SME Credit Financing, Financial Development and Economic Growth in Nigeria

Alimi, Y. Olorunfemi[1] and Yinusa, Olumuyiwa Ganiyu[2]

Abstract

This paper examines the impact of small and medium-scale enterprises (SMEs) credit financing and financial market development and their shocks on the output growth of Nigeria. The study estimated a VAR model for Nigeria using 1970-2013 annual data series. Unit root tests and cointegration are carried out. The study explores IRFs and FEVDs in a system that includes output, commercial bank loan to SMEs, domestic credit to private sector by banks, money supply, lending rate and investment. Findings suggest that shocks in commercial bank credit to SMEs has a major impact on the output changes of Nigeria. Money supply shocks also have a sizeable impact on output growth variations amidst other financial instruments. Lastly, neutrality of investment does not hold in Nigeria as it also has impact on output fluctuations.

Keywords: SMEs financing, financial development, investment, output, Nigeria.
JEL Classification: C

---

[1] Corresponding Author, Department of Economics, University of Lagos, Akoka, Yaba, Lagos-state, Nigeria, +234-807-812-0034, haleemphemy480@gmail.com

[2] Department of Accounting, Banking and Finance, Olabisi Onabanjo University, Ago-Iwoye, Ogun-state, Nigeria; +234-810-388-8107,yinusa2016@gmail.com

1.   Introduction

Several studies have explained various factors that made small and medium enterprises (SMEs) to be more constrained financially than large firms and less likely to have access to formal finance (Beck & Demirguc-Kunt, 2006). The main reason for advocating SMEs success was based on the premises that they are engine to economic growth and development but market imperfections and institutional failures impede their survival, thus justifying better financial interventions from financial institutions. Gerschenkon (1963) said that the role of financial institutions is not to only provide capital but to also offer other complimentary services like entrepreneurial supports to businesses during teething troubles.

The theoretical background linking finance and growth stated by McKinnon (1973) and Shaw (1973) stressed the need for financial liberalization geared towards increasing changes in realized savings that reduce interest rate and improve investment and capital formation. Invariably, if SMEs are able to attract a larger proportion from savings to increase its capital base at low level of income where the problem of low propensity to save and asymmetry information exist, most SMEs in developing countries earn enough to cater for their needs as majority of the income only satisfy physiological needs (Onyeiwu, 2012). Schumpeter (1973) emphasizes the role of credit to small business in financing innovations so as to enhance output growth. This indicates the reason for continuous credit support for SMEs to realize its full potential. However, this may not be true for most developing countries like Nigeria due to asymmetric financial opportunities facing small business operators. Several studies have been conducted in this regards (see Klapper, Laeven & Rajan, 2004; Demirguc-Kunt, 2006; Oluba, 2009; Onakoya, Fasanya & Abdulrahman, 2013 etc.).

Despite numerous studies conducted partly or separately on the relationship between SMEs financing, financial development and economic growth, there is a dearth of studies focusing on the interaction of the three key issues. Also, they ignore to examine the response of output to shocks in both SMEs credit financing and financial market development indicators. It is against this backdrop that this study examines the impact of SMEs credit financing from commercial banks, financial market performance and their shocks on the output growth of Nigeria within a period of 44 years, 1970-2013.

The remainder of this study is organized as follows. Section two contains relevant literature reviews of past studies. Section three provided the theoretical framework and model specification employed for the study. Section four reveals data presentation and analysis and discussion of findings. And, section five presents the concluding part of the study as well as policy options.

2   Literature Review

Plethora of studies focusing on SMEs sector often based on the premises that SMEs are the engine of growth, as imperfections in financial market development weakens their contribution towards enhancing output growth. The theoretical reviews linking finance and growth for this study are divided into two; "finance-growth" and "growth-finance". Bagehot (1873) and Hicks (1969) argue that financial system played an important role in industrialization process in developed countries like England through capital mobilization for massive. Schumpeter (1912)

stated that economies witness technological advancement through financial institutions by providing financial aids to enterprises that have the ability of implementing innovative products and production processes. The other school of thought, for instance, Robison (1952) opines that "where enterprise leads finance follows." This means that growth and developmental process creates the demand for the type of financial products and the financial system respond automatically (Levine, 1997). In the words of Chandavarkar (1992) and Levine (1997), "Lucas (1988) asserts that economists "badly over-stress" the role of financial factors in economic growth, while development economists frequently express their scepticism about the role of the financial system by ignoring it".

