of the SMEs are not creditworthy.

Table 4.24: SMEs Loans Are Less Profitable, Risky and Costly Than Other Means of Financing

	Frequency	%	Valid	Cumulative %
Strongly agree	64	24.7	24.7	24.7
Agree	47	18.1	18.1	42.9
Neutral	60	23.2	23.2	66.0
Disagree	49	18.9	18.9	84.9
Strongly disagree	39	15.1	15.1	100.0
Total	259	100.0	100.0	

Source: Author's collation

64 frequency with 24.7 percent chose strongly agree that SMEs loans are less profitable, risky and costly than other means of financing, 47 frequency with 18.1 percent chose agree, 60 frequency with 23.2 percent are neutral, 49 frequency with 18.9 percent chose disagree while 39 frequency with 15.1 percent chose strongly disagree, indicating that SMEs loans are less profitable, risky and costly than other means of financing.

Table 4.25: Most SMEs are Prone to Poor Debtor Systems

	Frequency	%	Valid	Cumulative %
Strongly agree	50	19.3	19.3	19.3
Agree	73	28.2	28.2	47.5
Neutral	57	22.0	22.0	69.5
Disagree	39	15.1	15.1	84.6
Strongly disagree	40	15.4	15.4	100.0
Total	259	100.0	100.0	

Source: Author's collation

Table 4.25 reveals that the respondents who chose strongly agree have 50 frequency with 19.3 percent, 28.2 percent with 73 frequency chose agree, 22.0 percent with 57 frequency chose neutral, 15.1 percent with 39 frequency chose disagree while 15.4 percent with 40 frequency chose strongly disagree that most SMEs are prone to poor debtor systems. This connotes that some of the SMEs are prone to poor debtor systems.

Table 4.26: Government is not Always Active in Lending or Financing SMEs Business

	Frequency	%	Valid	Cumulative %
Strongly agree	60	23.2	23.2	23.2
Agree	64	24.7	24.7	47.9
Neutral	56	21.6	21.6	69.5
Disagree	35	13.5	13.5	83.0
Strongly disagree	44	17.0	17.0	100.0
Total	259	100.0	100.0	

Source: Author's collation

60 frequency with 23.2 percent of the participants chose strongly agree that government is not always active in lending or financing SMEs business, 64 frequency with 24.7 percent chose agree, 56 frequency with 21.6 percent are neutral, 35 frequency with 13.5 percent chose disagree while 44 frequency with 17.0 percent chose strongly disagree. This signifies that government is not always active in lending or financing SMEs business.

Table 4.27: Banks Do Not Encourage the New Entrepreneurs to Participate in the Loaning Exercise Rather Focused on the Existing Entrepreneurs and This Discourages Most Entrepreneurs

	Frequency	%	Valid	Cumulative %
Strongly agree	36	13.9	13.9	13.9
Agree	83	32.0	32.0	45.9
Neutral	49	18.9	18.9	64.9
Disagree	45	17.4	17.4	82.2
Strongly disagree	46	17.8	17.8	100.0
Total	259	100.0	100.0	

Source: Author's collation

Table 4.27 shows that the participants who chose strongly agree have 36 frequency with 13.9 percent, 32.0 percent with 83 frequency chose agree, 18.9 percent with 49 frequency chose neutral, 17.4 percent with 45 frequency chose disagree while 17.8 percent with 46 frequency chose strongly disagree that banks do not encourage the new entrepreneurs to participate in the loaning exercise rather focused on the existing entrepreneurs and this discourages most entrepreneurs. This connotes that banks do fairly encourage the new entrepreneurs to participate in the loaning exercise rather focused on the existing entrepreneurs and this discourages most entrepreneurs.

