GOVERNMENT MICRO-FINANCING FOR MICRO, SMALL, AND MEDIUM ENTERPRISES AND BUSINESS PERFORMANCE IN AWKA, ANAMBRA STATE

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Attempt is made in this study to decipher why many MSMEs in Nigeria continue to struggle with low productivity largely due to the accessibility and affordability challenges medium-term government intervention loans are fraught with. This study tried to analyze the implications of government-funded credit facilities on the performance of MSMEs in Awka, Anambra State. The systematic review method was used to examine the availability of these credit facilities and the barriers to accessing them by MSMEs in the area. The findings of the study indicate that government-funded credit facilities are available in Awka. However, the accessibility and affordability of these resources are hindered by various challenges, preventing a significant number of potential applicants from benefiting. Nonetheless, there is evidence that these credit facilities contribute positively to the performance of MSMEs in Awka. The study concludes that the actual impact of government-funded credit facilities is often less significant than what official statistics say, as evidenced by the small proportion of beneficiaries. The study recommends the introduction of tiered eligibility criteria for loans, linking collateral requirements to loan size and business maturity. It also suggests digitizing the loan application process and the adoption of a formalization strategy for MSMEs.

Keywords: Government micro-financing, Business performance, MSMEs, Awka, Nigeria

INTRODUCTION

In recent years, the private sector has become increasingly vital to Nigeria's economy, garnering attention from both individuals and the government. The role of Micro, Small, and Medium Scale Enterprises (MSMEs) in driving economic growth through micro-financing is significant and cannot be overstated. Just like everyone else, those at the lowest income bracket of the society require access to a variety of financial services—including microcredit loans, savings, insurance, and money transfers. Such access empowers the poor to increase their income and stabilize their consumption, enabling them to build their assets and lessen their vulnerability to external shocks that affect their daily lives. Having financial services available acts as a safeguard against emergencies, business risks, and seasonal downturns that can thrust a family into poverty (Essien, 2019; Umeghalu et al., 2022).

Furthermore, having access to better financial services tailored for low-income groups can assist struggling households in transitioning from mere survival to planning ahead, investing in improved nutrition and enhancing living conditions, as well as prioritizing their children's health and education. Research shows that micro-finance can reduce poverty by increasing income levels.

Additionally, studies highlight positive outcomes such as improved healthcare, children's education, nutrition, and women's empowerment resulting from micro-finance initiatives (Samuel, 2020; Umeghalu, Ezenekwe & Okoli, 2025; Umeghalu et al., 2025).

For women and their households, the capacity to borrow, save, and generate income significantly diminishes economic vulnerability. Enhanced financial and food security can instill newfound confidence and hope, often leading to increased feelings of empowerment. However, micro-finance has yet to demonstrate universally positive impacts as a solution for the growth of MSMEs in Nigeria. Even the well-designed programs have, at times, produced unintended negative effects. Evidence indicates that micro-finance tends to benefit the moderately poor more than the extremely impoverished.

Earlier studies on micro-finance point to rising income levels, but more recent findings reveal that impacts tend to vary among different income groups. Typically, those better-off gain more from microcredit—thanks to their superior skills, market connections, and initial resource base. In contrast, lower-income groups may be more risk-averse, finding greater benefit in savings and micro-insurance products. Micro-finance continues to gain significance for its potential to empower poor and low-income groups to partake in lucrative economic activities, generate employment, boost income, and alleviate poverty. The focus on microcredit this century reflects a global consensus: eradicating poverty would lead to a better world for everyone (Ike, 2020; IYMC, 2025; Abamara et al., 2025; Umeghalu et al., 2025).

The practice of micro-finance in Nigeria has deep cultural roots, tracing back hundreds of years. Like many nations around the world, Nigeria has implemented a variety of policies and strategies to foster economic growth and diversification across multiple sectors. This commitment has led to the development of numerous programs and initiatives aimed specifically at empowering MSMEs. By creating effective mechanisms that facilitate the way these enterprises operate, the goal has been to stimulate economic growth and diversify the economy.

