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EFFECT OF SMEDA FINANCIAL SERVICES ON PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES IN NORTH CENTRAL, NIGERIA

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ABSTRACT
SMEs are crucial to Nigeria's economic growth, but many in North Central Nigeria struggle with limited financing, weak managerial capacity, and inadequate support services, affecting performance. This study examined the effect of small and medium enterprises development agency of Nigeria services on performance of SMEs in North Central, Nigeria. This adopted a quantitative research design using the survey approach, the population of the study comprised of 130,959 registered SMEs in North Central, Nigeria out which sample size of 519 was used and a multi-stage sampling procedure was applied, combining stratified random sampling technique, proportional allocation, and judgmental sampling technique to obtain a reliable and representative selection of SMEs across the North Central region of Nigeria. The study utilized adapted questionnaire as the instrument for data collection which was analyzed using partial least square structural equation modeling. The study found that Credit Facilitation and Microfinancing of small and medium enterprises development agency of Nigeria have positive but insignificant effect on performance of SMEs in North Central Nigeria, while, Financial Advisory Services of small and medium enterprises development agency of Nigeria has positive and significant effect on performance of SMEs in North Central Nigeria at 5% level of significant. The study therefore concludes that. The study concludes that credit facilitation and microfinance service of small and medium enterprises development agency of Nigeria offer limited support to SMEs, while financial advisory services strongly improve performance by guiding better decisions, planning, and efficient use of business resources. The study recommends among others that SMEs, with support from SMEDAN and Development Finance Institutions, should plan carefully, invest credit in productive activities like equipment or stock, and monitor spending to turn even small loans into real growth.

Keywords: *Credit Facilitation, Financial Advisory Services, Financial Services, Microfinancing, Performance, SMEs, SMEDAN.*

1. INTRODUCTION

The performance of Small and Medium Enterprises (SMEs) is crucial to economic development globally, with SMEs serving as the backbone of both developed and developing economies. SMEs are widely recognised as vital engines of economic growth, innovation, and employment generation across both developed and developing economies. Globally, SMEs constitute about 90% of businesses and more than 50% of employment opportunities, making their performance central to sustainable economic development (World Bank, 2022). In Africa, SMEs account for nearly 80% of jobs and contribute significantly to national GDPs, but within challenging environments marked by limited access to finance, infrastructural deficits, and inconsistent policy frameworks (International Finance Corporation, 2021). Despite these hurdles, SMEs remain indispensable to economic stability and poverty alleviation across the continent. In Nigeria, the role of SMEs is pivotal, contributing about 48% to the country's GDP and representing over 90% of the enterprise population (SMEDAN, 2021). However, these enterprises continue to grapple with multiple constraints such as limited access to finance, poor infrastructure, high transaction costs, and weak institutional support. The challenges are even more severe in Nigeria's North Central region, where rurality, insecurity, and economic exclusion compound the difficulties faced by SMEs.

One of the key institutional mechanisms established to support the SME sector in Nigeria is the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN). The agency's financial services are specifically designed to address the funding, knowledge, and capacity-building gaps among SMEs through a suite of interventions including credit facilitation, microfinancing, financial advisory services, loan guarantees, and financial literacy programs.

Credit facilitation enables SMEs to access loans through partnerships with banks and microfinance institutions, helping businesses expand operations, improve cash flow, and acquire productive assets interventions that have supported more than 250,000 SMEs nationwide since 2019 (SMEDAN, 2021). Microfinancing services provide smaller, flexible loans that are especially crucial for micro and rural enterprises that cannot meet commercial bank requirements; evidence shows that microfinance-supported SMEs record up to 30% higher survival and growth rates compared to unsupported businesses (Nmema & Madumere, 2025). Additionally, financial advisory services, including financial literacy training, bookkeeping assistance, and business planning support equip SMEs with the knowledge needed to manage credit, reduce financial risks, and make informed investment decisions. These services of SMEDAN are critical in enabling SMEs to improve their cash flow, expand operations, invest in innovation, and manage financial risks. Empirical evidence has shown that institutional support in the form of structured financial assistance significantly enhances SME performance (SMEDAN, 2022; Nmema & Madumere, 2025; Eze & Chika, 2022).

Small and Medium Enterprises (SMEs) are widely recognized as critical drivers of economic growth, employment generation, innovation, and poverty reduction in Nigeria. Despite their importance, evidence indicates that many SMEs in North Central Nigeria continue to experience poor business performance characterized by low survival rates, limited growth, inadequate profitability, and restricted expansion opportunities. A significant number of SMEs in Nigeria struggle to remain operational beyond their early years due to financial constraints, managerial

deficiencies, and an unfavorable business environment (SMEDAN, 2024; National Bureau of Statistics-NBC], 2021).

Despite SMEDAN's mandate to improve access to finance and capacity building for MSMEs (SMEDAN, 2024), utilisation of formal financial services remains low. National data reveal that out of an estimated 49.6 million MSMEs in Nigeria, only about 2,083,222 (less than 5%) have access to formal credit facilities, highlighting a substantial financing gap that likely mirrors constraints in North Central states (Oteh, Salami, Modupe & Alabi, 2026). Additionally, reports indicate slow disbursement of dedicated SME loan funds only ₦250 million of a ₦5 billion SME loan fund was accessed, demonstrating capacity and uptake challenges among target enterprises (SMEDAN, 2024).

Although. SMEDAN's financial services, including credit facilitation, microfinancing, advisory support, and financial literacy initiatives, are designed to fill financing gaps and enhance entrepreneurial capacity (SMEDAN, 2024), evidence suggests current interventions are insufficient to achieve expected performance improvements. SMEs often rely on informal savings and personal funds due to limited access to formal support, and existing programmes have not yet translated into significant performance gains across critical indicators such as growth and sustainability (Irongbe & Oteh, 2026; Otaru, 2023). This persistent shortfall points to a need for better-targeted, more accessible, and context-specific financial interventions tailored to the needs of SMEs in North Central Nigeria.

Although several studies have addressed the role of financial services in SME development, few have specifically dissected the multidimensional financial services offered by SMEDAN and how they influence SME performance across Nigeria's geopolitical regions. For instance, Ibitomi, Dada, Aderotimi and Gaude-Jiwul (2024) found that financial literacy had a positive influence on SME performance in Abuja, yet their study focused solely on financial literacy, excluding other critical SMEDAN financial services such as credit facilitation and loan guarantees. Similarly, Attah and Wada (2023), examined contribution of small and medium scale enterprises to the economic growth of Kogi State but limited their scope to microfinancing. Additionally, other scholars like Jovin, Eremić-Đođić, Laban and Milić (2017) focused narrowly on financial and business advisory services for small and medium enterprises and entrepreneurs in agribusiness in Serbia. Studies by Nwosu and Orga (2023) largely examined microfinance or access to credit constraints in isolation, without considering the holistic range of SMEDAN's financial interventions.

