
SOURCES OF FINANCE AND SMALL AND MEDIUM SCALE ENTERPRISES' PERFORMANCE IN ADO-EKITI METROPOLIS

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ABSTRACT: *The objective of the research study was to look into the effects of financial source on small and medium enterprises performance in Ado-Ekiti metropolis. Survey research method was used via structured questionnaire. The questionnaire was administered to 225 respondents in 45 conveniently selected registered SMEs in the Ado-Ekiti metropolis. 4 point Likert Scale was employed to collect the respondents' data. Since the respondents are the owners and concerned authorities of the business, there is no need for undecided option. Stratified sampling technique was adopted while frequency tables were used to explain the demographic of the respondents. Multiples regression analysis was employed in the study since we have multiple independent variables (like: personal savings, informal and formal sources of finance) and one dependent variable (i.e performance). From the findings, it shows that each of the financial sources has a reasonable level connection with the performance of SMEs. The model summary of each of the sources of finance shows personal savings with R^2 33.1%, informal 42.0% and formal 46.7% respectively. However, the overall regression analysis results of the three sources indicate that R^2 is 35.6% with F-test value of 40.78% attributed to performance. The overall coefficient results show that Mfb in formal source ranked best with t value of 5.933 and 0.00 at 5% level of significance and followed by family in informal source with t value of 3.940 and 0.00 at 5% level of significance and esusu in personal saving with t value of 3.180 and 0.00 at 5% level of significance respectively. The study concluded that there is nexus between sources of finance and business' performance and from the overall coefficient regression results, it shows that formal source of finance is the most significant independent variables that is enhancing SMEs' performance in Ado-Ekiti metropolis.*

KEYWORDS: Esusu, Family, Friends, Cooperatives, Money lenders and Banks

INTRODUCTION

The wide variety of different types of finance available reflects the diversity of SME characteristics and their specific finance needs (Department for Business Innovation and Skills 2012) It shows that seeking for a type of financial source has something to do with each stage of the business development. Access to finance is a key determinant for business start-up, development and growth for small and medium sized enterprises (SMEs) and they have very different needs and face different challenges with regard to financing compared to large businesses European Commission (2013). Among the various nations' economy of today, SMEs is considered as one of the pillars holding the nation's economy together. It can be likened to propeller that is propelling the nation's economy engine for the growth and development. Generally, in the years past, small and medium enterprises were given little or

no attention by the government because of its small population and the discovery of crude oil. However, giving recognition to SMEs started gaining the attention of both private and public shortly after the alarming in population which had increased beyond what the oil sector can absorb in terms of employment. Currently, ironically with oil money in the country, individuals have found it difficult to survive and at the peak of this, it becomes unavoidable for both the private and public not to pay serious attention to the issue of SMEs in the country (Nigeria). The importances of SMEs enterprise have been outrightly recognised by the players (i.e. government, private, individuals and experts) in the field of the nation's economy as the main engine room for sustainable growth and development.

In spite of the acknowledgement of the potential of SMEs in the nation's (Nigeria) and in Ado-Ekiti in particular, small and medium enterprises remain relatively stagnant in its contributions to the growth and development of the nation's economy. A number of different programmes through policies that should add values to the bottom line of SMEs and enhance their financial status had been set-up by both past and present government. Sadly enough, these have been yielding little or no results because the flowing of the financial support has not been channelled to the appropriate hands that can best utilise it. Rather, such funds were diverted to wrong hands. The importance of SMEs in reducing poverty level and improving the nation's economy necessitate a deep-self interest in the contemporary environment for the boosting of the Nigeria SMEs by the actors in the field. Report from CBN (2006) showed that the little progress recorded so far in the area of SMEs from the courageous efforts of the earliest indigenous were almost completely wiped out by the massive dislocations and traumatic devaluation under the structural Adjustment Programme (SAP). Remarkably, Fabayo, (2009) sees SMEs as the feeder services to small scale industries. Generally, it is observed that despite the priority accorded SMEs in Nigeria, there is a consistently decline in the business' performance.