4.4 Factor Analysis

Table 4.28: Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.025	12.657	12.657	2.025	12.657	12.657
2	1.339	8.370	21.027	1.339	8.370	21.027
3	1.247	7.795	28.823	1.247	7.795	28.823
4	1.177	7.358	36.180	1.177	7.358	36.180
5	1.138	7.112	43.292	1.138	7.112	43.292
6	1.052	6.574	49.867	1.052	6.574	49.867
7	1.035	6.469	56.335	1.035	6.469	56.335
8	.939	5.871	62.207			
9	.920	5.752	67.959			
10	.894	5.590	73.549			
11	.838	5.241	78.790			
12	.775	4.847	83.637			
13	.731	4.569	88.206			
14	.708	4.423	92.629			
15	.622	3.890	96.519			
16	.557	3.481	100.000			

Extraction Method: Principal Component Analysis.
Source: Author's collation

The factor analysis presented in the above table explains the variance movement of the items in the questionnaire. It reveals that at component 1, there was a variation of 12.657, component 2 has 21.027, component 3 has 28.823, component 4 has 36.180, component 5 has 43.292, component 6 has 49.867 while component 7 reveals more than 50 variation to explain the items, indicating that the items can explain the study objectives.

4.5 Logistic Regression

Table 4.29: Dependent Variable Encoding

Original Value	Internal Value
No	0
Yes	1

Source: Author's collation

Table 4.30: Model Summary

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	351.498[a]	.001	.002

a. Estimation terminated at iteration number 3 because parameter estimates changed by less than .001.

Source: Author's collation

The result presented in Table 4.30 shows the summary of the model and the log likelihood value is 351.498, Cox & Snell R-square value is 0.001 and Nagelkerke R-square value is 0.002, indicating that the model shows a goodness of the fit since the Cox&Snell and Nagelkerke Values are close to zero, that is, it is less than 1% alpha level.

Table 4.31: Variables in the Equation

	B	S.E.	df	Sig.	Odd Ratio (B)
Cost of Trade Credit	.036	.090	1	.002	1.035
Credit Grant	.034	.092	1	.004	1.037
Government Restriction	-.002	.088	1	.970	.998
Constant	-.553	.434	1	.202	.599

Source: Author's collation

Logistic regression was conducted in this study where dichotomous number was used for the dependent variable such as 1 and 0 which was presented in Table 4.31. The report shows that the coefficient value of cost of trade credit is 0.036, standard error of 0.090, and the sig value of 0.002, indicating that cost of trade credit affects SMEs positively and significantly. This implies that cost of trade credit is positively important to the SMEs in accessing loans. Credit grant reveals a coefficient value of 0.034 with standard error of 0.092 and the sig value of 0.004, signifying that credit grant has a positive effect on the SMEs significantly. More so, government restriction has the coefficient value of -0.002 with the standard error value of 0.088 with sig value of 0.998, implying that government restriction has a negative impact on SMEs, and it was not significant.

Nonetheless, the odd ratio displays that when cost of trade credit increases by 1, the past category will increase with 1.035, credit grant increases by 1, the past category

will increase by 1.037, and when government restriction increases by 1 there will be an increase of 0.998 of the past category.

4.6 Correlation Analysis

Table 4.32: Pearson Correlations

		SMEsPerf.	Cost of Trade Credit	Credit Grant	Government Restriction
SMEsPerf.	Correlation	1	.028	.027	-.005
	Sig.		.659	.667	.930
Cost of	Correlation	.028	1	.118	.155*
Trade Credit	Sig.	.659		.057	.013
Credit Grant	Correlation	.027	.118	1	.122
	Sig.	.667	.057		.051
Government	Correlation	-.005	.155*	.122	1
Restriction	Sig.	.930	.013	.051	

Source: Author's collation

Table 4.32 reveals the correlation analysis between SMEs performance and trade credit. It was showed that SMEsPerf and cost of trade credit has the correlation coefficient value of 0.028 with sig value of 0.659, indicating that positive correlation exists between SMEsPerf and cost of trade credit, but it was not significant. This means that the cost of trade credit affects the SMEs performance positively though it was not significant during the survey period. The correlation coefficient value of SMEs and credit grant is 0.027 with sig value of 0.667, showing that positive relationship exists between SMEs performance and credit grant, but it was not significant, that is, credit grant is positive to stimulate SMEs performance. More so, the correlation between SMEs performance and government restriction has the correlation value of -0.005 and its sig value of 0.930, signifying that a negative relationship exists between SMEs performance and government restriction, that is, any levy or restriction introduce by the government will affect the SMEs performance negatively. Furthermore, cost of trade credit, credit flexibility, credit grant, and government restriction reveal a positive correlation but not significant.

