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ABSTRACT

Along with the COVID-19 pandemic saga, business operations in the Nigerian state have severely deteriorated in the past two years. The country's economy has benefited from the small-scale industry, with the construction industry playing a significant role. However, a significant hindrance that is clearly assessed in this study is the availability of fast and enough money to support the operations of the stakeholders in this industry. Using a well-structured questionnaire and a systematic sampling strategy, data were gathered from small-sized construction businesses in the Imo state. Utilizing frequencies, percentages, and mean analysis, the data was examined. It was revealed that commercial and microfinance banks are among the top financiers of the identified small-scale construction enterprises. However, the level of financial aid accessible to them is quite low with (18.75%) of the small contractors been limited to 500,000-1m; (31.25%) have access to 1.5m-2m and 2.5m-3m respectively, (12.5%) are limited to 3.5m-4m and 6.25% are limited to 5m and above which establishes the fact that the lower the range of financial aid requested the higher the rate of access given. Interest rates, with a mean value of 4.43 and government policies with a mean value of 4.41 are two elements that have an enormous influence on the availability of these financial help. Government regulation of fiscal and monetary policies, as well as encouragement of the minimization of interest on loans available to these firms, are all recommended in order to improve service delivery in small-scale construction enterprises in Nigeria.

Keywords: Financial Aid, Fiscal Policy, Monetary Policy, Small-Scale Construction Enterprises**.**

Word Count: 247

1.0 Introduction

Nigeria felt her worst recession in the last three to four years due to the Covid-19 pandemic, declining oil price, enormous cost of running and maintaining the political structure, insecurity, climate change among other factors (Ozili, 2020, Kida *et al.*, 2019). According to the African Development Bank Report (AFDB, 2022), her economy grew by 3.6% in 2021 from a 1.8% contraction in 2020. The fiscal deficit was 5.4% in 2020 but it narrowed to 4.8% of Gross Domestic Product (GDP) in 2021 due to a modest uptick in revenues which was financed by borrowing. Inflation was fueled by food price rises at the start of the year and exchange rate pass-through. The central bank kept the policy rate unchanged at 11.5% in 2021 to support economic recovery.

Furthermore, the AFDB report showed that the current account deficit narrowed to 2.9% of GDP in 2021 from 4% the preceding year, supported by recovery in oil receipts. Improved oil exports and disbursement of the special drawing rights (SDR) allocation of $3.4 billion (0.8% of GDP), pending decision on its use, helped to boost gross reserves to $40.1 billion in 2021.

The ratio of nonperforming loans (NPLs) to gross loans was 4.9% in December 2021 (regulatory requirement 5%), while the capital-adequacy ratio was 14.5% (regulatory benchmark 10%). Poverty and unemployment remained high, broadly unchanged from 40% and 33.3%, respectively, in 2020. It has been projected that growth will decelerate, averaging 3.2% during 2022– 23, due to persistent low oil production and rising insecurity. Looking at the statistics above, there has to be a way on the part of the government to keep the country moving, this is viewed from the perspective of the monetary and fiscal policies.

Both fiscal and monetary policies influence a country's economic performance. While the former deals with taxation and government spending, the latter regulates money supply and interest rates which is often administered by a country's central bank (Mbutor*et al.*2016). The government policies are focused on in the early part of this discuss because no aspect of finance all over the world is carried outside the injunctions made by her.

Small scale enterprises are non-subsidiary, independent firms/organizations which employ fewer numbers of employees with the number varies across countries. Small scale enterprises are broadly defined as businesses with small turnover per annum and having a smaller number of employees (Banji, 2020). In Nigeria, the Central Bank of Nigeria in its seminar on small and medium industries equity investments scheme (SMIEIS) defined small scale enterpriseas an enterprise with a labor size of 11-50 workers or a total cost of less than N50 million, including working capital butexcluding cost of land (Fred, 2003).

Meanwhile, Ogechukwu *et al* (2013) opined that small scale business, small-scale industries and small- scale entrepreneurship are used interchangeably to mean a small-scale industry firm. The role of small-scale enterprises cannot be under-estimated in the development of rural and urban areas in Nigeria. The present administration realizes the importance of these small-scale ventures hence the various policies being put in place to encourage their growth (James, 2015). The major contribution to the economic development process of the Nigeria economy has been well documented as plausible efforts stemming from the small business sector. The creation of more direct jobs per dollar of investment has been accredited to small and medium scale business than do big firms (Marshall, 2014).