Given that a significant proportion of Nigeria's population is actively engaged in micro-businesses spanning various sectors, there has been a pressing need to enhance productivity and income levels among these economically active individuals. To address this, policy reforms were initiated to improve access to financing and provide necessary support from the government.

To improve the availability of financial services in rural areas, all levels of government in Nigeria have previously launched a series of publicly funded micro and small credit programs targeted at those in need. Some notable initiatives include the Rural Banking Programs, Sectoral Allocation of Credits, Concessionary Interest Rates, and the Agricultural Credit Guarantee Scheme (ACGS). Additionally, institutional frameworks such as the establishment of the Nigerian Agricultural and Cooperative Bank Limited (NACB), the Nigeria Directorate of Empowerment (NDE), the Peoples Bank of Nigeria (PBN), the Nigerian Agricultural Insurance Corporation (NAIC), and the Family

Economic Advancement Programme (FEAP) were developed. Furthermore, the Central Bank of Nigeria introduced a microfinancing policy in 2005, followed by a reformed policy in 2011, marking a significant step in supporting the sector (Kanu and Isu, 2015; Umeghalu, Agupusi, & Uzodigwe, 2019).

The failure of previous micro credit schemes to achieve their primary objectives was due to a host of factors which included corruption and poor policies implementation. However, the desire to revolutionize Nigeria's business environment in order to stimulate needed growth and diversification further propelled the government to reform the programs and policies by introducing new schemes. Nonetheless, these programs could not fully and convincingly achieve their mandates and the sole purpose of improving the economic and social wellbeing of the citizenry, and as such compelled the government through the Central Bank of Nigeria to reform the country's community banks and relicense them into microfinance banks in 2005. The reformed microfinance policy objective was aimed at enhancing services to MSMEs in the country, enhance monetary stability, expand the nation's financial base to meet the financial requirements and inclusion of small businesses within the economy, and also address the problem of lack of access to credit needed by small business operators to engender economic diversification (CBN, 2005; Nwoye, 2017).

The success of micro-finance policy in positively affecting the operational performance of MSMEs and increasing their participation in the Nigerian business environment depends heavily on the availability and accessibility to finance, affordability of loans, favourable business environment, availability of basic infrastructures, and business literacy, among others. This implies that existing literature supports the efficacy of micro-finance in stimulating economic growth through financing of MSMEs, especially in developing economies (Anyanwu & Ayo, 2018; Umeghalu et al, 2022).

The strategic importance of MSMEs in the business revolution process and diversification cannot be over emphasized. These enterprises are widely recognized as the building blocks and catalysts for economic growth and development in both the formal and informal sectors of major economies of the world, stimulating indigenous entrepreneurship and employment generation; providing semi-processed products and saving as forward and backward supply channels for large-scale enterprises. The fact that small manufacturing enterprises are less capital intensive and accelerate production of specialized items in small quantities to meet diverse human and industrial needs, makes them business revolutionists and testing ground for new technologies and technological innovation (Aribisala, 2017; Nwogwugwu & Umeghalu, 2021).

In Nigeria, micro-finance institutions are expected to play a vital role in supporting the growth and development MSMEs. The goal is to help these businesses evolve from micro to small, then medium, and ultimately become large, sustainable entities. However, this aspiration often feels distant when it comes to actual small business outcomes. According to the National Bureau of Statistics (NBS), nearly half of all new business start-ups fail within their first four years, mostly due to challenges like limited access to credit and insufficient funding to invest in the necessary technology for growth. Ironically, the very issues that lead to the failures of MSMEs are the same problems that the micro-finance policies aim to address (NBS, 2013).