4.7 Findings Discussion and Implications

From the analyses conducted in this study, the findings show that the 20 items contain in the questionnaire has the value of 0.501 implying that the items are moderately reliable to achieve the objectives of the study. It was found that female participants are more than the male participants during the survey. The respondents' marital status showed that married respondents are more than the single and divorce respondents. The qualification of the participants revealed that most of the participants own HND/B.Sc. followed by M.Sc./MBA, OND, O'Level and Ph.D. while the qualification of the participants showed that most of the participants own HND/B.Sc. followed by M.Sc./MBA, OND, O'Level and Ph.D. Most of the participants have less than 5years trading experience, followed by between 5-8years, 9-12years, 13-16years and 17years and above.

The frequency analysis reported that SMEs do not easily get access to trade credit from supplier while most of the respondents have not received financial aid from any financial institutions before and many of the participants chose that banks and other non-banking have specific focus in financing small and medium enterprises.

The participants reported that higher return rate on loans and advances discourage most traders to participate in trade credit, many of them chose that SMEs funding faces limited of geographic coverage and showed trade credit are not easily available for SMEs from suppliers

Higher participants chose that the required cost of trade credit is extremely not reasonable, that the process for granting trade credit by suppliers is not always flexible, and that the amount of trade credit approved by providers does not meet the credit requirement of most business. More so, trade credit facilities offered by suppliers does not stimulate entrepreneurs go into SMEs.

Many of the participants chose that suppliers of credit visit SMEs by way of monitoring and showing awareness for granting more credit, the suppliers of trade credit ensure that the purpose of trade credit granted is met through proper monitoring, and that trade credit suppliers are not often restricted by the government in creates public awareness regarding offer of credit.

It was reported that the rate at which SMEs obtained trade credit from suppliers is decreasing due to collateral issues, many of the participants chose that the inability of

SMEs to manage risk deprived them from getting credit, and some of the SMEs are prone to poor debtor systems.

It was further revealed that government is not always active in lending or financing SMEs business, that there is higher demand for trade credit but not most of the SMEs are not creditworthy, and that banks do fairly encourage the new entrepreneurs to participate in the loaning exercise rather focused on the existing entrepreneurs and this discourages most entrepreneurs.

Logistic regression analysis indicated that cost of trade credit affects SMEs positively but not significant, implying that cost of trade credit is positively important to the SMEs in accessing loans, but it is not significantly accessible to the SMEs. Credit flexibility has a positive impact but not significant to influence SMEs, credit grant revealed a positive effect on the SMEs, but it is not significant. More so, government restriction has a negative impact on SMEs, and it was not significant.

The correlation analysis reported that positive correlation exists between SMEsPerf and cost of trade credit, but it was not significant, indicating that the cost of trade credit affects the SMEs performance positively though it was not significant during the survey period. The relationship between SMEs performance and credit flexibility showed a positive correlation but not significant, this connoting that credit flexibility has impact on SMEs performance, but it is not easily accessible. The correlation coefficient value of SMEs and credit grant revealed a positive relationship, but it was not significant, that is, credit grant is positive to stimulate SMEs performance. More so, SMEs performance and government restriction has a negative relationship, that is, any levy or restriction introduce by the government will affect the SMEs performance negatively. Furthermore, cost of trade credit, credit flexibility, credit grant, and government restriction revealed a positive correlation but not significant.

5. CONCLUSION

This study had examined the impact of trade credit on small and medium enterprises in Nigeria where different conceptual reviews were been discussed. However, it was concluded that small and medium enterprises do not easily get access to trade credit from supplier and most of the SMEs have not received financial aid from any financial institutions before though banks and other non-banking have specific focus in financing small and medium enterprises.