Several studies have been conducted partly or separately on the relationship between SMEs financing, financial development and economic growth. The following studies review findings from the relationship between financial development and economic growth. Liu & Hsu (2006) investigate the relationship between financial development and economic growth in three Asian countries using quarterly data set of 1981 to 2001. The findings point out that high investment had accelerated economic growth in Japan, while high investment to GDP ratio did not necessarily lead to better growth performance if investment did not have been allocated efficiently in Taiwan and Korea cases. It was reported that the finance-aggregate had positive effects on the economy of Taiwan, but had negative effect on Korea and Japan. A country-specific study carried out by Shahbaz, Khan & Tahir (2013) find that financial development, capital, exports, energy use, imports and international trade have positive impact on economic growth in China. In the case of Pakistan, Shahbaz & Islam (2011) report that financial development reduces income inequality while financial instability aggravates it.

Agbloyor, Abor, Adjasi &Yawson (2014) examine the relationship between private capital flows and economic growth in Africa, 1990 to 2007, using panel instrumental GMM estimator. They find that countries with strong domestic financial markets benefit more by being able to transform negative impact of private capital flow to a positive effect. Their result clearly display that private capital flows promote economic growth in the presence of strong domestic financial markets. Similarly, Misati & Nyamongo (2012) analyse the dual role of financial liberalization on economic growth of 34 Sub-Saharan African (SSA) countries for 1983 to 2008. The results indicate that the growth retarding effects of financial liberalization are dominant over growth enhancing effects, which show mixed results. They provided evidences that institutional factors, human capital formation and foreign aid are also key factors explaining growth in the region.

In addition, Ahmed (2013) investigates the role of financial liberalization in promoting financial deepening and economic growth in 21 SSA countries, 1981 to 2009. The result shows that financial liberalization does indeed impact positively on financial deepening and resource mobilization in SSA region, after controlling for key macroeconomic factors such as institutional quality, fiscal imbalances and inflation. However, the study considers institutional and human capital factors important in explaining growth and financial development.

Lastly, Bumann, Hermes & Lensink (2013) provide a systematic analysis of 60 empirical literatures on the relationship between financial liberalization and economic growth using Meta analysis. The findings indicate that, on average, there is a positive effect of financial liberalization on growth, the significance of this effect is only weak. The study further reveals that that most of the variables that may help explain the heterogeneity of results are insignificant. They reported two exceptions from the reviewed studies. The first observation revealed that

studies carried out based on data from the 1970s on average find a statistically less significant relationship between financial liberalization policies and growth (i.e. they report lower t-statistics) as compared to studies using data from the 1980s. And the second observation was that studies controlling for the level of development of the financial system report lower t-statistics for the relationship between liberalization and growth.

On the other hand, literature that studied the relationships between SMEs financing and economic growth are reviewed below. Ayyagari, Demirguc-Kunt & Maksimovic (2005) investigate the impact of access to finance and other factors like property right protection, provision of infrastructure, inefficient regulation and taxation, and broader governance features such as corruption, macroeconomic and political stability on firm growth. Using firm level survey data on the business environment across 80 countries, the result shows that finance, crime and political instability are the only obstacles that have a direct impact on firm growth and finance is the most robust one among those. Yue & Ma (2008) studied issues pertinent to the sustainable development of technological innovation in Small and Medium Enterprises (SME). They identify a number of issues such as availability of fund for research and development, technical level, capabilities of key research and develop personnel and business development etc. as the systematic engineering tools towards sustainable development of technological innovation in SMEs.

Furthermore, Osoba (1987) argued that financing strength is the main determinant of small and medium enterprises growth in developing countries. Abereijo & Fayomi (2005) attributed the inability of SMEs to raise external funding to creditors' unwillingness to borrow them funds, existence of asymmetry information, high administrative expenses, and or transaction costs of investing small amount. Additionally, Akingunola (2011) investigates specific financing options available to SMEs in Nigeria and their contributions to economic growth via investment level. The author used Spearman's Rho correlation test to determine the relationship between SMEs financing and investment level. The result indicated that there is significant positive relationship between SMEs financing and economic growth in Nigeria via investment level.