Small and Medium Enterprises (SMEs) in the past years till now do not have consensus definitions. This is consistent with the study from International labour Organization (ILO 2005) which shows that over 50 definitions were identified in 75 countries and each definition was made to suit specific criterion of Enterprises and the stage of its industrial development of a particular country or state. It shows that the SMEs can be defined from the perspectives of the individuals, organisation, state or country. Ibrahim (2008) shows definitions by various bodies and that each definition has usually been made to suit a particular requirement of business and the level of industrial development of a particular country. From the contexts of the study, Small and Medium Enterprises can be defined as an organisation having range of 5-20 employees with operating capital of not less than N2m–N10m excluding cost of land.

Source of financing Small and Medium Enterprises (SMEs) according to Ewiwile, Azu and Owa as cited in Gulani and Usman (2012) includes; owner's savings, friends, family members, Banks, members of the trade, partners and shareholders.

It will be recalled that despite the numerous established programmes and policies by the government in Nigeria, SMEs are still facing stiff constraints in gaining support or access loan from the banks and other sources of financial institutions. Since the creation of Ekiti State by the then Military Dictator, General Sani Abacha in 1996, the state has been witnessing the considerable increase and fluctuation in growth and standard of living and this can be traced to the inconsistency in financial sources of SMEs both within and outside the

state capital. Many of these effects spill over into the state in form of inflation, unemployment and other evil vices.

Traditional notions of business performance vary from one firm to the other. While some focus on productivity, profit, growth, and stability under a rational system, others may focus on the assets' durability and customers' satisfaction. This is consistent with (Scott, 2003). This shows that when a firm is able to satisfy its customers, such a firm can be said to have been performing and this cannot manifest unless there is adequate funding from the source. In the remarks of Saad and Patel (2006) and Rosli (2011), performance is not hanged on specific success or achievement of a business. Zarook, Rahman and Khanam (2013) remarked that the performance of a firm has a great influence on access to credit. Firms with increasing sales and sales turnover have less constraint on accessing credit while poor performing firms have been found to have limited access to financing, particularly with formal source like banks. Despite the studies carried out by past researchers, little or no effort was made to take a look at knowing how the business' owners have been financing their businesses and which of the sources gives them easy access to finance or that contributes meaningfully to their business performance. Therefore, the study is to examine if there is a nexus between the business' financial support and small and medium enterprises' performance operating in Ado-Ekiti metropolis. The choice of Ekiti State and in particular, Ado-Ekiti metropolis was borne out by considering the increase in population, newly established private and federal university in addition with the existing institutions, Hospitality industries, activities of investors, need for self employed which become daily sermons government is consistently preaching to the youths and so on. Hence, the focus of this study is to research into four prominent available sources of finance in Ado-Ekiti Metropolis such as: owner savings, family, friends, money lenders, cooperatives, banks and legal lending institutions) which according to Ekpenyong and Nyong (1992) was grouped under three headings; personal savings, informal and formal sources.

LITERATURE

Kazemy, Yaghoubi and Ghodsi (2011) examined the effective factors on survival of SMEs: Case study of Iran. Their study captured all manufacturing SMEs managers and business' owners of two major towns like Zahedan and Kambuzia with population of 250 people. Questionnaire was the main tool for their study while data were analysed using SPSS and Lisrel software. From their findings, financial factors among others were considered very significant to the survival of the business in Iran. Since survival is a variable under performance, therefore, it can be reasonably agreed upon that gaining access to financial source is very germane to the SMEs performance. In the view of Adigwe (2012) on project finance for small and medium scale enterprises, he sees consistent policies changing as an obstacle for SMEs in accessing financial assistance from formal source like banks which is in most cases affecting the smooth running of the business. In the case of Adiqwe (2012) Irwin, Grayson and Scott (2006), studies show that the inconsistency and unfavourable government regulations or policies contribute to non performance of the SMEs in Nigeria. Aremu and Adeyemi (2011) pointed out that the failure of government in terms of poor coordination and monitoring and policies inconsistency are the main barriers faced by the SMEs in accessing financial assistance especially in financial institutions operating in the country. This is consistent with Adiqwe (2012). In addition, Chiliya and Roberts-Lombard (2012) in their studies on 'Impact of Level of Education and Experience on Profitability of Small Grocery Shops in South Africa' shows that there is a significant relationship between the level of

