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Effectiveness of Government Financial Interventions on Informal Sector Development in Nigeria

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ABSTRACT

In light of the fluctuations in oil prices and the imperative to foster economic diversification, the Nigerian government has undertaken many reforms and measures aimed at stimulating the non-oil sector of the economy, with particular emphasis on the informal sector. Government financial support in the form of initiatives could potentially alleviate the prevailing challenges associated with limited financial accessibility among participants in the informal sector. The extent to which financial accessibility impacts the economic performance of informal sector participants has received limited academic attention. Hence, this study sought to evaluate the efficacy of existing governmental interventions in the Nigeria informal sector, and provide feasible financial intervention framework. The study adopted survey design and utilized both primary and secondary sources of information. Primary data were obtained through the administration of questionnaires to a total of 700 informal sector participants who are mainly informal sector operators, selected through purposive sampling technique from the six states of Southwest Nigeria. Data were analysed with SPSS employing descriptive statistics. The analysis revealed several shortcomings in previous initiatives, including inadequate programme design, biassed allocation of financial resources, limited awareness of available facilities, and complex procedures for accessing government funding assistance. The findings indicated that while interventions targeting the informal sector are consistently in high demand, their effectiveness in facilitating growth among informal sector operators is usually flawed. The study thus recommended the implementation of Credit Guarantees and Insurance Scheme to ensure comprehensive coverage for all stakeholders involved in financing informal sector operators.

KEYWORDS*:* *Development, Finance, Reforms, Informal Sector, Dependency*

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1 INTRODUCTION

The informal sector is a relatively new economic force in Nigeria that holds promise for significant contributions to the country's economic revival and for helping the government lessen its reliance on the oil industry. Given the prevailing consensus regarding the limited nature of the oil sector and the extensive forecasts indicating its eventual collapse in the next decades, alternative economic venture is inevitable (Alrashidi 2013). As a result of its importance to developing and less developed countries' economies and societies, the informal sector has become a central focus of development debates (Mashimbyi 2019).

Informal sector participants who operate outside of the purview of government regulation and taxation make up the bulk of the informal economy in developing countries including Nigeria (Okafor, Adeola, & Ituma 2020). This sector is emphasized because it facilitates entrepreneurial activities, business, and small income generation, and offers employment opportunities that formal institutions cannot even provide adequately. However, the sector is still the most neglected because official agencies in underdeveloped nations sometimes lack the resources essential to support and oversee economic activity (Galdino et al. 2018). So, the informal sector needs greater support and stronger policies and programs to help it reach its full potential and help Nigeria become one of the world's top ten largest economies by 2030.

The primary challenges confronting the informal sector of the country have been identified as an inhospitable business environment, inadequate or restricted availability of financial resources, insufficient managerial expertise, and outdated technological infrastructure (Financial System Strategy 2020). The lack of enough financial resources is a significant factor in this regard. Commercial banks, being the primary providers of funds to individuals in the informal sector on a global scale, have typically refrained from engaging in such activities due to apprehensions surrounding the perceived risks and uncertainties associated with this sector. Additionally, the informal sector is characterized by weak financial foundations, low credit ratings, and inadequate business structures, further discouraging commercial banks from involvement. Financial institutions often exhibit reluctance in providing loans to businesses operating in the informal sector due to their limited access to crucial data pertaining to the nature and scale of such enterprises (Ramady 2010). The reason behind banks imposing high interest rates on loans provided to small and medium-sized firms (SMEs) is mostly attributed to the substantial level of risk involved in such transactions (Ramady 2010). The exorbitant expenses related to extending loans to small and medium-sized firms (SMEs) pose a challenge for banks in terms of ensuring appropriate capital, dealing with the insufficient financial documentation of SMEs, and navigating the highly competitive market (Adebisi & Olayinka 2013; Vasilescu 2014).

Considering the unpredictability of oil prices and the necessity to address the country's heavy reliance on revenue from oil exports, the government of Nigeria has launched programmes and reforms to stimulate the non-oil sector of the economy. This is why, over time, Nigerian governments have implemented a variety of financing interventions, including the Bank of Industry, the Central Bank of Nigeria, the National Enterprise Development Program, the Small and Medium Enterprises Credit Guarantee Scheme (SMECGS), and direct disbursement of fund to the deserving, e.g. traders, in the informal sector of the economy.