As earlier opined, a strong and dynamic construction sector plays a vital role in any economy through the delivery of employment, assistance to secondary business growth and delivery of vital public infrastructure. Invariably, access to finance is very critical in enabling companies manage cashflow, commence new projects, employ staff, enlarge and advance (Paddy, 2017). Thus, this funding issue remains a critical issue for the construction industry to deliver sustainable growth in the medium and long term, hence this study.

2.0 Literature Review

2.1 The Role of Small-Scale Construction Enterprises on the Nigerian Economy

Small scale construction enterprise plays an important part in improving the overall performance of construction industies across the world as it was revealed that the growing role of small construction firms is evidenced in the United Kingdom (UK) with 99.8% of

construction firms having less than 50 staff (Berr, 2006). The construction industry is a dynamic sector and it plays a significant role in the development of any nation (Abdul Azis et al., 2012). Construction sector especially the SSCEs has the ability of assisting to the growth and improvement of national economy and enhances quick recovery from national economic recession due to its capacity and operation (Okoye et al., 2016). Also, Nigerian construction industry has contributed between 2.88% in 2010, 3.05% in 2012 and 4.30 % in 2016 to the Nigerian GDP (National Bureau of Statistics, 2015 and 2016; RTC Advisory Services Ltd, 2016).

The contributions of SSCEs to the development of the Nigerian economy are immense and have been acknowledged by many. Data or document from the Federal Office of Statistics in Nigeria affirmed that about 97% of the entire enterprises in the country are SSCEs and employing an average of 50% of the working population as well as contributing to fifty percent of the country's industrial output (Mohammed &Obeleagu-Nzelibe, 2014) and also provide a lot of industrial linkages between local producers of raw materials and large industrial concern (Fatimah-Salwa, 2013).

2.2 Monetary and Fiscal Policies Influence on Financial Institutions Funding Small Scale Construction Enterprises

Previous research revealed that right from the 1970s, the performance of monetary policy over its counterpart the fiscal has more benefits because it reduces political influence owing to the fact that the central bank sets the ceiling (Mbutor*et al*, 2016). Similarly, it is quicker to implement as interest rates can be set every month while figuring out which areas money should be spent on by the government which might take time. Thus, the influence of the monetary policy on the financial institutions cannot be underestimated as they play a major supportive role in making the success of small-scale construction enterprise progressive; the impact of financial institutions to SSCEs can never be under-rated. Financial institution is an enterprise such as a bank whose primary business and function is to collect money from public and invest it in financial assets such as stocks and bonds, loan and mortgages, leases, and insurance policies (Harvie & Lee 2005). Furthermore, its objective was to influence the efficiency of resource allocation and promote indigenization. Since the adoption of the Structural Adjustment Program (SAP) in 1986, the financial sector has been liberalized and measures have been put in place to enhance prudential guidelines and tackle bank distress.

In Nigeria, financial institutions have been organized to finance SSCEs through venture capital financing (VCF). The VCF takes the place of credit facilities that the conventional banks are unwilling to give and provider of the funds may initially part with the funds as a loan, but specifically with the idea of converting the debt capital into equity at some future period in the enterprise while the return from such investment should be high to compensate for the high risk and it may be regarded as an equity investment where investors expect significant capital gains in return for accepting the risk they may lose all their equity (Golis, 1998).

Furthermore, all licensed banks in Nigeria have been mandated to set aside 10 percent of their pre-tax profit for equity investment and for the promotion of small and medium-scale enterprises with the aim of reducing the interest rate burden and other financial service charges

imposed under normal bank lending (Osagie, 2004). In the 1980s, banks were mandated to set up branches in the rural areas. The objective of this policy was to improve access to financial services (Soludo, 2006).

Meanwhile, construction enterprises especially small-scale enterprises find it difficult in accessing this funding for running various projects within a particular time frame from financial institutions due to some stringent laws, change of policy and the inability of the small scale enterprises to meet the demands and requirements ranging from previous financial capacity, construction certificate of similar project completed, type of client involved (project ownership), expertise of workers involved in the project, sureties and guarantors for such project (Marshall, 2014) which in some cases are leading some of these SSCEs into liquidation or folding up (Omotola, 2008).

