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Nigerian Small and Medium Scale Enterprises' Access To Finance: What is the story since Bank Consolidation in 2005

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ABSTRACT: This paper examined the impact of bank consolidation on credit access and availability to small and medium scale enterprises (SME's) in Nigeria for the period 1999-2012. The main objectives are (1) To examine whether or not bank consolidation in Nigeria brought about increased lending to SME's.(2) Determine the level of lending risk to SME's .(3) Determine if there is any significant difference between SME's financing in pre and post consolidation in 2005.Data on commercial bank loans to SME's as percentage of total credit was the main variable used and were obtained from CBN Statistical Bulletin 2012. The mean, standard deviation descriptive statistics and the t-test tool were used for the analysis. The study found out that bank consolidation in Nigeria led to a drastic reduction of SME's financing to less than one percent (0.37%) on average. The lending riskiness of banks to SME's in post consolidation reduced while there is no significant difference between SME's financing in pre and post consolidation era. The results however go contrary to the much taunted belief that bank consolidation will lead to increased SME's financing in Nigeria. The study recommends improved transparency of SME's accounting and reporting of their activities, banks should relax some of the stringent lending measures to SME's while government should design policies that should group SME's in such a manner for proper identification and planning (specifically according to trade and industry) so that it can guarantee credit facilities and ensure prompt repayment through designated agencies.

KEYWORDS: SME'S, Access to finance, Bank consolidation, Economic growth.

1 INTRODUCTION

It is an accepted realism that economic development of any nation depends largely on the existence, growth and survival of small, medium scale enterprises (SME's) sector. As a propeller of economic growth, SME's require serious attention so that their developmental role and sustainability will provide the much needed sustainable development of a nation with regard to job and wealth creation. Eigbe (1996) observed that small and medium enterprises are a catalyst to socio-economic development of any country. They are a veritable vehicle for the attainment of national macro-economic objectives in terms of employment generation at low investment cost and the development of entrepreneurial capabilities and indigenous technology. He stressed that the roles of SME's have been amply displayed in many countries such as Japan, South Korea, India and Malaysia. Further, he argued that SME's contribute substantially to gross domestic product (GDP), export earnings and employment opportunities of these countries. The promotion of small businesses is a cornerstone of economic policy for a large number of industrialized countries. While public support for small enterprise appears to be based on a widely held perception that this sector is an incubator of economic growth, in other words SME's are viewed as a place where innovation takes place and where new ideas are generated that makes business enterprises to be economically viable.

As documented by available literature, the strategic importance of SME's in propelling economic growth and development is critically hampered by non availability and access to finance to fund their activities. In Nigeria, SME's access to finance is seriously constrained despite the many efforts government have made to mitigate the situation. Ogujuiba et al (2004) recorded that the Association of Nigerian Development Finance Institutions in 2004 issued a statement stating why SME's performed poorly in Nigeria. They argued that truly finance is a major constraint, while this may be true empirical

evidence shows that finance contributes to only about 25% of the success of SME's. World Bank (2001), however, reported that almost 50% of micro, 39 and 37 percent of the small and medium scale firms are financially constrained in Nigeria as opposed to 25% of the very large firms. This suggests clearly that small and medium scale enterprises are either discriminated against or cannot access funds at the credit market owing to a number of reasons. A major reason is the stringent conditions attached to loans and credit approvals by banks in Nigeria which largely have undermined the capacity of SME's to access finance.

The consolidation of the Nigerian banking sector in 2005 was seen as a welcome development believed to address and ease SME's access to finance. As the CBN (2006) convincingly argued that with consolidation banks in Nigeria would be able to expand their branch networks and mobilizes more funds to lend to the SME's and other deserving sectors of the economy. This argument was premised on the underlying theory that consolidation enables banks to extend more credit to SME's due to the supposed positive relationship between capitalization and deposits on one hand and deposits and credit size on the other hand.