Moreover, most extant literature has predominantly focused on SMEs located in Nigeria's southern regions or major urban centres, thereby overlooking the distinct contextual and infrastructural challenges experienced by SMEs in North Central Nigeria. For instance, Chukwuma and Chijindu (2023) investigated financial literacy among SMEs in Enugu State, while Ibrahim and Adeoye (2021) centred their study on microfinance and SME growth in Ibadan, Oyo State both urban hubs with relatively better access to financial institutions. Eze and Chika (2022) examined SMEDAN's impact in Anambra State but acknowledged limitations in generalising their findings to other geo-political zones such as North Central Nigeria. These studies, while insightful, fail to provide a holistic view of the integrated effects of all SMEDAN financial services on SME performance.

Methodologically, most studies employed basic regression analysis, failing to explore the simultaneous influence of multiple variables and their interrelations. For example, Ibitomi *et al*. (2024) used multiple regression without accounting for the measurement validity of latent constructs such as financial advisory or loan guarantee access. Likewise, Abdullahi and Musa (2022) relied on descriptive statistics, which do not support inferential generalisation across populations. Other studies relied on descriptive or basic inferential statistical techniques such as regression and correlation analysis (e.g., Olagunju & Alimi, 2022; Ahmed et al., 2023), which may not robustly capture the complex interrelationships among multiple service dimensions of SMEDAN and SMEs performance. This study intends to fill that gap by employing Partial Least Squares Structural Equation Modeling (PLS-SEM), which allows for a more robust evaluation of both the measurement and structural models, and captures the dimensional effects of SMEDAN financial services on SME performance. Thus, this study seeks to address the identified problem and gaps by examine the effect of SMEDAN financial services on performance of SMEs in North Central, Nigeria.

Therefore, this study examines the effect of SMEDAN financial services on performance of SMEs in North Central, Nigeria. Specifically, it investigated the effect of credit facilitation, microfinancing and financial advisory services of SMEDAN on the performance of SMEs in North Central, Nigeria. Based on these objectives, the study examined the following null hypotheses:

H_{01}: Credit facilitation of SMEDAN has no significant effect on performance of SMEs in North Central, Nigeria.
H_{02}: Microfinancing of SMEDAN has no significant effect on performance of SMEs in North Central, Nigeria.
H_{03}: Financial advisory services of SMEDAN have no significant effect on performance of SMEs in North Central, Nigeria.

2. LITERATURE REVIEW AND THEORY

This section reviews relevant literature on SMEDAN financial services and the performance of Small and Medium Enterprises. The review focuses on the key dimensions of SMEDAN financial services examined in this study, namely credit facilitation, microfinancing, and financial advisory services, and their influence on SME performance. The section also presents the conceptual review, empirical review and theoretical review. The review is intended to provide a clear understanding of the existing body of knowledge, identify gaps in the literature, and establish a foundation for examining the hypotheses that credit facilitation, microfinancing, and financial advisory services have no significant effect on the performance of SMEs in North Central Nigeria.

2.1 SMEs Performance

Small and Medium Enterprises (SMEs) performance is commonly understood as the extent to which these businesses achieve their goals, particularly in areas such as profitability, growth, productivity, and competitiveness. Mahfuz, Habib, Islam, Islam and Shara (2025) describe SME performance as the achievement of organisational objectives, while Oyedokun and Amoo (2023) emphasise the financial and operational success of SMEs, including their ability to generate profit, control costs, and sustain long-term growth. Similarly, Kotane and Kuzmina-Merlino (2017) note that SME performance reflects how well firms attain outcomes such as sustainability, profitability,

expansion, and market relevance. The literature further shows that both financial and non-financial indicators are used to assess SME performance, including profit levels, sales growth, innovation capability, operational efficiency, customer satisfaction, and market share (Fatoki, 2011; Matsoso & Benedict, 2014). Yepwi *et al.* (2025) broaden this view by noting that SMEs performance involves meeting revenue targets, maintaining profitability, managing operational costs effectively, improving production capacity, innovating, increase in sales, increase customer, and attracting or retaining a motivated workforce, all of which contribute to the stability and expansion of an enterprise. For the purpose of this study, the performance framework proposed by Yepwi *et al.* (2025) is adopted because it provides a more comprehensive perspective on how SME performance should be captured. Their framework highlights key dimensions such as profitability, efficiency, innovation, and growth as critical indicators of business success.

2.2 Small and Medium Enterprises

In Nigeria, the definition of Small and Medium Enterprises (SMEs) differs across key institutions, especially the Central Bank of Nigeria (CBN) and the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN). According to the CBN, SMEs are businesses with an asset base, excluding land and buildings valued between ₦5 million and ₦500 million, and employing between 11 and 300 workers. SMEDAN provides a more detailed classification: small enterprises are those that employ 10 to 49 people with assets of ₦5 million to less than ₦50 million, while medium enterprises employ 50 to 199 people and have assets of ₦50 million to less than ₦500 million, also excluding land and buildings (SMEDAN, 2022). These definitions play an important role in shaping government policies, determining eligibility for financial support, and designing development programmes targeted at SMEs. For the purpose of this study, the SME definition provided by SMEDAN (2022) is adopted because it offers clearer distinctions that align with national enterprise development frameworks.

2.2.1 SMEDAN Financial Services

The Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) is a federal parastatal created by the SMEDAN Act 2003 to promote the development of micro, small and medium enterprises (MSMEs) of the Nigerian economy. Ajayi, Ajuwon, and Ikhide (2021) define SMEDAN financial services as a suite of public-sector financing support instruments ranging from direct micro-loans to credit-guarantee, fund-matching and financial-literacy schemes whose objectives are to lower transaction costs, de-risk lending and improve the bankability of Nigerian MSME. Okijie and Effiong (2024), define SMEDAN's financial offering as "a multidimensional finance–plus model" in which lending is bundled with business advisory, market-linkage and post-disbursement mentoring. SMEDAN's financial services constitute a multi-faceted framework designed to enhance access to finance for micro, small, and medium enterprises (MSMEs) in Nigeria through mechanisms such as credit facilitation, microfinancing, financial advisory services, loan guarantees, and financial literacy programmes (Reuben, Hassan & Nnamdi, 2024).
In this study, SMEDAN financial services refer to the range of financial support and related interventions provided or facilitated by the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) to assist SMEs. Operationally, it includes access to credit facilities, grants, loan linkage programmes, financial advisory services, and support in connecting enterprises to banks and other funding institutions.

2.2.2 Credit Facilitation

Credit facilitation refers to the institutional, regulatory, and financial mechanisms designed to enable and streamline access to credit for businesses, particularly small and medium-sized enterprises (SMEs), by mitigating the barriers posed by traditional lending systems (Agbor, Igbang, & Lifu, 2024). It encompasses a range of strategies such as credit guarantees, subsidised interest rates, tailored loan products, and risk-sharing partnerships with financial institutions. According to Fasola, Akinlabi and Makinde (2020), credit facilitation in the context of Nigerian SMEs involves efforts to address issues like information asymmetry, bank density, and credit rationing, which significantly hinder credit availability and thereby limit enterprise growth. Credit facilitation is the process by which financial and developmental institutions, such as SMEDAN and commercial banks, ease the access of small and medium enterprises (SMEs) to credit through structured financial instruments, advisory services, and institutional partnerships (Reuben et al., 2024). This concept embodies a suite of services that includes linking businesses to sources of credit, providing loan guarantees, advising on financial structuring, reducing barriers posed by collateral requirements, and fostering trust between lenders and borrowers (Reuben *et al.*, 2024).
Credit facilitation in this study refers to the support provided or enabled by SMEDAN to help SMEs gain easier access to credit from financial institutions. Operationally, it covers activities such as linking small and medium enterprises to banks, assisting with loan application processes, providing credit guarantees or advisory support, and improving SMEs' chances of securing business loans.

