Effects Of The Global Financial Crisis On Bank Credit To Sme's: The Nigerian Experience

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Abstract

The aim of this study is to examine the impact of the global financial crisis on the availability of bank credit to the Small and Medium Scale Enterprises (SME's) sector of the Nigerian economy. In general terms, credit availability is a major catalyst to economic growth in any nation, and studies have shown that SME's serve as the engine room for driving industrial development, wealth creation and financial independence. The effects of financial meltdown on SME's is of great concern at this point in time. To achieve this aim, both secondary and primary data were used for the study. Chi square was used to analyze the primary data, while graph, percentages and the ordinary least square were used to analyze the secondary data. The findings of the study show that indeed the global financial crises negatively impacted the availability of credit to small and medium scale enterprises, thus worsening the credit rationing behavior of banks to the sector.

Keywords: Small and Medium Scale Enterprises, Bank Credit, Credit rationing, Global Financial Crises, Finance Gaps.

1. Introduction

Finance is referred to as the life line of any organization. This is basically because no business organization in these modern times can survive without finance as it is an important resource needed for the running of day to day business activities. Most businesses will at one time or the other need some form of credit to run their business, either at the startup stage, growth or expansion stage, or beyond. This is not restricted to the size of a business, i.e. whether micro, small, medium or large. Access to credit has been identified as one of the most significant challenges for the creation, survival and growth of Small and medium scale enterprises (SMEs) globally. 'Enterprise surveys conducted by the World Bank show that SME's face more severe financing constraints than large firms do' (IFC 2010).

The advent of the global financial crises took a toll on global economy, causing a decline in growth, productivity of nations, corporations and individuals alike across the globe. The crises affected both developed and developing countries alike depending on their level of integration into the global economy and the channel of contagion transmission. Nigeria was not left out with the crises taking its toll on the Nigerian stock markets which is a source of capital to large corporations and Medium scale businesses. It also affected banks which are major sources of funds to SME's.

Large firms usually have a wider array of finance options as compared to SME's, ranging from public to private equity, corporate bonds, bank loans and other exotic credit facilities. They are also perceived to be more credit worthy in comparison to SME's which is responsible for the SME lemon gap problem.

Micro firms like large firms also have an array of finance options to them including personal savings, bank loan, loans from public or private micro finance institutions, and cooperatives among others. The Financial needs of Micro firms are also micro in nature and are usually easily accessible by such classes of firm at a low interest rate and even without collateral. This is not the case with SME's, as they require more than micro loans and thereby may be required to provide collateral.

Except for the new trend of some commercial banks establishing SME units, SME's do not have specialized institutions focused on their peculiar finance needs. Commercial banks lend to SME's at similar rates that do give to large corporations, and sometimes even at higher rates due to the lemon gap problem. More so large firms have the leverage of economics of scale advantage thus reducing cost and increasing profitability which enables them to shoulder the burden of high interest rates.
Financial research on the effect of the global financial crisis has mainly concentrated on large firms, ignoring the small business sector. Small and medium-sized firms (SMEs), however, form an integral part of any modern economy, significantly contributing with innovations and employment in the world economies. Sustainability of the SME sector depends on the access to sufficient capitalization and is crucial for the recovery and revitalization of economies after monetary shocks. Before the global financial crisis SMEs were already facing multiple obstacles. The focus of this study is to evaluate if the effect of the Global crises on credit availability to SME's.

1.1 Conceptual Issues

The Bankers committee for the purpose of the SMEEIS (Small and Medium Enterprises Equity Investment Scheme) scheme, defines a small and medium enterprise as any enterprise with a maximum asset base of ₦1.5 billion (excluding land and working capital), and with no lower or upper limit of staff. Although other definitions exist, they are conflicting and are not stated as this study is not focused on solving the S.M.E. definition problem.
Many factors have been identified as likely contributing factors to the premature death. Key among this include 'insufficient capital, lack of focus, inadequate market research, over-concentration on one or two markets for finished products, lack of succession plan, inexperience, lack of proper book keeping, irregular power supply, infrastructural inadequacies (water, roads etc), lack of proper records or lack of any records at all, inability to separate business and family or personal finances, lack of business strategy, inability to distinguish between revenue and profit, inability to procure the right plant and machinery, inability to engage or employ the right caliber staff, cut-throat competition' (Basil 2005).