However, researches on bank consolidation in Nigeria have generated conflicting findings which have raised a lot of attention and curiosity. For instance banks' management claim that consolidation has done a magic wand by increasing credit size to SME's while SME's owners contend that consolidation has not solved their financial problems. Another strand of thought in the literature contends that consolidated banks seem to turn away from SME's financing to bigger ticket financing. Could this be the story in Nigeria? Therefore against this background, this paper is poised to assess the impact of bank consolidation on credit access and availability to SME's in Nigeria. The main objectives are (1) To examine whether or not bank consolidation in Nigeria brought about increased lending to SME's.(2) Determine the level of lending risk to SME's .(3) Determine if there is any significant difference between SME's financing prior to and after consolidation in 2005.

Arising from the main objectives, the probable hypotheses for the study are:

1. H_{01}: Bank consolidation did not bring about increased lending to SME's in Nigeria
   $H_{A1:}$ Bank consolidation brought about increased lending to SME's in Nigeria
2. H_{02}: Bank consolidation did not lead to increased lending risk to SME's in Nigeria
   $H_{A2:}$ Bank consolidation led to increased lending risk to SME's in Nigeria
3. H_{03}: There is no significant difference between SME's financing in pre and post bank consolidation.
   $H_{A3:}$ There is a significant difference between SME's financing in pre and post bank consolidation.

The remainder of the paper is organized in five sections. Section 2 will deal with literature review; section 3 will outline the methodology; section 4 will highlight the data presentation and analysis; section 5 will discuss the findings; while section 6 will deal with conclusion and policy recommendations.

2 LITERATURE REVIEW

2.1 CONCEPTUAL REVIEW OF SME'S

Ayyagari et al (2007) noted that small and medium scale enterprises have been long recognised as an instrument of economic growth and development. The growing recognition of this fact has led the World Bank group on SME's sector to ensure that it is the core element in its strategy to foster economic growth, employment generation and poverty alleviation.

However, there is no one definite definition of SME's and its classification is based on value judgment which makes it subjective. The Organization for Economic Co-operation and Development (OECD)(2004) notes that SME's are a mixed group found in a wide array of business activities and the concept of SME's is relative and dynamic. Ganbold (2008) submits that the statistical definition of SME's varies by country to country and is usually based on the number of employees, value of sales and /or value of assets and size of capital. Ayaggari et al (2003) however, contend that the definition of SME's varies according to the context, author and countries.

Ekpeyong and Nyang (1992) notes, that in countries such as USA, Britain and Canada, small scale business is defined in terms of annual turnover and the number of paid employees. In Nigeria, a clear cut definition between small and medium scale enterprises does not exist. According to CBN (1998) monetary policy circular No.22 of 1998, small scale industries are those enterprises which have annual turnover not exceeding 500,000 Naira. But in 1990, the Federal government of Nigeria for the purpose of commercial bank loans defined small scale enterprises as those enterprises whose annual turnover does not exceed five hundred thousand naira (N500,000) and for merchant bank loans, as those enterprises with capital investment not exceeding two million naira(N2M) (excluding the cost of land) or a minimum of five million naira(N5M). Ogechukwu (2006) writes that in the wake of the Structural foreign exchange market (SFEM) and Structural Adjustment

Programme (SAP) in 1993, the value definition of SME's were reviewed and subsequently increased to five million naira (N5M).Arising from this situation; there may be a need to classify the small scale business into micro and super –micro businesses. Responding to this observation, Osa-Afiana in Ango (2011) reports Nigeria Bank of Industry definition and categorization of SME's. The categorization was into micro/ cottage, small scale and medium enterprises. Which are as follows:

- *Micro/ cottage enterprises: these are enterprises with capital of not more than 1.5 million naira (or US$11,278) including working capital but excluding cost of land and/or labour size of not more than 10 workers.
- *Small scale enterprises: these are enterprises with capital investment in excess of 1.5 million naira but not more than 50 million naira (US$375939) including working capital but excluding cost of land and/or labour size of not more than 11-100 workers.
- Medium scale enterprises: these are enterprises with investment worth over 50 million naira but not more than 200 million naira (US$1, 503,758) including working capital but excluding cost of land and/or labour size of not more than 100-300 workers.