owners' business education and his or her previous experience in accessing finance from the sources and business performance. Survey method was used while data were collected using questionnaire with 5 point Likert Scaled. The view was shared with Zarook, Rahman and Khanam (2013) evidence from Libya's SMEs. In order to buttress this issue, the personal experience of the researcher in the banking system shows that most requests of customers seeking financial assistance were turned down on the basis of lack of formal education and inadequacy of experience after a thorough investigation. Moreover, from the research works of Oniovosa (2013) on strategic effect of the sources of fund on the performance, it was revealed that easy access to source of fund goes a long way to affect the SMEs performance and there is a positive and strategically significant relationship between performance of an enterprise and availability of funds. This further affirmed the strong relationship between readily available sources of finance and business' performance.

Egbuna and Agali (2013) findings on an effect of planning on the performance of small and medium enterprises in south-western Nigeria show that inability to gain access to source of finance among other problems is a major challenge facing SMEs. From the study, one can deduce that accessing financial source without difficulty by the SMEs contributes meaningfully to the overall performance of its activities. Furthermore, SAEED (2009) in his study on Formality of Financial Sources and Firm Growth: Empirical Evidence from Brazilian SMEs 1999-2005 revealed that internal or owners' funds and formal sources of finance had been found significantly related to the performance of SMEs and that informal source of finance seem not significantly related to SMEs performance. It stressed further that developed financial institutions is imperative to firm's growth in developing countries. Survey method was used while self-developed questionnaire was used to collect the data. OLS regression was used to analyse the independent and dependent variables. From the above researchers' findings, (Zarook, *et al.* 2013 and SAEED, 2009), it shows that owners' business education and experiences are significantly related to SMEs performance, ditto to owners' saving and formal financial source.

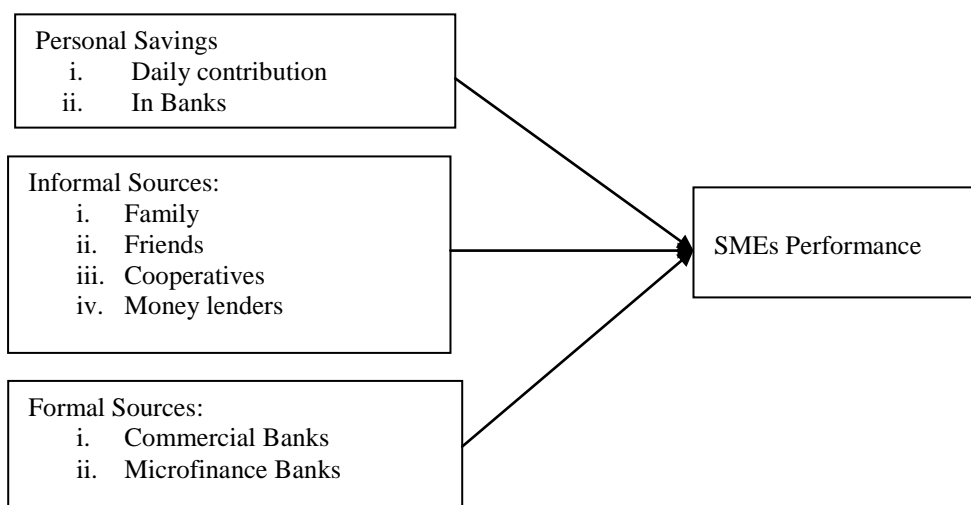
Sources of finance SMEs.

Personal savings: This refers to the amount left over after subtracting the cost of person's consumer expenditure from the amount of disposable income in a given period of time. Ojos as cited in Ekpenyong and Nyong (1992) shows that almost all the funds required by SMEs owners came from personal savings (96.4 per cent). The studies of BIS; Department for Business Innovation and Skills attested that half of SMEs do not use formal sources of external finance, instead they relying on trade credit from their suppliers or retained earnings and these show why the majority of the industries have been wallowing in abject poverty with slow rate growth and development. This is because the performance expectations from SMEs can only be achieved with strong support of financial source.