The existing literature on the effectiveness of micro-finance policy objectives in sparking a transformative shift in small businesses and driving economic diversification is limited. This study aims to fill that gap by evaluating how micro-finance policy objectives affect the growth of entrepreneurial ventures, particularly through the lens of their effects on MSMEs. This study attempts to empirically analyze the implications of micro-finance policy objectives for business transformation in Nigeria, focusing on selected bakery products industries in Awka, Anambra State. It specifically seeks to assess the extent to which affordable microcredit services have been made available to enhance the productivity of bakery businesses in Awka, and to evaluate how the administration of government credit interventions has improved the growth capacities of these businesses, recognizing the key issues that relate to this investigation.

Conceptual Framework

Micro-finance

Micro-finance emerged in Bangladesh around 1978, thanks to Dr. Mohammed Yunus, who was then a professor of economics. What sets micro-finance apart from traditional lending is its unique approach of "joint liability." Individuals—typically women—come together to form a supportive group known in India as a "Self Help Group" (SHG). Members participate in training programs that cover essential procedures and system requirements. Loans are approved by fellow group members, who all share accountability for repayment. The SHG members commit to regular savings, and to alleviate financial pressures limited amounts are loaned out, with repayments typically spread over fifty weeks (Robinson, 2023).

Micro-finance involves lending small sums of money to clients through community banks to help them establish or grow a business. Micro-financing acts as a development tool, providing vital financial services like small loans, savings, micro-leasing, micro-insurance, and money transfers to low income earners. This support aids very low-income individuals or cooperative societies in starting or expanding their businesses. Micro-financing focuses on delivering financial services to the poor, who are often overlooked by traditional financial institutions. The goal is to empower entrepreneurs who lack the collateral typically required for obtaining credit. Three identified key characteristics that make micro-finance distinct from other formal financial institutions include: the small size of loans and savings collected, the absence of asset-based collateral, and operational simplicity (Babajide, 2018; Jamil, 2018; Komolafe, 2016; Ogunleye, 2019).

Business Transformation

The concept of business transformation encompasses radical changes or significant progressive revolutions in the external business landscape, influenced by factors such as supportive infrastructure, economic policies (both monetary and fiscal), political stability, an influx of foreign direct investment, enhanced access to capital, technological advancements, and improved product quality and output levels. A dynamic local market and access to global markets, coupled with increased competition and industry partnerships, are also critical. Internally, this transformation leads to an expansion in the vision, mission, and goals of indigenous firms, boosting management capabilities and enhancing their strategies to meet the needs of a growing customer base (Ede & Elikwu, 2013).

REVIEW OF RELATED LITERATURE

The financial growth theory which is tailored to small businesses, suggests that as these enterprises develop, their financial needs and available funding options evolve. They argue that companies exist along a continuum determined by size, age, and the clarity of their financial information. On the left end, one finds smaller, younger, and less transparent firms which tend to depend on insider financing, trade credit, and/ or angel investments (Berger & Udell, 1998).

The foundational growth cycle model put forth by Coleman and Owualah posits that as firms expand, they will eventually access venture capital (VC) for intermediate equity and mid-term loans for intermediate growth. In the final phase of growth, as firms mature, gain experience, and increase their transparency in the international market, they are likely to secure public equity (PE) or long-term debt (Coleman, 2000; Owualah, 2007).

The network approach theory to the internationalization of MSMEs emphasizes on the significance of relationships with suppliers, customers, and markets in enabling the growth of MSMEs. This theory views networking as a valuable source of market insights and knowledge that connects stakeholders, including customers, suppliers, industry players, distributors, regulatory bodies, and other market actors. It highlights how advancements in technology, particularly in information and communication, can expedite the internationalization of MSMEs by leveraging the experiences and resources of their network connections (Johnson & Mattson, 1988; Lewis, 2006).