SMALL AND MEDIUM SCALE ENTERPRISES AND ACCESS TO FINANCING

According to Beck et al (2008), SME's access to finance has been a subject of great interest to policy makers and researchers of both developed and developing economies because of the pivotal and significant role of SME's in growing the private sector and by extension the economies of nations around the world. There exists diverse definition of the concept ''access to finance'. World Bank (2007) defined access to finance as the absence of price and non-price barriers in the use of financial services determined by the forces of demand and supply. As the literature documents, a number of issues are connected with access to financial services. Dela Torre et al (2009) notes that improving access to finance entails improving the degree to which financial services are available to all at a fair price. Claesen (2005), opine that one of the issues connected to access to finance relates to the question of whether financial services are available and in what quantity. The second relates to cost; that is, at what price both implicit and explicit are financial services available including opportunity cost. The third is about the range, type and quality of financial services being offered.

Ganbold (2008) argue that the problem of access to finance by SME's exists when projects that could be financed internally in the event of resources availability do not get external financing due to what Stiglitz and Weiss (1981) referred to as principal–agents and transaction cost. He contends that this happens when there is a lock between the expected internal rate of return of the project and the rate of return that external investors require to finance it. Further, he asserts that the importance of SME's access to finance is predicated upon four reasons which he outlined as follows: One is that empirical evidence has shown that the expansion of access to finance may reduce prevailing poverty particularly in developing countries. Two, the channels through which financial development may lead to growth often include access related stories. Three, there is a lack of financial services in emerging economies compared with the extent of access in developed countries. Four, there is lack of access to financial services by agents of economic growth and development.

FINANCING OF SME'S IN NIGERIA

Financing of SME's in Nigeria has been a thorny issue. Nwachukwu (2012) submits that SME's in Nigeria have not made the expected desired impact on the economy and this may not be unconnected to the numerous challenges facing the SME's among which is finance. Drawing on this, Olorunshola (2001) asserts that the major gap in Nigeria's industrial development process is the lack of long-run and in some cases short-term finance for SME's. As noted from the literature, finance sources can be categorized into informal and formal sources. According to Ango (2011), the informal sources comprise of owner's savings/retained earnings, contribution/borrowing from friends, relations etc. Okungwu and Saleh (2004) observed that finance generated from informal sources fall short of the required capital for the SME's. As a way of support Ango (2011) comment that to raise the balance of the required finance, entrepreneurs look up to the formal sources which comprise of banks, other financial institutions,co-0perative Societies and government loan agencies.

Lawal and Ijaiye (2010) in their study observed that SME's face a lot of challenges in raising finance through the formal sources especially as it affects banks and other financial institutions. In support, Oboh (2002) writes that most of the banks are not willing to advance loans to SME's mainly because of the absence of the so called collateral security. Main-while, SME's are in dire need of loans for improvement in local technology, transfer of foreign technology, domestic capital formation, provision of more employment opportunities as well as earn more foreign exchange than oil exports earns for the country. The paucity of finance and the rigorous process to obtain it by SME's prompted the Federal government of Nigeria

to initiate different financing programmes and policies in a bid to intervene through dedicated ministries and agencies. Ango (2011) chronicle these efforts to include:

i. Provision of direct financial assistance through government owned financial institutions which include the Nigerian Agricultural Cooperative and Rural Development Bank, the Federal Mortgage Bank of Nigeria etc.

ii. Provision of packages of subsidized or discounted loan portfolio through special schemes arranged between government and commercial banks. For instance in 2001 the Medium Industries Investment Scheme was established. This scheme require banks to set aside 10% of their profit before tax for equity investments in SME's

iii. Provision of capital to SME's through soft loans advanced by government owned financial institutions such as the Nigeria Industrial Development Bank established in 1964,the Nigerian Bank for Commerce and Industry established in 1973, the Peoples Bank established in 1986,the National Economic Reconstruction Fund established in 1989.

iv. Funding of SME's in liaison with multilateral financial institutions such as the World Bank, the African Development Bank, the International Finance Corporation (IFC) etc. In 1989, for instance the World Bank gave Nigeria a facility of $270 million out of which a total of $267.7 million was set aside for lending to SME's through eligible participating banks.

v. Issuance of directive on mandatory credits to SME's through the Central Bank of Nigeria (CBN) credit guidelines to commercial banks. In 1992, the Federal Government through the CBN directed commercial banks to mandatorily allocate 20% of their credits to SME's.