Informal Source: This source of financing does not require serious paper works. Sources under informal provides financial assistance with or without demanding serious collateral security from SMEs' owners, rather, it may base it on words of mouth or with simple agreement. Besides owners' savings, informal source comes from friends, relatives and business angels Riding (2006). It shows that incidence of informal investment was higher among firms in the manufacturing, wholesale or retail and knowledge-based sectors. It equally shows that both business angels and friends or relatives contribute significantly under informal source towards SMEs performance in Canada to the tune of 15 and 25% respectively. In terms of Canadian financial performance, it was revealed that the contributions of both angel-financed and those financed by friends and family are larger than

other SMEs financial sources. This suggests that informal investment has indeed spurred growth for these SMEs. This similar case can be seen in SMEs operating currently in Nigeria, especially Ado-Ekiti Metropolis. This is in consonance with Gbandi and Amissah (2014) which shows that informal finance sector (IFS) provides more than 70% of the funds to the SMEs, therefore, advocated that Federal government should find out those factors that necessitate for this and incorporate such factors into its policy for improving SMEs access to finance.

Formal Source: This refers to those financial institutions that are established by law to carry out financial business activities and at the same time are saddled with the responsibilities of assisting in growth, development and survival of SMEs by providing facilities after fulfilling a certain criterion like collateral security which is commonly used. The formal source comprises Commercial banks, Merchant banks, Savings banks, Bank of industry, and Development banks. According to Beck, Demirgüç-Kunt and Peria (2008), most banks, independently of their country of operation or ownership type, have set up separate departments to manage their relations with SMEs. This shows that banks in Nigeria have a special role to play in making the dreams of business' owners come to reality and that SMEs have some benefits that they should enjoy with the formal institutions. But SMEs are being denied of these benefits by the banks as a result of the unrealistic collateral security demanding from them and these have been seriously affecting the survival of the industry especially in developing country like Nigeria. Generally, it is agreed upon that most of the financial institutions like Commercial banks, Merchant banks, Bank of industry, Development banks and so on whose part of their responsibilities include financing SMEs have been performing below expectations and in most cases failed SMEs. The inability to live up to expectations has been spilled over to the society, thereby resulting to low productivity, sub-standard products, unemployment and untimely winding up of some businesses in the country. Despite this, Financial Inclusion Experts Group or SME Finance Sub-Group 2010 and SAEED (2009) argue that formal source of finance remains reliable source of SMEs growth and development and they have contributed significantly to its performance in various countries, Nigeria inclusive. Again, findings from Kihimbo, Ayako, Omoka, and Otuya (2012) affirmed the significant of formal financial source to the business operations.



Source: Designed for the current study by the Authors 2014

Figure 1 **Conceptual Model of Sources of Financing SMEs**

METHODOLOGY

Survey research design was adopted to enable the researcher have a comprehensive overview of the variables under examination. In this case, financial sources were considered as the independent variables (x) and SMEs' performance as the dependent variable(y). In order to achieve the objectives of the study, primary data sourced was used and 4 point Likert Scaled self-developed questionnaire were employed. Since the questionnaire was administered to the owners of business or people in the authority, there is no option for undecided in the questionnaire.

Ado-Ekiti metropolis was chosen because various small and medium enterprises operating in each of the senatorial district of Ekiti State were domiciled in the state capital. The study makes use of 5 respondents from 45 conveniently selected registered SMEs in Ekiti State as cited in Ekiti State industrial directory (2010), thus bringing the total sample size to 225 respondents. Meanwhile, these respondents were chosen by using stratified sampling techniques. The choice was borne out of the fact that there are various businesses under small and medium enterprises. However, since the study makes use of both the new and the old business' owners, it is expected to serve as a true representation of the whole population.

To analyse the data therefore, multiple regressions was used to test the hypotheses since there were multiple independent variables involved and one dependent variable. The significance level was 0.05 considering the anticipated degree of correctness of the responses to be gathered. Firstly, each of the independent variables relationship with the SMEs performance was determined through multiple regression analysis of SPSS version 20. The most significant construct of each independent variables was brought together to determine the most significant among the three independent variables on SMEs performance. This was carried out through multiple regression analysis of SPSS version 20. Hence, the questionnaire was administered to respondents from registered SMEs and not customers. This gives room for sound opinion about questions contained in the research instrument.

