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Cooperative societies loan facilities and employment generation of small-scale businesses in Ondo State, Nigeria

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ABSTRACT: The study examined the effect of funding given to small-scale business by cooperative societies on employment generation in Ondo State. Primary data were employed using questionnaires while secondary data were obtained from unpublished book of accounts and old receipts of selected small-scale business entrepreneurs from selected town in Ondo State. A total of 142 small-scale businesses registered with the National Association of Small-Scale Industrialists (NASSI), Ondo State chapter were selected. Data collected were analyzed using inferential statistical techniques. The results revealed that there was an increase in loan facilities percentage from cooperative societies resulted to about 30% increase in employment generation within the sector. The adjusted R^2 of 0.52 shows that 52% of the variations in employment within the sector was explained by the loan facilities from the cooperative societies. The study therefore recommend that cooperative societies should seek long term capital from the pensions and insurance companies in the country to enable them grant more loans to small-scale business owners thereby generating more employment opportunities.

Keywords: Cooperative societies, credit union, small-scale business, small and medium enterprises.

INTRODUCTION

The role of the Small and Medium Enterprises (SME) as a catalyst for economic growth and development cannot be overemphasized. For example, in many of the newly industrialized nations, more than 98 percent of all industrial enterprises belong to the SME sector and account for the bulk of the labour force. SME therefore, enjoys a competitive advantage over large enterprises in servicing dispersed local markets. Cognizant of this fact, programmes of assistance, especially, in the areas of finance, extension and advisory services, as well as provision of infrastructure have been designed by the Nigerian government at the Federal, State and Local Government levels for the development of the SMEs. Governments in Nigeria have in the last four decades shown much interest in ensuring adequate financing for SMEs, by establishing various schemes and specialized financial institutions to provide appropriate financing to this sub-sector of the economy. There are two main sources of finance for this very important sector of the economy which are formal and informal.

The formal sources include banks, government loan agencies such as the micro-credit schemes, Entrepreneurial Development Programmes (EDP), poverty alleviation programmes and financial institutions, while the informal sources of finance include business owners, savings, ploughed back profit, friends, families, “esusu” (There is a type of daily money contributions in the southwest of Nigeria), money lenders, clubs such as Cooperative, Thrift and Credit Societies (CTCS), among others.

The informal rather than formal sector provides the bulk of financing, especially in the developing countries, for small enterprises in the rural areas (Anin, 2001). The continued importance of informal markets, despite the growth of the capital markets and the financial sectors of developing countries, is due to restrictive and repressive financial policies, lack of innovative measures and instruments to integrate informal and formal markets and often the lower transaction costs of certain informal market credit intermediaries. The peculiar characteristic of informal market is that they are far more loosely monitored and regulated than formal finance (Onyenwaku and Fabiyi, 2001).

The cooperative societies are member-owned, volunteer-led, self-help and democratic institutions that provide financial services to their members. They are not constituted to make profit and are openly committed to service the needs of disadvantaged communities and individuals, many of whom have been abandoned by mainstream banking. The motivation behind the formation of cooperative societies is to encourage thrift among their members and to pool these savings into a fund from which members can borrow from this should they need to do so. Their depositors are also their borrowers who know one another through some common bond and this pre-existing social connection helps to circumvent problems of imperfect information and enforceability. Cooperative societies have a distinct economic and social philosophy, and are unique and special cooperative financial institutions. Their cooperative credentials encompass a number of operating principles including open and voluntary membership, democratic control, limited (but fair) returns on share capital, with any surplus equitably distributed to members at their Annual General Meeting (AGM).