Osa-Afiana (2004) observed that this scheme was only partially successful mainly due to the reluctance of banks to advance loans to SME's without collateral security and appropriate credit guarantee scheme. Some banks did not comply and were more interested and comfortable paying the penalty attached for default. This directive was eventually abolished in 1996.

MANDATORY BANKS' CREDIT ALLOCATION TO SME'S IN NIGERIA

The period 1992-1996 was very significant as government was committed to extend credit to SME's through mandatory banks' credit allocation. This commence with the Monetary Authority's policy on indirect financing of SME's which began in 1992.To implement the policy, small scale enterprises were classified with agriculture as preferred sectors of the economy. A mandatory credit allocation of 20% of the total credit to the economy was mandated on banks. In 1992 the total credit stood at N41.8 billion.N20.4 billion of this amount representing 48.8% was actually loaned to small scale enterprises. As time went by, the compliance level of banks began to decline. As Obasan and Arikewuyo (2012) noted, the total credit to the economy increased to48.1 billion and N92.6 billion in 1993 and 1994 while the share of credit to SME's declined to 32% representing N15.5 billion in1993 and N20.6 billion representing 22.2% in 1994.Morever, in 1995 total credit to the economy rose up to N141.1 billion and the share of SME's rose less proportionately to N32.4 billion, representing 22.9% of total credit in that year. However, with the abolishment of the mandatory banks' credit allocations to SME's (including agriculture) on 1st October,1996, the total credit to the economy rose to N169.2 billion out of N42.3 billion representing 25% was released as loan to SME's. The table 1 below presents the analysis above.

Table 1. Showing total loans to the economy and loan granted to SME's during the period of 20% mandatory sectoral allocation in Nigeria (from 1992-1996)

Year	Total loan to the economy(N'M)	Total Loan amount granted to SME's (N'M)	Percentage of loans to SME's on total loans to the economy(%)
1992	41810.0	20,400.0	48.8
1993	48050.0	15462.9	32.2
1994	92,624.0	20,552.5	22.2
1995	141,146.0	32,374.5	22.9
1996	169,242.0	42,302.1	25.0

Source :CBN Statistical Bulletin,2012

Banks' Before Consolidation Era (from 1997-2005)

This period marked the abolishment of mandatory 20% credit allocation to preferred sectors as the federal government embarked on the policy of liberalization. The liberalization policy dismantled all forms of restriction and controls hitherto

were in force thereby creating a free market economy in Nigeria. This policy had effects on the lending preferences of banks beginning from 1997.Aggregate credit to the economy in1997 almost double rising to about N240.8 billion while credit to SME's declined to N40.8billion.This represent a sharp decrease to 17% of the loan to SME's to total credit to the economy. This ratio from then began to decline steadily until it got to 2.7% in 2005. Table 2 below succinctly presents the analysis.

Table 2. Showing total loan to the economy,total loan to SME's and percentage of loans to SME's on total loans to the economy for the period 1997-2005

Year	Total loan to the economy(N'M)	Total Loan amount granted to SME's (N'M)	Percentage of loans to SME's on total loans to the economy (%)
1997	240,782	40,844.3	17.0
1998	272,895.5	42260.7	15.5
1999	353,081.1	46824.0	13.3
2000	508,302.2	44,542.3	8.7
2001	796,164.8	52,428.4	6.6
2002	954,628.8	82,368.4	8.6
2003	1,210,033.1	90,176.5	7.5
2004	1,519242.7	54,981.2	3.6
2005	1,898,346.4	50,672.6	2.7

Source: CBN Statistical Bulletin 2012

Banks Post Consolidation Era (from 2006 -2008):

This period witnessed large increases in aggregate credit to the economy and drastic reduction of loans to SME's as shown in table 3 below. The total credit to the economy increased from N2.6 trillion level in 2006, N4.8 trillion in 2007 and N7.7 trillion in 2008.Despite these increases, the loans granted to SME's declined drastically from N25.7 billion representing 0.99% in the year 2006, N41.1 billion representing 0.85% in 2007 and N13.4 billion representing 0.17% in 2008.In 2009 up to 2012 commercial bank credit to the economy continued an upward increase while loans to SME's continued a downward reduction. The ratio of loans to SME's to total credit continued to decline in a likewise fashion. Table 3 below provides the vivid picture analysed above.