Using a quarterly time series data from 1992 to 2009, Onakoya, Fasanya & Abdulrahman (2013) examine the impact of financing small scale enterprises on economic growth in Nigeria. The findings shows that loan to small scale entrepreneurs have a positive impact on the economic performance while interest rate has a negative impact on economic growth. The authors however related the problem confronting SMEs in Nigeria to managerial capacity and not necessarily access to capital or finance. Alese and Alimi (2014) investigate the role of SMEs financing as a catalyst for growth rate of the Nigerian economy between 1980 and 2013 putting into consideration the short-run estimates. The results show that commercial bank loans as a form of SMEs financing options significantly improve the economic size of the Nigerian economy in the long-run, but not significant in the short-run. They attributed the differences in their result to the high cost of lending and cost of doing business prevalent in the Nigerian society at large.

3   Methodology of the Study
3.1   Econometric Framework and Modelling

This study employs Variance Autoregressive (VAR) framework to analyse the link between SMEs credit financing, financial development and economic growth in Nigeria. A VAR framework constitutes a convenient framework to assess the interrelationships within a system of variables when the imposition of strong a-priori restrictive assumptions cannot be derived by economic theory. The model is formulated based on reviewed empirical studies. The study employs quantitative and descriptive analyses. This study employs the recursive VAR model by Sims (1980). The VAR model takes each of the variables in the system and relates its variation to its own past history and the past values of all the other variables in the system. A typical VAR model in standard form can be written as:

$$Y_t = C + \sum_{i=1}^{p} A_i\, Y_{t-1} + \varepsilon_t \qquad\qquad (3.1)$$

Where; vector $Y_t = f(CLSME_t, DCPB_t, MS_t, LR_t, GCF_t, GDP_t), L =$ the lag operator, $\tau(L) =$ the matrix of estimated parameters, $t =$ years and $\epsilon_t =$ the error term assumed to be serially uncorrelated. The variables denoting the vector Y_{it} are SMEs credit financing measured by commercial bank loan to SMEs (*CLSME*), financial development indicators measured by domestic credit to private sector by banks a percentage of GDP (DCPB) and money supply as a percentage of GDP (MS), lending interest rate (LR), gross capital formation (GCF) and economic growth proxy by gross domestic product (*GDP*).

The basic identification scheme uses a recursive VAR model that follows the following ordering as [GDP, CLSME, DCPB, GCF, LR, MS], where the contemporaneously exogenous variables are ordered first. The variable in the VAR is thus ordered from the most exogenous to the least exogenous one. The gross domestic product (GDP) was ordered first so that a shock in economic growth may have an instantaneous effect on all the other variables not vice versa. However, GDP do not respond contemporaneously to any structural disturbances to the remaining variables. This method will help a great deal to analyses the interrelations between the observed variables of interest. The economic model found relevant for this dynamic relationship is Vector Autoregressive (VAR) model to achieve the stated objectives.

3.2   Unit Root Test

Prior to the estimation of the vector autoregressive, the time series properties of the incorporated variables in the VAR model were examined using the conventional unit root test [i.e. Augmented Dickey-Fuller (ADF) and Phillip Perron (PP)]. We proceed to conduct the cointegration tests Johansen (1988) co-integration test to examine the long-run relationship between the variables.

3.3 Impulse Response and Variance Decompositions Analysis

This study's analysis is based on Impulse Response Functions (IRFs) to generalised shocks and forecasted error variance decompositions (FEVDs). The IRFs are constructed to track the adjustment path of the response of each endogenous variable to a one standard deviation shock to another variable in the system, while the variance decomposition analysis is used to examine the relative importance of each of the structural innovations in the fluctuations of the variables at different time horizons.

4 Empirical Results and Discussion

4.1 Descriptive Analysis

Table 4.1 below presents the descriptive statistics of all our variables. The summary statistics indicate that the average value of gross domestic product growth (GDP) and commercial bank loan to small and medium scale enterprises to GDP (CLSME) stood at 4.5% and 10.5% respectively. This reveals that the gross domestic product and commercial bank loan to SME level of the Nigerian economy grow at an average level of 4.5% and 10.5%. In addition, the financial development indicators, i.e. domestic credit to private sector by banks a percentage of GDP (DCPB), money supply as a percentage of GDP (MS) and lending interest rate (LR) were placed at 13.1%, 15.2% and 22.5% respectively. And, the average value of gross capital formation (GCF) stood at 13% indicating its annual growth rate within the period of 1970 to 2013.