2.2.3 Microfinancing

Mohammed, Ngoma and Ibrahim (2023) describe microfinance as a form of financial intermediation that targets low-income individuals, offering accessible credit facilities with simplified requirements and minimal collateral. According to Mohammed *et al.* (2023), microfinance includes financial services such as credit and savings for small businesses, fishers, and herders often neglected by formal banks. Microfinance institutions (MFIs) enable SMEs to secure funding for working capital, inventory, or small-scale investments, especially in developing economies. This financing mechanism has proven critical for fostering inclusive growth, promoting financial inclusion, and empowering marginalized communities, particularly women entrepreneurs. Babalola-Emmanuel (2021) explain that microcredit refers to the issuance of small loans to individuals or cooperatives to support income-generating activities, with the expectation of repayment in manageable instalments.

Microfinancing in this study refers to the provision of small-scale financial services by SMEDAN or through its partner institutions to support SMEs, especially those that may not qualify for conventional bank loans. Operationally, it includes access to small loans, revolving credit, low-interest financing, and other simplified funding arrangements designed to support business start-up and expansion.

2.2.4 Financial Advisory Services

Financial Advisory Services refer to the professional guidance and support offered to individuals, entrepreneurs, and businesses to help them make informed financial decisions. According to Jovin, Eremić-Đođić, Laban and Milić (2017), financial and business advisory services are essential non-financial supports that small and medium enterprises (SMEs) rely on to strengthen their business operations, improve financial management, and enhance decision-making capacity. These services

help business owners understand loan requirements, manage cash flows, prepare financial documents, evaluate investment opportunities, and adopt better financial practices, especially when they lack the expertise to do so on their own. Financial advisory services help SMEs overcome barriers such as lack of financial knowledge, poor bookkeeping skills, difficulty accessing loans, and limited understanding of financial products. By providing expert guidance, these services improve SME financial stability.

Financial advisory services in this study refer to the guidance and support provided or facilitated by SMEDAN to help SMEs make sound financial decisions for business growth. Operationally, it includes services such as business financial planning advice, budgeting support, investment guidance, training on loan management, and information on accessing funding opportunities.

2.3 Review of Empirical Literature

This aspect is reviewing the empirical literature of the study variables.

2.3.1 Credit Facilitation of SMEDAN and SMEs Performance

Usman *et al.* (2024) examined how trade credit, bank credit, and overdraft facilities influence the performance of small and medium businesses in Tangaza Local Government, Sokoto State. Using a descriptive correlation design and data from 96 mainly sole proprietorship SMEs, the study applied test–retest reliability and multiple regression analysis. The results showed that trade credit had no meaningful effect on business performance, while bank credit and overdraft facilities both had positive and significant impacts on the financial performance of SMEs. However, the study's strength was limited by its focus on sole proprietors and the lack of detailed performance indicators, which reduces the general applicability of the findings.

Agbor *et al*. (2024) examined how credit availability affects the performance of SMEs in Calabar Metropolis using data from 67 respondents analysed through regression. The study found that bank loans had a strong and significant positive impact on SME performance, while informal financing showed only a slight positive effect and bank overdrafts had a negative relationship. The study concluded that access to credit plays an important role in improving SME performance and recommended strengthening informal financing options, improving access to equity and debt finance, and simplifying loan procedures. However, the study's small sample size and limited performance indicators reduce the broader applicability and depth of the findings.

Kipkorir and Tibbs (2023) investigated the effect of credit on the performance of SMEs in Kericho County, Kenya. A descriptive survey research design was adopted, targeting 395 SMEs, from which a stratified random sample of 199 enterprises was selected. Data were collected using structured questionnaires and analysed using descriptive statistics (mean and standard deviation) and inferential statistics, including multiple regression analysis. The findings indicated that SMEs benefit from the ease of access and flexible loan evaluation processes provided by microfinance institutions (MFIs). Group loans and asset funding were identified as the primary sources of financial support, significantly influencing SME growth. Credit finance had a positive and statistically significant effect ($p < 0.05$) on SME performance.

2.3.2 Microfinancing of SMEDAN and SMEs Performance

Ibebi and Buna (2024) examined the impact of microfinance bank assets, deposits, and loans on SME growth and sustainability. Using an Autoregressive Distributed Lag (ARDL) model and secondary data from 1990 to 2023, the findings reveal that while microfinance bank assets do not significantly influence SME development, deposits and loans have a positive and significant impact. The use of an ARDL model and a long time frame of data (1990–2023) lends credibility and depth to their analysis, allowing for a robust understanding of long-run and short-run dynamics. However, while their findings on financial intermediation are insightful, the study could have been strengthened by offering clearer policy implications or sector-specific insights, especially given the complexity of SME financing across different industries. Moreover, though the role of high-interest rates and regulatory bottlenecks is acknowledged, a more granular exploration of these institutional barriers perhaps supported by qualitative insights would have enriched the analysis and made the recommendations more actionable.

Tijjani *et al.* (2024) examined the effect of microfinance bank on the performance of MSMEs in Gombe State, while its specific objectives were to examine the effect of microloan on the performance of MSMEs in Gombe and to investigate the effect of micro-savings on the performance of MSMEs in Gombe State. The study adopted survey research design and data were collected through the use of five (5) points Likert-scale questionnaire. The study population was 753 MSMEs who are customers of microfinance banks in Gombe State and the study used Yamane (1967) sample size determination formula to arrive at 261 sample size for the study. Data obtained was analyzed using multiple regression analysis with the aid of SPSS package. Findings from the study revealed that both microcredit and micro savings have positive and significant effect on MSMEs performance in Gombe State.

Reuben *et al.* (2024) examines the effect of SMEDAN micro-credit and loan repayment on small and medium enterprises (SMEs) growth in Nasarawa State, Nigeria. Ex post facto research design was adopted to utilised a sample data from 2007-2022. The data collected were analysed using ARDL (Autoregressive Distributed Lag) model for the estimation of long-run coefficients. In a short run the result shows that a significant effect exists between loan repayment and SMEs growth. The results also revealed that loan repayment and micro-credit have a positive and significant effect on SMEs growth in a long run. While the study presents empirical rigour through the use of ARDL, it appears to overlook contextual factors such as policy shifts, inflation trends, and market disruptions that may have influenced credit access or repayment behaviour over the study period. Additionally, the study does not account for sectoral heterogeneity among SMEs, which could affect credit utilisation and growth outcomes.