2. The Sme Finance Gap

SME finance gap is a problem that have been blamed on moral hazard issues, information asymmetry, all leading to the unwillingness of banks to lend to firms in the sector. Several studies attest to the impact of the global crises on banks. Our study shows that this further constrains the availability of credit to SME, as banks prefer to lend to large and micro enterprises than small and medium.
To solve the SME finance gap problem, the Bankers committee came up with the SMEEIS's in 2001 under which 10% of the profit after tax of Banks is reserved for SME financing. This has not had any observable effect on SME financing. As a result of the plethora of poor managerial cum low entrepreneurial skills, SMEs in Nigeria have not been able to maximally benefit from the equity. As at July 31, 2004, only about 30% of the N30 billion in that fund has been accessed by deserving SMEs. Many of the SMEs that applied for the SMEEIS fund did not even have a well-articulated business plan, not to talk of vision, mission, focus, management profile, financial projections and the rest of the pre-requisites for embarking on an enterprise development.
The top ten key problem areas facing SMEs generally in Nigeria in descending order of intensity include management problems, access to finance/capital, infrastructure, government policy inconsistency and bureaucracy, environmental factors related problems, multiple taxes and levies, access to modern technology, unfair competition, marketing problems and the non-availability of raw materials locally.

2.1 Banking Crisis Versus Financial Crisis

Financial crisis and banking crisis often go hand in hand; in some cases the words are synonymous, though banking crisis usually deals solely with events in the financial sector. In many instances, especially in recent history, banking crisis precedes the financial crisis. Often times it will be coupled with a currency or exchange crisis. Kaminsky & Reinhart (2009) as cited in Aldean (2009) 'described the beginning of a banking crisis by one of two events: (1) bank runs that lead to its closure, merging, or takeover by the public sector; and (2) if there are no runs, the closure, merging, takeover, or large-scale government assistance of a major institution'. Major changes in the landscape of the financial sector typically mark a banking crisis. We can often see a banking crisis develop in stages as described by Nakaso (2001), who describes four stages; '(1) market participants become reluctant to do business with troubled banks, resulting in higher risk premiums for those banks, and generally appearing 2-3 years in advance; (2) troubled financial news erupts, and the average maturity of deposits grows shorter; (3) retail depositors begin losing confidence in the banks, and a decline of "deposit surplus ration" is noticeable; and (4) liquid assets for sale are exhausted and the bank becomes insolvent'. This can happen over several years, and others in weeks or days, in the case of most bank runs (Aldean 2009).

2.2 Impact Of The Global Financial Crises On Nigerian Banks

The financial system is dominated by the banking sector (about 90% of the assets) and about 65% of market capitalization of the NSE (Soludo 2009). The Banking System o Tightening of liquidity due to net forex outflows and lower monetization of oil earnings o Further tightening of liquidity as lines of foreign credits enjoyed by Nigerian banks were called in. o Depression of the capital market and drop in the quality of part of the credit extended by banks for trading in the capital market (liquidity pressures as loans not fully serviced or repaid) o Greater loan-loss provisioning both due to capital market exposures and decline in growth of economic activities o Potential exchange rate risks on foreign lines due to depreciation of the exchange rate o Liquidity pressures push up domestic interest rates which if not addressed could pose systemic threat o Global credit crunch and re-pricing of risks push up interest rates on lines of credit for Nigerian banks o Slower growth rate of banks' balance sheet in response to the crisis and higher provisioning, leading to lower profitability.

2.3 Empirical Reviews

Empirical studies on the impact of global financial crisis on small and medium scale enterprise are few, while a large range of studies has been done on the impact of global financial crisis on other sectors of the economy. A number of relevant empirical facts from existing literature are reviewed below.