Table 4.1: Summary Statistics

	GDP	CLSME	DCPB	GCF	LR	MS
Mean	4.4971	10.5682	13.1031	13.0280	15.1477	22.5152
Maximum	33.7358	34.4700	38.3486	34.0208	31.6500	40.7742
Minimum	-13.1279	1.6200	3.8621	5.4670	6.0000	10.0420
Std. Dev.	8.0987	7.9752	6.5638	6.3882	6.5502	7.0986
Skewness	0.9234	1.0890	1.9222	1.5125	0.1814	0.3245
Kurtosis	6.3080	3.5021	8.1180	4.9736	2.1986	2.7828
Jarque-Bera	26.3152	9.1586	75.1175	23.9161	1.4188	0.8585
Probability	0.0000	0.0103	0.0000	0.0000	0.4919	0.6510
Sum	197.8734	465.0000	576.5347	573.2336	666.5007	990.6698
Obs.	44	44	44	44	44	44

Source: Authors' computation (2015).

The table further indicated that the standard deviation of gross domestic product growth (GDP), commercial bank loan to SMEs as percentage of GDP (CLSME), domestic credit to private sector by banks a percentage of GDP (DCPB), gross capital formation (GCF), money supply as a percentage of GDP (MS) and lending interest rate (LR) from their respective long-term mean values every year point at 8.1%, 7.9%, 6.6%, 6.4%, 6.6% and 7.1%.

The variation in the growth value of gross domestic product is high compared to the values of other considered macroeconomic variables. It means that the level at which the gross domestic product increase over this period called for urgent appropriate policy concern as income is not evenly distributed. Similar pattern is also noted in the maximum and minimum values of these variables. The probability value of the Jarque-Bera statistics for all variables shows their distribution level at mean zero and constant variance except for lending rate and money supply.

In addition, the table 4.2 below shows the level of association among the variables. From the table, the measure of association between money supply and domestic credit to private sector by banks has the highest positive value but not perfect while other level of associations are within the moderate magnitude.

Table 4.2: Correlation Result Tests

	GDP	CLSME	DCPB	GCF	LR	MS
GDP	1					
CLSME	0.1673	1				
DCPB	-0.1647	-0.5148	1			
GCF	-0.4329	0.0333	0.0253	1		
LR	0.0863	-0.4547	0.2263	-0.4543	1	
MS	-0.3719	-0.5234	0.8144	0.3659	0.1050	1

Source: Authors' computation (2015).

4.2 Results of Unit Root and Co-integration Test

The results of the stationarity tests at levels and first differenced for all the incorporated variables based on Augmented Dickey Fuller (ADF) and Phillips Perron (PP) tests were presented in table 4.3. This pre-test was carried out to test the stationarity level of economic growth, SME credit financing, investment and financial development indicators in Nigeria within the yearly period of 1970-2013. It is however tested prior to detecting whether long-run relationship exists between SMEs credit financing, financial development and economic growth in Nigeria.

Table 4.3: Unit Root Test Results

Variables	Augmented Dickey Fuller Test (ADF)		Phillip-Perron(PP)		Remarks
	Levels	**First Difference**	**Levels**	**First Difference**	
CLSME	-2.7921 (0) [-3.1897]	-6.3694 (0) [-4.192]*	-2.8290 (3) [-3.1897]	-6.5412 (3) [-4.1923]*	I(1)
DCPB	-3.6863 (1) [-3.5207]**	-	-3.1568 (1) [-3.1897]	-5.7807 (3) [-4.1923]*	I(1)
GCF	-2.2316 (0) [-3.1897]	-4.9706 (1) [-4.1985]*	-2.2316 (0) [-3.1897]	-4.9601 (4) [-4.1923]*	I(1)
GDP	-5.9427 (0) [-4.1865]*	-	-3.1521 (2) [-3.1897]	-5.9651 (3) [-4.1865]*	I(1)
LR	-1.7469 (0) [-3.1897]	-5.8016 (1) [-4.1985]*	-1.7970 (4) [-3.1897]	-7.2837 (3) [-4.1923]*	I(1)
MS	-3.1999 (1) [-3.1913]	-5.7201 (0) [-4.1923]*	-2.7180 (1) [-3.1897]	-5.7260 (1) [-4.1923]*	I(1)

Note: * significant at 1%; ** significant at 5%; *** significant at 10% Mackinnon critical values and are shown in parenthesis. The lagged numbers shown in brackets are selected using the minimum Schwarz and Akaike Information criteria.