The Third National Development Plan for 1975 to 1980 witnessed increased government involvement in the activities of the cooperative movements, especially by way of providing funds and expertise in the running of the cooperative societies. As documented in the fourth National Development Plan, cooperative societies increased from about 6,000 to 11,264 during the period between 1975 and 1980, while the total membership of the movement increased from 450,000 to 918,149 (Asaolu, 2004). Cooperative societies feature in mostly all town and villages of the country. It is also present in almost all public and private institutions, organizations and businesses. A fundamental weakness noticeable in the Nigerian cooperative movement is the small size of cooperatives probably due to lack of public awareness about the vital roles which cooperative societies play in the development or oiling of the wheel of development of the SMEs. With a few notable exceptions, cooperative societies attracted little research either descriptive in nature or empirically oriented towards issues that paralleled the type of work provided in other financial institutions. On the latter note, for example, Cargil (2007) surveyed empirically-based literature and reported how it “indicate(s) quite clearly that cooperative societies are more similar to, than different from, the large financial institutions”.

THEORETICAL AND CONCEPTUAL LITERATURE

A theoretical formulation that recognized the cooperative society’s unique institutional and motivational features was evidently lacking. One such feature is that cooperative societies have a subsidiary character, that is they have no profit motive of their own, but instead exist solely to promote the economic and social goals of their members as customers rather than owners. Another feature is that they are purely cooperative in nature. As a “pure cooperative”, both suppliers of fund (savers) and user of funds (borrowers) own the credit union and hence its membership interacts on both sides of the (financial intermediaries) market, which contrasts with other cooperatives where the membership interacts on only one side of the market.

Cooperative societies mobilize funds for use in the sectors where funds are needed and also create in the members’ the spirit of savings. Thus, government at all levels should create the enabling environment for cooperative societies to flourish and grow. This step will increase or fast-track the development and growth of the SMEs and equally reduce drastically the unemployment rate in the country and as well increase the living standard of the people. This study therefore, examined the effect of funding given to small-scale business by the cooperative societies on employment generation in Ondo State.

Informal SMEs finance providers

Informal finance providers are non-registered groups such as rotating savings and credit associations, unregistered cooperative and self-help groups. They can be government-owned, such as the rural credit cooperatives in China; member-owned such as the credit unions and cooperative societies in West Africa and profit maximizing shareholders such as the microfinance banks in Eastern Europe (Udeaja and Ibe, 2006). The informal SMEs finance providers are microfinance outlets that operate outside the regulatory and supervisory authorities of the formal financial system. The informal providers are more than formal providers in rural areas and semi-urban centres as a result of the exclusion of poor people from financial services by government regulated financial institutions because of high transaction costs, high risk, lack of infrastructural facilities and lack of adequate/ acceptable collateral (Oluyombo, 2007; Akingunola and Onayemi, 2010).

The pattern and nature of informal finance providers in developing countries differ substantially, though similar in their operations. According to Buckley (1997), informal finance is multifarious and most entrepreneurs make use of the informal sector's financial intermediaries in Africa. The informal financial sectors are those financial providers that cannot be classified as a separate legal entity since they are neither controlled nor regulated by the government (Oluyombo, 2007).

In most cases, they operate outside the financial system; hence the cooperative society can be regarded as institutional finance provider for entrepreneurs in informal sectors of communities, while the individual arrangement for small-scale business finance include friends, family, money collectors and money lenders (Falaiye, 2002; Oloyede, 2008).

The World Bank (2000) reported that in virtually every part of Nigeria, people have used their personal savings and small loans from family and friends and other informal associations, to carry out their businesses. The same report affirms that people in both rural and urban areas patronise and show preference for the informal sector due to the high degree of certainty and flexibility in sourcing for, and repaying loans from informal lenders. It is easier and faster to source for credit from these informal financial service providers in Nigeria than the microfinance and commercial banks (Oke et al., 2007; Idowu and Salami, 2011). This is because a prospective borrower can access the lender and the financial deals completed within a few days. With an average maturity of three months, the informal sector rules out becoming involved in the provision of the medium to long-term credit necessary for long term investment in extended gestation crops, livestock and agro-processing (World Bank, 2000).