Many governments and donors place a high priority on interventions that expand the availability of credit informal sector entrepreneurs continue to be un-served or under-served by banks, despite government efforts to improve their "bankability" (Berg & Fuchs 2021). Financial institutions are generally hesitant to lend money to these enterprises because of their nature and size (Coleman 2004).

The government of Nigeria has also instituted several supportive measures, including taxation and subsidies, to foster important developing industries and boost their capacity for autonomous innovation. However, the government only plays an "auxiliary role," making it hard to deliver all-around assistance, and it cannot entirely solve the problems of low enthusiasm and poor innovation ability of firms in vital emerging industries.

Indeed, it has been established that due to the nature of their enterprises, those operating in the informal sector typically have issues getting money, even government-sponsored finance (Dabo 2006). Interventions are often created for SMEs without first determining whether they will be effective. Therefore, it is unclear how much those efforts have improved the performance of the informal sector in Nigeria, hence, this study.

1.1 Literature Review

Following independence, the government implemented programmes meant to boost the efficiency and growth of the informal sector. These programs included the Industrial Development Centers (IDCs) in 1962, the Small-Scale Industries Credit Scheme (SSICS) in 1971, and the Small-Scale Industries Fund in 1982. (SSIF). Through preexisting commercial banks, the government issued policy efforts to meet the unique requirements of SMEs. Among these are the Rural Banking Scheme (1977) and the National Economic Reconstruction Fund (NERFUND), both of which were formed in the mid-1980s to help small and medium-sized enterprises (SMEs) cope with the effects of the Structural Adjustment Program. The Fund established the community banking scheme in 1991 with the goal of rural development and providing start-up facilities for smallholders; the Bank of Industry (BOI) with the main goal of providing credit to the industrial sector including SMEs at a rate of 10%; the Nigerian Agricultural Cooperative and Rural Development Bank (NACRDB); and the African Development Bank (AfDB). In addition, there are initiatives like the Micro, Small, and Medium Enterprises Development Fund (MSMEDF), the N50 Billion Textile Sector Intervention Fund, the Establishment of Entrepreneurship Development Centers (EDCs), the Nigerian Industrial Development Bank (NIDB) Ltd, and the Nigerian Bank of Commerce and Industry (NBCI).

Prior studies have produced mixed but interesting results about the effectiveness or otherwise of financing to the informal sector and how government intervention in the sector could be resourceful. Prior studies such as Grimm and Paffhausen (2015) assessed the employment effects of interventions targeting micro-entrepreneurs and SMEs (they did not assess the effect on other/intermediary outcomes), and Cravo and Piza (2016) only conducted a systematic analysis of business support services for SMEs. This research aims to close that knowledge gap by analyzing the relationship between government finance interventions in Nigeria and the long-term success of small and medium-sized enterprises. The amount of accessibility and its relationship to SMEs has been generally understudied, although government financing measures would normally be a relief to shift the narrative of the ugly financial accessibility of SMEs. This research aims to evaluate the impact of government funding on small and medium-sized enterprises (SMEs) in Nigeria to highlight the sector's significance and create a long-term financial plan for the economy.

Using the information on publicly traded businesses in China's important emerging industries, Zhou et al. (2020) analyzed the impact of state intervention on the success of private-sector innovation with public funding. According to their findings, the number of patent applications increases with government subsidies, higher deduction of R&D expenses, and value-added tax benefits, and the main business income improves with a lower income tax burden. It was also discovered that the influence direction of government intervention on the independent innovation performance did not change, but the influence degree was reduced after the financial support adjustment variables were added.

There is extensive literature on how governments should foster private-sector innovation from academics both here and overseas. Major findings from this study include a positive incentive impact, a negative inhibitory effect, and inefficient application.

To begin, government action might serve as a form of incentive. Multiple theories, like the national innovation system theory and the triple helix theory, agree that government involvement is a key component in fostering a more innovative culture (Zhang & Lu 2014). Empirical studies reveal that tax credits have a positive incentive effect on enterprise innovation in the short term (Rao 2016), but government subsidies and tax incentives have a positive incentive effect on enterprise-independent innovation in the long term (Brown, Martinsson & Petersen 2017).

Second, government regulation tends to limit activity. Some researchers have concluded that when the government gets involved in a certain market or industry, it stifles innovation from within such businesses (Chen 2015). When the level of innovation input is minimal, other researchers have discovered, that government interference significantly dampens the initiative and creativity of businesses (Zhan, Shao & Xu 2019). Finally, government action rarely works. According to a few studies, government involvement does not affect businesses' ability to innovate on their own (Zuo & Zhang 2019). At present, there is no consensus among researchers as to whether or not government intervention hinders the free and creative thinking of businesses and most academics who examine this topic neglect to account for the importance of financial backing.

