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Financing Sources and Performance of Small Scale Businesses in Delta State

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Abstract:
The research focuses on financing sources and the performance of small scale business in Delta State. These financing sources were the independent variables used for the study. Performance which was the dependent variable, was measured using sales level and profitability. Stratified random sampling technique was used to determine the sample size of 148. Primary data was sourced from the respondents through a four-point Likert type structured questionnaire. Simple percentages, tables and charts were used to analyse the data. Pearson product moment correlation coefficient was used to test hypothesis 1- 5 while the sixth hypothesis was tested using multiple regression since it had more than one independent variable and it seeks to measure the predictive power of the independent variable over the dependent variable. It was found that all the sources of finance have positive and significant relationship with the performance of small scale business enterprises, with the exception of personal savings, that is positive but not significant in relationship with the performance of small-scale business enterprises. It was also found that the overall model (all the sources of finance combined) can predict the performance of small scale business enterprise and the overall coefficient regression shows that personal savings has a more predictive ability compared to other sources of finance. The study recommends enlightenment and encouragement of small scale business owners by government agencies to enable them utilize other sources of finance for business operation. The study contributes to knowledge in providing empirical evidence on sources of financing and the performance of small scale businesses in Delta state.

Keywords: *Financing sources, performance, small scale businesses*

1. Introduction

1.1. Background to the Study

Business generally, is an enterprise that engages in the production of goods and services that provides satisfaction to consumers. Business in Nigeria, range in classification from micro, small, medium to large enterprises. In countries such as the USA, Britain and Canada, small scale businesses are defined in terms of annual turnover and the number of paid employees.

In Nigeria, various bodies have made attempts to define, what constitutes small-scale industry.

However, a more concise and coherent definition was given in the National Policy Micro, Small and Medium Enterprises (SMEDAN, 2007). The National Policy Smedan (2007), classified small scale enterprises in terms of employments and assets excluding land and building. According to the policy, a small-scale enterprise should have not less than 10 employees but not more than 49. In terms of assets, not less than 5million but not more than 50million. The National policy document further states that where there is a conflict in classification, between employment and assets criteria, the employment based on classification, will take precedence.

Small scale enterprises, have been widely acknowledged as a contributor to the growth and development of any economy, as it also enhances employment generation and generally, the achievement of macro-economic objectives. The catalytic roles of micro and small businesses have been displayed in many countries of the world such as Malaysia, United States, South Korea, United Kingdom China, India amongst other countries.

It is also obvious with abounding evidences that great multinational corporations all over the world today were once small-scale enterprises. Ayozie (2011). Therefore, Small-scale enterprises can be seen as economic units if they perform well, it will mirror on the entire economy thus, enhancing economic growth.

However, in Nigeria, it is believed that massive assistance in form financial, technical and managerial form, is needed from government and all other stakeholders for small scale businesses to perform well. Many small-scale Businesses in Nigeria are known to operate with limited capital which may not be enough for them to meet their operation cost. These small business owners don't have access to this finance. However, some small-scale business owners are privileged to have access to finance for their businesses but they don't still grow or perform well.

The incidence of high mortality rate among established small-scale businesses is alarming, and it is a matter of major concern in developing economics. International Finance Corporation (IFC) reported in 2002, that only 2 out of every 10 newly established businesses survive up to the fifth year in Nigeria. This is a pointer to the fact that there is a problem

Some small-scale businesses in Delta State have had access to finance but despite the finance, they still collapsed. The source of finance that the small business owner accessed may be a factor to determine performance. It therefore follows that not just finance will enhance performance but a critical look at its source, in comparison with business performance.

It is against this situation and happenings that the researcher seeks to undertake this study to find out how the various finances sources available to small scale business owners in Delta State, impact on their performance, focusing on five financing sources namely; finance from personal savings source, money lenders source, family and friends source, micro finance source and corporative societies source.

This study therefore, does not only poised to review the financing sources available to small scale businesses in Nigeria, but also to examine and determine the impact of these sources on the performance of small businesses in Nigeria.

1.2. Hypotheses of the Study

The following hypotheses were formulated for this study stated in their null form.