Source: Authors' computation (2015).

The results indicated that all series are non-stationary at their level when combining the two methods, but stationary at their first differences irrespective of using the random walk model with drift or random walk model with slope. In this time series test, the series are integrated of order one i.e. I(1).

Additionally, the Johansen (1988) co-integration test is also applied to test whether the linear combinations of our variables could result in a long-run relationship among them. The co-integration result is presented in table 4.4.

Table 4.4: Co-integration Test Results

Hp: rank = p (no deterministic trend in the data)
Hr: rank r < p (co-integration relations)

Series: GDP CLSME DCPB GCF LR MS

Hypothesized No. of CE(s)	Eigenvalue	Trace Statistics		Max-Eigen Statistics	
		Likelihood Ratio	5% Sig. lev.	Likelihood Ratio	0.05 Crit. Val.
None	0.5467	102.9876	117.7082	32.4418	44.4972
At most 1	0.4264	70.5459	88.8038	22.7866	38.3310
At most 2	0.3712	47.7593	63.8761	19.0205	32.1183
At most 3	0.3006	28.7388	42.9153	14.6589	25.8232
At most 4	0.2284	14.0799	25.8721	10.6328	19.3870
At most 5	0.0806	3.4471	12.5180	3.4471	12.5180

* denotes rejection of the hypothesis at 5% significance level
Likelihood ratio test of both Trace and Max-Eigen indicates 2 co-integrating equation(s)
Source: Authors' computation (2015).

It should be noted that the same order of integration is a pre-requisite when the Johansen framework (i.e. Trace and Maximum Eigen test) is used for testing cointegration. From our result presented in table 4.4, it shows that these variables are not cointegrated. Thus, Sims (1980) showed that differencing a variable may suppress important information while providing no valuable merit. Hence, the VAR analysis is conducted using variables at their levels rather than at first difference, although they all have unit roots.

4.3 Impulse Responses and Variance Decomposition Analysis

Figure I below presents the contemporaneous response of commercial bank loan to SMEs, financial development indicators (i.e. domestic credit to private sector by banks, gross capital formation and money supply) and gross capital formation to Cholesky one squares variances shocks on gross domestic product. The response of gross domestic product to commercial bank loan to SMEs fluctuates over the period of 10 years. The first two periods witnessed a decline but later picked up for third and fourth periods. It declines from the fifth period to sixth periods while it maintained a horizontal trend over the remaining periods.

As for financial development indicators, the shock in money supply is similar to commercial bank loan to SMEs shocks on GDP but its declines were within the first three periods. However, it was otherwise for domestic credit to private sector by banks as it was positive for the first two

periods, negative from second period to forth period, which later maintain an increase for the rest periods. As for lending rate shocks, the minimum periods of GDP was second and sixth periods as other periods experienced slight increases. As shocks in investment growth arise, the response of GDP was positive for the first three periods and later reacts negative for a period but later maintained parallel growth for latter periods. It is worthwhile to note that shocks in GDP also have greater implication on its growth within the first four periods.