1.2 Theoretical Framework

It is acknowledged in this study that high reliance on foreign suppliers for capital goods was identified as a distinguishing feature of investment in emerging countries of sub-Saharan Africa (SSA). This lends credence to the argument made in the two-gap model (Bacha 1982; Aliyu 2013) that developing economies may struggle to maintain high rates of investment and growth of their informal economy due to a lack of financial support. Therefore, the absence of or low level of government involvement in economic activity will always be a barrier to development in nations like Nigeria, where the private and public sectors are highly complementary. As a result, government support plays a significant role in determining whether or not small businesses in Nigeria succeed. From the standpoint of this investigation, this is a major problem. As a result, this study is hinged on the Keynesian theory. This theory helps to better understand how government policies affect local businesses. The primary benefit of this theory is that it explains the significance of government intervention in the economy. Private sector decisions can have unintended consequences for the economy as a whole, according to Keynesian economics, which is why this school of thought promotes government intervention. Although the private sector plays a central role in a Keynesian economy, the public sector also plays a significant role.

2 RESEARCH METHODOLOGY

The study employed a descriptive survey design. The research was centered on Southwestern Nigeria, encompassing the states of Lagos, Oyo, Ogun, Ondo, Ekiti, and Osun. The collection of qualitative data was facilitated by the distribution of standardized questionnaires. The study focused on administering questionnaires to two groups of respondents: informal sector operators who have received government financing interventions in the past, and those that have not received such financing. These two groups were derived from a combination of registered and non-registered entrepreneurs. The list of registered operators was acquired from the respective state ministries of commerce or the relevant ministries. A sample of 900 informal sector operators was purposively selected for questionnaire purposes. Consequently, two distinct sets of questionnaires were developed:

one for individuals who have previously received financial assistance via government funding interventions, and another set for individuals who have never availed themselves of such support. The data were analyzed with descriptive statistics using the Statistical Package for the Social Sciences (SPSS).

3 RESULTS & DISCUSSION

A descriptive survey design was adopted for the study was used to distribute and analyze 900 questionnaires in the Osun/Oyo axis and the Lagos/Ogun axis in south-western Nigeria. a total of 700 copies of questionnaires were collected from the field for analysis, making up 78% of the total questionnaires sent. Table 1 shows the demographic and personal details of the respondents, broken down by gender. Of the total, 520 (or 74.3% of respondents) were male, while 180 (25.7%) were female. This demonstrates that more male than female participants answered the survey. This is an indicator that males are more interested in small and medium-sized enterprises (SMEs) than females. The age distribution of the sample is as follows: 45 (6.4%) were under the age of 20, 150 (21.4%) were between the ages of 21 and 30, 310 (44.3%) were between the ages of 31 and 40, 132 (18.9%) were between the ages of 41 and 50, and 63 (9.0%) were 51 and over. The majority of survey takers were between the ages of 31 and 40. According to a breakdown of the respondents by their marital status, only 113 (16.1%) of those surveyed were currently unattached, while 552 (78.9%) were in stable, committed partnerships. One per cent of respondents had a School Leaving Certificate, seven per cent had a WASSCE/SSCE/GCE, twenty-five per cent had an Ordinary National Diploma (OND/DIP), thirty-nine per cent had a bachelor’s degree or higher, and fifty per cent had a Master's degree or higher, according to the respondents' demographic and personal data. According to the compiled data of respondents by state, 294(42.0%) of the respondents polled had a racial background of Osun/Oyo state, whereas the greater percentage of respondents (406) were from Lagos/Ogun State. Of the respondents, 338 (48%) had been in business for two years or less, 282 (40%) had been in the company for three to five years, 50 (7.1%) had been in business for six to ten years, 25 (3.6%) had been in business for more than ten years, and 5 (0.7%) did not respond. What this means is that the sample was representative of the population and had the knowledge to make educated choices concerning government actions, particularly with regard~~s~~ to the financing intervention of the government.

3.1 Diagnostic Test

Result of Reliability and Validity of Instrument

The Cronbach alpha was calculated to determine the test's consistency.

According to Nunnally and Bernstein's proposal, the test resulted in a reliability coefficient of 0.71, which is greater than the cutoff value of 0.7 and indicates that the instrument is reliable and suitable for its intended purpose (1978).