2.3.3 Financial Advisory Services of SMEDAN and SMEs Performance

Abah and Okike (2024) carried out a study to assess how SMEDAN's programmes specifically financing, training, and monitoring affect the development of SMEs in Ebonyi State. Using a descriptive survey research design, the study focused on a population of 220 SME operators benefiting from SMEDAN programmes and employed purposive sampling in selecting respondents. Data were gathered through a structured questionnaire and analysed using Pearson's Product Moment Correlation via SPSS. The findings revealed that SMEDAN financing, training, and monitoring each have a significant positive effect on the performance and growth of SMEs in the state, suggesting that SMEDAN's interventions play an important role in strengthening entrepreneurship. However, the study was limited by its relatively small population size, the use

of only correlation analysis (which restricts causal interpretation), and its narrow geographical focus on Ebonyi State, making it difficult to fully generalise the results to SMEs across Nigeria.
Lusweti and Mwasiaji (2020) examined how microfinance services affect the performance of women-owned enterprises in Busia County, Kenya. Using a descriptive survey design, the researchers targeted 500 women entrepreneurs and selected a sample of 100 respondents through stratified random sampling. Data were collected using structured questionnaires, and analysed quantitatively using SPSS (correlation, regression, coefficients of determination, and ANOVA). Findings revealed that credit, financial training, savings, social capital, and legal framework each had a statistically significant positive effect on enterprise performance, with credit showing the strongest influence. A major limitation is that the study relied entirely on self-reported survey data from a single county, which may restrict generalisation and does not capture longitudinal performance changes.

Oteng *et al.* (2016) set out to explain theoretically how business advisory services influence the innovation performance of small and medium enterprises in Ghana. The study did not employ an empirical research design; instead, it relied on theoretical and conceptual analysis of existing literature without a defined population, sample size, or data-collection instrument. Their synthesis shows that advisory services enhance firms' innovation capabilities by promoting knowledge sharing, social capital formation, managerial skills improvement, and absorptive capacity. A key limitation is that the study provides no empirical evidence, making it difficult to validate the propositions or generalise the claims across SME contexts.

2.4 Gaps in Literature

From the reviewed empirical literature, several gaps are evident that this study seeks to address. First, most studies on credit facilitation, microfinancing, and advisory services tend to focus on either microfinance banks, general SME financing, or specific regions outside North Central Nigeria, leaving a clear geographical gap regarding the role of SMEDAN financial services in this zone. Second, many of the studies rely heavily on descriptive statistics, simple regression, or theoretical discussions, with limited integration of a comprehensive framework that jointly examines credit facilitation, microfinancing, and financial advisory services under one model. Third, a number of studies use small or narrowly defined samples such as sole proprietorships or single-state surveys, which limits the generalisability of their findings. Finally, there is a noticeable lack of studies that specifically assess SMEDAN-driven financial interventions and their combined effect on multiple dimensions of SME performance such as growth, profitability, and sustainability. This study therefore fills these gaps by focusing on SMEDAN financial services in North Central Nigeria using a more integrated and context-specific approach.

2.4 Theoretical Framework

This study was anchored to The Resource-Based View (RBV) Theory. The Resource-Based View (RBV) Theory, developed by Barney (1991), explains firm performance on the basis of the internal resources and capabilities a firm control. The theory argues that for an enterprise to achieve sustained competitive advantage, it must possess resources that are valuable, rare, inimitable, and non-substitutable (VRIN). Earlier contributions to the theory include Penrose (1959), who emphasized that a firm grows by effectively deploying its internal resources; Wernerfelt (1984), who introduced the idea of viewing firms as bundles of resources; and Peteraf (1993), who clarified the conditions under which resources can generate sustained competitive advantage. Despite its

strengths, RBV has been criticized for its vagueness in defining what constitutes a strategic resource, its limited attention to external environmental factors, and its assumption that resource advantages can be sustained despite rapidly changing market conditions.

Although credit facilitation, microfinancing, and financial advisory services originate from external institutions such as SMEDAN, they become valuable internal strategic resources once they are acquired and effectively utilized by SMEs. Through access to finance, firms can invest in productive assets, improve operational capacity, adopt new technologies, and strengthen their competitive position. Similarly, financial advisory services enhance managerial knowledge, decision-making capabilities, and financial management skills, which become embedded within the firm as intangible resources. The Resource-Based View (RBV) is therefore considered more appropriate for this study because it focuses on how firms transform available resources into capabilities that drive superior performance. Unlike Financial Intermediation Theory and Credit Rationing Theory, which primarily explain access to finance, or Resource Dependence Theory, which emphasizes external relationships, RBV provides a stronger explanation of how financial and knowledge-based support from SMEDAN are converted into firm-specific capabilities that enhance SME performance in North Central Nigeria.

3. METHODOLOGY

This study adopted a quantitative research design using the survey approach. The target population for this study consists of small and medium-sized enterprises (SMEs) operating across various sectors within the North Central geopolitical zone of Nigeria, which includes Benue, Kogi, Kwara, Nasarawa, Niger, Plateau States, and the Federal Capital Territory (FCT), Abuja. According to data provided by the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN, 2023), there are a total of 130,959 registered SMEs in the region, therefore, the population of this study is 130,959 registered SMEs in North Central, Nigeria as presented in Table 1.

Table 3.1: Population SMEs in North Central, Nigeria

S/N	STATE	POPULATION
1	Benue	14,851
2	Kogi	12,610
3	Kwara	25,356
4	Nasarawa	10,728
5	Niger	23,197
6	Plateau	21,356
7	FCT	22,861
	Total	130,959

Source: SMEDAN, 2023

The sample size of 399 for this study was derived using Taro Yamane's (1967) formula. To account for possible non-response, a 30% adjustment (120) was added, increasing the sample size to 519 registered SMEs in North Central Nigeria. This approach is further supported by Singh and Masuku (2014), who emphasise the importance of oversampling in survey research to mitigate data loss and improve the validity of findings. For this study, a clear multi-stage sampling procedure was applied to ensure a representative and reliable selection of SMEs across North Central Nigeria. First, the population of registered SMEs was stratified by state to capture regional diversity within the North Central zone. Within each state stratum, SMEs were randomly selected using proportional allocation based on the size of the SME population, ensuring that larger strata

contributed more respondents while maintaining fairness in selection. Finally, judgmental sampling was applied at the enterprise level to include firms that met specific criteria relevant to the study, such as being actively operational and accessible for data collection. This combination of stratification, random selection, and purposeful judgment ensured both representativeness and practical feasibility, enhancing the credibility and generalizability of the findings.

Table 2. Sample Size Distribution using Bowley's Proportional Allocation Technique

SN	State	Population Frequency	Sample Size Distribution Using Bourley's Techniques
1	Benue	14,851	$\frac{14,851}{130,959} \times 519 = 59$
2	Kogi	12,610	$\frac{12,610}{130,959} \times 519 = 50$
3	Kwara	25,356	$\frac{25,356}{130,959} \times 519 = 100$
4	Nasarawa	10,728	$\frac{10,728}{130,959} \times 519 = 42$
5	Niger	23,197	$\frac{23,197}{130,959} \times 519 = 92$
6	Plateau	21,356	$\frac{21,356}{130,959} \times 519 = 85$
7	FCT	22,861	$\frac{22,861}{130,959} \times 519 = 91$
	Total	**130,959**	**519**

Source: Researcher's Computation (2025)

The study employed a structured questionnaire adapted from Usman et al. (2024), Ibebi and Buna (2024), Oteng *et al.* (2016), and Yepwi *et al.* (2025). This adaptation provided broad thematic coverage and helped reduce data collection errors. The instrument was subjected to reliability and validity checks, yielding a Cronbach's alpha of 0.945, which reflects strong internal consistency. A pilot test was also conducted to refine the questionnaire and confirm its suitability and effectiveness within the local context.