It was also concluded that higher return rate on loans and advances discourage most traders to participate in trade credit. Meanwhile, SMEs funding faces limited geographic coverage and trade credit are not easily available for SMEs from suppliers despite the limited geographic aera.

The analysis made the study to conclude that the required cost of trade credit is extremely not reasonable, that the process for granting trade credit by suppliers is not always flexible, and the amount of trade credit approved by providers does not meet the credit requirement of most business. More so, trade credit facilities offered by suppliers does not stimulate entrepreneurs go into SMEs.

The suppliers of credit visit SMEs by way of monitoring and showing awareness for granting credit, and they ensure that the purpose of trade credit granted is met through proper monitoring, though they are not often restricted by the government in creates public awareness regarding offer of credit.

It was concluded that the rate at which SMEs obtained trade credit from suppliers is decreasing due to collateral issues and the inability of SMEs to manage risk deprived them from getting credit, though some of the SMEs are prone to poor debtor systems.

It was further concluded that government is not always active in lending or financing SMEs business. Though there is higher demand for trade credit but not most of the SMEs are not creditworthy, and banks do fairly encourage the new entrepreneurs to participate in the loaning exercise rather focused on the existing entrepreneurs and this discourages most entrepreneurs. Additionally, the study concluded that cost of

trade credit affects SMEs, credit flexibility has a positive impact on SMEs, credit grant revealed a positive effect on the performance of SMEs, while government restriction has a negative impact on SMEs but they are not significant during the study period.

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7. APPENDICES

Appendices 1

Reliability Statistics

Cronbach's Alpha	N of Items
,501	20

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Age	56,72	60,219	,039	,504
Trading	56,58	59,253	,086	,498
AccessCredit	58,23	61,471	-,033	,507
Aid	58,21	61,344	-,016	,505
Banks	54,87	55,564	,188	,481
SMEs	55,14	54,353	,250	,468
Trade	55,40	56,148	,162	,486
Required	55,22	53,273	,309	,455
Process	55,40	57,054	,116	,496
Amount	55,22	52,622	,331	,450
CreditApproved	55,12	55,085	,228	,473
CreditFacilities	54,98	57,399	,097	,500
TradeCredit	55,37	54,109	,241	,469
Rate	55,22	55,232	,213	,476
Inability	55,25	57,791	,124	,493
Higherdemand	55,46	56,776	,162	,486
SMEloans	55,46	55,947	,172	,484
Prone	55,44	59,208	,023	,513
Government	55,41	59,243	,013	,516
Encourage	55,58	56,447	,163	,486

Scale: ALL VARIABLES

Frequencies

Statistics

	Sex	Marital	Age	Qualification	Trading	AccessCredit
Mean	1,55	1,76	1,93	3,03	2,07	,42
Median	2,00	2,00	2,00	3,00	2,00	,00
Mode	2	2	2	3	1	0
Std. Deviation	,499	,575	,853	,942	,966	,494
Skewness	-,195	,056	,746	-,475	,510	,339
Std. Error of Skewness	,151	,151	,151	,151	,151	,151
Kurtosis	-1,977	-,397	,039	-,196	-,419	-1,900
Std. Error of Kurtosis	,302	,302	,302	,302	,302	,302
Minimum	1	1	1	1	1	0
Maximum	2	3	4	5	5	1

Statistics

	Aid	Banks	Higher	SMEs	Trade	Required
Mean	,44	3,78	3,39	3,51	3,24	3,42
Median	,00	4,00	4,00	4,00	3,00	4,00
Mode	0	5	4	5	4	5
Std. Deviation	,497	1,402	1,484	1,399	1,392	1,388
Skewness	,258	-,812	-,463	-,569	-,269	-,399
Std. Error of Skewness	,151	,151	,151	,151	,151	,151
Kurtosis	-1,948	-,781	-1,287	-,998	-1,219	-1,120
Std. Error of Kurtosis	,302	,302	,302	,302	,302	,302
Minimum	0	1	1	1	1	1
Maximum	1	5	5	5	5	5