- H01: There is no significant relationship between small scale businesses that are financed by personal savings and the performance of small scale businesses.
- H02: There is no significant relationship between small scale business financed by money lenders and the performance of small scale businesses.
- H03: There is no significant relationship between small scale businesses financed by cooperative society and the performance of small scale businesses.
- H04: There is no significant relationship between small scale businesses financed by family and friends and the performance of small scale businesses
- H05: There is no significant relationship between small scale businesses financed by microfinance banks and the performance of small scale businesses.
- H06: There is no significant relationship between businesses financed by personal savings, money lenders, cooperative

2. Literature Review

2.1. Conceptual Framework

2.1.1. Concept of Small Scale Business

Small businesses constitute the very foundation upon which large businesses are built. However, small scale businesses have been defined or identified differently by various individuals, countries, enterprises and so on. What is termed small business for the United States of America may just be a micro, Business in Nigeria. Even within a country the definition changes over time. Taiwo, Awalaya and Bako, (2012). Some indicators employed in the various definitions include, total assets, size of labour employed, values of annual turnover and capital investment. Osotimehin et al (2012), highlighted that the definition of small business in Nigeria, varies from time to time and according to Institutions. The Nigeria government has used various definitions and criteria in identifying what is referred to as micro and small sized enterprises.

Apart from the fact that in Nigeria, the term small scale business is view differently by various stakeholders, the experience is the same, as almost every country has their own definition idea of what constitute small scale business. For example, in Australia, the Australian Bureau of statistics; defines small business as those employing fewer than 20 persons. The Australian tax office uses a definition of average annual turnover of less than & 1 million and not assets of less than $3 million. In Canada, small businesses are those with less than 100 employees in manufacturing and less than 50 employees in the service sector. The Canadian definition further spited the definition according to sector. This further broadens the definition of small scale business in that country. The United Kingdom classified businesses according to the number of employees; micro 0-9, small businesses 0-49, medium size businesses 50-249 and large businesses 250 and above. In the United States, the US small business administration, States that, small-scale enterprises generally have fewer than 500 employees within a 12-month period in non-manufacturing industries. Richards-Gustatson (2009).

In Nigeria, various agencies have defined small scale business over the years. The central bank of Nigeria, (2004), defined small-scale Industries as establishment, whose annual turnover ranges from N25,000-N500,000. The Nigerian Industrial development bank (NIDB) now Bank of Industry, classified or defined small scale enterprise, as an enterprise that has investment and working capital not exceeding N750,000. The National council of Industry (2001), however have a different classification. According to them, a small-scale business is a business with a total capital employed of over 1.5 million but not more than N50 million (excluding cost of land but including working capital) and a labour size of not more than 11-100 workers.

Chukwuemeke (2004) in the centre for Industrial research and development of ObafemiAwolowo University, Ile-ife, classified small business as an enterprise with working capital base not exceeding N250,000 and employment on full-time, 50 workers or less. These definitions all differ from each other as each render a different capital base limit and number of workers.

However, the enterprise promotion decree of 1989 as amended in 1994, definition, lays no emphasis on the amount of capital or on the number of employees engaged by the business, but on creating employment for the owner. According to the act; "A small scale business is any enterprise set up to make the owner self-employed and self-reliant. There are many definitions and classifications of small scale business all over the world and the list is endless. But generally, all the definitions and classifications, a small-scale business can mean; an enterprise or an organization that is privately owned and operated with a small number of employees started with the capital and with relatively low volume of sales and producing goods and services to satisfy the needs of a local community for profit.

Worst still, there is no universal uniformity among them, as every institution defines it as it seems fit, to suit its purpose. Interestingly, these definitions can become outdated when not reviewed from time to time especially the definitions based on capital especially in the Nigerian economy due to consistent devaluation of National currency and high inflationary tend. Again, the parameters based on the number of employees, may not be reliable because, if we use number of employees, we may be wrong to conclude that a business that is workforce is not more than fifty employees is a small business. This is because, such a business may be capital intensive involving bullions of Naira.

In Nigeria, the scope of small business can be classified into farming, manufacturing of good such as, food, beverage, foot wear, personal services such as hairdressing, dry-cleaning, car washing, shoe repairs, Business services such as Accounting firms, legal practitioners, machine repairs and so on.

S/N	Size Category	Employment	Asset at Million Excluding Land & Building
1	Micro enterprises	Less than 10	Less than 5
2.	Small enterprises	10-49	5 less than 50
3.	Medium enterprises	50-199	50-less than 500

Table 1: Classification of Micro, Small Scale Enterprises in Nigeria
Source: SMEDAN (2007) Abuja, Pp. 50

2.1.2. Sources of Finance for Small Businesses in Nigeria

Finance has been identified in many business surveys as one of the most important factors determining the survival and growth of small scale enterprises in both developing and developed countries (Ajagbe, Oyelere&Oyetomobi,2012). While financing may not the only problem militating against the small business sector, according to Evbuomwan (2013), it is the most formidable. Finance allows small-scale enterprises to undertake productive investments, expand their business and acquire the latest technologies, thus ensuring their competitiveness and that of the nation in general UNCTAD, (1995) UNCTAD (2001), small Business Administration (2000).