Table 3. Showing total loan to the economy,total loan to SME's and percentage of loans to SME's on total loans to the economy for the period 2006-2012

Year	Total loan to the economy(N'M)	Total Loan amount granted to SME's (N'M)	Percentage of loans to SME's on total loans to the economy (%)
2006	2,609,289.4	25,713.7	0.99
2007	4,820,695.7	41,100.4	0.85
2008	7,799,400.1	13,512.2	0.17
2009	9,667,876.7	16,366.5	0.17
2010	9,198,173.1	12,550.3	0.14
2011	9,614,445.8	15,611.7	0.16
2012	10,440,956.3	13863.5	0.13

Source:CBN Statistical Bulletin 2012

BANK CONSOLIDATION AND SME'S FINANCING

Cost of intermediation in post consolidation has been identified as a reason for the persistence of SME's perennial financial problems. In post bank consolidation in Nigeria, bank still lend at terrible interest rates of about 20% as against zero percent, 5 percent and 3 percent interest rate in China, Japan and Malaysia (Olutunla and Obamuyi, 2008). But evidences

however show that banking sector consolidation has many benefits which include but not limited to increased liquidity, efficiency and better diversification that may also support macroeconomic stability and sustainability in the long run.

Noted, concerns have been expressed that the consolidation of banks into larger and complex banks, no doubt, will significantly affect the financing of SMEs. As the literature documents, consolidation of banks in most countries has resulted into a large number of small banks that are specialized traditionally in providing credits to SMEs. Marsh Schmieder and Aerssen (2007) differ in their opinion. They argue that larger banks typically have a smaller propensity to lend to SMEs. In support, Craig and Hardec (2004) averred that the reason why larger banks are less likely to lend to SME;s is that larger banks tend to rely on formal formulaic methods for determining whether to grant credit or not and the amount to give .They argue further that SMEs are more opaque in terms of information than larger ones and smaller banks overcome these due to their comparative advantage and relationship banking. But Jiaobing andYuany (2011) insist that smaller banks enjoy comparative advantage in overcoming information problem. Supporting this assertion, Kauffmann (2005) opines that, this is why a market with small banks financing SMEs is high. In opposition, De Haas et al (2010) maintain that bank consolidation is believed to reduce the number of smaller bank as such there will be decrease in SMEs financing because these loans were considered to be less profitable for larger banking organization that emerged due to consolidation.

Another strand of argument has it that banks consolidation may lead to banks efficiency through cost synergies or by takeover of the inefficient banks by efficient ones and increase market power which may influence the supply of credit to SME's (Degryse, et al 2005). As Somoye (2008) notes, competition in banking sector, might also increase. SMEs financing as it forces banks to search for additional profit opportunities.

In another dimension, consolidation of banks may result in bank concentration. Beck et al (2009) observed that greater concentration lead to reduced credit access through any lending technology, which may occur in several ways: they may choose to raise profits through higher interest rates or fees on loans to SMEs; or reduce risk or supervisory burden by tightening credit standards to SMEs; and/ or they may choose to be less aggressive in finding or servicing credit worthy SMEs. However, the literature documents both positive and negative effect of bank concentration. For instance Jayaratne and Strahan (1998) declared that some studies found unfavourable effects from high banking market concentration and restrictions on competition. Peterson and Rajan (1995) on the contrary, maintain that other studies found favourable effect of bank concentration. Continuing the argument Beck et al (2008) averred that other studies found that the effects may differ with the lending infrastructure or economic environment.