The international new venture/ born global theory also makes attempt to explain the means through which MSMEs can attain internationalization. The theory introduced the concept of "international new venture," also referred to as "born global," to explain the emerging trend of rapid internationalization among MSMEs. These terms have been used interchangeably in numerous studies regarding internationalization. The theory defines born global firms as organizations that actively seek resources and aim to sell products to gain competitive advantages in multinational markets Oviat (1994).

Empirical Literature Review

Olusola (2016) investigated the growth in investments among micro, small, and medium enterprises (MSMEs) within the informal credit market in Nigeria. The study was conducted using primary data sourced from ten local government areas in Oyo State, and includes structured questionnaires completed by 200 female entrepreneurs. The data analysis employed frequency tables and percentages, while the chi-square test assessed the research hypotheses. The findings of the study reveal that both the volume of lending and the experience in lending significantly and positively influenced the investment growth of micro and small-scale enterprises.

Essien (2017) explored the various financing options available to SMEs in Nigeria and their role in fostering economic growth. The Spearman's Rank correlation test was utilized to uncover the relationship between SME financing and investment levels. With a correlation coefficient of 0.643 at 10% significance level, the results of the analyses show the existence of a strong correlation notable correlation between SME financing and economic growth through increased investment.

Bitrus (2018) assessed the impact of government interventions on small-scale enterprises in Jos North Local Government Area of Plateau State. This investigation was driven by the observation that small-scale enterprises have consistently failed to meet their potential as engines of economic growth, despite governmental support. The findings indicate that programs designed to assist SMEs have been insufficient, primarily due to a lack of awareness among operators. Furthermore, accessing these interventions has proven to be challenging for SMEs, leading to a sentiment that such support is inadequate.

Osemeke (2019) conducted a study on how government intervention funds are utilized by MSMEs in Rivers State, Nigeria, employing structured questionnaires for data collection. The results of the analysis reveal that the majority of the Small and Medium Enterprises Empowerment Investment Scheme (SMEEIS) fund (36.4%) was directed towards business expansion, while 27.3% was allocated for working capital finance. Additionally, 27.7% of respondents used the fund to acquire new equipment, 9.1% used it for debt financing, and the remaining 4.5% used it to revive struggling businesses.

In a similar vein, Ogunrinola and Alege (2019) found that 67% of the respondents in the survey study they embarked upon invested received loans in business equipment, whereas 33% used the funds for working capital aimed at business expansion. This analysis underscores the significant potential of MSMEs within the Nigerian economy, especially if access to credit is improved.

Suryadevara (2020) assessed the impact of credit accessibility on the sustainability of SMEs, focusing on debt ratings, performance metrics, and comparing the terms of microfinance institutions to traditional lending sources in Nairobi, Kenya. Utilizing a descriptive research design and a sample of 59 respondents, the study employed correlation and regression analyses to explore relationships among various factors. Findings of the study indicate that microfinance credit has a positive effect on productivity due to lower interest rates.

Rajamani and Raj (2020) proposed a conceptual framework intended to empirically evaluate the financial challenges encountered by MSMEs at various stages of their life cycle and how these challenges impact MSME performance. This framework is rooted in a literature review that examines the various factors affecting MSMEs' access to finance as well as their performance. The focus of the study is primarily on the financial barriers faced by MSMEs throughout their life cycle. The existing literature substantiates the identified financial obstacles and their correlation with the MSME life cycle. Additional constructs related to firm characteristics and financing decisions further enrich the understanding of how MSMEs can access finance.

Obokoh et al (2021) investigated how current microfinance lending affects indigenous SMEs' access to finance in Nigeria and the role of microfinance banks (MFBs) in facilitating SME development. The research identified 800 indigenous SMEs and gathered data from 300 of them through a survey conducted in four states within the Niger Delta region. Results demonstrated a positive impact of microfinance lending on the development of these enterprises. However, the study noted that challenges such as cumbersome processes, poorly structured business plans, and the perceived high cost of credit continue to hinder indigenous SMEs from accessing the necessary financing.