Yakubu A., Jagongo A, Almadi O.J., and Muktar B.S. (2014) in their study on the effects of the global liquidity crisis of 2008 that savings deposit increased at a diminishing rate, while cash request steadily increased during the period under study. Several studies assert that the inability of SMEs to obtain adequate funds is the major hindrance to their growth (Kauffman, 2008; Ayadi, 2008; Kremp and Philpon, 2008). 'They rely mainly on financial institutions for funds, and this over reliance on only one source for funding makes them vulnerable to external factors that might affect the banks' ability to lend' (Ogujiuba et al, 2004).

Beger and Udell (2001) have noted that negative changes to the economic environment, where the banks and SMEs operate can negatively affect the willingness and ability of banks to lend to them. According to World Bank estimates, the global economy contracted by 2. 1 % in 2009, the economy of the OECD area contracted by 4.7 % between the first quarter of 2008 and the second quarter of 2009, and government debt, within the area, rose to about 100% of the GDP (Sedej and Justinek, 2012). The rise in debt was because Governments borrowed more as a result of the crisis, to stimulate the economy. In most countries, the financial system and the stock market were significantly affected by the crisis. Banks were particularly affected, especially those with off-shore credit lines (Ashamu andAbiola, 2012).

Between 2007 and 2008 the world witnessed a financial crisis comparable to the Great Depression of the 20thcentury. Since SMEs rely on financial institutions for funds, they were therefore, vulnerable to the impact of the downturn in the global economy, given that access to loans became increasingly stringent (Sedej and Justinek, 2012). Financial institutions found it increasingly difficult to lend and even had to recall credit lines, to improve their liquidity (Aluko, 2009).

In response to the situation, financial institutions resorted to the use of credit contraction to tighten lending standards (Komolafe, 2008). This led to the introduction of stricter lending requirements by banks and financial institutions (Soludo, 2009). As a result of the global financial crisis, many western banks reduced their financial investment in Nigeria in order to aid the parent organizations (Adamu, 2009), and international hedge funds and credit lines were withdrawn (Ashamu and Abiola, 2012). Also, 'banks with high foreign currency exposures were negatively affected, as they lost some financial assets deposited with foreign correspondent banks' (Adamu, 2009).

According to Aluko (2008), 'financial institutions in economically advanced countries reduced their investments in the Nigerian financial system, thereby causing the collapse of the stock market. Between 2002 and 2008, the stock market capitalization climbed to a high of N12.6 trillion'. However, by March 2009, the capitalization of the stock market had fallen to N4.5 trillion (Sanusi, 2011).The Nigerian capital market lost over N6 trillion in share value, with banking stock as one of the most affected (Offonago, 2008, cited in Okoroanyawu and Adesida, 2008).

According to Liu (2009), 'the global financial crisis had two big impacts on SMEs; the crisis resulted in a sharply decreasing external need for export-oriented SMEs; and more severe financial difficulties for all SMEs overall'. Soininen et al (20..) examined if Entrepreneurial Orientation (EO) affected the impact of global economic crisis on SME'S in Finny. It further investigated whether EO mitigated the negative effects of economic crisis both on firm's oper-ations and on firm's financial performance. Results based on a sample of almost 200 Finnish small and medium-sized enterprises indicated that the different dimensions of the EO can have diverging effects on how firms are treated by the recession. In general, the more innovative and proactive the firm is the less its operations are affected by the recession and the more risk taking the firm is the more its profitability is affected by the recession.

3. Methodology And Data Analysis

Both primary and secondary data were used for the study. Primary data collected in the course of this research study through the administration of questionnaires. Fifty questionnaires were issued out of which forty seven were completed while three were returned unfilled. The questionnaires were issued out to SME's in the Lagos Ota area, which is a major commercial nerve center of Nigeria. Secondary data analysis is focused on the bank loans to the Small Scale sector due to the non-availability of data covering the Medium scale enterprises sub sector. Data were sourced from the CBN statistical bulletin.

4. Primary Data Analysis

In this section a quantitative presentation of the data gathered from the field is done, as well as the analyses of the responses retrieved and carry out appropriate statistical tests in order to test the relevant null hypothesis. This chapter is also concerned with analysis and presentation of the primary data and the secondary data.