Table 1. Demographical information

Items	Variables	Frequency	Percentage
Sex	Male	520	74.3
	Female	180	25.7
	Total	**700**	**100**
Age	below 20years	45	6.4
	21-30years	150	21.4
	31-40years	310	44.3
	41-50years	132	18.9
	51 years & above	63	9.0
	Total	**700**	**100**
Marital Status	Single	113	16.1
	Married	552	78.9
	Divorce	35	5
	Total	**700**	**100**
Educational Background	WASSCE/SSCE/GCE	55	7.9
	OND/DIP	205	29.3
	BSc/HND	390	55.7
	MPA/MBA/MA/MSc	50	7.1
	Total	**700**	**100**
Racial background	Osun/Oyo State	294	42.0
	Lagos/Ogun State	406	58.0
	Total	**700**	**100**
Year of working before start-up business	2 years or less	338	48
	3-5 years	282	40
	6-10 years	50	7.1
	More than 10 years	25	3.6
	Not Applicable	5	0.7
	Total	**700**	**100**

Source: Fieldwork (2023)

Table 2. Cronbach alpha reliability test

Reliability Statistics	
Cronbach's Alpha	No of Items
705	48

Source: Fieldwork (2022)

3.2 Rationales for Desiring Government Financial Intervention Programs

Even though the government's intention in adopting SME finance initiatives was to promote the SME subsector to stimulate economic growth and development, different causes have prompted entrepreneurs not to participate in the programs. According to the responses of the respondents as contained in Table 3, 55% of the business owners were prompted to grow by necessity. Existing businesses with expansion plans are the intended recipients of these funds. Also, 61% of people said they work hard because they want to keep their businesses going. The primary goal of this group of respondents is to maintain operations despite market fluctuations. 58% of those who answered the survey said they exclusively used financial aid to launch a business. By all accounts, this group of responders should be prioritized to broaden the economy's base of micro, small, and medium-sized enterprises (SMEs). Moreover, the need to expand company coverage prompted around 57% of respondents to express this desire. This group of respondents has likely been operating for some time and needs simply to broaden its customer base to achieve full coverage. The need to verify the genuine position or authenticity of the intervention was cited by fewer than 61% of respondents, who also accounted for the majority of those who accessed the financial interventions. It follows from this that those who needed the money to expand were the most responsive and that those who wanted to start a new business or keep their current one were less likely to use the funds for those purposes. Therefore, future intervention should be shaped to give more credence to people planning to launch a new venture or those who have been hit hard by the economic downturn brought on by the current health pandemic. The majority of respondents are already involved in some form of economic activity, with expansion being their top priority. Based on these findings, future government finance interventions can be made to better encourage growth.

Table 3. Rationales for desiring government financial intervention programs

Variables	%
The urge for growth	55.0
The importance of being able to keep going and expanding as a firm	61.8
Urgent need to launch a brand-new enterprise	58.0
There is a pressing need to expand commercial coverage	57.4
The necessity of doing necessary tests or confirmations on the facilities	61.0
Total	**100**

Source: Fieldwork, (2023)

3.3 Argument against accessing the government financial intervention programs

Table 4 details the reasons why some people were deterred from participating in government financial interventions notwithstanding the good intentions behind them. The politicization of the funding facilities is one of the reasons why many did not access the schemes. They hold the view that the financial resources were originally political but have since become politicized, making them unavailable to them. There is also a group of persons who have said they are not aware of the resources available to them. The proportion of respondents in this group is 21%. This could be because the government did not do enough to raise awareness, or because the efforts it did make were directed at the educated elite rather than the general population. Another group of respondents (17%) said that the bias that characterized the allocation of the facilities was the main reason they were unable to participate in the scheme. This demonstrates that favoritism was embedded in the scheme's implementation in a way that was inseparable from many government initiatives. The same percentage of respondents (12%) cited a lack of peer information about the application process as the reason they did not apply for government support. Various people gave explanations, some involving the necessity of collateral or the inclusion of interest rates.

Therefore, the findings indicate that low levels of public knowledge about the program, politicization of the financing scheme, and high levels of favoritism in the disbursement of the intervention scheme are the primary reasons why some people are unable to benefit from government financial assistance.