According to Lwesya and Mwakalobo (2023), their study made emphasis on contemporary research trends in microfinance pertaining to SMEs and microfinance institutions (MFIs), underscoring the crucial role of microfinance in fostering entrepreneurship and alleviating poverty. By employing bibliometric analysis, including citation, bibliographic coupling, and keyword evolution analyses, the study reveals a continuing expansion of research in this area. The authors identify eight thematic clusters that recent studies have concentrated on: (1) access to and obstacles in microcredit for SMEs, (2) microfinance's role in economic empowerment, (3) the sustainability of MFIs, (4) creditworthiness alongside microfinance technology infrastructure and financing patterns, (5) Islamic financial inclusion, (6) credit assessment models for microcredit, (7) microfinance linked to innovative business models, and (8) gender and equity crowd-funding.

The IMF (2024) utilized the World Bank Enterprise Survey (WBES) to explore the access of SMEs to finance in Indonesia, as well as the factors influencing export diversification and overall firm performance. The result of the analysis indicates that younger firms, particularly those that are domestically owned and facing infrastructural challenges, struggle significantly with financial access. Conversely, factors such as the firm's age, foreign ownership, and the existence of a website enhance export diversification. Notably, limited financial access has a detrimental effect on sales growth and labor productivity, especially for domestic firms; however, managerial experience can help alleviate these negative impacts.

Due to the challenges MSMEs face such as insufficient collateral, low credit scores, limited financing options, and weak risk management, Yu (2025) sought to explore the factors impacting MSME financing with the intention of proposing strategic recommendations aimed at bridging their financial shortfalls. By employing quantitative multiple linear regression analysis, the results of the study suggest that unmet financing demands, credit limitations, and profitability significantly affect the financing gap. Key barriers contributing to these challenges include a scarcity of financing options, poor credit ratings, and inadequate credit supply from both external and internal sources. Thus, by innovating lending products and diversifying financing sources, supported by governmental and institutional backing, the financing gap faced by MSMEs can be effectively addressed.

In their study, Duçi et al. (2025) highlighted the pivotal role of microfinance in promoting financial inclusion by offering accessible and flexible credit opportunities aimed particularly at low-income individuals and small enterprises. Their analysis of borrower demographics reveals that a significant number belong to the 26-45 age group and earn over 100,000 ALL. Employing a quantitative research methodology, the study utilized structured surveys distributed among microfinance borrowers, with data analyzed through descriptive statistical methods complemented by graphical representations. The findings of the study emphasize the crucial role of microfinance in facilitating business growth and income stability. Future strategies should prioritize lowering interest rates, extending repayment terms, and improving financial access for underserved populations, especially in rural areas.

METHODOLOGY

Theoretical Framework

The debates made in this study hover around the Institutional theory and the Inclusive Growth Framework. Institutional theory highlights the impact of formal regulations (such as eligibility criteria) and informal norms (like trust networks and cultural expectations) on the relationship between formal institutions and informal entities. This theory is applied to understand the reasons behind the exclusion of informal entrepreneurs in Awka due to stringent BOI requirements. The Inclusive Growth Framework positions government micro-financing as a means for fostering equitable development, stressing the importance of access, quality of use, and the broader distributional effects across gender, disability, and geographic demographics.

Research Design

Micro, Small, and Medium Enterprises (MSMEs) are a vital part of Nigeria's economy, making up around 96-97% of all businesses and contributing about 40-50% to the GDP while creating approximately 88% of job opportunities. In Awka, the capital of Anambra State, MSMEs play a crucial role in driving local economic growth. However, they frequently encounter obstacles when trying to access formal financial services. The systematic review employed in this study focuses on the impact of government-supported micro-financing initiatives—specifically, programs from the Bank of Industry (BOI), Central Bank of Nigeria (CBN) (including AGSMEIS and NIRSAL), and efforts from the Anambra State government—as avenues for enhancing the performance of MSMEs in Awka.