The small-scale business financial need was being classified by Ewiwile et al. (2011) into three phases namely; Initial capital to get the business started working capital when the firm is in operation and expansion capital.

2.1.2.1. Personal Savings Source of Finance

Personal savings which is also referred to as owner-savings is usually the first source of finance available to the small business owner. (Oboro and Ighorodje, 2011; Ewiwile, et al, 2011, Abdulsaleh and Warthington, 2013). A significant proportion of the initial capital both fixed and working for small scale enterprises is obtained from personal savings accumulated from other activities (Kyokutamba, 2011).

Personal savings represents, funds invested into the business by the owner(s) which the business is under no obligation either to refund or pay interest on. It is also referred to as risk capital. Oboro et al. (2011) noted that expansion of SSEs is mainly financed from internally generated funds. For the small business owner, personal savings is preferred over debt as a mode of financing as they undergo a typical cash shortage and are generally unable to secure loans with collateral during the founding phase. However, personal savings or internal finding alone may not be expected to meet the entire demand for finance by the SSE given the likelihood of smaller savings because of lower incomes William, (2004). This factor exposes the small-scale business owner to see credit from other sources.

Ajagbe et al. (2012) summarized into two; the sources of credit available to small scale enterprises as; formal and informal institutions according to Asaolu (2001), the formal source includes; deposit money banks, finance houses, micro-finance banks, merchant banks and government owned finance institutions and programmes like the bank of industry, Central bank of Nigeria, Nigeria Industrial Development Bank, SMEIISS etc. The informal source comprises of friends relations, money lenders, clubs and savings societies like "ESUSU" "ASO" and cooperative amongst others. But for the purpose of this study 5 sources cutting across formal & informal will be reviewed.

2.1.2.2. Deposit Money Bank Finance for Small Scale businesses

A large body of the existing literature has documented that banks are the main external capital provider for SME sector in both developed and developing countries (Vera &Ongi, 2010; Ono &Uesugi, 2009; Zhou, 2009; Wu et al., 2008; Carey

&Flynn, 2005). In order to optimize their capital structure (Moro, et al., 2010) suggested that small businesses should only focus or bank financing. The rationale been that, the business owners will employ funds more efficiently when they are monitored by and answerable to banks.

Contrarily, Ajagbe, et al. (2012), Ewiwile (2011) and Evbuomwan, et al. (2012) are of the opinion that most small business owners prefer their own source of finances to any bank source, because most small business owners don't want to give up their management control for their business. They prefer to remain 'small' and retain control and to grow 'big' and be under control.

Kasekendo and Opondo (2003) posits that deposit in banks are the main sources of financial services, but unfortunately, they rarely lend to small scale enterprises, due to the fact that these small-scale enterprises operates with high risk. They posit that, in as much as small-scale enterprises have the need for the assistance from banks, they are less attractive to commercial banks due to the high risks that is associated with the high costs of production, low returns on their investment and yet lack collateral securities. Again, small business seeking loans are usually unable or unwilling to provide accounting record and other documentation required by banks. This makes the Banks biased and as such prefer large corporations' borrowers, where there is assurance of security, high profit and faster rate of return.

There are various banks that provides credit to small scale enterprises like, merchant banks, micro finance banks, Agricultural Bank etc., but this study focuses on deposit money banks credits, small scale businesses.

2.1.2.3. Microfinance Banks Source of Finance

Microfinance is the provision of financial services adapted to the needs of low income people such as micro entrepreneurs, especially the provision of small loans, acceptance of small savings deposits and simple payments services needed by micro entrepreneurs and other poor people.

Microfinance banks in Delta State have assisted small scale business owners to secure finance. Recent studies have shown that long term microfinance programme have enormous potential for national economic growth and development (Tawose, 2012). The strength of microfinance banks that seem to make them accessible then deposit money bank, is that their services delivery is flexible which makes it easy for small business owners to access financial services.

2.1.2.4. The Informal Financial Market

The informal financial market is otherwise called "non-institutional financial market" has been described as the "unorganized" money market. In general, three broad classifications of informal finance are found in Africa. These include primary savings mobilization units with little or no lenders, primary lending units that are hardly involved in savings mobilization and units that mobilize deposits and do a considerable amount of lending albeit, to members of distinct associations or groups such as' savings collectors and money keepers commercial lenders, (money lender, friends, family and non-commercial lenders, and licensed cooperative societies or unions) (Ojenike&Olowoni, 2015).