Informal SMEs finance providers in Nigeria

In developing countries, about 70% of adults have no access to financial service (Richter, 2011) and this could be higher in rural areas, while about 90% of the rural sector financial needs are satisfied by informal rural finance providers (World Bank, 1994). The report specifies that the informal sources provide the bulk of rural dwellers' financial needs for five active occupational groups, namely; farmers, artisans, market women, traders and local manufacturers. There are different types of informal finance providers in the world; some of these operate in groups as associations and unions within a particular community, profession, clan and companies. World Bank (2000) and Akingunola and Onayemi (2010) identified informal rural finance providers in Nigeria to include; trade and input supply financing, cooperative societies, non-governmental organisations (NGOs), "esusus", families, friends and money lenders.

Informal finance providers identified by Buckley (1997) include suppliers' credit, money lenders and rotational savings scheme. Iganiga (2008) identifies NGOs, money lenders, friends, relatives, savings collectors, rotating savings and credit association, credit unions and cooperative societies as main providers of rural finance in Nigeria. Oloyede (2008) identified the informal financial providers as the rotating savings and credit association, money lenders, daily contribution scheme, social club and cooperative, thrift and credit association. These informal finance providers render their savings and loan services on favourable terms and at cheaper cost (Oloyede, 2008). The informal SMEs finance providers in Nigeria are discussed as follows:

Suppliers' credit

This is an arrangement whereby goods are supplied to an entrepreneur on credit for a particular period of time. This is possible as a result of long term business relationship between the supplier and the buyer. The amount of goods supplied includes an element of interest that is neither disclosed to the buyer nor stated in his invoice. Suppliers' credit stands between the money lender and friends/relatives, and this is usually done on short term and flexible basis (Buckley, 1997).

Money lenders

Money lenders are those individuals who spend a significant part of their time lending money, usually for short periods and sometimes unsecured by collateral (Buckley, 1997). The absence of collateral security for loans is one of the distinguishing features of informal and formal financial service providers. Whereas the banks will seek tangible and adequate collateral that can compensate them in cases of default, a money lender is not in a position to take collateral security because the loan is expected to be paid in most cases within a few weeks or months. As the money lender does not see the need to ask for collateral, the interest rate charged is always higher than the bank interest rates (Singh, 2004; Sharma, Simkhada and Shrestha, 2005).

The high interest rate is meant to compensate for the risks of default as an alternative for collateral security. The interest rate is not uniform and the ability of money lenders to craft loan contracts that are unusual is one of the major advantages that money lender finance has over formal finance (Buckley, 1997). Interest charged by money lenders is a function of many parameters such as the amount, duration, purpose and season of the year, such as harvesting time and festival period. It also includes the borrowers' profile and the funds available to the money lender at that particular period.

Rotational savings and credit scheme

A rotational savings and credit scheme or association (ROSCA) is an arrangement whereby people who know each other come together to form an economic team which provides savings and credit opportunity for each member of the group. The operation requires that each member is expected and committed to saving an agreed amount at a particular period for a fixed term (Iganiga, 2008). The savings by the members are given on a rotational basis to a member of the group until the last person in the group has benefited. ROSCA varies in size and practices, but the principles that define them remain fairly constant (Buckley, 1997). Participants in ROSCA are free to use their credit for whatever business they like and there is no restriction as to how the money can be used. Moreover, members are saved the burden of payment of interest on their credit since all members jointly raise the fund. It gives an opportunity for access to borrowing a lump sum of money at a particular period which an individual may not be able to make up on his or her own.