Furthermore, other factors revealed that deadline or payback period and high interest rate also contributed to difficulties in aid SSCEs by financial institution (Fatimah-Salwa., 2013). Sleuwaegen and Goedhuys (2002) were of the opinion that unavailability of source of backup finance for operation by the firms also contributed to the factors. Others are high risk of default (Harvie & Lee 2005), cost of obtaining funds, collateral and credit information (Oladele, 1985, Adepoju, 2003, &Osamwonyi, 2004). Some of these researches in respect to the aforementioned factors are conducted outside Nigeria while those that are considered in Nigeria have their view on Small and Medium Enterprises generally but not prioritize the SME in the Nigeria construction industry; hence, this study intends to appraise the factors influencing the provision of aid by financial institutions in financing the small-scale construction enterprises in southeastern Nigeria in order to provide possible information that will aid financial accessibility by small scale construction enterprise, thereby improving service delivery.

3.0 Method of Data Collection and Analysis

Quantitative research method was adopted with data collected through a well-structured questionnaire distributed among the construction enterprises in Imo state, Nigeria using a systematic sampling with retrieved of completed number of 80 questionnaires (n=80) which are useable for this study out of 120 distributed for data collection, the respondent for the research within the targeted population are the architect, quantity surveyor, engineer, town planner, estate surveyor and builder. The data received were analysis using descriptive statistical tools such as frequency, percentages and mean analysis with the results presented in a tabular form.

4.0 Results and Discussion

Findings related to the respondents (Table 1) revealed the professional distribution within the firm of which architects represent 12.5%; builders, 10.0%; engineers, 31.25%; estate surveyors, 6.25%; town planners, 10% while 30% are quantity surveyors. With respect to academic qualifications, 1.25% are PhD holders, 30% are M.Sc/M.Tech/M.Eng. holders, 46.25% are BSc/B.Tech/B.Eng holders, 20% are HND holders and 2.5% are Diploma holders. This

summary shows that a larger percentage are first degree holders and as such their responses are expected to be valid due to their academic exposure.

Furthermore, the table depicts their work experience, with 6.25% having between 1-5years; 28.75%, 6-10years; 46.25%, 11-15years; 12.5%, 16-20years and 6.25% having working experience of 20years and above. In addition, the position of the respondents in the firm shows that 10% of respondents are owners of the firm, 23.75% are managing directors, 15% are principal partners and 51.25% are employees. These figures help authenticate the responses of these respondents has been reliable.

Table 1: Demographic Relationship of Respondents

Category	Classification	Frequency	Percentage (%)
Professional of the Respondent	Quantity Surveyor	24	30
	Town Planner	8	10
	Estate Surveyor	5	6.25
	Engineer	25	31.25
	Builder	8	10
	Architect	10	12.5
	TOTAL	**80**	**100**
Academic Qualification	OND	2	2.5
	HND	16	20
	BSc/B.Tech/B.Eng	37	46.25
	M.Sc/M.Tech/M.Eng.	24	30
	PhD	1	1.25
	Others.	0	0
	TOTAL	**80**	**100**
Years of experience	1 - 5years	5	6.25
	6-10 years	23	28.75
	11-15years	37	46.25
	16-20 years	10	12.5
	Above 20	5	6.25
	TOTAL	**80**	**100**
Position in the Firm	Owner	8	10
	Managing Director	19	23.75
	Principal partner	12	15
	Employee	41	51.25

	TOTAL	**80**	**100**

4.1 Characteristics of Small-Scale Construction Enterprise in Imo state, Nigeria

Table 2 as shown below revealed the nature and characteristics of firms of the respondent in the study area. It was revealed that the majority of small-scale construction enterprises are contracting firm with 62.50% while others are 26.25% of consulting firms and 11.25% of consortium. Furthermore, the number of employees engaged shows that 11.25% of the firm employee less than 5 people, 25.00% of them employ 6-10 employees, 22.5% engage 16-20 and 11-15 employees while 18.75% employed 20 people and above. In addition, the table showed the year of existence of the firm which indicated that many of these enterprises came into existence between 11-15years (48.75%) and for them to remain and function constantly, they need adequate financial aid. Others are 1-5years (2.50%), 6-10years (31.25%), 16-20years (12.5%) and 20years and above (5.0%). The percentage that has been in existence for 20 years and above are minimal, this might be because the sister companies that came into existence within the same period folded up due to reasons which might include liquidation which was earlier opined by Omotola (2008). However, this study cannot categorically emphasize this point and is thought to be another researchable topic of interest.