Statistics

	Process	Amount	CreditApproved	CreditFacilities	CreditVisit
Mean	3,25	3,42	3,52	3,66	3,34
Median	3,00	4,00	4,00	4,00	4,00
Mode	5	4	4	5	4
Std. Deviation	1,401	1,421	1,348	1,411	1,373
Skewness	-,158	-,536	-,582	-,689	-,493
Std. Error of Skewness	,151	,151	,151	,151	,151
Kurtosis	-1,290	-1,106	-,929	-,940	-1,086
Std. Error of Kurtosis	,302	,302	,302	,302	,302
Minimum	1	1	1	1	1
Maximum	5	5	5	5	5

Statistics

		TradeCredit	Rate	Inability	Higherdemand	SMEloans
N	Valid	259	259	259	259	259
	Missing	0	0	0	0	0
Mean		3,28	3,43	3,40	3,19	3,19
Median		3,00	4,00	4,00	3,00	3,00
Mode		5	4	4	4	5
Std. Deviation		1,468	1,372	1,194	1,265	1,391
Skewness		-,268	-,535	-,409	-,203	-,118
Std. Error of Skewness		,151	,151	,151	,151	,151
Kurtosis		-1,328	-,996	-,764	-1,038	-1,232
Std. Error of Kurtosis		,302	,302	,302	,302	,302
Minimum		1	1	1	1	1
Maximum		5	5	5	5	5

Statistics

		Prone	Government	Encourage
N	Valid	259	259	259
	Missing	0	0	0
Mean		3,21	3,24	3,07
Median		3,00	3,00	3,00
Mode		4	4	4
Std. Deviation		1,336	1,393	1,328
Skewness		-,289	-,289	-,229
Std. Error of Skewness		,151	,151	,151
Kurtosis		-1,072	-1,155	-1,165
Std. Error of Kurtosis		,302	,302	,302
Minimum		1	1	1
Maximum		5	5	5

Frequencies

Sex

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	117	45.2	45.2	45.2
	Female	142	54.8	54.8	100.0
	Total	259	100.0	100.0	

Marital status

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Single	81	31.3	31.3	31.3
	Married	159	61.4	61.4	92.7
	Divorce	19	7.3	7.3	100.0
	Total	259	100.0	100.0	

Age

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Below 30years	88	34.0	34.0	34.0
	31-40years	118	45.6	45.6	79.5
	41-50years	37	14.3	14.3	93.8
	Above 51years	16	6.2	6.2	100.0
	Total	259	100.0	100.0	

Qualification

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	O'Level	21	8.1	8.1	8.1
	OND	42	16.2	16.2	24.3
	HND/B.Sc	111	42.9	42.9	67.2
	M.Sc/MBA	79	30.5	30.5	97.7
	PhD	6	2.3	2.3	100.0
	Total	259	100.0	100.0	

How long have you been trading

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 5years	90	34.7	34.7	34.7
	5-8years	80	30.9	30.9	65.6
	9-12years	73	28.2	28.2	93.8
	13-16years	13	5.0	5.0	98.8
	17years and above	3	1.2	1.2	100.0
	Total	259	100.0	100.0	

Frequencies

Frequency Table

SMEs do not easily get access to trade credit from supplier

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	151	58.3	58.3	58.3
	Yes	108	41.7	41.7	100.0
	Total	259	100.0	100.0	

Have you received financial aid from any financial institutions before?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	146	56.4	56.4	56.4
	Yes	113	43.6	43.6	100.0
	Total	259	100.0	100.0	

Banks and other non-banking have specific focus in financing small and medium enterprises

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	114	44.0	44.0	44.0
	Agree	65	25.1	25.1	69.1
	Neutral	16	6.2	6.2	75.3
	Disagree	39	15.1	15.1	90.3
	Strongly disagree	25	9.7	9.7	100.0
	Total	259	100.0	100.0	