4.1 ANALYSIS OF PERSONAL INFORMATION.

TABLE 4.2.1 FREQUENCY DISTRIBUTION OF THE RESPONDENTS BASED ON THE YEAR OF EXISTENCE

	Frequency	Percent	Cumulative Percent
0-5 Years	17	36.2	36.2
6-10 Years	22	46.8	83.0
11 Years & above	8	17.0	100.0
Total	47	100.0	

Source: Field Survey, 2014

The table above shows that 17 (36.2%) respondents agree that their businesses have been in existence between 0-5 years. Furthermore, 22 (46.8%) have been in the business between 6-10 years, while the remaining 8 (17.0%) have spent 11 years and above in the business.

TABLE 4.2.2 FREQUENCY DISTRIBUTION OF THE RESPONDENTS BASED ON THE MEANS OF FINANCING THE BUSINESS

	Frequency	Percent	Cumulative Percent
Bank loan	11	23.4	23.4
Cooperative	25	53.2	76.6
Family	7	14.9	91.5
Others	4	8.5	100.0
Total	47	100.0	

Source: Field Survey, 2014

It could be observed from the table above that 11 (23.4%) respondents are financing their businesses through the bank loan, 25 (53.2%) finance their business through cooperative, 7 (14.9%) respondents receive assistant from their family members, while the remaining 4 (8.5%) respondents are running the affairs of their businesses through other means.

TABLE 4.2.3 FREQUENCY DISTRIBUTION OF THE RESPONDENTS BASED ON THE TYPE OF BUSINESS

	Frequency	Percent	Cumulative Percent
Trading	27	57.4	57.4
Food & beverages	11	23.4	80.9
Manufacturing	3	6.4	87.2
Service	5	10.6	97.9
Others	1	2.1	100.0
Total	47	100.0	

Source: Field Survey, 2014

The table above shows that 27 (57.4%) respondents are engaged in trading business, 11 (23.4%) are in food and beverages, 3 (6.4%), 5 (10.6%) are rendering services, while the remaining 1 (2.1%) representing the number of people in the other business.

TABLE 4.2.4 FREQUENCY DISTRIBUTION OF THE RESPONDENTS BASED ON THE BUSINESS OWNERSHIP STRUCTURE

	Frequency	Percent	Cumulative Percent
Sole Proprietorship	33	70.2	70.2
Partnership	9	19.1	89.4
Others	5	10.6	100.0

Total	**47**	**100.0**	

Source: Field Survey, 2014

The tables above shows that 33 (70.2%) respondents are sole proprietors, 9 (19.1%) are partnerships, while the remaining 5 (10.6%) are others.

TABLE 4.2.5 FREQUENCY DISTRIBUTION OF RESPONDENTS BASED ON THE QUESTION DID FINANCIAL CRISIS AFFECT YOUR COMPANY

	Frequency	**Percent**	**Cumulative Percent**
Yes	**33**	**70.2**	**70.2**
No	**14**	**29.8**	**100.0**
Total	**47**	**100.0**	

Source: Field Survey, 2014

The table above shows that 33 (70.2%) respondents agreed that financial crises affect their business, while the remaining 14(29%) say no.

4.3 TESTING OF HYPOTHESIS USING CHI-SQUARE TEST HYPOTHESIS ONE

Table 4.3.1: THERE IS A SIGNIFICANT RELATIONSHIP BETWEEN THE POOR PERFORMANCE OF SMES AND THE GLOBAL FINANCIAL CRISIS

	Frequency	**Percent**	**Cumulative Percent**
Strongly Agree	**17**	**36.2**	**36.2**
Agree	**22**	**46.8**	**83.0**
Undecided	**2**	**4.3**	**87.2**
Disagree	**4**	**8.5**	**95.7**
Strongly Disagree	**2**	**4.3**	**100.0**
Total	**47**	**100.0**	

Source: Field Survey, 2014 based on question 5

STATEMENT OF HYPOTHESIS ONE

H0: There is no significant relationship between the poor performance of SMEs and the global financial

H1: There is a significant relationship between the poor performance of SMEs and the global financial