Money keepers

The money keeper's arrangement in developing nations including Nigeria has to do with a person serving as a financial intermediary between a saver and a financial institution (World Bank, 2000). The arrangement requires the money keeper to move from one house, store, shed, kiosk, etc. to another to collect individual savings on a daily basis. The record keeping is carried out by the money keeper in his ledger opened for each saver and a saving card held by the contributor which the money keeper endorses on a daily basis to attest that funds in terms of savings have been kept with him. Each saver is expected to contribute usually for a month and at the end of the month, the money keeper then gives the saver the total amount saved for the month less a day saving which serves as the benefit for the money keeper's services rendered (Singh, 2004). This type of arrangement is common in the rural and semi-urban areas where the dwellers find it extremely difficult to patronize commercial banks either as a result of their lack of education or the distance of banks to such communities. One of the outstanding benefits of the money keeper is that it encourages a saving habit among the rural poor (World Bank, 2000; Singh, 2004; Iganiga, 2008). Though the savers pay for the service, it reduces transaction cost of the savers transporting themselves individually to a commercial bank venue before they can save in or withdraw from their account. Some form of money saving schemes allows contributors to borrow before the end of the month against the contributors' accumulated savings.

Trade and input supply financing

This is concerned with the provision of funds for the purchase, handling, transportation, processing, storage, and selling of various commodities. It involves short term funding to carry stocks of inputs and produce at various stages of production and marketing. This financing arrangement is common in the rural and urban areas among commodity traders (World Bank, 2000).

Non-Governmental organisations

Non-governmental organisations (NGOs) operate partly as a result of programmes sponsored by development organisations and donor agencies to support poverty eradication and rural development (Singh, 2004). The mandate of most NGOs is to promote rural development and increase the standard of living of the poor in rural communities by providing credit and technical assistance.

Esusu, family and friends

The main informal lenders that mobilise deposits are the *esusus* and the money keepers, while money lenders are seldom involved in accepting deposits. In terms of volume and coverage, the savings collectors have the highest rates of savings mobilisation. Family and friends also provide small amount of loan with short term repayment duration as an informal finance (World Bank, 2000). Loan from friends and family are small, quick to get, are available for short periods of time (Sharma et al., 2005) and very popular in rural areas without collateral and interest free.

Cooperative societies

Sizya (2001) opined that cooperatives provide an opportunity for pooling financial resources of people of limited financial means together in order to achieve commonly identified development needs of their members. Cooperative societies constitute an avenue through which cheap credit is channeled to the rural areas and especially when it is supported by international donors and governments (Huppi and Feder, 1990). Cooperative societies play major part by which developmental activities are carried out in rural communities via individual member's participation (Oke et al., 2007). Financial cooperatives are described by Larocque et al. (2002) is an avenue for those without access to commercial banking services to gain access to financial services that may include savings deposit, productive credit, consumer credit and loan. Sizya (2001) argued that cooperatives have been the leader in development interventions that aim to alleviate the poverty level of the poor in the rural areas.

The rural people and the small-scale business entrepreneurs take solace in the little financial service that is provided by the cooperative. Sizya (2001) stated further that cooperatives are the most significant forms of participation in financial markets available to the rural

Tanzanians. The importance of cooperatives has been identified by Larocque et al. (2002) as an avenue for the introduction of formal banking to rural areas in Burkina Faso. This shows that the rural people first have a good knowledge of the benefits of financial services by participating in financial cooperatives and thus suggests that the failure of access to formal banking system in the rural areas is a major boost for the growth of cooperative societies.

Cooperative societies are the most popular measure accepted as an effective and more market-friendly tool (Tunahan and Dizkirici, 2012; Zecchini and Ventura, 2009; Kuo, and Sung, 2011; (Tunahan and Dizkirici, 2012). A Cooperative society is a financial product that small-scale business entrepreneurs who are its members can take as a substitute for formal source of finance.

Also, Iganiga (2008) pointed out that the formal financial system provides services to about 35% of the economically active population of Nigerian citizens, while the remaining 65% are excluded from their services. In a country with a population of 140 million people, it suggests that about 91 million are served by informal finance providers. If the only available financial service providers to the rural people in Nigeria are informal sources such as the cooperative societies, money lenders, self-help groups and rotational savings associations, what is the hope for a possible reduction in poverty and improvement in standard of living in rural areas using these informal financial service providers especially the cooperative societies bearing in mind the amount of savings that they can be mobilized and the value of loan that they can give? This question is essential because it provides a guide for the aim of this study. It is clear from the results of previous studies, only Edgcomb and Garber (1998) that is empirical. While all the studies examine the effect of cooperatives on ownership of enterprise assets, it is only Edgcomb et al. (1998) and Falaiye (2002) that provided the components of enterprise assets used.