Higher return rate on loans and advances discourage most traders to participate in trade credit

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	78	30.1	30.1	30.1
	Agree	80	30.9	30.9	61.0
	Neutral	14	5.4	5.4	66.4
	Disagree	44	17.0	17.0	83.4
	Strongly disagree	43	16.6	16.6	100.0
	Total	259	100.0	100.0	

SMEs funding faces limited of geographic coverage

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	80	30.9	30.9	30.9
	Agree	76	29.3	29.3	60.2
	Neutral	33	12.7	12.7	73.0
	Disagree	35	13.5	13.5	86.5
	Strongly disagree	35	13.5	13.5	100.0
	Total	259	100.0	100.0	

Trade credit are not easily available for SMEs from suppliers

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	60	23.2	23.2	23.2
	Agree	69	26.6	26.6	49.8
	Neutral	44	17.0	17.0	66.8
	Disagree	46	17.8	17.8	84.6
	Strongly disagree	40	15.4	15.4	100.0
	Total	259	100.0	100.0	

The required cost of trade credit is extremely not reasonable

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	78	30.1	30.1	30.1
	Agree	60	23.2	23.2	53.3
	Neutral	48	18.5	18.5	71.8
	Disagree	40	15.4	15.4	87.3
	Strongly disagree	33	12.7	12.7	100.0
	Total	259	100.0	100.0	

The process for granting trade credit by suppliers is not always flexible

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	69	26.6	26.6	26.6
	Agree	51	19.7	19.7	46.3
	Neutral	49	18.9	18.9	65.3
	Disagree	55	21.2	21.2	86.5
	Strongly disagree	35	13.5	13.5	100.0
	Total	259	100.0	100.0	

The amount of trade credit approved by providers does not meet the credit requirement of most business

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	70	27.0	27.0	27.0
	Agree	89	34.4	34.4	61.4
	Neutral	21	8.1	8.1	69.5
	Disagree	39	15.1	15.1	84.6
	Strongly disagree	40	15.4	15.4	100.0
	Total	259	100.0	100.0	

Trade credit facilities offered by suppliers stimulate entrepreneurs go into SMEs

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	74	28.6	28.6	28.6
	Agree	86	33.2	33.2	61.8
	Neutral	29	11.2	11.2	73.0
	Disagree	41	15.8	15.8	88.8
	Strongly disagree	29	11.2	11.2	100.0
	Total	259	100.0	100.0	

Suppliers of credit visit SMEs by way of monitoring and showing awareness for granting more credit

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	101	39.0	39.0	39.0
	Agree	68	26.3	26.3	65.3
	Neutral	21	8.1	8.1	73.4
	Disagree	40	15.4	15.4	88.8
	Strongly disagree	29	11.2	11.2	100.0
	Total	259	100.0	100.0	

Suppliers of trade credit ensure that the purpose of trade credit granted is met through proper monitoring.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	55	21.2	21.2	21.2
	Agree	99	38.2	38.2	59.5
	Neutral	24	9.3	9.3	68.7
	Disagree	42	16.2	16.2	84.9
	Strongly disagree	39	15.1	15.1	100.0
	Total	259	100.0	100.0	

Trade credit suppliers are often restricted by the government in creates public awareness regarding offer of credit

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	75	29.0	29.0	29.0
	Agree	54	20.8	20.8	49.8
	Neutral	43	16.6	16.6	66.4
	Disagree	42	16.2	16.2	82.6
	Strongly disagree	45	17.4	17.4	100.0
	Total	259	100.0	100.0	

The rate at which SMEs obtained trade credit from suppliers is decreasing due to collateral issues

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	66	25.5	25.5	25.5
	Agree	88	34.0	34.0	59.5
	Neutral	32	12.4	12.4	71.8
	Disagree	37	14.3	14.3	86.1
	Strongly disagree	36	13.9	13.9	100.0
	Total	259	100.0	100.0	