The informal sources of finance are perceived to be widely relied on by small scale business owners but this study will evaluate this perception.

2.1.2.5. Cooperative Societies Source of Finance

The origin of cooperatives in the world may be traced to eighteenth century in England (Otto &Ukpere, 2011). According to them, the cooperative was formed as a result of human sufferings and degradation during the industrial revolution in England. In Nigeria, the first formal cooperative was formed in 1936. Cooperative according to Otto and Ukpere (2011), is an association of persons who pool their resources together on mutual basis to solve specific socio-economic problems. There are several types of cooperative societies that operate in Nigeria, namely: Multipurpose cooperative societies, marketing cooperative societies, consumer's cooperative societies, processing cooperative societies, industrial cooperative societies, supply purchasing cooperative, societies, credit and thrift cooperative societies. These organisations are popular because members freely support their formation, their activities cut across narrow interest and they run on the basis of democratic principles. Otto and Ukpere (2011) identified the rotating savings and credit associations (ROSCAS) as a form of thrift.

2.1.2.6. Rotating/Non-Rotating Savings and Credit Associations

According to Olusola and Tayo (2012), the rotating savings and credit arrangement including regular fixed amount of contribution of a common pool of funds by members in turn. Once each member has had access to funds, the group disbands or start over again. It is popularly called Esusu in Nigeria. The 'Esusu' cycle depends on the number of participants and the units of collection (weekly fortnightly or monthly) on a contractual basis.

In the non-rotating savings and credit association which is also another form of informal finance, there is a direct relationship between the contributed amounts, the individual savings capability and credit worthiness.

2.1.2.7. Family & Friends Sources of Finance

Besides owns savings, informal sources of finance come from friends and relatives of the entrepreneur. This form of finance does not demand serious collateral form the business owner and it requires less paper work (Oladele, et al.,2014). In Canadian financial performance, it was revealed that the contribution of those financed by friends and family are larger than other small and medium scale financing sources (Oladele, et al., 2014). The report was in consonance with Gbandi and Amissah (2014), which shows that informal finance sector provides more than 70% of the funds to the SMES.

2.1.2.8. Money Lenders Sources of Finance

The informal financial market which is often described as unorganized money market has a group called the money lender. Olusola and Olusola (2013) describe them as primary lending units. That are hardly involved in savings mobilization. They are commercial lenders. Money lender source does not really involve serious paper works and sometimes they don't demand serious collateral security from small business owners, rather, it the agreement may be by words or mouth or with simple arrange.

In a study by Olajide et al. (2014), it was found that money lenders have not actually supported the performance of the businesses in the state (Ado-Ekiti). They are of the opinion that some of their respondents that utilized money lender source of finance, have no alternative source of finance. They observed that these group of lenders lend at a high interest rate.

2.1.3. Performance of Small Scale Business

The term performance is broad and looks ambiguous, it lacks agreement on basic terminology and there is no simple definition and measurement to evaluate the performance of a business. Performance can be defined as the accomplishment of specified business objectives measured against known standards completeness and costs (Sabanci 2012). According to Westover (2008), performance is taken to be the function of an organization's ability to meet its goals and objectives by exploiting the available resources in an efficient and effective way. Oritz- Molina (2007), found that as a firm increases in size, the terns of level of stock, level of sales, level of assets it has a positive impact of performance. Boles, Nausea and Ritu (2001) found that the level of sales of increasing it means that the productive capacity of the firm is expanding and the firm is therefore performing well may established level of sales or sales volume is a measure of performance.

Chong (2008), identified profit before tax and turnover as financial measures for measuring performance and the non-financial measures focuses on issues pertaining to customers satisfaction, customers referral rates and employees turn over. Supporting the view of Chong (2008), Haber and Reichel (2005), Acknowledge Profitability, size and growth as measures of business financial performance. Okafor (2012) Identified Human, financial and social capital as variables that can predict the performance of small businesses. Kyokutamba (2011) used level of sales, liquidity and level of asset based to measure performance. In this study therefore, level of sales and profit will be used to measure performance. Moreso, the profitability and sales level were measured in qualitative terms using responses from the questionnaire. This was because; most of these small business owners are not willing to disclose their exact profit. Again, they don't have a record of their profits.

2.1.4. Government Financial Assistance and Initiatives

In both developed and developing countries governments have recognized that the small business sector faces constrained access to external financing which may negatively affect its crucial role in achieving national development goal; as such, many governmental initiatives and programs have been implemented to ensure that small businesses have easier access to financing (Abdulsaleh& Worthington,2013). Mensah (2004) defines government official schemes as those introduced by government either alone or with the support of donor agencies to increase the flow of financing to SMEs. It has been argued that such programs and schemes have the capability to ease the access of SMEs to additional credit.