STUDY HYPOTHESES

- H₀₁ there is no significant relationship between sources of finance and SMEs performance
H₀₂ there is none of the variables that is mostly significant to SMEs performance.

FINDINGS

Variables	Frequency	Percentage (%)
Sex		
Male	192	85
Female	33	15
Age		
20-30	15	7.0
31-40	74	32.9
41-50	94	41.1
51 and above	42	19.0
Marital Status		
Single	201	
Married	24	89.3
Educational Background		
University	142	63
Polytechnic	67	29.8
N.C.E	11	4.9
Others	5	2.3
Years of Experience		
1-10	84	37.4
11-20	76	33.7
21-30	47	20.9
31 and above	18	8

Source: Field Survey 2014.

Table 4. 1. Distribution of Demographic Variables

Valid	Frequency	Percentage (100)	Valid Percent	Cumulative Percent
Strongly Disagreed	9	4	4	4
Disagreed	12	5.3	5.3	9.3
Agreed	148	65.8	65.8	75.1
Strongly Agreed	56	24.9	24.9	100
Total	225	100	100	

Source: Field Survey 2014

Table 4. 2: Discussion to finance SMEs based on owners' saving in the banks

Valid	Frequency	Percentage (100)	Valid Percent	Cumulative Percent
Strongly Disagreed	16	7.1	7.1	7.1
Disagreed	17	7.5	7.5	14.6
Agreed	134	59.6	59.6	74.2
Strongly Agreed	58	25.8	25.8	100
Total	225	100	100	

Source: Field Survey 2014

Table 4. 3: Discussion to finance SMEs based on owner’s esusu daily contributions

Valid	Frequency	Percentage (100)	Valid Percent	Cumulative Percent
Strongly Disagreed	17	7.6	7.6	7.6
Disagreed	27	12	12	19.6
Agreed	98	43.6	43.6	63.2
Strongly Agreed	83	36.8	36.8	100
Total	225	100	100	

Source: Field Survey 2014

Table 4.4: Discussion to finance SMEs based on funds from family

Valid	Frequency	Percentage (100)	Valid Percent	Cumulative Percent
Strongly Disagreed	56	24.9	24.9	24.9
Disagreed	74	32.9	32.9	57.8
Agreed	50	22.2	22.2	80
Strongly Agreed	45	20	20	100
Total	225	100	100	

Source: Field Survey 2014

Table 4.5: Discussion to finance SMEs based on funds from friends

Valid	Frequency	Percentage (100)	Valid Percent	Cumulative Percent
Strongly Disagreed	38	16.9	16.9	16.9
Disagreed	50	22.2	22.2	39.1
Agreed	74	32.9	32.9	72
Strongly Agreed	63	28	28	100
Total	225	100	100	

Source: Field Survey 2014

Table 4.6: Discussion to finance SMEs based on funds from Cooperatives

Valid	Frequency	Percentage (100)	Valid Percent	Cumulative Percent
Strongly Disagreed	69	30.7	30.7	30.7
Disagreed	62	27.6	27.6	58.3
Agreed	46	20.4	20.4	78.7
Strongly Agreed	48	21.3	21.3	100
Total	225	100	100	

Source: Field Survey 2014

Table 4.7: Discussion to finance SMEs based on funds from Money lenders

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.575 ^a	.331	.322	.44955	.331	36.406	3	221	0.00

Source: Author’s computation from SPSS output

Table 4.8. Regression Model Summary analysis of Personal savings and SMEs performance

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.068	.132		15.677	.000
	HOME	-.053	.030	-.099	-1.787	.075
	ESUSU	.172	.054	.318	3.200	.002
	BANKS	.140	.053	.260	2.633	.009

a Dependent Variable: Smes Performance P<0.05. SPSS output

Table 4.9. Regression Coefficients analysis of Personal savings and SMEs performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.648 ^a	.420	.410	.35406	.420	39.836	4	220	.000

Source: Author's computation from SPSS output, a Predictors: (Constant),Family, Friends, Coop and Money lenders, b Dependent Variable: Smes Performance SPSS output

Table 4.10 Regression Model Summary(b) analysis of informal source of finance and SMEs performance