However, both studies were conducted among female programs located in rural and urban areas, and they were not placed within any theory. The passage of time between this study and the last empirical study (Edgcomb et al., 1998) and other gaps identified above required that their conclusion be reassessed if they are still tenable in spite of the development in small-scale enterprise finance using quantitative analysis and empirical data from cooperative societies with membership of both sexes in Ondo State. The study therefore, investigates whether loan facilities of cooperative societies could have a positive impact on employment generation by small-scale business in Ondo State.

METHODOLOGY

The study was conducted in Ondo State, Nigeria to examine the impact of loan facilities offered by cooperative societies to small-scale businesses on employment generation in the state. It specifically focused on the effects of loans disbursed by cooperative societies on the members' business activities. Both primary and secondary data were sourced for this study. Data covering years 2008 - 2012 were collected from the receipts/invoices of the sampled small business ventures. A multiple-stage sampling technique was employed for this study. Six (6) Local Government Areas (LGAs) were randomly selected from the 18 local government areas in Ondo State. In the second stage, 6 towns respectively were randomly selected from these Local Government Areas using probability proportional to size of these towns. The last stage of the sampling involved the random selection of small businesses in each of the selected towns. The number of small business enterprises chosen is a function of the number of small business entrepreneurs available in a particular town. However, a total of 142 small business entrepreneurs were interview and filled the questionnaire. The data collected based on the following dependent variables: amount of loan facilities from cooperative societies, tenure of such facilities, interest rates, profit from operations, total current assets, total fixed assets and total sales.

This study employed a number of analytical tools based on the objectives of the study. The tools include: Descriptive statistics, pooled least square and econometric view (E-view). The small-scale business performance is hypotheses to be influenced by the independent variables included in the equation below:

$\pi_{it} = f_1(\alpha_{it}) + \varepsilon_{it}$ …………… 1

Where π_{it} which is the dependent variable measures a business performance indicator (profit/sales/employment generation) and α_{it} represents a vector of the independent variables (Current assets, fixed assets, loan facility and loan tenure) .

According to Vera (2002), firms are equating total uses of funds for investment with total sources of funds. Thus, they must decide on the magnitude of their investment outlays in current assets and fixed assets. The amount of investment would depend on the available funds (cooperative societies) to the small-scale entrepreneurs.

$\alpha_{it} = f(\text{Ƶ}_{it}, \text{fŋ}_{it}, \text{ɋ}_{it}, \text{ᶀ}_{it}, \text{ʆ}_{it}) + \varepsilon_{it}$ ………… 2

And α_{it} equals to $f(\Gamma_{it}, \pounds_{it}, \Omega_{it})$

Where:
Γ_{it} = LPROFIT. This measures profit figure for the 5-year period (2008-2012) of each firm and the total profit of all the firms together.
$\pounds_{it}$ = LSALES. This measures total sales of all the firms for the 5-year period.
Ω_{it} = LEMP. This measures employment generation of the

small-scale business during the period under study.

Ƶ_{it} = LFASSETS. This measures that part of cooperative loan used in acquiring business fixed assets for all the firms.

fŋ_{it} = LCASSETS. This measures that part of cooperative loan used in acquiring business current assets for the firms.

ɖ_{it} = LTDEBT. This measures a business total debt loan from cooperative societies balance at the end of the year.

ᶀ_{it} = LLOAN. This measures a business total loan from cooperative societies for the year.

ʆ_{it} = LEMP. This measures a business employment generation by the firms.

Ψ_{it} = LTENURE. This measures the tenure (Time taken to pay back) of the loan facility.

ε_{it} = This represents the standard error term of the expression, that is other factors capable of determining the performance of small-scale business apart from the identified variables.