REVIEW OF EMPIRICAL STUDIES

A number of empirical studies have been carried out on SME's access to financing. For instance, Charles (2002) through interview technique investigated the factors that influence the growth, performance and development of SMEs in Nigeria and other implication on policy. He found that accessibility to finance and good management are central to SMEs growth and development. Sanusi (2003) study showed that SMEs accessibility to formal financial system in Nigeria is very limited. Moreover, observational study of CBN (2007) indicates that as at the end of the first quarter of 2007, out of the N38.2billion contributed to SMEs financing scheme by banks, only N18.1billion representing 47.3% had been assessed by the SMEs, which clearly shows that there has always been a gap between the supply capabilities of banks and the demanding needs of the SMEs. Obamuyi (2007) investigated the level of loan delinquency among SMEs in Ondo State of Nigeria and banks' lending behaviour towards them. The result of the study revealed that poor credit worthiness, lack of collateral security and constraint imposed on banks' capital regulations are responsible for banks' attitude not expanding loan portfolio to SME's.

Olutunla and Obamuyi (2008) in their study using fixed effects regression model based on a balanced panel data on 115 SMEs randomly selected in Ondo State, Nigeria examined the relationship between profitability, bank loans, age of business and the size of SMEs. The results revealed that there is interdependence between bank loans and profitability of SMEs and a significant relationship between profitability and size of business. Oyefuga et al (2008) evaluation of the impact of SMEEIS on the growth of Nigerian SMEs revealed that inappropriate business plans and poorly packaged projects were the main reasons why SMEs find it difficult to access funds from the new scheme. He noted further that though the scheme has been helpful to some SMEs, but most of them are not even aware of their activities.

Obasan and Arikewuyo (2012) investigated the effects of pre-post bank consolidation on the accessibility of finance to SMEs in Nigeria. Using the ordinary least square, the study found out that banks consolidation has failed to foster a vibrant and competitive SMEs sector that could enhance job creation and economic growth in Nigeria. Ishmael et al (2012) study based on a survey Neolithic literature and dissemination of questionnaires on a sample size of 50 SMEs within Ikeja Local Government Area of Lagos State using random sampling technique revealed that SMEs do not have better access to finance through banks, do not have absolute rapport with the financial institutions due to their financial background and are

financially handicapped which limits their size and capacity to embark on bank loans with high interest rate arising from the neo-reorganisation in banks occasioned by consolidation.

Luper (2012) examined banks financing to small and medium scale financing in Nigeria with a view to determining if there is any difference between SME's financing before and after banking sector reforms (bank consolidation in 2005).Using descriptive and sample t-test the findings revealed that banking sector reforms led to a decline in SME's financing from 5.78 percent to less than one (0.47) percent on average and there is significant improvement in SME's financing in Nigeria after bank consolidation.

Mamman and Aminu (2013) investigation of the effect of 2005 banking reforms on loan financing of SMEs in Nigeria based on a sample size of 500 SMEs and using chi-square test reveal that there is no significant effect of 2005 banking reform on loan financing of SMEs in Nigeria.

Iloh et al (2013) assessed the implications of bank consolidation on lending (financing) to SMEs in Nigeria. Using ordinary least square, correlation matrix test and Granger-causality test, the study found out bank deposit impacted on lending which has insignificant effect on SME's.

3 METHODOLOGY

In order to measure the impact of bank consolidation on SMEs financing in Nigeria, the study employed the research design approach. It concerns itself with the loans and advances commercial banks have lent to SMEs for the period 1999-2012. This period is further divided into two periods – 1999-2005 pre- consolidation era and 2006-2012 post consolidation era. The data on loans and advances are obtained from the Central Bank of Nigeria Statistical Bulletin of 2012. In specific terms, commercial bank loans to SMEs as a percentage of total credit will be the main variable for this analysis. To achieve objective 1 which is to examine whether or not bank consolidation in Nigeria brought about increased lending to SME's descriptive statistics particularly the mean will be used. To achieve objective 2 which is to determine whether lending risk to SME's increased or decreased. To achieve objective 3 which is to determine if there is any significant difference between SME's financing prior to and after consolidation in 2005.The paired t-test statistics will applied to test if there is any significant difference between SMEs financing by banks before and after consolidation in Nigeria. These statistics have been selected for use because they are the most appropriate tools considering the sample size and the analysis required. Moreso, these tools have been used extensively by several related studies in the literature.