Government micro-financing refers to financial services funded or guaranteed by the government, such as concessional loans, credit guarantees, interest subsidies, and technical assistance, which are designed for low-income entrepreneurs and micro-enterprises that are often overlooked by traditional banking systems. The microfinance sector in Nigeria was established through the Microfinance Policy, Regulatory and Supervisory Framework (MPRSF), introduced by the Central Bank of Nigeria in December 2005. This was followed by various initiatives, including the Bank of Industry's MSME Fund, AGSMEIS, and the National Credit Guarantee Scheme.

DATA ANALYSES AND PRESENTATION OF RESULTS

Methodology of the Systematic Review

To conduct the systematic literature review, a comprehensive search strategy was employed. We utilized several academic databases, including Google Scholar, ResearchGate, and Academia.edu, along with institutional repositories from UNIZIK and Chukwuemeka Odumegwu Ojukwu University. Our research also included grey literature and official publications from government and development partners. Key search terms included: "government microfinance MSMEs Awka," "Bank of Industry Anambra State," "CBN intervention funds MSMEs Nigeria," "AGSMEIS impact Anambra," and "credit guarantee schemes SMEs Nigeria."

The inclusion criteria for our review focused on studies published between 2010-2026 that examined government-backed financing and MSMEs in Nigeria. We prioritized empirical research that specifically referenced Anambra State or the Awka metropolis, including peer-reviewed articles, theses, government reports, policy documents, and credible media reports. We also sought studies using quantitative, qualitative, or mixed-methods approaches with clearly defined methodologies. In contrast, studies were excluded if they did not specifically pertain to Nigeria or Anambra State, or were purely theoretical without empirical data on business outcomes, lacked methodological transparency, or had sample sizes below 30 respondents.

Quality assessment involved evaluating studies based on their methodological rigor, which includes aspects such as sampling strategies, data collection methods, and analytical approaches. Key factors like sample representativeness and the relevance of outcome measures—specifying details such as profitability, sales growth, employment, survival, and alignment with the research questions—were also considered.

Discussion of Findings

Through an extensive review of empirical studies, it became clear that government micro-financing programs are accessible in Awka, Anambra State. There is significant evidence that government-owned agencies offer financial support to micro, small, and medium enterprises in this area. The Bank of Industry (BOI) operates an MSME Fund that is managed by the Federal Government. This fund provides loans of up to ₦50 million at single-digit interest rates, contingent on the fulfillment of collateral requirements. BOI has a branch located at 37 Zik Avenue, Awka, and is currently promoting a ₦75 billion federal loan initiative tailored for MSMEs in Anambra.

Table 1: Multiple government-backed financing initiatives operating in Awka

Program	Administering Agency
Bank of Industry (BOI) MSME Fund	Federal Government/BOI
Anambra State/BOI Matching Fund	Anambra State Government + BOI
SMEDAN-Anambra Partnership	SMEDAN + Anambra Partnership
NIRSAL Microfinance Bank	CBN/ NIRSAL
AGSMEIS	CBN/BOI
National Credit Guarantee Scheme	CREDICORP/CBN

Source: Authors' Compilation, 2026

The Anambra State government, in partnership with the Bank of Industry (BOI), has launched the 'Matching Fund,' which boasts a total portfolio of ₦1 billion. This initiative offers micro-loans of up to 10 million Naira, with the stipulation that registration with the Corporate Affairs Commission (CAC) is needed for larger amounts. The program commenced in November 2024 in Awka, specifically targeting micro-enterprises. Additionally, the Anambra State government collaborates with the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) to enhance support for Micro, Small, and Medium Enterprises (MSMEs). A memorandum of understanding signed in November 2024 outlines their cooperation in providing loans and capacity-building initiatives aimed at fostering business development. The key goal of this support is to spur innovation and create job opportunities.