Table 4.3.2 COMPUTATIONS OF CHI-SQUARE TEST

	Observed N	Expected N	Residual
Strongly Agree	17	9.4	7.6
Agree	22	9.4	12.6
Undecided	2	9.4	-7.4
Disagree	4	9.4	-5.4
Strongly Disagree	2	9.4	-7.4
Total	47		

Table 4.3.3 Chi-square Test

N	Mean	Std. Deviation	Chi-square value	df	Critical value
47	1.9787	1.07318	37.787	4	9.488

Decision Rule

It could be observed from the table above that chi-square (X^2) calculated value is 37.787, while its critical value (table value) at 0.05 level of significance with 4 degree of freedom (df) is 9.488. Since the calculated value is greater than the critical value, thus null (**H_0**) hypothesis that says '**there is no significant relationship between the poor performance of SMEs and the global financial therefore is rejected**, while alternative hypothesis (**H_1**) is accepted. Hence, the test is statistically significant.

HYPOTHESIS TWO

4.3.4 GLOBAL FINANCIAL CRISIS HAS AFFECTED THE AVAILABILITY OF CREDIT TO YOUR COMPANY

	Frequency	**Percent**	**Cumulative Percent**
Strongly Agree	**13**	**27.7**	**27.7**
Agree	**22**	**46.8**	**74.5**
Undecided	**4**	**8.5**	**83.0**
Disagree	**5**	**10.6**	**93.6**
Strongly Disagree	**3**	**6.4**	**100.0**
Total	**47**	**100.0**	

Source: Field Survey, 2014 based on question 3

STATEMENT OF HYPOTHESIS TWO

H0: Financial crisis has no impact on the availability of credit to small scale enterprise.

H1: Financial crisis has impact on the availability of credit to small scale enterprise

Table 4.3.5 COMPUTATIONS OF CHI-SQUARE TEST

	Observed N	Expected N	Residual
Strongly Agree	13	9.4	3.6
Agree	22	9.4	12.6
Undecided	4	9.4	-5.4
Disagree	5	9.4	-4.4
Strongly Disagree	3	9.4	-6.4
Total	47		

Table 4.3.6 Chi-square Test

N	Mean	Std. Deviation	Chi-square value	Df	Critical value
47	2.2128	1.15976	27.787	4	9.488

Decision Rule

It could be observed from the table above that chi-square (X^2) calculated value is 27.787, while its critical value (table value) at 0.05 level of significance with 4 degree of freedom (df) is 9.488. Since the calculated value is greater than the critical value, thus null (**H_0**) hypothesis that says '**Financial crisis has no impact on availability of credit for small scale enterprise**' is rejected while alternative hypothesis (**H_1**) is accepted. Hence, the test is statistically significant.

5. Secondary Data Analysis

In the secondary data analysis, Loans to Small Scale enterprises (LTSSE), while the independent variables include Prime Interest rate, exchange rate… Being that the aim of the study is to evaluate the impact of the crisis on credit availability to SME's, LTSSE can be used to represent credit availability to the sector. In the micro economic parlance, interest rate impacts on both the demand and supply for/of loans. A lower interest rate theoretical spurs higher demand for loans while a higher interest rate will spur lower demand for loans and higher supply. From literature on SME financing, this case may be the reverse due to the credit rationing behavior of banks to SME's. Bank are only willing to lend to SME's that are perceived risky (Lemon gap) on a higher interest rate which could further lead to the adverse selection problem. We expect therefore expect a positive relationship between and interest rate and LTSSE at variance with traditional theory on interest rates and loan able funds.