The inability of SMEs to manage risk deprived them from getting credit

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	49	18.9	18.9	18.9
	Agree	89	34.4	34.4	53.3
	Neutral	57	22.0	22.0	75.3
	Disagree	44	17.0	17.0	92.3
	Strongly disagree	20	7.7	7.7	100.0
	Total	259	100.0	100.0	

There is higher demand for trade credit but most of the SMEs are not creditworthy

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	43	16.6	16.6	16.6
	Agree	76	29.3	29.3	45.9
	Neutral	56	21.6	21.6	67.6
	Disagree	54	20.8	20.8	88.4
	Strongly disagree	30	11.6	11.6	100.0
	Total	259	100.0	100.0	

SME loans are less profitable, risky and costly than other means of financing

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	64	24.7	24.7	24.7
	Agree	47	18.1	18.1	42.9
	Neutral	60	23.2	23.2	66.0
	Disagree	49	18.9	18.9	84.9
	Strongly disagree	39	15.1	15.1	100.0
	Total	259	100.0	100.0	

Most SMEs are prone to poor debtor systems

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	50	19.3	19.3	19.3
	Agree	73	28.2	28.2	47.5
	Neutral	57	22.0	22.0	69.5
	Disagree	39	15.1	15.1	84.6
	Strongly disagree	40	15.4	15.4	100.0
	Total	259	100.0	100.0	

Government is not always active in lending or financing SMEs business

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	60	23.2	23.2	23.2
	Agree	64	24.7	24.7	47.9
	Neutral	56	21.6	21.6	69.5
	Disagree	35	13.5	13.5	83.0
	Strongly disagree	44	17.0	17.0	100.0
	Total	259	100.0	100.0	

Banks do not encourage the new entrepreneurs to participate in the loaning exercise rather focused on the existing entrepreneurs and this discourages most entrepreneurs

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	36	13.9	13.9	13.9
	Agree	83	32.0	32.0	45.9
	Neutral	49	18.9	18.9	64.9
	Disagree	45	17.4	17.4	82.2
	Strongly disagree	46	17.8	17.8	100.0
	Total	259	100.0	100.0	

Logistic Regression

Dependent Variable Encoding

Original Value	Internal Value
No	0
Yes	1

Block 0: Beginning Block

Classification Table[a,b]

	Observed		Predicted		
			SMEsProf.		Percentage Correct
			No	Yes	
Step 0	SMEsProf.	No	151	0	100.0
		Yes	108	0	.0
	Overall Percentage				58.3

a. Constant is included in the model.
b. The cut value is .500

Variables in the Equation

		B	S.E.	Wald	df	Sig.	Exp(B)
Step 0	Constant	-.335	.126	7.073	1	.008	.715

Variables not in the Equation

			Score	df	Sig.
Step 0	Variables	VAR00012	.196	1	.658
		VAR00013	.059	1	.809
		VAR00014	.187	1	.665
		VAR00018	.008	1	.930
	Overall Statistics		.380	4	.984

Omnibus Tests of Model Coefficients

		Chi-square	df	Sig.
Step 1	Step	.380	4	.984
	Block	.380	4	.984
	Model	.380	4	.984

Model Summary

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	351.498[a]	.001	.002

a. Estimation terminated at iteration number 3 because parameter estimates changed by less than .001.

Classification Table[a]

	Observed		Predicted		
			SMEsProf.		Percentage Correct
			No	Yes	
Step 1	SMEsProf.	No	151	0	100.0
		Yes	108	0	.0
	Overall Percentage				58.3

a. The cut value is .500

Variables in the Equation

		B	S.E.	Wald	df	Sig.	Exp(B)
Step 1[a]	VAR00012	.036	.093	.147	1	.701	1.036
	VAR00013	.018	.091	.038	1	.846	1.018
	VAR00014	.034	.090	.139	1	.709	1.034
	VAR00018	-.003	.088	.001	1	.970	.997
	Constant	-.553	.434	1.626	1	.202	.575

a. Variable(s) entered on step 1: VAR00012, VAR00013, VAR00014, VAR00018.