To be estimated as:

$$\Gamma_{it} = a_0 + a_1\text{Ƶ}_{it} + a_2\text{fŋ}_{it} + a_3\text{ɖ}_{it} + a_4\text{ᶀ}_{it} + a_5\text{ʆ}_{it} + u_{it} \text{ ..... } 3$$

$$\text{£}_{it}, = b_0 + b_1\text{Ƶ}_{it} + b_2\text{fŋ}_{it} + b_3\text{ɖ}_{it} + b_4\text{ᶀ}_{it} + b_5\text{ʆ}_{it} + u_{it} \text{ ...... } 4$$

$$\text{And } \Omega_{it} = c_0 + c_1\text{Ƶ}_{it} + c_2\text{fŋ}_{it} + c_3\text{ɖ}_{it} + c_4\text{ᶀ}_{it} + c_5\text{ʆ}_{it} + \varepsilon_{it} \text{ .... } 5$$

a_0 and b_0 are constants while a, b and c $_{1....5}$ are parameters for $_i$ = 1, 2, 3…., 142 cross sectional units. Each cross-section unit is observed for dated periods t= 1, 2…,5. a_{it} is the common effect of the intercept which is assumed to be identical for all the pool members. The fixed effect estimators allow the intercepts a_{it}, b_{it} and b_{it} to differ across cross-section units by estimating different constants for each cross section. The basic specification treats the pool specification as a system of equation and estimates the model using the Pooled Least Square (PLS) instead of the usual Ordinary Least Square (OLS).

Although the nature of the panel data can be ignored and the pooled ordinary least squares (OLS) can be applied, the resulting model might be overly restrictive and can have complicated error processing, for example, heteroscedasticity across panel units and serial correlation within panel units. Therefore, according to Baum (2006), the two main alternative approaches to the fitting of models using panel data are to use fixed effect regressions and random effect regressions. According to Greene (2003), for a given panel data set, the general form of panel data model can be expressed as:

$$У_{it} = X_{it}\beta + Z_{it}\delta + U_i + \varepsilon_{it} \text{ ………………} 6$$

Where:

i = 1,…,n is the number of cross-sectional units and t = 1,…,T is the number of time periods.

$У_{it}$ is the observable dependent variable (LProfit, LSales or LEmp).

X_{it} is a 1 x k vector of variables which vary between individuals and over time (LFAssets, LCAssets, LLoan).

β is the k x 1 vector of coefficients on x.

Z_{it} is a 1 x p vector of the time-invariant observable variables which vary only between individuals.

δ is the p x 1 vector of coefficients on z.

U_i is the unobserved individual-level effect.

ε_{it} is the disturbance term.

Equation 6 was estimated by the fixed effect or the random effect models, given the assumption about the unobserved effect, U_i. Both methods were incorporated in the analysis of this work.

RESULTS AND DISCUSSION

To examines the impact of loan facilities of cooperative societies on employment generation among SMEs businesses in Ondo State. Pool least square regression analysis was performed. The section presents and analyze the result obtained from regression analysis. Pool Least Square (PLS) regression techniques was therefore employed. The summary and discussion of result obtained from the study is presented in the Table 1.

The results presented in Table 1 shows the specific coefficients of all cross-sectional observations. The impact of loans received from cooperative societies is statistically significant on employment generation among 120 out of 142 small business at 5% significant level, and on the employment generation of about 22 out of 142 small business at 5% significant level. The adjusted R^2 of 0.5272 shows that about 52% of variation in employment generation of small scale businesses was explained by loan facilities from cooperative societies in Ondo State. The F-statistics of 4.72 shows that the model was statistically significant at 5% significant level. The Durbin Watson statistics of 2.08 indicates that the result is free from the problem of serial correlation.