In Awka, the Nigeria Incentive-Based Risk Sharing System for Agricultural Lending (NIRSAL) Microfinance also plays a vital role by offering loans and incentives to MSMEs. Located at the NIPOST Office on 173 Zik's Avenue, Awka, NIRSAL partners with the Central Bank of Nigeria (CBN) to extend agricultural loans, risk-sharing guarantees, and technical assistance to small and medium-sized businesses. Furthermore, the Anchor Borrower's Programme and the Agricultural Small and Medium Enterprises Investment Scheme (AGSMEIS) provide single-digit interest loans, up to 10 million Naira without collateral, to MSMEs across Awka and beyond. Access to AGSMEIS support in Awka is facilitated through BOI's Awka branch, while applications are managed by the Anambra branch of the National Association of Small and Medium Enterprises (NASME). Additionally, the National Credit Guarantee Scheme (CREDICORP) offers partial guarantees of up to 75% to mitigate risks in MSME lending. This scheme recently initiated a lucrative 170 billion Naira credit support program specifically for women and youth-led MSMEs in 2025.

A review of various empirical studies indicates a clear relationship between government credit facilities and the performance of small and medium businesses in Awka. While some studies highlighted a positive impact of government-funded credit facilities on business performance, others presented mixed results or no significant correlation at all. Notably, research examining the relationship between the BOI Credit Scheme and SME performance in Awka and neighboring cities, such as Onitsha, Nnewi, and Ekwulobia, revealed a significant positive relationship. Furthermore, additional studies in this field uncovered a strong positive correlation between government credit intervention schemes and the growth of SMEs in Anambra State's commercial hubs (Citation).

A notable focus of recent research has been on the leather products manufacturing sector in Anambra state. Among the leather artisans in Awka and other areas who have accessed loans from the Bank of Industry, it was found that 64.3% used these funds to expand their businesses. This indicates that there is a recognized value in formal government-backed credit for growth-oriented investments (Citation).

Other studies have explored the connections between government-funded credit facilities and the performance of MSMEs, taking unique angles such as access and utilization, implementation challenges, and disparities related to gender and inclusion. Despite the availability of government programs in Awka, research reveals that only 1.2% of leatherworkers have accessed loans from commercial banks or government sources, while a substantial 90.6% rely on personal savings and 8.2% depend on support from family and friends (Orizu, 2021). This points to significant barriers that exist between the availability of programmes and their actual uptake. Investigations into the Bank of Industry's lending policies in Anambra's leather clusters have highlighted several constraints on the effective use of government financing, including rigid collateral requirements, complex bureaucratic application processes, and a lack of awareness about the available options. In particular, women entrepreneurs and individuals with disabilities in Awka encounter compounded obstacles in obtaining government micro-financing, such as limited asset ownership for collateral, cultural barriers, and issues with physical accessibility during the application process (Development Bank of Nigeria, 2026).

Table 2: Barriers to Government-Funded Credit Facilities

Barrier Category	Specific Challenges
Collateral Requirements	Demand for land tittles, CAC registration, and guarantor for loans above 10 million naira.
Information Asymmetry	Limited awareness of loan products, application procedures, and eligibility criteria.
Interest Rate Perception	Single-digit rates advertised but effective rates higher, due to fees and processing costs.
Bureaucratic complexity	Multi-stage applications documentation requirements, training mandates.
Geographic Concentration	Government programme offices concentrated in Awka/ Onitsha, limiting rural access.
Capacity Constraints	Limited financial literacy and business planning skills among beneficiaries.

Source: Authors' compilation, 2026

A range of studies consistently pinpoint systemic barriers that limit the success of government micro-financing for MSMEs based in Awka. Key barriers identified include collateral demands, information imbalances, perceptions regarding interest rates, bureaucratic hurdles, geographical concentration, and capacity limitations. The stringent collateral requirements create significant barriers for MSMEs seeking loans. The demands for land titles, CAC registration, and guarantors, particularly for loans exceeding 10 million naira, often leave informal sector operators sidelined. Many potential borrowers find themselves unaware of the various loan products available, the application procedures, and the necessary eligibility criteria. In fact, approximately 34.4% of leather artisans reported that insufficient information serves as a major hurdle (Imoagwu, et al., 2024).