For data analysis, the study employed Partial Least Squares Structural Equation Modeling (PLS-SEM) version 23, an advanced statistical technique appropriate for examining complex models involving multiple constructs. PLS-SEM was suitable for this study because it allows the simultaneous assessment of relationships among variables, performs well with relatively smaller samples, and does not rely on strict distributional assumptions. The analysis was conducted using SmartPLS software and followed a two-step procedure: first, evaluating the measurement model to confirm the reliability and validity of the constructs, and second, assessing the structural model to test the study's hypotheses. The model for this study is presented in Figure 1.

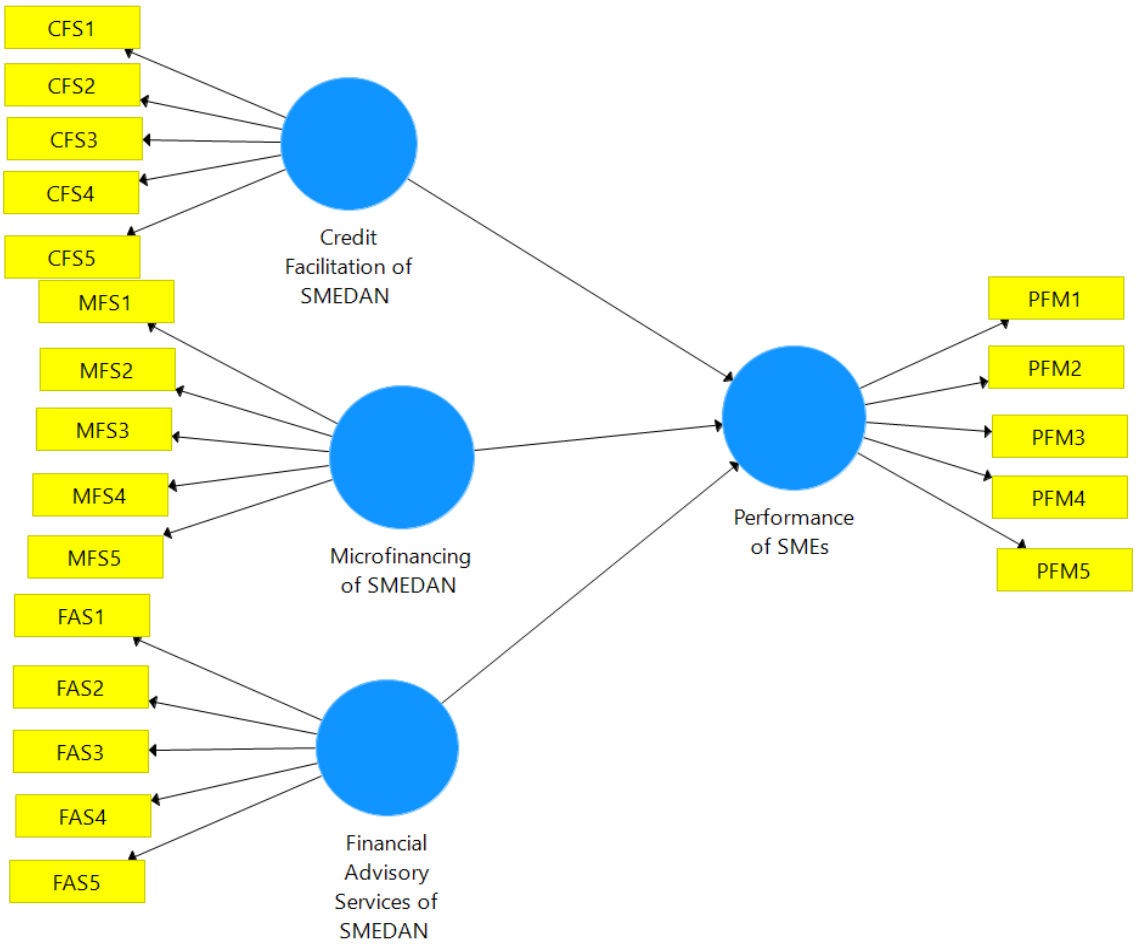


Fig. 1 The Model of the Study
Source: SmartPLS, 2025

To maintain the integrity of the research process, strict ethical standards were observed. Informed consent was obtained from all participants, and confidentiality of their responses was guaranteed. Participants were clearly informed of their right to withdraw from the study at any stage without any consequences. All data collected were anonymised and securely stored to protect respondents' privacy. The questionnaires were administered physically with the support of seven research assistants, one from each of the selected states. Out of the total 519 copies of questionnaire administered, 405 copies constituting 78% of the total copies of questionnaire administered were valid for the analysis.