Table 2: **Characteristics of Small-Scale Construction Enterprises in Imo State**

Small-scale Construction Firms in Imo State	**Classification**	**Frequency**	**Percentage (%)**
Designation of Firm	contracting firm	50	62.50
	consulting firm	21	26.25
	consortium firm	9	11.25
	TOTAL	**80**	**100.00**
Number of employees	≤ 5	9	11.25
	6-10	20	25.00
	11-15	18	22.50
	16-20	18	22.50
	above 20	15	18.75
	TOTAL	**80**	**100.00**
Years of existence of the firms	1 - 5years	2	2.50
	6-10 years	25	31.25
	11-15years	39	48.75
	16-20 years	10	12.50
	Above 20	4	5.00
	TOTAL	**80**	**100.00**

4.2 The Sources and Level of Financial Aid Accessible to Small- Scale Construction Enterprises

Table 3 shows the result of the examination of the level of financial aid being given to the identified small- scale construction enterprises in the study area. It can be seen that with regards to sources of finance majority of the small contractors' source fund from the commercial banks (38.75%), microfinance bank (23.75%), financial institutions (20.0%), public deposit and debenture has (8.75%) each. The limit of financial aid given shows that (18.75%) of the small contractors are limited to 500,000-1m, followed by (31.25%) of these contractors having access to 1.5m-2m and 2.5m-3m respectively, (12.5%) are limited to 3.5m-4m and 6.25% are limited to 5m and above. The result reveals that the ease of doing business in terms of accessibility to funding is quite low and this is definitely going to negatively impact on sustainable growth in the medium and long-term as opined by Paddy (2017).

Table 3: **The level of financial aid being given to small- scale construction enterprises**

Level of Financial Aid Given	Classification	Frequency	Percentage (%)
Sources of fund	Commercial Bank	31	38.75
	Microfinance Bank	19	23.75
	Financial institutions	16	20.00
	Public deposit	7	8.75
	Debenture	7	8.75
	TOTAL	**80**	**100.00**
Limit of financial aid given	500,000─1m	15	18.75
	1.5m─ 2m	25	31.25
	2.5m─ 3m	25	31.25
	3.5m─4m	10	12.50
	5m and above	5	6.25
	TOTAL	**80**	**100.00**

4.3 Inhibiting Factors to Financial Aid by the Financial Institutions in Financing the Small-Scale Construction Enterprises.

Findings on Table 4 revealed that the most common limiting factors facing the aids received by the small-scale construction enterprises are interest rate, government policies, cost, risk profile and effect of credit worthiness respectively, while the least factors are Purpose and time period, tax benefit and control. The findings from the research corroborated Marshall (2014) which opined that laws and policies are part of the major limiting factors. Also, interest rate deduced from Fatimah-Salwa (2013) was re-affirmed from the research and backup finance for operation which is related to financial strength and stability of operation as pin-pointed bySleuwaegen and Goedhuys (2002); is still a bewailing factor confronting the enterprise. In addition to these, the research highlighted cost as an important inhibiting factor which is

corroborated by Oladele (1985), Adepoju (2003), and Osamwonyi (2004) on their opinion of cost of obtaining the funds, collateral and credit information as a major setback in accessing aid from financial institutions. The research however unveiled new limiting factors as shown on the table

Table 4. Inhibiting factors affecting sources of finance.

S/N	Factors Affecting Sources of Finance	N	Sum	Mean	Rank
1	Interest rate	80	354	4.43	1
2	Government policies	80	353	4.41	2
3	Cost of funds	80	352	4.40	3
4	Risk profile	80	349	4.36	4
5	Effect of credit worthiness	80	342	4.28	5
6	Flexibility and ease	80	337	4.21	6
7	Financial strength and stability of operations	80	333	4.16	7
8	Form of organization and legal status	80	300	3.75	8
9	Purpose and time period	80	288	3.60	9
10	Tax benefits	80	279	3.49	10
11	Control	80	265	3.31	11

M.W.A=4.03

5.0 Conclusion and Recommendation

The study concludes that commercial and microfinance banks are among the top financiers of the small-scale construction enterprises in Nigeria, however, the level of financial aid accessible to these firms is quite low. It is also awful that the lower the range of financial aid requested for, the higher the rate of accessibility to it. The top factors above the mean average influencing the provision of these financial aids include interest rate, government policies, risk profile, financial strength and stability of operations among others. This study therefore recommends that the government should encourage the minimization of interest on loans to be accessed by these firms and also regulate the fiscal and monetary policies in place so as to support the growth and improve service delivery of the small-scale construction enterprises in the Nigerian construction industry.

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