Impact of bank finance on the survival of small and medium enterprises in Nigeria.
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Abstract.
Banking industries play an important role in the survival of Small and Medium Enterprises (SMEs) and it is known to provide a good business environment or investment climate that encourages private firms to be well managed, efficient, create jobs, increase the rate of economic growth and reduce poverty. The degree of backwardness of small and medium enterprises in Nigeria is not only associated by the poor management of the enterprise but also other complimentary services such as financial assistant of banking industry that would see businesses through their teething stages. Yet little or nothing is known about the impact of financial institution on the survival of SMEs in Nigeria.
Hence this study analyzed the impact of bank finance on growth of small and medium Enterprises in relation to GDP growth. Secondary data was used for this study. The secondary data spanning from 1999-2013 was obtained from the World Bank’s Development indicators for 1999-2013, and all other variables were obtained from the National Bureau of Statistics annual report, 2013 and Central Bank of Nigeria bulletin for 2013. The data collected was analyzed using Multiple Regression and Co-integration Model.
The long-run results indicate that finance, credit from private sectors, fiscal deficit and management of accounting information have a significant and positive effect on SMEs growth in Nigeria. Gross fixed capital formulation has an insignificant effect on GDP growth in the long run. An increase of 1 percent in finance will, on average, lead to an increase of about 8 percent in SMEs growth. This implies that the Nigerian economy has been enhanced by the SME sector, possibly through innovations leading to employment generation, job creation, and poverty alleviation. The lag length of the long-run model was selected on the basis of the AIC. The F-statistic value of the long-run model is also significant and implies that all the independent variables are jointly significant. The Durbin–Watson (DW) test statistic shows an absence of autocorrelation in the model.

Keywords: Bank, finance, SMEs, Survival, Nigeria

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