4. RESULTS AND DISCUSSIONS

Assessment of Measurement Model

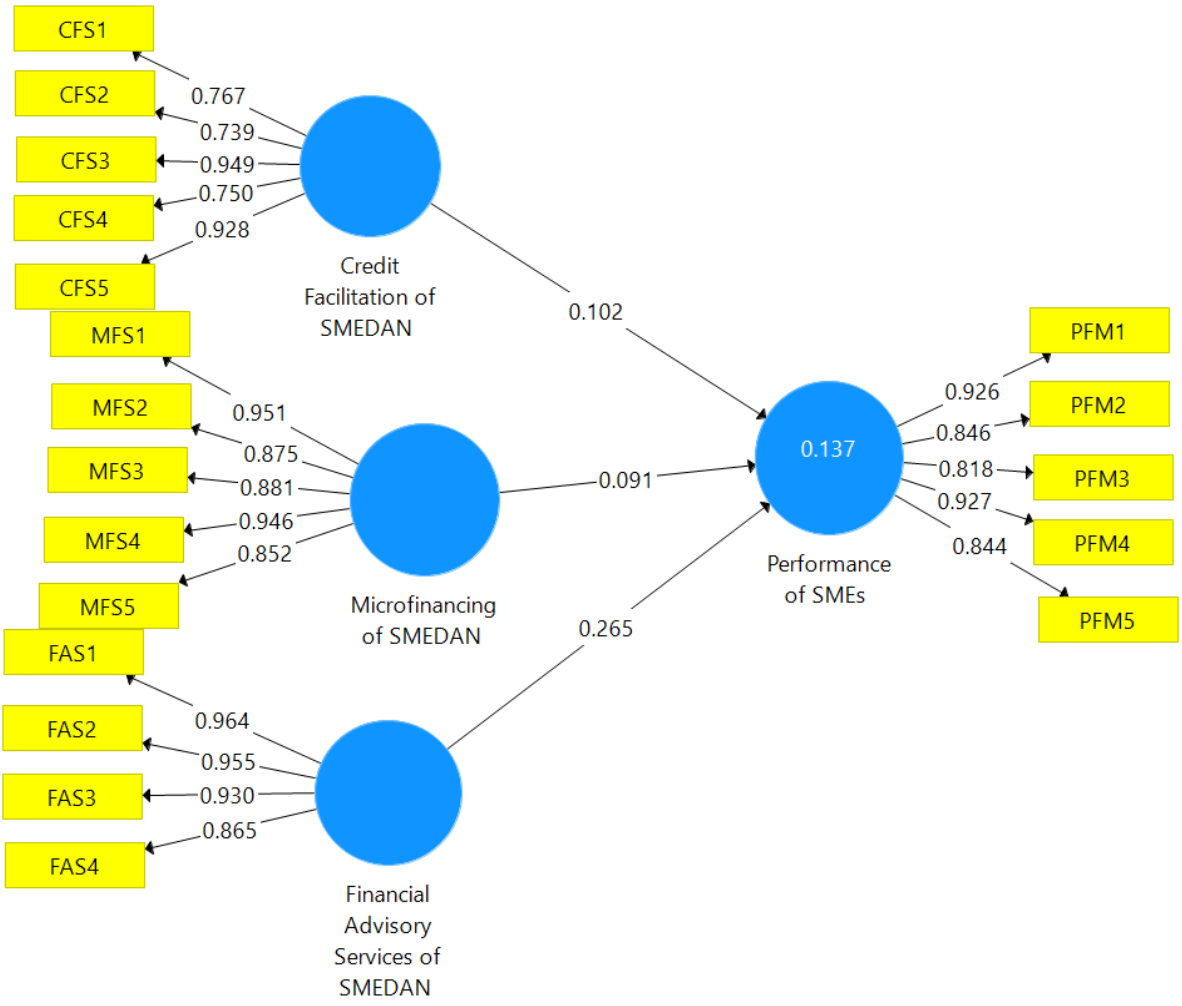


Fig. 2: Measurement model of the study constructs and indicators.
Source: SmartPLS Output, 2025

Indicators' Loadings

Table 3: Factor Loadings

Items	**Performance of SMEs** Loadings	**Credit Facilitation of SMEDAN** Loadings	**Microfinancing of SMEDAN** Loadings	**Financial Advisory Services of SMEDAN** Loadings
PFM1	0.926			
PFM2	0.846			
PFM3	0.818			
PFM4	0.927			
PFM5	0.844			
CFS1		0.767		
CFS2		0.739		
CFS3		0.949		
CFS4		0.750		

CFS5	0.928			
MFS1		0.951		
MFS2		0.875		
MFS3		0.881		
MFS4		0.946		
MFS5		0.852		
FAS1			0.964	
FAS2			0.955	
FAS3			0.930	
FAS4			0.865	

Source: SmartPLS Output, 2025

The factor loading results in Table 3 show that the measurement items used to measure the constructs in the study are reliable and valid. All items measuring SME performance loaded strongly on their construct, with values ranging from 0.818 to 0.927, indicating that the indicators consistently reflect business growth, stability, and overall performance. Similarly, items under Credit Facilitation of SMEDAN recorded satisfactory loadings between 0.739 and 0.949, suggesting that access to credit support provided by SMEDAN is well represented by the selected indicators. The Microfinancing of SMEDAN construct also demonstrated strong measurement quality, as all items loaded above the recommended threshold, with values between 0.852 and 0.951, confirming that the items adequately capture the role of SMEDAN's microfinance services to SMEs. For Financial Advisory Services of SMEDAN, four items (FAS1–FAS4) showed very high loadings ranging from 0.865 to 0.964, indicating a strong relationship between the indicators and the construct. However, questionnaire item FAS5 was removed from the model because its factor loading fell below the acceptable minimum of 0.70, implying that the item did not sufficiently explain the financial advisory services construct and could weaken the reliability and convergent validity of the measurement model. Removing items with low loadings is consistent with PLS-SEM best practices, as it improves construct clarity and overall model quality (Hair, *et al.*, 2022). Therefore, the results confirm that the retained items are suitable for further structural model analysis.

Validity and Reliability of the Constructs

Table 4: Construct Reliability and Validity

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
Performance of SMEs	0.924	0.948	0.941	0.763
Credit Facilitation of SMEDAN	0.888	0.920	0.917	0.692
Microfinancing of SMEDAN	0.942	0.951	0.956	0.814
Financial Advisory Services of SMEDAN	0.947	0.959	0.962	0.864

Source: SmartPLS Output, 2025

The results in Table 4 show that all the constructs used in the study are both reliable and valid. The Cronbach's Alpha values for Performance of SMEs, Credit Facilitation of SMEDAN, Microfinancing of SMEDAN, and Financial Advisory Services of SMEDAN range from 0.888 to 0.947, which indicates strong internal consistency among the items measuring each construct. This means the questionnaire items under each variable work well together and measure the same concept. The rho_A and Composite Reliability values are also well above the minimum acceptable threshold of 0.70 for all constructs, further confirming the stability and consistency of the measurement model. In addition, the Average Variance Extracted (AVE) values for all constructs exceed the recommended benchmark of 0.50, showing that each construct explains more than half of the variance in its indicators. This confirms good convergent validity, meaning the items truly represent the concepts they are intended to measure. Overall, these results suggest that the measurement model is sound, dependable, and suitable for further structural model analysis.

Discriminant Validity

Table 5: Heterotrait-Monotrait Ratio (HTMT)

	Performance of SMEs	Credit Facilitation of SMEDAN	Microfinancing of SMEDAN	Financial Advisory Services of SMEDAN
Performance of SMEs				
Credit Facilitation of SMEDAN	0.350			
Microfinancing of SMEDAN	0.324	0.559		
Financial Advisory Services of SMEDAN	0.220	0.353	0.270	

Source: SmartPLS Output, 2025

The HTMT results presented in Table 5 indicate that discriminant validity is well established among the constructs used in the study. All the HTMT values are clearly below the recommended threshold of 0.85, showing that each construct is distinct and measures a concept different from the others. The relationship between SME performance and Credit Facilitation of SMEDAN is modest (0.350), suggesting that while access to credit support is related to business performance, both constructs remain clearly separate. Likewise, the HTMT value between SME performance and Microfinancing of SMEDAN (0.324) reflects a reasonable association without overlap in meaning. The association between Credit Facilitation and Microfinancing (0.559) is moderate, which is expected given that both relate to financial support, yet the value remains well within acceptable limits. The lowest HTMT values involve Financial Advisory Services, indicating that advisory support is conceptually different from financing and performance outcomes. Therefore, the results confirm that the constructs are well differentiated, allowing the study to confidently proceed with testing the structural relationships.

Assessment of the Structural Model

Collinearity Test using Variance Inflation Factor (VIF)

A collinearity test is an important statistical procedure used to detect the presence of multicollinearity, this was evaluated using, the Variance Inflation Factor (VIF).

Table 6: Variance Inflation Factor (VIF)

Variables	VIF
Credit Facilitation of SMEDAN	1.149
Microfinancing of SMEDAN	1.418
Financial Advisory Services of SMEDAN	1.444

Source: SmartPLS Output, 2025

The Variance Inflation Factor (VIF) results in Table 6 show that multicollinearity is not a concern in the study. All the independent variables have VIF values well below the acceptable threshold, indicating that Credit Facilitation of SMEDAN, Microfinancing of SMEDAN, and Financial Advisory Services of SMEDAN do not excessively correlate with one another. This means each variable makes a unique contribution to explaining SME performance, and the regression estimates are stable and reliable for interpretation.