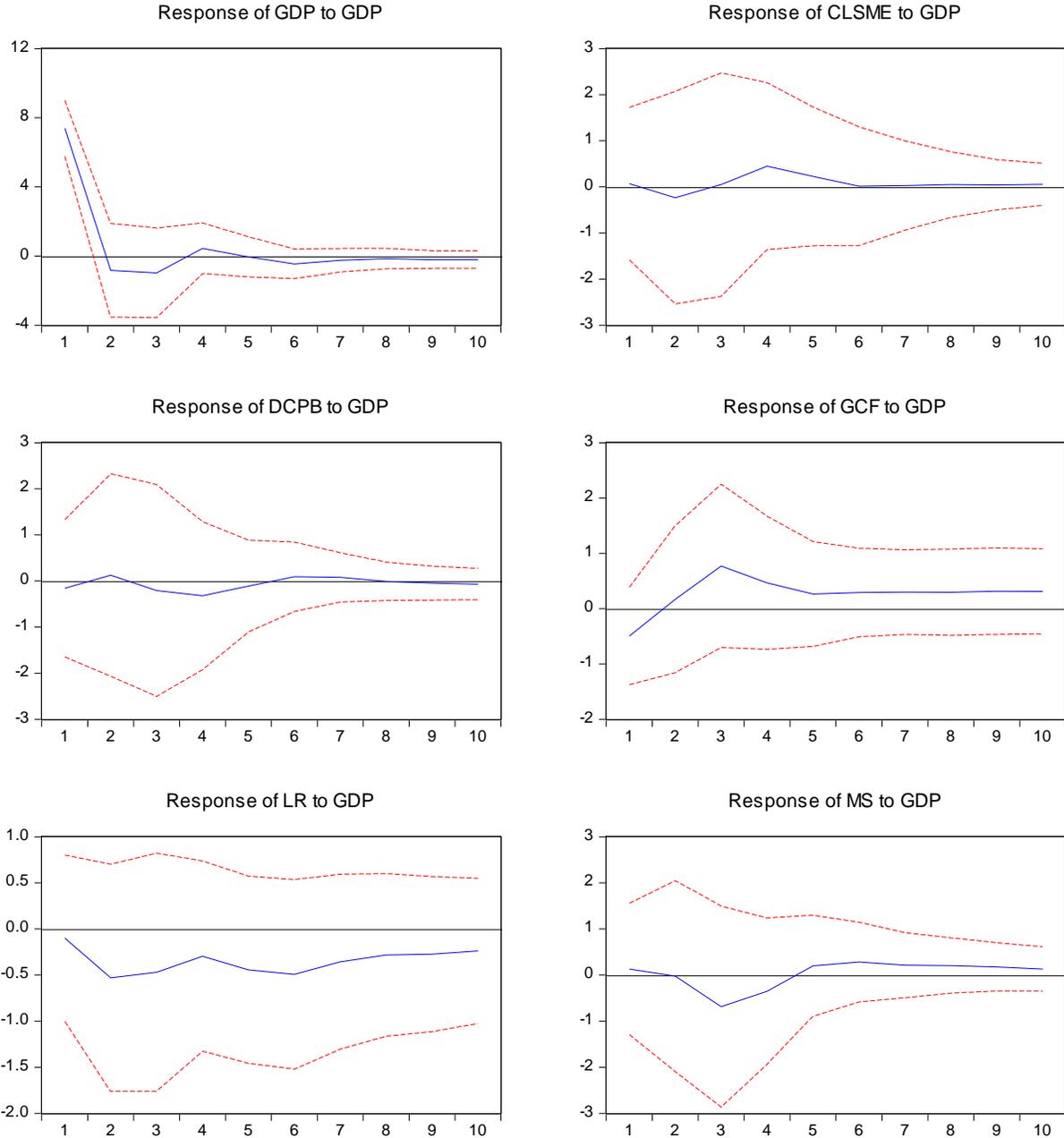Response to Cholesky One S.D. Innovations ± 2 S.E.

Figure I: Impulse Response Plot of Economic Growth

The variance decomposition separates the variation in an endogenous variable into the component shocks of the VAR model. The table 4.5 below presents the variance decomposition of gross domestic product from commercial bank loan to SMEs, financial development indicators and gross capital formation. In the second column, the labelled "S.E." contains the forecast error of the variable at a given forecast horizon. The source of this forecast error is the variation in the current and future values of the innovations to each endogenous variable in the VAR. The other columns for each of the macroeconomic variables give the percentage of the forecast variance due to each innovation, with each row adding up to 100.