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.775	.126		14.128	.000
	FAMILY	.175	.023	.392	7.611	.000
	FRIENDS	-.044	.023	-.097	-1.856	.065
	COOP	.130	.043	.285	3.028	.003
	MONLENDER S	.109	.042	.239	2.563	.011

a Dependent Variable: SMEs PERFORMANCE P<0.05. SPSS output

Table 4.12. Regression Model Summary(b) analysis of formal source of finance and SMEs performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.683 ^a	.467	.462	.50466	.467	97.201	2	222	.000

Source: Author’s computation from SPSS output. a Predictors: (Constant),Commbanks and Mfb b Dependent Variable: SMEs PERFORMANCE SPSS output

Table 4. 13. Regression Coefficients analysis of formal sources of funds and SMEs performance

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.442	.103		14.013	.000
	COMMBANKS	.215	.060	.317	3.558	.000
	MICROBANKS	.269	.061	.396	4.449	.000

a. Dependent Variable: Smes Performance P<5% SPSS output

Table 4.14 Regression Model Summary analysis of sources of funds (personal savings, informal and formal) and SMEs performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.597 ^a	.356	.348	.49309	.356	40.780	3	221	.000

Source: Author’s computation from SPSS output.

a Predictors: (Constant),Esusu Family and Mfb. b Dependent Variable: Smes Performance SPSS output

Table 4.11. **Regression Coefficients analysis of Informal sources of funds and SMEs performance****Regression Analysis combination of the financial sources**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	1.435	.146		9.858	.000
ESUSU	.103	.032	.172	3.180	.002
FAMILY	.150	.038	.262	3.940	.000
MFB	.238	.040	.394	5.933	.000

a Dependent variable: SMEs Performance

Table 4.15. **Regression Coefficients analysis of sources of funds (personal savings, informal and formal) and SMEs performance****DISCUSSION**

Table 4.1 shows that 85% of the small and medium enterprises operating in Ado-Ekiti metropolis were owned by male. The reason for this is perhaps because men have a lot of responsibilities to shoulder and that is why most of the men engage in moonlighting in order to match up with their responsibilities. Female percentage value from the same table 4.1 shows 15 which indicates that substantial number of women are now into small and medium enterprises to compliment the efforts of their husbands and improve the standard of living. The spills over effects in the state have been contributing meaningfully to the revenue generating. Again, from Table 4.1, it can be deduced that age category 40-50 own most of the small and medium enterprises in the state with percentage value of 41.1, followed by age category 31-40 with 32.9%. Next is age category 51 and above and 20-30 with 19% and 7% respectively. One can deduce that people within the age bracket 40-50 takes a lead in the establishing SMEs in the state. On educational background, Table 4. 1 shows that 63% were university graduate, 29.8% were Polytechnic graduate, N.C.E were 4.9 % and others were 2.3%. From the frequency Tables 4.1, it shows the calibre of owners of business in the state. Finally, Table 4. 1 shows various experiences of the owners business in the state. It shows that the highest percentage value of 37.4% of owners' business experience of 1-10 years, followed by 33.7% owners business experience of 11-20 years. Next are the owners business experiences of 20.9% and 8% with 21-30 and 31 and above respectively. It can be deduced that the highest proportion percentage of owners' business experience came from 1-10 years.

Table 4.2 shows various responses of owners of business on how their businesses are being funded from their personal contributions in their banks account. The highest percentage value of 65.8 indicates that respondents agreed that their businesses were set up and funded from their personal savings in their banks account. Next is strongly agreed with the percentage value of 24.9, this further stressed the relevancy of owners' contributions and performance of small and medium enterprises (SMEs). However, some owners business picked the options of disagreed and strongly disagreed with the percentage values of 5.3 and 4 respectively. From this frequency table, one can deduce that a large percentage number of owners business get their business set up and funded from their personal savings in their various banks account and these have been directly influencing performances of their businesses. From Table 4.3, it shows that 59.6% respondents agreed that their businesses were funded from their esusu

contributions ditto to 25.8% respondents which strongly agreed with the same. However, 7.5% and 7.1% were disagreed and strongly disagreed respectively. From the frequency, it can be rightly agreed upon that some set of owners business funding are generated from personal saving through esusu daily contributions.