Correlations

		SMEsProf.	Cost of Trade Credit	Credit Flexibility	Credit Grant	Government Restriction
SMEsProf.	Pearson Correlation	1	.028	.015	.027	.005
	Sig. (2-tailed)		.659	.809	.667	.930
	N	259	259	259	259	259
Cost of Trade Credit	Pearson Correlation	.028	1	.067	.118	.155*
	Sig. (2-tailed)	.659		.280	.057	.013
	N	259	259	259	259	259
Credit Flexibility	Pearson Correlation	.015	.067	1	.066	.102
	Sig. (2-tailed)	.809	.280		.291	.101
	N	259	259	259	259	259
Credit Grant	Pearson Correlation	.027	.118	.066	1	.122
	Sig. (2-tailed)	.667	.057	.291		.051
	N	259	259	259	259	259
Government Restriction	Pearson Correlation	.005	.155*	.102	.122	1
	Sig. (2-tailed)	.930	.013	.101	.051	
	N	259	259	259	259	259

*. Correlation is significant at the 0.05 level (2-tailed).

Fator Analysis

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.025	12.657	12.657	2.025	12.657	12.657
2	1.339	8.370	21.027	1.339	8.370	21.027
3	1.247	7.795	28.823	1.247	7.795	28.823
4	1.177	7.358	36.180	1.177	7.358	36.180
5	1.138	7.112	43.292	1.138	7.112	43.292
6	1.052	6.574	49.867	1.052	6.574	49.867
7	1.035	6.469	56.335	1.035	6.469	56.335
8	.939	5.871	62.207			
9	.920	5.752	67.959			
10	.894	5.590	73.549			
11	.838	5.241	78.790			
12	.775	4.847	83.637			
13	.731	4.569	88.206			
14	.708	4.423	92.629			
15	.622	3.890	96.519			
16	.557	3.481	100.000			

Extraction Method: Principal Component Analysis.

Component Matrix[a]

	Component						
	1	2	3	4	5	6	7
SMEs funding faces limited of geographic coverage	.463	-.223	-.174	-.207	.050	.208	-.322
Trade credit are not easily available for SMEs from suppliers	.329	.168	.335	.295	-.088	-.251	-.136
Cost of Trade Credit	.487	.069	.285	.155	-.189	.316	-.286
Credit Flexibility	.331	.370	-.113	.063	.181	-.358	-.231
Credit Grant	.589	-.388	-.172	-.138	-.157	.029	.156
Trade credit facilities offered by suppliers stimulate entrepreneurs go into SMEs	.477	.195	-.176	.174	-.410	.237	.180

Suppliers of credit visit SMEs by way of monitoring and showing awareness for granting more credit	.146	.325	.021	.495	.435	.036	.267
Suppliers of trade credit ensure that the purpose of trade credit granted is met through proper monitoring.	-.109	-.348	.286	.431	.341	.036	-.059
Government Restriction	.426	.001	-.124	.240	.175	-.059	-.270
The rate at which SMEs obtained trade credit from suppliers is decreasing due to collateral issues	.424	.050	-.130	.234	-.150	-.048	.415
The inability of SMEs to manage risk deprived them from getting credit	.248	.115	-.118	-.304	.528	.157	-.255
There is higher demand for trade credit but most of the SMEs are not creditworthy	.341	-.333	-.094	-.190	.326	-.379	.446
SME loans are less profitable, risky and costly than other means of financing	.329	.344	.225	-.418	.264	.271	.239
Most SMEs are prone to poor debtor systems	-.002	.430	.554	-.290	-.092	-.031	.180
Government is not always active in lending or financing SMEs business	.055	-.456	.471	.099	.145	.404	.151

Banks do not encourage the new entrepreneurs to participate in the loaning exercise rather focused on the existing entrepreneurs and this discourages most entrepreneurs	.315	-.258	.484	-.174	-.154	-.495	-.160

Extraction Method: Principal Component Analysis.
a. 7 components extracted.

RESUME