Descriptive Statistics

Table 1. Global Purchasing Power Parity Growth Rates

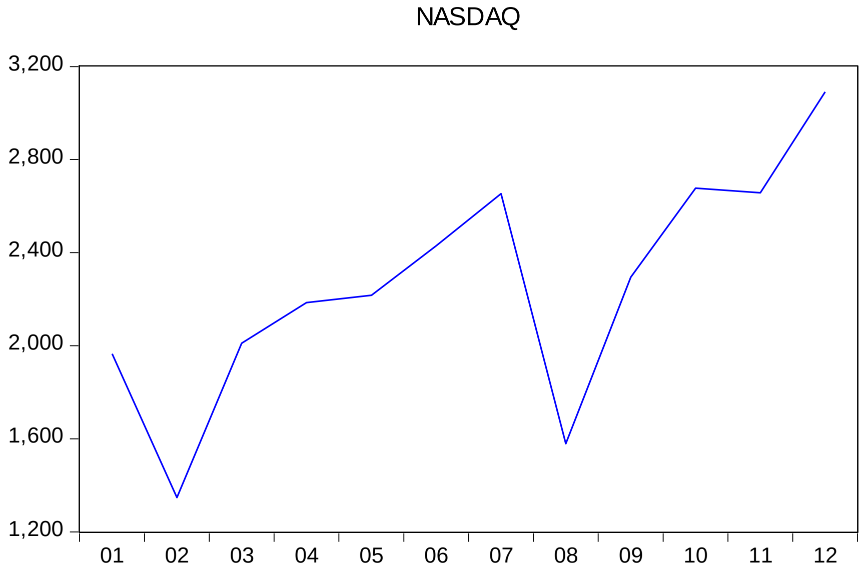
PPP economic growth rates (%)[3][4][5][6][7][8]

Region	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015 (est.)
World average	5.1	5.2	3.0	-0.5	5.3	3.9	3.2	2.9	3.3	3.5
Advanced economies	3.0	2.7	0.6	-3.4	3.2	1.7	1.5	1.2	1.8	2.4
Eurozone	2.9	2.7	0.7	-4.1	1.9	1.5	-0.6	-0.4	0.8	1.2
USA	2.7	2.1	0.4	-2.6	3.0	1.8	2.8	1.9	2.2	3.6
Developing countries	7.9	8.3	6.0	2.8	7.5	6.2	4.9	4.5	4.4	4.3

Source: IMF

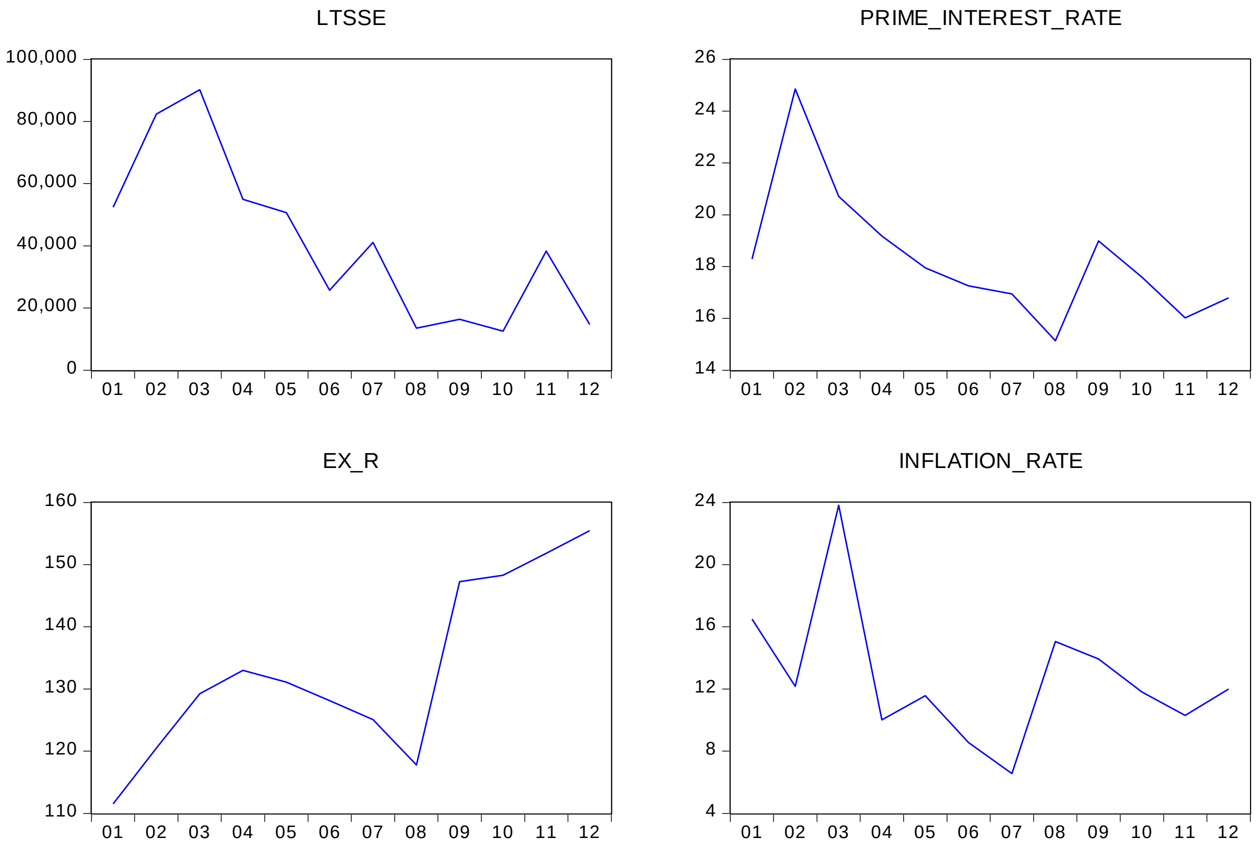
The Impact of the global crises is seen in the trend of data on global PPP economic growth rates, with the rates of various economies receding in 2007, with more recession observed in the US where the crises originated, except for developing countries and the world average. This clearly shows the impact of the crises. 2008 saw all the growth rate indices declining while 2009 saw all the indices further plunging to negative values except that of developing countries.