Table 4. Argument against accessing the government financial intervention programs

Variables	Frequency (%)
The incorporation of a (high) interest rate	78(11.14)
Biassed allocation of financial resources	122(17.43)
The politicization of financial institutions	127(18.14)
Lack of adequate information and publicity about the government intervention	149(21.29
Absence of a clear application process	86(12.29)
Economically unfavorable to SMEs operators	15(2.14)
Total	**700(100)**

Source: Fieldwork, (2023) , percentage values in parenthesis

By looking at how different groups of people answered, we can learn more about the barriers people face when trying to apply for intervention funding. Table 5 shows that most respondents in both the Oyo/Osun and Lagos/Ogun axes took part in the study to determine why they had not accessed government financing programs. According to the findings, the most common barriers to participation in the government financing scheme are the politicization of financing facilities, low levels of awareness, and partiality in the distribution of financing facilities. Respondents from the Lagos/Ogun and Osun/Oyo axis were the most likely to voice these worries.

3.4 Inherent Deficiencies Associated with Government Financing Interventions/ Facilities in Nigeria

This research also aimed to learn about the problems and shortcomings of government-funded interventions directly from the people who have been affected by them. For future intervention programs to be well-packaged to address these gaps, it's important to first identify the areas of concern in the intervention schemes. Table 6 shows that most intervention programs do not use merit as a selection criterion, which is a major problem. (Mean = 3.6; P = 0.01). That prior interventions were characterized by bias due to political patronage and affinity is demonstrated by this fact. It was also discovered that the preceding intervention financings were marked by exceedingly demanding processes. For example, the average number of steps required to obtain government financial aid was significantly higher than average (Mean = 3.1; P = 0.03). The fact that the chi-squared value for this claim also leans in the direction of acceptance demonstrates that most earlier government actions were not that freely accessible to the people. In most cases, the procedures were not well simplified, making it difficult for people, especially those with less formal education, to participate in the schemes. Despite the prevalence of online operations, there are often additional forms that must be filled out thereafter.

Most of the earlier intervention abilities were characterized by intrinsic corruption with the distribution of the funds (mean = 3.8: p=0.00), as revealed by the narrative. Hence, this indicates that the prior intervention abilities were not able to increase openness and accountability to an acceptable level. As a result, what the government promises in terms of funding does not always materialize, as many of these funds have been diverted for private or personal purposes, leaving the intended recipients unattended. This is an indication that, in most cases, intervention skills were lacking, and corruption was high. Respondents also shared their thoughts on the politicization of the aforementioned talents, with a consensus reaching a mean score of 4.2 (p=0.04), indicating that respondents believe individuals who stand to gain the most are those who already have some sort of political connection or affiliation. That the members of the ruling party at the time of the intervention were typically the ones who benefited is evidence that earlier interventions were carried out that party's influence. The success or failure of a government initiative is typically determined by the degree to which the program is publicized. This is because the level of collaboration and acceptability envisaged, as well as the effect on people's welfare, would not be felt if the citizens were not fully informed through the publicizing of the program.

Study results indicate that most people are not typically well informed across several channels (mean = 2.1: p = 0.02). Low levels of publicizing for government activities suggest low levels of awareness (mean =2.1 p=0.02). If a government program is underfunded, it is unlikely to succeed (mean = 1.9; p = 0.03). As a result, it's safe to assume that funding was lacking for numerous intervention projects. Another finding is that government support in the form of finance is rarely adequate for the SMS's needs (mean=4.8: P = 0.04).

A company's size is a major factor in determining the financial backing it will need to stay afloat and grow. Based on the results of this analysis, it can be concluded that established businesses benefit more from government funding than startups do (mean=3.8; P = 0.02). As a result, this will have a long-term impact on the rate at which new businesses can credit government intervention programs with providing initial funding. Sometimes, however, respondents felt that the intervention programs were poorly conceived and didn't do enough to help small and medium-sized enterprises (SMEs). The success of a program that is intended to benefit one company at the expense of others is highly unlikely.