Table 4.5: Variance Decomposition Analysis of Fiscal Policy and Macroeconomic Performance

Period	S.E.	GDP	CLSME	DCPB	GCF	LR	MS
1	7.40	100.00	0.00	0.00	0.00	0.00	0.00
2	7.73	92.76	4.15	0.16	0.04	0.27	2.63
3	7.91	90.08	5.66	0.56	0.25	0.71	2.74
4	7.97	88.90	5.62	0.62	1.33	0.80	2.73
5	8.04	87.55	5.57	0.68	2.35	1.04	2.80
6	8.10	86.49	5.73	0.80	2.91	1.06	3.00
7	8.15	85.60	6.10	0.87	3.15	1.22	3.06
8	8.19	84.67	6.46	0.87	3.18	1.75	3.07
9	8.24	83.75	6.78	0.86	3.15	2.38	3.08
10	8.29	82.84	7.09	0.86	3.11	3.04	3.06

Source: Authors' computation (2015).

Table 4.5 above presents the variation in income growth due to shocks is decomposed into related policy instruments. The results of the percentage of share of income growth changes accounted by the considered in indicator shocks are presented in Table 4.6. The table revealed that shocks within itself (i.e. income growth), commercial bank credit to SMEs shock, financial development shocks, and investment shock accounted for 88.3%, 5.3%, 4.5% and 1.95% of the total variation in output growth measured by gross domestic product in Nigeria respectively. Aside side from income growth, Table 4.6 shows that commercial banks credit financing to SMEs played a greater role on the level of output growth in Nigeria between 1970 and 2013.

Table 4.6: Income Growth Variation due to Indicator Shocks

Overall % Share of Policy Instrument Shocks			
Income Growth Shocks	Commercial banks credit financing to SMEs Shocks	Financial Development Shocks	Investment Shock
88.3%	5.3%	4.5%	1.95%
Financial Development Indicators Shocks			
Deposit Credit to Private Sector by Banks	Money Supply		Lending Rate
14.1%	58.5%		27.5%

Source: Authors' computation (2015).

Also, from the financial development side; deposit credit to private sector by banks shock, money supply shock and lending rate shock correspondingly account for 14.1%, 58.5% and 27.5% of the 4.5% financial development shocks that causes the variation in output growth in Nigeria. Similarly, this implies that money supply with a value above average, is the major financial development shocks that accounts for changes in output growth in Nigeria.

5.0   Conclusion

This study examines the impact of SMEs credit financing and financial development on economic growth in Nigeria within the period of 1970-2013. Our study differs from large body of existing literature by focusing on shocks from SMEs credit financing and financial development on output growth in Nigeria. The study employed the cointegration method to assess the long run impact of SMEs credit financing and financial development on income growth after testing for the staionarity level of our variables of interest. Our findings based on the impulse response functions and forecasted error variance decomposition suggests that shocks in commercial bank credit to SMEs have a major impact on the output growth of Nigeria. Among all financial indicators considered, the result showed that money supply largely account for increases in output growth. However, since the impact of commercial bank credit to SMEs on output growth is very large through money supplied by central bank, one can conclude that commercial bank credit to SMEs has a very direct impact on Nigeria economy and this is done through the monetary sector. The policy lesson found from the findings is that coordination and monitoring the financial activities of commercial banks to SMEs by apex bank would be an effective policy towards ensuring consistent real income growth in Nigeria.

References

Abereijo, I. O. and Fayomi, A. O. (2005) "Innovative Approach to SME Financing in Nigeria: A Review of Small and Medium Industries Equity Investment Scheme (SMIEIS)," *Journal of Social Science*, 11(3), pp. 219-227.

Agbloyor, E., Abor, J., Adjasi, C. and Yawson, A. (2014) "Private Capital Flows and Economic Growth in Africa: The Role of Domestic Financial Markets," *Journal of International Financial Markets, Institutions and Money*, 30, pp. 137-152.

Ahmed, A. (2013). "Effects of Financial Liberalization on Financial Market Development and Economic Performance of The SSA Region: An Empirical Assessment," *Economic Modelling* 30, pp. 261–273.

Akingunola, R. O. (2011). "Small And Medium Scale Enterprises And Economic Growth In Nigeria: An Assessment of Financing Options," *Pakistan Journal of Business and Economic Review*, 2(1).

Alese, J. and Alimi, O. (2014) "Small and Medium-Scale Enterprises Financing and Economic Growth in Nigeria: Error Correction Mechanism," *European Journal of Globalization and Development Research*, 11(1), pp. 639-643.