Table 4.4 shows 43.6% as the highest percentage value of respondents agreed that their businesses were enjoyed funding from their family. Also, 36.8% value strongly agreed that their businesses finance came from family contributions. However, 12% and 7.6% disagreed and strongly disagreed respectively. From this frequency, it can be deduced that larger percentage of SMEs in the state having their businesses funded by family. In the same vein, Table 4.5 indicates 32.9% highest percentage values of respondents who disagreed that their businesses were enjoyed funding from friends while 24.9% value strongly disagreed that their source of their businesses finance came from friends' contributions. Meanwhile, 22.2% and 20% respondents respectively agreed and strongly agreed that their businesses were set up by friends' source of finance and in most cases the financing came from their loyalty friends.

The result is consistent with Riding (2006). However, from Table 4.5, it can be deduced that seeking financial support for business performance through friends has not been able to yield the business owners expected results because it is not all friends that are willing to provide the needed assistance especially at the point of business' needs. Furthermore, Table 4.6 indicates highest value of 32.9% agreed and 28% strongly agreed respectively from the respondents. While 22.2% and 16.9% respectively indicate disagreed and strongly disagreed. From table 4.6, it shows that cooperatives under informal source of SMEs have been tremendously assisting as a source of business finance and it effects according to the respondents are being felt in term of their business performance (like; turn over, growth and profits). The result is consistent with Riding (2006). However, from the same Table 4.6, it shows that a reasonable number of SMEs owners are not enjoying the full support of cooperatives as a financial source that can assist their businesses especially from non members of the cooperatives.

From frequency Table 4.7, it indicates that 30.7% strongly disagreed, 27.6% disagreed while 20.4% and 21.3% respectively agreed and strongly agreed by the respondents. Table 4.7 shows that Money lenders under informal source of SMEs have not actually supported the performance of the businesses in the state considering the highest percentage values of 30.7% strongly disagreed, followed by 27.6% disagreed. One can deduce here that the percentage values of 20.4 and 21.3 respondents who agreed and strongly agreed respectively show that owners of business who are of course have no alternative source of finance still patronise money lenders despite their high interest rate.

Table 4.8 shows that R^2 value posits that .331 variations in the explanatory variables of (home, esusu and banks) on SMEs performance. It implies that there is a significant level of relationship between the three dimensional variables and SMEs performance. Again, F-test value of 36.41% of overall explanatory variables was attributed to performance.

Table 4.9 shows the regression analysis of personal savings as a source of finance to enhance SMEs performance. Three variables explain how individuals go about personally savings either by making daily contributions called esusu or by keeping the money at home or savings with banks. From the three constructs, it was found that to save money personally in order to meet a specific purpose in business is better done by keeping the money with banks. From the Table 4.8, esusu was found most significant as a means of financial source to ensure performance in the business at .002 at 5% level of significance and with t value of 3.200

followed by banks with .009 at 5% significant level with t value of 2.633. The results show that esusu and banks are major means through which owners of business enhance performance of their SMEs. From the same table, keeping money at home as a means of personal savings was not significant. Therefore, one can deduce from the results analysis that both potential and existing business's owners should desist from using home as a means for personal savings. Moreso, Table 4.10 indicates that R^2 value posits that .420. This shows that 42% of explanatory variables of (family, friends, cooperatives and money lenders) actually attributed to SMEs performance. Again, F-test value of 39.84% shows overall significant relationship of the explanatory variables on SMEs performance. Table 4.11 explains constructs under informal source of finance that can affect performance of SMEs. Among the variables, family was found most significant with value of .000 at 5% level of significance having t value of 7.611. This is followed by cooperatives with value of .003 at 5% level of significance with t value of 3.028. Next to this are money lenders with .011 at 5% level of significance and lastly friends which was not significant at 5%.