Table 5. Reason for not seeking any of the previous government financial aids

Variables	Racial background			Total
	Osun/ Oyo State	**Lagos/ Ogun State**	**Ondo/ Ekiti State**	
The interest rate is exorbitant	32(4.3)	36(5.3)	5(1)	73(10.4)
Characterized by bias in the distribution of financial facilities	45(6.7)	72(10.1)	5(1)	122(17.4)
Characterized by politics	28(3.9)	97(14.1)	2(1)	127(18.1)
Low publicity	61(8.4)	86(12.7)	1(1)	150(21.4)
Collateral requirement	69(9.6)	54(7.0)	2(1)	123(17.6)
Poor documentation and application processes	37(4.9)	48(7.1)	1(1)	86(12.3)
Not favorable to start-ups	12(1.7)	3(1)	4(1)	19(2.7)
Total	**276**	**404**	**20**	**700**

Table 6. Inherent deficiencies/challenges usually associated with government intervention funding in Nigeria

Variables	Frequency	Mean Value	Chi-Square
Not merit-based	161(23)	3.6	0.01
It requires very stressful procedures: Difficulty in the procedures for accessing government financing support	196(28)	3.1	0.03
It is inherently corruptive	25(3.6)	3.8	0.00
It is over-politicized	51(7.3)	4.2	0.04
It is not well publicized for the people to be aware of it	96(13.7)	2.1	0.02
It is underfunded	50(7.14)	1.9	0.03
The finance being provided is not sufficient for business expansion	61(8.7)	4.8	0.04
Government financing is only favorable to already-grown businesses and not new business	25(3.6)	3.8	0.02
Poor design of the program in addressing the needs of the SMEs	28(3.6)	3.8	0.00
Others	10(1.4)	1.2	0.05
Total	**700(100)**		

4 CONCLUSION & RECOMMENDATIONS

This study evaluates the effectiveness of government finance interventions in ensuring the long-term viability of small and medium-sized enterprises. The successive governments of Nigeria have established several measures to promote the sustainability of SMEs in Nigeria, as evidenced by the existing literature and the numerous publications/documents on government interventions to SME sustainability. Implications and motivations for past interventions are analyzed here. The need to grow, stay in business, launch a new venture, increase business coverage, and verify or test facilities are just a few of the many reasons why people look to the government for help as established in this study. These findings concerning the rationales for government interventions have been reported in literature such as World Bank (2019), Taqi (2016) in Saudi Arabia, and Jason and Tim (2017) in Australia. It has also been established in this study that potential applicants or beneficiaries are put off by several factors, including but not limited to (high) interest rates, favoritism in the disbursement of financing facilities, the politicization of the financing facilities, a lack of knowledge about the facilities, a lack of clear information on the application process, and a government financing scheme that does not favor SMEs. Again, favouritism and politicization of the facilities have always been the bane of government support in Nigeria as established in Aliyu (2013). The majority of SSE operators did not have a positive impression of or access to government intervention funds as it was also established in Aliyu (2013).

This study thus proposes a long-term strategy for informal sector financing intervention. This strategy may be domiciled in a CBN-managed department or unit, subject to further oversight by the Ministry of Finance. Using this approach, the SME operators will meet the team of economic experts from the Ministry of Finance who will assess the proposed business idea. Manufacturing, service, and casual sectors, as well as other characteristics like turnover rate and staff size, should be used to categorize the target market. Once the idea is found to be worthwhile, the government will then be committed to funding the business for many years to mature. Once the business is matured, the operator takes control of the business while the government is paid with the initial capital outlay provided.

In this result-based financing model for the guaranteed scheme, the designated scheme would only guarantee the banks' ability to extend unsecured, low-interest loans, and the scheme and banks would fund the initial loan together. The demand side of the framework is made up of SME business owners, while the supply side is made up of financial institutions. The Central Bank of Nigeria serves as both a mediator and a financial backer between these two groups. Informal sector participants can seek assistance from this Central Bank Unit geared specifically at SMEs. The plan presented by the SME operator will then be reviewed by this Unit/section, which should be set up in each State capital of the federation. The primary requirement of the proposal will be determined by this unique Unit. The requirements can involve instruction, inspiration, a reliable network, or financial support. If the sum sought is within a range that the Unit can provide, the application may proceed. If the sum is much larger than expected, the applicant may first be sent to specialists in the field before being referred to a specific commercial bank for a loan backed by the Central Bank of Nigeria (CBN) at a low or no interest rate.

The government should implement policies that increase the accessibility of financing for small and medium-sized enterprises (SMEs), notably in the field of institutional credit, which would provide reasonably priced medium and long-term loans for growth and working capital needs. This is better achieved by setting up Credit Guarantee and Insurance Schemes to ensure that both the borrower and banks are adequately protected. The data for this study are basically from primary sources which indicates that the actual monetary value granted to SME operators by the government as well as the economic performance of SMEs in terms of their returns were not captured in this study. Hence, future research—could focus on a quantitative approach to the assessment of government interventions to informal sector participants in the country.

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