Model Fit

Table 7: Fit Summary

	Saturated Model	Estimated Model
SRMR	0.059	0.059
d_ULS	0.654	0.654
d_G	3.639	3.639
Chi-Square	3153.738	3153.738
NFI	0.917	0.917

Source: SmartPLS Output, 2025

The fit summary results in Table 7 indicate that the structural model demonstrates an acceptable fit with the observed data. The SRMR value of 0.059 is below the recommended threshold of 0.08, suggesting that the discrepancies between the observed data and the model's predictions are minimal. Both the d_ULS (0.654) and d_G (3.639) values are identical for the saturated and estimated models, reflecting stability and consistency in the model structure. The Chi-Square value of 3153.738, alongside an NFI of 0.917, further supports the adequacy of the model. While the NFI is slightly below the ideal benchmark, this is considered acceptable in PLS-SEM studies, where predictive relevance is prioritized over strict fit indices. Overall, these results confirm that the model is appropriately specified and suitable for testing the structural relationships among SMEDAN financial services and SME performance.

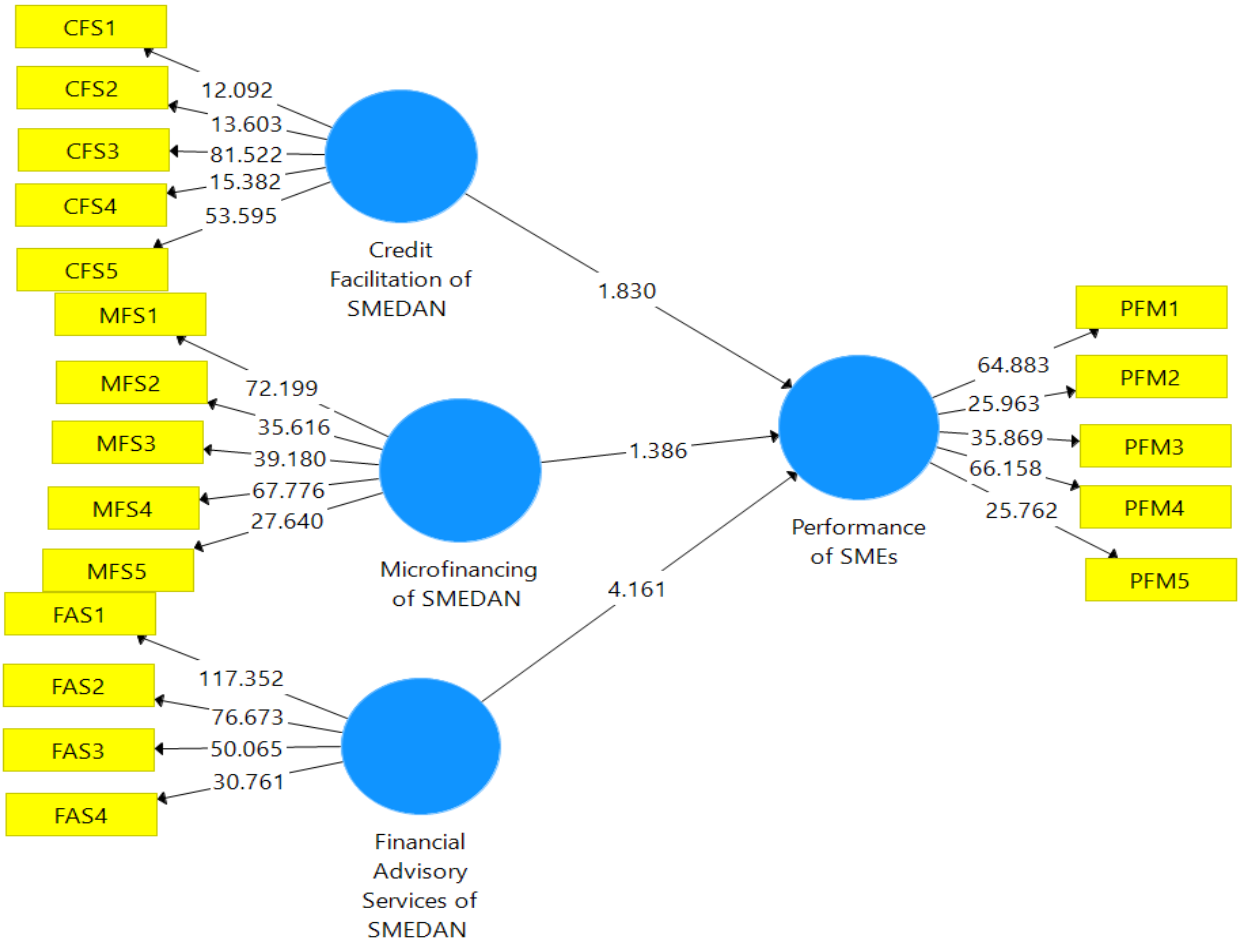


Fig. 3: Structural Model and Hypotheses Testing.
Source: SmartPLS Output, 2025

Path Coefficients

The results presented in the path coefficient Table 8 shows the effect of SMEDAN financial services on performance of SMEs in North Central, Nigeria. These findings allow the study to evaluate the hypotheses and draw conclusions about the effect of credit facilitation, microfinancing and financial advisory services of SMEDAN on performance of SMEs in North Central, Nigeria.

Table 8: Path Coefficient

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values	Decision
Credit Facilitation of SMEDAN -> Performance of SMEs	0.102	0.108	0.056	1.830	0.068	Accepted
Microfinancing of SMEDAN -> Performance of SMEs	0.091	0.093	0.065	1.386	0.166	Accepted
Financial Advisory Services of SMEDAN-> Performance of SMEs	0.285	0.266	0.064	4.161	0.000	Rejected

Source: SmartPLS Output, 2025

Figure 3 and Table 8 present the structural model and the results of the hypotheses tested in this study. The table provides the Original Sample (O) which represent the actual path coefficient estimated, Sample Mean (M), Standard Error, T-statistics, and P-values. In evaluating the structural model, the study relied on the beta coefficients, t-values, and their corresponding p-values. These results were obtained using the bootstrapping procedure.

Hypothesis 1: Credit facilitation of SMEDAN and Performance of SMEs
The path coefficient between Credit facilitation of SMEDAN and performance of SMEs is 0.102, with a t-statistic of 1.830 below the recommended value of 1.96 and a p-value of 0.068 above 5%. The result for Credit Facilitation of SMEDAN shows a positive but statistically insignificant effect on the performance of SMEs in North Central Nigeria at 5% level of significance. The path coefficient indicates that access to credit support from SMEDAN tends to improve business performance, but the effect is significant at the conventional level. This suggests that while credit facilitation may help SMEs to some extent, challenges such as loan size, repayment conditions, delays in disbursement, or limited coverage may be reducing its overall impact on business growth and stability in the region. As a result, the null hypothesis is accepted, indicating that credit facilitation does not have a significant effect on SME performance in the study area. This finding is in line with the finding of Usman, Yakub and Abdulsalam (2024), who found that trade credit had no meaningful effect on SME performance.

From the perspective of the Resource-Based View (RBV) Theory, this finding suggests that credit facilitation by SMEDAN, although a valuable resource, is not sufficiently strong or well-structured to create a competitive advantage for SMEs in North Central Nigeria. RBV argues that resources only improve performance when they are adequate, timely, and effectively combined with firm capabilities. In practical terms, the insignificant effect implies that the credit accessed by SMEs may be too small, poorly timed, or burdened with rigid repayment conditions, making it difficult for business owners to use it strategically for expansion or productivity improvements.