4 DATA PRESENTATION AND ANALYSIS

As stated in the methodology, bank loans to SMEs as a percentage of total credit will be the specific variable for the study and the computation is based on the data obtained from CBN statistical bulletin for the period 1999-2012 which are presented here under.

Table 4. The Ratio of commercial banks loans to SMEs and other sector total credits

Periods	**Before consolidation**		**Periods**	**After consolidation**	
	Commercial bank loans to SMEs as percentage of total credit (%)	Commercial bank loans to other sectors as percentage of total credit (%)		Commercial bank loans to SMEs as percentage of total credit (%)	Commercial bank loans to other sectors as percentage of total credit (%)
1999	13.26	86.74	2006	0.99	99.01
2000	8.76	91.24	2007	0.85	99.15
2001	6.59	93.41	2008	0.17	99.83
2002	8.63	91.37	2009	0.17	99.83
2003	7.45	92.55	2010	0.14	99.86
2004	3.62	96.38	2011	0.16	99.84
2005	2.67	97.33	2012	0.13	99.87
Average(mean)	7.28	92.67		0.37	99.63

Source:Author's computation 2014

The table above shows that the ratio of loan and advances to SME's to total credit in pre consolidation era 1999-2005 peaked at 1999 standing at 13.26% and started declining steadily up-to 2005 settling at 2.67.However, the ratio of commercial bank loans to other sectors increased steadily during the period. In the post consolidation era the ratio declined further and got worsened. It was 0.99% in 2006 and deteriorated all through the years settling at 0.13 % in 2012.On the other hand, the ratio of commercial bank loans to other sectors was on the increase during the period.

Table 5. Shows the descriptive statistics for pre and post consolidation using the descriptive statistical tool of E-views 7.software

	X	Y
Mean	7.282857	0.372857
Median	7.450000	0.170000
Maximum	13.26000	0.990000
Minimum	2.670000	0.130000
Std. Dev.	3.533788	0.376241
Skewness	0.292021	0.981528
Kurtosis	2.390848	2.025605
Jarque-Bera	0.207716	1.400886
Probability	0.901353	0.496365
Sum	50.98000	2.610000
Sum Sq. Dev.	74.92594	0.849343
Observations	7	7

From table 5 above X distribution represents the pre consolidation commercial bank loans to SME's as a percentage of total credit while the Y distribution represents the post consolidation commercial banks loans to SME's as a percentage of total credit.

Table 6. This shows the computation of the paired sample t-test statistic

Years	Pre-Consolidation (X)	Post–Consolidation (Y)	Difference D=(X-Y)	Difference Squared (D^2)
1999/2006	13.26	0.99	12.27	150.55
2000/2007	8.76	0.85	7.75	60.06
2001/2008	6.59	0.17	6.42	41.22
2002/2009	8.63	0.17	8.46	71.57
2003/2010	7.45	0.14	7.31	53.44
2004/2011	3.62	0.16	3.46	11.97
2005/2012	2.67	0.13	2.54	6.45
			48.21	395.26

Source:Author's computation 2014

The data in table 6 above were used in calculating the t-test and the results compared with critical t value at 5% level of significance. The t-test statistical tool of Statistical Package for Social Science Software (SPSS) was used to analyse the data. The results of the analysis are presented below in table 7:

Table 7. The results of the paired T-Test Analysis

Paired Samples Statistics

T-TEST PAIRS=X WITH Y (PAIRED)
/CRITERIA=CI(.9500)/MISSING=ANALYSIS.