Moreover, the actual interest rates charged often surpass the advertised rates. While loans may be promoted with single-digit interest rates, the effective rates frequently end up being higher once fees and processing costs are factored in. The bureaucratic processes required to obtain these loans are complex and numerous, involving multi-stage applications, extensive documentation, and mandatory training. Such complications result in delays in loan disbursement, which can discourage micro-entrepreneurs with limited time (Development Bank of Nigeria, 2026).

Additionally, the locations of lending institutions can pose challenges, as many beneficiaries find it difficult to reach the offices of these programs. Government program offices are predominantly located in Awka and Onitsha, which restricts access for rural applicants. Another significant challenge that arises is the management of the loans once obtained. Some MSME owners mistakenly believe that simply securing additional capital will automatically enhance their profits. A lack of financial literacy and business planning skills among these borrowers often leads to ineffective use of the funds sourced (World Bank, 2025).

The performance of MSMEs in relation to government-funded credit facilities reveals a multifaceted landscape. Evidence suggests that the interest rate schemes from the Bank of Industry (BOI) have a notably positive impact on business performance, particularly regarding sales growth. Similarly, access to BOI loans is strongly correlated with market expansion efforts from MSMEs, ultimately enhancing their market reach (Mammah & Ohazurike, 2025).

When evaluating profitability as a key indicator of business performance, various studies reveal an upward trend in profitability linked to consultancy support services offered through government programs. These initiatives appear to correlate with enhanced net profits. Additionally, when using job creation as a benchmark for assessing business performance, it is evident that government intervention initiatives significantly contribute to employment growth. In the realm of formalizing businesses, it was noted that government-funded credit facilities have a positive impact on encouraging micro, small, and medium enterprises (MSMEs) to transition into the formal sector. Programs that require registration with the Corporate Affairs Commission (CAC) have also promoted formalization, although the effects on performance were varied (Mammah & Ohazurike, 2025).

Conclusion

In light of the government's ambitious micro-financing policies aimed at boosting the performance of micro, small, and medium enterprises (MSMEs) and driving economic growth, many MSMEs in Nigeria still face challenges. These challenges stem from low productivity and narrow profit margins, largely attributed to the high costs associated with credit facilities and limited access to affordable medium-term loans provided by the government. This study focuses on the implications of government-funded credit facilities on the performance of MSMEs specifically in Awka, Anambra State. It examines the availability of these credit facilities, the barriers to accessing them, and their impact on the productivity and profitability of MSMEs in the area.

Through a systematic review method, the findings of the study indicate that government-funded credit facilities do exist in Awka. However, the accessibility and affordability of these resources are hindered by various challenges, preventing a significant number of potential applicants from benefiting. Nonetheless, there is evidence that these credit facilities contribute positively to the performance of MSMEs in Awka. The study concludes that the actual impact of government-funded credit facilities is often less significant than official statistics, primarily because only a small percentage of MSMEs in Awka are truly taking advantage of these programs. Additionally, while government micro-financing is essential, it alone is not enough to enhance MSME performance effectively. To achieve the transformative business outcomes outlined in policy documents, it is crucial to implement complementary strategies that address structural barriers, capacity constraints, and inclusivity challenges.

The study recommends the introduction of tiered eligibility criteria for loans, linking collateral requirements to loan size and business maturity. It also suggests digitizing the application process by utilizing mobile platforms and agent networks to make applications more straightforward. Lastly, a formalization strategy should be adopted, requiring registration with the Corporate Affairs Commission (CAC) and basic compliance for larger government financing opportunities.

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