The result in respect of loan facilities of cooperative societies reveals a co-efficient value of 3.671941 and a t-value of 67.41192 with a p-value of 0.0000. The positive co-efficient value implies that there is positive relationship between loan facilities of cooperative societies and employment generation among small scale businesses in Ondo State. The P-value of 0.0000 at significant level of 5% signifies that loan facilities of cooperative societies is significantly influence employment generation of small scale businesses in Ondo State. The finding supports the argument that loan facilities of cooperative societies has a significant influence on employment generation of small scale businesses in Ondo State. The findings were in line with Sizya (2001) who supported that cooperative society's loan facilities have been the leader in development interventions that aim to alleviate the poverty level of the poor in the rural areas. The rural people and the small-

Table 1. PLS regression results of LLoan on LEmp.

Dependent Variable: LEMP				
Method: Pooled Least Squares				
Sample: 2008 - 2012				
Included observations: 5				
Number of cross-sections used: 142				
Total panel (balanced) observations: 710				
Cross sections without valid observations dropped				
Variable	**Coefficient**	**Std. Error**	**t-Statistic**	**Prob.**
C	3.671941	0.05447	67.41192	0.0000
R-squared	0.541959	Mean dependent var		5.443662
Adjusted R-squared	0.527246	S.D. dependent var		5.191841
S.E. of regression	3.929211	Sum squared resid		8753.744
F-statistic	4.724501	Durbin-Watson stat		2.080326
Prob(F-statistic)	0.000000			

Source: Author's Computation Using E-Views Statistical Package, Version 6.0.

scale business entrepreneurs take solace in the little financial service that is provided by the cooperative societies. He also stated further that cooperative societies are the most significant forms of participation in financial markets available to the rural people of Tanzanians. The importance of cooperative societies has been identified by Larocque et al. (2002) as an avenue for the introduction of formal banking to rural areas in Burkina Faso and at same time generating employment for the citizen. This shows that the rural people first have a good knowledge of the benefits of cooperative societies by participating in financial cooperatives and thus suggests that the failure of access to formal banking system in the rural areas is a major boost for the growth of cooperative societies.

Conclusion and recommendations

The results of this study have implications for both local and foreign investors, owners of small-scale business enterprises in Nigeria, managers of Cooperative, Thrift and Credit societies (CTCS) policy makers. Arising from the results, credit facilities provided by CTCS are directly related and significant to the employment generation. The bulk of the funds provided to the SMEs is mainly regarded as initial capital through personal savings and credit from non-bank financial institutions (cooperative societies). Hence, the results showed that an increase in the credit to the SMEs leads to an increase employment generation which is consistent with the hypothesis of this study. The result also revealed that a percent increase in loan facilities from CTCS will result in about 30% increase in employment generation within the sector. The adjusted R^2 of 0.52 shows that 52% of the variations in employment within the sector is explained by the loan facilities from CTCS.

The worldview of SMEs as an index of technological backwardness or as a sign of industrial backwardness is rapidly changing with time. Indeed, in many developed and developing nations of the world, SMEs are now appreciated as a necessary complement to the industrial structure of any modern economy. The dimensions of the recent attention on them border on the perceived wisdom that they could leapfrog their initial early stage and embrace modern large businesses in the development process. Over the years, there have been serious divergent opinions as to what should be an appropriate policy for the development of Nigerian SMEs with a view that if given a helping hand, they could grow to complement the modern day industrial structure like other developing nations of the world. Arising from the findings of this study therefore, the following recommendations are made:

1. There should be an increase in the loanable fund set-aside by the CTCS for the small-scale business entrepreneurs in order to stimulate their growth.
2. It is also recommended that all CTCS must be registered with the monetary authorities and well regulated since they take deposits and give out loans and advances in similar ways that banks do business.
3. CTCS should seek long term capital from the pensions and insurance companies in the country. This will enable them to grant larger loans to more small businesses and facilitate employment generation.
4. Small scale businesses should improve their financial record keeping. Availability of data on operations of SMEs could only be achieved where good financial records are kept. This is necessary so that their impact on employment generation can be objectively and reliably evaluated.

CONFLICT OF INTEREST

All authors have no conflicts of interest to report.

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