		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	X	7.2829	7	3.53379	1.33565
	Y	.3729	7	.37624	.14221

Paired Samples Correlations

		N	Correlation	Sig.
Pair 1	X & Y	7	.767	.044

Paired Samples Test

		Paired Differences					t	df	Sig. (2-tailed)
					95% Confidence Interval of the Difference				
		Mean	Std. Deviation	Std. Error Mean	Lower	Upper			
Pair 1	x - y	6.91000	3.25401	1.22990	3.90054	9.91946	5.618	6	.001

Source:Author's computation 2014 using SPSS

5 DISCUSSION OF FINDINGS

To achieve the first objective, the mean statistic was chosen as the tool of analysis. From table 4, the average (mean) credit before consolidation is 7.28 while for post consolidation is 0.37.The difference between the average (means) of pre and post consolidation is 6.91.This shows that financing of SME's decreased by that figure. These statistics are indicative that bank consolidation was not favourable to SME's financing in Nigeria. This is not unconnected with the assumption that with consolidation, banks loan-able funds increased but found other sectors other than the SME's sector more lucrative for lending hence there was significant reduction of amount of credit to SME's in post consolidation era .We accept the null hypothesis (H_{o1}) that bank consolidation did not bring about increased lending to SME's in Nigeria and reject the alternate hypothesis ($H_{A1)}$.

For the second objective, the standard deviation statistic was chosen as the appropriate analytical tool. From table 5,the standard deviation for pre consolidation is 3.533788 while for post consolidation is 0.376241.It shows clearly that the lending risk of commercial banks to SME's was higher during the pre consolidation era compared to the post consolidation period. This result gives a clear indication of commercial banks divestment in the loan portfolio to SME's in post consolidation given the riskiness of the sector.We accept the null hypothesis(H_{o2}) that bank consolidation did not lead to increased lending risk to SME's in Nigeria and reject the alternate hypothesis ($H_{A2)}$.The finding is a further reaffirmation of the argument that banks in post consolidation era find SME's as risky ventures to advance credit to because they are incapable of meeting lending requirements and conditions arising from insufficient or no collateral security, lack of proper accounting of their operation, information asymmetry, unaudited financial accounts and reports etc. The findings aligns with BIS (2011) submission that due to credit crunch, all firms in risky sectors find it difficult to get finance and SME's are more affected as banks restrain lending to them.

For the third objective to be achieved, the paired t-test was chosen as the proper analytical tool. The results are shown in table 7.The The calculated t-value is 5.618 while the critical value of t at 5% level of significance with degree of freedom of 6 is 2,447.Since the t calculated is greater than t-critical value and is positive it infers that there is no significant increase in

credit to SME's in Nigeria in post consolidation era, In this regard the study accepts the null hypothesis($H_{o3)}$ that there is no significant difference between SME's financing by commercial banks in Pre and Post 2005 bank consolidation and reject the alternate hypothesis (H_{A3}**)**. The implication therefore, is that there is no improvement in SME's financing in post consolidation which is attested to by the average decrease of SME's credit from 7.28 in pre-bank consolidation to 0.37 in post bank consolidation.

Overall,the study findings are in agreement with Elyasiani and Goldberg (2004) , Dongarawa (2009), Obasan and Arikewuyo (2012),Luper (2012) , Mamman and Aminu (2013) who have shown that bank consolidation in Nigeria has no significant positive impact on the amount of credit advanced to SME's.

6 CONCLUSION AND RECOMMENDATIONS

The result of the study clearly indicates that bank consolidation in Nigeria led to a drastic reduction of SME's financing to less than one percent (0.37%) on average. The lending riskiness of banks in post consolidation reduced while there is no significant difference between SME's financing in pre and post consolidation era. This result however goes contrary to the much taunted belief that bank consolidation will lead to increased SME's financing in Nigeria. In addition it supports empirical findings and bank consolidation theories that assert that bank consolidation will lead to credit contraction to SME's in Developing countries.

Given the importance of SME's in economic growth process, the study recommends improved transparency of SME's accounting and reporting of their activities which would improve their project proposals and make them attractive to bank funding. Banks should relax some of the stringent measures which SME's must comply to access finance .Government should design policies that should group SME's in such a manner for proper documentation, identification(according to trade and industry) so that it can guarantee credit facilities and ensure prompt repayment. The Central bank of Nigeria, should as matter of urgency, license small banks with specific focus to provide finance for SME's in the country. This, no doubt would improve relationship banking between the banks and SME's.

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