Ayyagari, M., Demirguç-Kunt, A. and Maksimovic, V. (2011) "Small vs. Young Firms across the World: Contribution to Employment, Job Creation, and Growth," *World Bank Policy Research Working* Paper No. 5631.

Bagehot, W. (1873). *Lombard Street*. Homewood, IL: Richard D. Irwin, 1962 Edition.

Beck, T. and Demirguc-Kunt, A. (2006) "Small and Medium-Size Enterprises: Access to Finance as A Growth Constraint," *Journal of Banking and Finance*, 30(11), pp. 2931-2943.

Bumann, S., Hermes, N. and Lensink, R. (2013) "Financial Liberalization and Economic Growth: A Meta-Analysis," *Journal of International Money and Finance*, 33, pp. 255–281.

Chandavarkar, A. (1992). "Of Finance and Development: Neglected and Unsettled Questions," *World Development*, 20(1), pp. 133-142.

Demirguc-Kunt, A., Love, I., Maksimovic, V. (2006). "Business Environment and the Incorporation Decision," *Journal of Banking and Finance*, 30(11), pp. 2920-2930.

Gerschenkron, A. (1963). *Economic Backwardness in Historical Perspective: A Book of Essays*. Cambridge, Mass: Harvard University Press.

Hicks, J. (1969). *A Theory of Economic History*. Oxford: Clarendon Press.

Klapper, L., Laeven, L. and Rajan, R. (2004). "Barriers to entrepreneurship" *NBER Working Paper*, 10380.

Levine, R. (1997). "Financial Development and Economic Growth: Views and Agenda," *Journal of Economic Literature*, 35, pp. 688-726.

Liu, W. and Hsu, C. (2006). "The Role of Financial Development In Economic Growth: The Experiences of Taiwan, Korea, and Japan," *Journal of Asian Economics*, 17, pp. 667–690.

Lucas, R. (1988). "On the Mechanics of Economic Development," *Journal of Monetary Economic*, 22(1), pp. 3-42.

McKinnon, R. (1973). *Money and Capital in Economic Development.* Washington, D.C.: Brookings Institution.

Misati, R. and Nyamongo, E. (2012). "Financial liberalization, financial fragility and economic growth in Sub-Saharan Africa," *Journal of Financial Stability*, 8, pp. 150– 160.

Oluba, M. (2009). *Sanusi tsunami: wages of financial recklessness*. The Spectator, August, 21-27, p.15.

Onakoya, A., Fasanya I. and Abdulrahman, H. (2013). "Small and Medium Scale Enterprises Financing and Economic Growth in Nigeria," *European Journal of Business and Management*, 5(4), pp. 2222-2839.

Onyeiwu, C. (2012). Small and Medium Enterprises Finance and Economic Development of Nigeria. University of Lagos, pp. 1-22.

Osoba, A. M. (1987). Small-Scale Enterprises in the Development Process, In Osoba, A. M. (Eds.). *Towards the Development of Small-Scale Industries in Nigeria*, NISER, Ibadan, pp. 8-24.

Robison, J. (1952). The Generalization of the General Theory, in *The Rate of Interest, and Other Essays*. London: Macmillan, pp. 67-142.

Schumpeter, J. (1912). *Theorie der Wirtschaftlichen Entwicklung [The Theory of Economic Development]*. Leipzig: Dunker & Humblot: translated by Redvers Opie. Cambridge, MA: Havard University Press.

Schumpeter, J. (1973). *The Theory of Economic Development*. Cambridge, Mass: Harvard University Press.

Shahbaz, M. and Islam, F. (2011). "Financial Development And Income Inequality In Pakistan: An Application of ARDL Approach," *Journal of Economic Development* 36, 35–58.

Shahbaz, M., Khan, S. and Tahir, M. I. (2013). "The Dynamic Links Between Energy Consumption, Economic Growth, Financial Development And Trade In China: Fresh Evidence from Multivariate Framework Analysis," *Energy Economics*, *40*, pp. 8-21.

Shaw, E. 1973. *Financial Deepening in Economic Development.* New York: Oxford University Press.

Yue, F. and Ma, L. (2008). Research on the sustainable development of technological innovation in small and medium enterprises, pp. 1051-1054.