Arising from Table 4.12, it indicates that R^2 value posits .467 variations in the explanatory variables of (commercial banks and micro financial banks) as the constructs of formal financial source were attributed to SMEs performance. While the F-test shows the overall contributions of 97.201 of explanatory variables on dependent variable. Table 4. 13 explain constructs of formal source of finance like commercial and microfinance banks and their effect on SMEs performance. Regression analysis shows that the two variables of financial source are significantly related to the performance of small and medium enterprises (SMEs). However, microfinance banks with value of .000 at 5% level were found most significant to SMEs performance in the state capital having t value of 4.449. Also found significantly related were commercial banks operating in the state capital. The relatedness of the independents and dependent variables may actually hang on the level of educational background of the business' owners in the state and their efficiency in services their loans.

In addition, Table 4.14 indicates that R^2 value posits .356 variations in the explanatory variables of (personal savings, informal and formal sources of finance on SMEs performance). This implies that 35.6% of determinants variations explained the variation in the SMEs performance. It equally shows from the Table that F-test have 40.780 which explain that the overall explanatory variables contribute to the tune of 40.8% of SMEs' performance. This shows there is still a nexus between available sources of finance to owners of small medium enterprises and their business performance in the state. Above all, Table 4.15 shows the regression analysis of the three sources of finance and how they were related to the small and medium enterprises (SMEs) performance in Ado-Ekiti metropolis. From the results, it shows that formal source of finance in particular, (Microfinance Banks) plays leading roles of financing SMEs in the state with .000 at 5% level of significance having t value of 5.933. This is in consonance with Financial Inclusion Experts Group 2010 and SAEED, (2009) that formal source of finance remains a reliable source of small and medium enterprises (SMEs) performance both in terms of growth and development. They have been found contributing significantly to its performance in various countries. Next is a family among variables of informal source with the value of .000 and with t value of 3.940 while esusu in variables of personal saving has a value of .002 with t value of 3.180. It is affirmed from the results that the explanatory variables irrespective of the variance in t values still contribute to the performances of the firms in the state.

Implications of The Study For Policy Formulation

The study clearly indicates that there is a need for whosoever that wants to establish SMEs to have formal education and background experiences as there are imperative for any business's performance. Another implication is that feasibility study is area of key interest to formal financial sources. Therefore, for any of the business's owner to enjoy financial sources, he/she must be able to present convincing feasibility study of his/her business. On the other hand, government should be sincere to enact policies that will compel formal financial sources to be flexible in their interest rates and other criteria for accessing facility in financial institutions. Doing this will create more job opportunities; reduce all those evil vices that are currently enveloping the society, bring peace and improve living standard.

CONCLUSION

From the literatures reviewed and the regression analysis and by considering financial sources of small and medium enterprises' performance, it shows that each of the available sources of the finance is germane to small and medium enterprises performance. Again, it shows that owners' experience and level of educational background are equally important to the small and medium enterprises (SMEs)' performance while good implementation of government policies contribute in no small measure to improve the performance of the industry. Another issue is feasibility study of the business which literature affirmed as a very important means of accessing financial source especially in the contemporary financial institutions lending regulations. Hence, it becomes imperative that where business' owners are seeking to enjoy easy access to source of finance especially from formal institutions, they must be ready to present convincing feasibility study of their business. The R^2 value of regression analysis posits .356. This implies that about 35.6% of the systematic variations in SMEs performance (y) were explained by the explanatory variables in the model of (personal savings, informal and formal sources of finance on SMEs performance). Again, F test value of 40.780 stressed further to show overall significance of the explanatory variables on performance. Hence, it shows that there is a nexus between available sources of finance to owners of small medium enterprises and their business' performance. Finally, the regression results analysis indicates that among the available sources of finance, microfinance banks in formal source was found to be the most significant to small and medium enterprises performance in Nigeria, particularly, Ado-Ekiti metropolis.

Policy Recommendations

Based on the study results, the researcher would like to make the following recommendations that can assist owners of SMEs in accessing financial source in order to enhance their business' performance.

1. Government should establish more microfinance banks in the state and compel them through legislation to focus more on SMEs.
2. Government should relax the interest rate especially to those who are into SMEs in order to enhance their business performance thereby reducing the crime rates and improve the standard of living.
3. Demanding unattainable security from intending or existing business owners should be reviewed by the law of the land because these are the categories of people adding immediate value to the country economy.
4. Again, potential business owners should as a matter of necessity learn how to prepare business feasibility study as this will act as a guide that makes the owners of business to remain focused.

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