Hypothesis 2: Microfinancing of SMEDAN and Performance of SMEs
For the second hypothesis, the path coefficient for Microfinancing of SMEDAN and performance of SMEs is 0.091, with a t-statistic value of 1.386 below the critical value of 1.96 (the threshold for significance at the 5% level) and a p-value of 0.166 is greater than the conventional 0.05 significance level. This result also revealed that Microfinancing of SMEDAN has positive but statistical insignificant effect on performance SMs in North Central Nigeria. This means that microfinance support provided through SMEDAN contributes marginally to business operations, but the support is not sufficient to drive noticeable improvements in profitability, expansion, or survival of SMEs in North Central Nigeria. This outcome may be linked to issues such as inadequate funding levels, high operating costs, diverting microfinance ment for SMEs to orther sectors, or the inability of SMEs to fully utilise microfinance services for productive investments. Consequently, the null hypothesis is accepted, confirming that microfinancing has no significant effect on performance SMEs in North Central Nigeria. This finding is in line with the finding of Bebi and Buna (2024) who found that microfinance bank assets do not significantly influence SME development, and contradict the finding of Tijjani, Ademulegun and Mustapha (2024) who found that microcredit and micro-savings have a positive and significant effect on MSME performance.

Viewed through the lens of the Resource-Based View (RBV) Theory, this finding suggests that microfinancing provided by SMEDAN, although a useful resource, does not possess the strength or strategic value required to significantly improve SME performance in North Central Nigeria. RBV explains that resources only enhance performance when they are sufficient, well-coordinated, and effectively deployed alongside firm capabilities. In practical terms, the insignificant effect implies that microfinance funds may be too small, poorly timed, or diverted to non-business needs, especially in an environment of rising operating costs and weak managerial capacity.

Hypothesis 3: Financial advisory services of SMEDAN and Performance of SMEs
For the third hypothesis, the path coefficient for financial advisory services of SMEDAN and performance of SMEs is 0.285, with a t-statistic value of 4.161 above the critical value of 1.96 (the threshold for significance at the 5% level) and a p-value of 0.000 is less than the conventional 0.05 significance level. This result revealed that financial advisory services of SMEDAN have positive and statistically significant effect on SME performance. The strong path coefficient and significant test statistics indicate that advisory support, such as business guidance, financial planning, and management training, plays a critical role in improving how SMEs operate and perform. This finding suggests that knowledge-based support helps business owners make better decisions, manage resources more effectively, and adapt to market challenges. Therefore, the null hypothesis is rejected, and it is concluded that financial advisory services provided by SMEDAN significantly enhance the performance of SMEs in North Central Nigeria. this finding is in line with the finding of Abah and Okike (2024) who found that that SMEDAN's training, monitoring, and related advisory programmes have a significant positive effect on SME performance and growth.

Viewed through the Resource-Based View (RBV) Theory, this result shows that financial advisory services of SMEDAN represent a strong internal resource that directly improves SME performance. RBV explains that firms perform better when they possess valuable and hard-to-replace resources such as knowledge, skills, and managerial competence. In practical terms, the significant effect of advisory services means that when SME owners receive proper guidance on budgeting, record-keeping, financial planning, and business strategy, they are better able to organise their operations, reduce waste, and make informed decisions. This strengthens their ability to use limited financial resources more wisely and respond to market challenges, which explains why financial advisory services have a clear and meaningful impact on SME performance in North Central Nigeria.

R Square

Tabe 9: R Square

	R Square	R Square Adjusted
Performance of SMEs	0.471	0.382

Source: SmartPLS Output, 2025

The R Square results in Table 9 indicate that the explanatory variables in the model account for 47.1% of the variation in the performance of SMEs in North Central Nigeria, while the adjusted R Square of 38.2% reflects the level of stability after considering the number of predictors. This suggests that the factors examined in the study (credit facilitation, microfinancing, and financial advisory services) have a moderate influence on SME performance. However, the remaining 52.9% of variations in performance are likely driven by other factors not captured in this study,

such as market conditions, managerial skills, infrastructure, or policy environment, highlighting the complexity of SME performance in the region.

Effect Size

Table 10: F Square

	Performance of SMEs
Credit Facilitation of SMEDAN	0.010
Microfinancing of SMEDAN	0.007
Financial Advisory Services of SMEDAN	0.056

Source: SmartPLS Output, 2025

The F Square results presented in Table 10 indicate that all three SMEDAN financial services have relatively small effect sizes on the performance of SMEs in North Central Nigeria. Specifically, credit facilitation ($f^2 = 0.010$) and microfinancing ($f^2 = 0.007$) exhibit negligible individual contributions to explaining variations in SME performance. Financial advisory services record a comparatively higher effect size ($f^2 = 0.056$), although this still falls within the small effect category. Despite its small effect size, financial advisory services remain statistically significant because advisory support often influences business performance through gradual improvements in managerial decision-making, financial planning, resource utilization, and strategic business practices. While the magnitude of its direct contribution is modest, its consistent and widespread influence across SMEs may be sufficient to produce a significant relationship with performance. Overall, the findings suggest that although SMEDAN services contribute to SME performance, their individual effects are relatively small, indicating that other factors outside the model also play an important role in determining business success.

5. CONCLUSION AND RECOMMENDATIONS

This study conclude that financial services provided by the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) appear to influence SME performance in North Central Nigeria, but the strength of these effects varies. Credit facilitation and microfinancing show positive relationships with SME performance, yet their effects are small and statistically insignificant, suggesting that factors such as limited loan amounts, strict repayment terms, and operational challenges may reduce their practical impact. Financial advisory services, on the other hand, are statistically significant, though the effect size remains modest, indicating that while business guidance and managerial support can help SMEs make better financial and operational decisions, their overall contribution to performance is limited. Overall, the findings suggest that SMEDAN's services may provide some support to SMEs, but improving both the accessibility of financial interventions and the reach of advisory programs is likely necessary to achieve more meaningful improvements in SME growth, stability, and profitability in the region.

Based on the findings of this study, the following recommendations are proposed:

i. SMEs, in collaboration with SMEDAN and Development Finance Institutions, should approach credit facilities with careful planning and clearly defined business objectives. Funds accessed should be strategically invested in income-generating activities such as purchasing equipment, expanding stock, or improving operational processes rather than routine expenses.

This can be achieved by preparing detailed business plans, setting measurable goals for fund utilization, and regularly monitoring expenditures to ensure that even limited credit contributes to visible business growth.

ii. SMEs, supported by Microfinance Institutions and the Federal Ministry of Industry, should strengthen their financial discipline and basic management practices before and after accessing microfinance support. This involves implementing proper budgeting, monitoring cash flows, and maintaining cost controls. By adopting these practices, small loans are less likely to be diverted to immediate operating pressures, ensuring that financing supports gradual growth, operational stability, and long-term sustainability.

iii. SMEs, with guidance from SMEDAN and other advisory partners, should actively participate in financial advisory and training programmes. Regular engagement in capacity-building activities, including financial planning, record-keeping, and strategic decision-making workshops, will equip business owners to make informed decisions, use limited resources more efficiently, and gradually improve overall business performance.

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