Figure.1 Trend Movement of NASDAQ



The graph above shows the effect of the global crises on prices of securities listed on the US stock market. The drop in the index in 2008 coincides with the decline experienced in the data on LTSSE, interest rate and exchange rate as shown in the graph below.

Figure 2 LTSSE, prime Interest rate and exchange rate and Inflation rate.



The graph clearly shows that the all the variable where visibly impacted by the global crises in 2007 and 2008, with all the variables experiencing a significant drop in with the period of the crises. Data from the CBN statistical bulletin shows that loans to small scale industries was reducing year on year from 90178.5 in 2003 to a low of 25713 in 2006, though there was an increase in the total loan to the private sector. The amount of LSSE surged up temporally in 2007 but slump thereafter to an all time low amount of13512.2 in 2008 which can be attributed to the effect of the crises. Knowing that banks lend more to large enterprises, followed by medium and then small enterprises could account for the reason why a continuous increase in loans to the private sector did not translate to an increase in loans to small scale enterprises, this was further worsened by the crises.

The recapitalization of commercial banks in 2005 repositioned and put them in a better shape to perform their role of financial intermediation. Most banks rather invested in shares and FOREX speculation rather lend to the Small scale enterprises. Banks total exposure to Capital market as at end January 2009 was N784 billion or 10% of total Loans (C.A.M.L 2009). Interest rate fluctuated with the LTSSE as it reduced to 15.4 in 2008 and increased to 18.99 in 2009 maintaining an average of 16.8% for the following three years thereafter.

Ratio of Loans to SSE's to Total credit to private sector reduce year on year from 8,68% in 2002 to o. 85 %, 0.17, and 0.14 in 2007, 2009 and 2010 respectively. Though total credit from commercial banks to the private sector increased by 61.79% in 2008 23.96% in 2009 credit to the SSE sector reduced by -67.12% in 2008 and merely in increased by 21.12% from the 2008 figure, while plummeting by -23.31% in 2010.

6. Econometric Model

The linear regression model for the study
LTSSE= f (INT-R,INF-R,EXCH-R,NASDAQ)
LTSSE= Loan to Small Scale Enterprises
INT-R = Prime Lending Rate
EXCH-R =Exchange rate
NASDAQ= National Association of Securities Dealers Automated Quotations
Loan to small scale enterprises show the amount of loans that commercial banks lend to small scale enterprises. LTSSE is a fraction of total loans to the private sector. Commercial bank loans are the major external sources of funds to small scale enterprises. Exchange rate is one of the transmission channel through which the global crises impacted on the Nigerian economy as a whole and particularly the banking sector and the stock market as most banks were involved in FOREX trading directly or indirectly. Exchange rate changes are linked to inflation rate which captures the changes in prices of goods and services in an economy. The most obvious marker of a potential financial crisis to come in developed countries is a downturn in equity markets. Therefore the NASDAQ index was used to represent the global equity market.
LTSSE= β_0+ β_1 INT-R+β2INF-R+ β_3EXCH-R+ β_4NASDAQ+ u

Econometric Analysis Of Secondary Data

Table 2: Regression Result

Variable	Coefficient	Std. Error	t-Statistic	Prob.
PRIME_INTEREST_RATE	6743.590	1926.920	3.499674	0.0081
INFLATION_RATE	1365.959	1272.865	1.073137	0.3145
EX_R	-1033.271	546.9393	-1.889188	0.0955
NASDAQ	16.90069	20.05995	0.842509	0.4240
R-squared	0.686677	Mean dependent var		41074.28
Adjusted R-squared	0.569181	S.D. dependent var		26377.63

The empirical analysis shows that both interest rate and exchange rate could explain variations in the amount of LTSSE the independent variables of the model determines LTSSE. The result from the analysis shows that there is a positive relationship between Prime Interest Rate and LTSSE. Prime Interest rate was Significant at the 1% level of significance, with a coefficient of 6743.590, and R^2 of 69% implying that about 69% of changes in LTSSE can be explained by the model. In the line of traditional economic theory one would expect a negative relationship between Prime interest rate and LTSSE. This result the other hand shows the credit rationing behavior of Banks to SME, where Banks only lend to perceived risky SME's at a higher interest rates. This behavior further makes it more difficult for SME's to it apply for, receive and repay back loans. Exchange rate was significant at the 10% level of significance.
Further more the result showed that Inflation rate, and NASDAQ index were positive but not significant in the model. This also implied that with higher rate of inflation and higher global stock prices there is an increase in lending to the small scale sector and vice versa. This can be attributed to the challenges SME's face in acquiring finance, including credit rationing, the SME finance gap, information asymmetry amongst others as stated in the literature

7. Conclusion And Recommendation

The findings from the study show that the global crises affect the availability of credit to SME and as such the performance of SME. Though the secondary data showed that interest rate was low in 2008, credit to small

scale enterprises was also low, and an increase in interest rate was accompanied by an increase in the availability of credit to the small scale enterprises sector. This shows that the global crises worsened the credit rationing behavior of banks to SME's in Nigeria. The result from the primary data analysis confirmed that beyond the impact of the crises on availability of credit, the performance of SME's was also affected.
From the foregoing, government and regulatory bodies need to do more to eliminate the lemon gap problem faced by SMEs, by creating a platform for the operation of credit rating agencies in Nigeria. Also all commercial banks should be encouraged to have SME units with staff trained on SME financing. Also The CBN needs to regulate interest rates given to the SME sector to ensure that they are lower than those given to large scale businesses. This will foster their ability to receive and pay back loans and further ensure their survival and growth. Lastly it is important for regulators of the financial system to ensure the availability of credit to the sector is sustained even during periods of financial crises as the availability of credit to the sector is of great importance to the economy at large.

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APPENDIX

Dependent Variable: LTSSE

Method: Least Squares
Date: 04/12/15 Time: 11:27
Sample: 2001 2012
Included observations: 12

Variable	Coefficient	Std. Error	t-Statistic	Prob.
PRIME_INTEREST_RATE	6743.590	1926.920	3.499674	0.0081
INFLATION_RATE	1365.959	1272.865	1.073137	0.3145
EX_R	-1033.271	546.9393	-1.889188	0.0955
NASDAQ	16.90069	20.05995	0.842509	0.4240

R-squared	0.686677	Mean dependent var	41074.28
Adjusted R-squared	0.569181	S.D. dependent var	26377.63
S.E. of regression	17313.44	Akaike info criterion	22.61756
Sum squared resid	2.40E+09	Schwarz criterion	22.77919
Log likelihood	-131.7053	Hannan-Quinn criter.	22.55771
Durbin-Watson stat	1.857422		