In Nigeria, Government, through its Apex bank, the Central Bank of Nigeria, in order to make the SME sector more vibrant, has evolved new initiatives which are geared towards improving accessibility and availability of credit through a lot of schemes. The Central Bank of Nigeria recognizes the constraints of the small business sector, and has set up these assistance schemes, so that every small business will come to its full potential. In particular the CBN in 1977 started a rural banking scheme which was basically designed to solve the problem of under development and inadequacy of credit to the agricultural sector and the rural based small-scale industries. The World Bank –Assisted SME II loan project, in 1989, peoples bank of Nigeria, of 1989, the community banks which took off in 1991, Nigeria export and import bank, the Agricultural Credit Guarantee Scheme Fund amongst others were schemes put in place by the government through its Central Bank to assist small business.

More recent among the scheme is the Bank of Industry which is designed with the primary objective of providing credit to the Industrial sector including the small and medium scale enterprises. In August 2001 a scheme called the small and medium Equity Investment Scheme (SMIEIS) was launched. In 2014, the World Bank Group approved 500million credits to find the development finance project and support the government goal to economic group and generate new jobs.

2.1.5. The Small and Medium Industries Equity Investment Scheme

The project is a Joint effort between the World Bank, African development, the German Development Bank amongst others. Bothered by the persistent decline in the performance of the Industrial sector with the realization of the fact that the small and medium scale industries hold the key to the revival of the manufacturing sector and the economy, the Central Bank of Nigeria successfully persuaded the bankers committee in 2000 to agree that each bank should set aside 10 percent of its annual pre-tax profit for equity investment in small and medium scale enterprises (Udechukwu, 2003).

To ensure the effectiveness of the programme, banks are expected to identify, guide and nurture enterprises to be financed under the scheme. The activities targeted under the scheme include, agro-allied, information technology, educational establishments, tourism and leisure, construction, telecommunications, manufacturing, services, and solid minerals. The scheme was formally launched in August 2001. With the Introduction of the scheme, it is expected that improved funding of the SMEs will facilitate the achievement of higher economic growth. As at August 2002, the sum of N11.572 billion had been set aside by 77 banks. Out of this amount, N1.692 billion have been invested in the small and medium scale enterprises (Udechukwu, 2003).

Frank and Bernanke (2007), posits that credit is not an end in itself, rather, it is a means to an end. The ultimate goal of this scheme is to affect productivity; it therefore implies that the profitable use of the funds is of great importance to the economy at large. This study seeks to look into the awareness of this scheme to the various small business owners in Nigeria.

2.2. Theoretical Framework

2.2.1. Pecking Order Theory

Pecking order theory was first suggested by Donaldson in 1961 and it was modified by Steward C. Myers and Nicolas Majlntin 1984.Myers et al. (1984). This theory is very familiar with the operations of the small business. The pecking order suggest that firms have a particular preference order for capital used to finance their businesses Myers and Majluf (1984). The theory states that, companies prioritize their sources of financing from internal financing to debt before equity, preferring to raise equity as a financing means of last resort. Hence internal finds are used first, and when depleted, debt is issued and when it is not sensible to issue any more debt, equity is issued.

Pecking order theory starts with asymmetric information, as mangers know more about their companies' prospects, risks and value than outside investors. Asymmetric information affects the choice between internal and external financing and between the issue of debt or equity. There therefore exists a pecking order for the financing of new projects. This theory has been found to be relevant to the financing of SMEs (Babajide, 2011). And most small businesses start with internal financing before looking for external sources. Holmes and Kint (1991) found that small businesses experience a more intense version of pecking order in their decisions because access to appropriate external sources of capital is limited. It has been noted that small businesses differ in their capital structure but their intense reliance on pecking order, is only one of the variables that make small businesses financing decision unique. The restriction on the type of finance available to small business coupled with the small firm's insistence on first using internal sources of capital creates a unique structure for small businesses. Romano et al (2001), described the situation as "a complex array of factors that influence small-to medium size enterprises owner manager's financing decisions".

Hall et al. (2000) found out that a firm's size if positively related to long term debt and negatively related to short-term debt. In further support, Crittenden et al (1996) suggests that a firm's size is correlated with the firm's reliance on pecking order theory in capital structure decisions. Thus, smaller firms are more likely to rely on internal funds (Babajide, 2011).

2.2.2. Financing Growth Theory

The financial growth money was proposed by Berger and Udell (1998) for small businesses where the financial needs and financing options change as the business grows, becomes more experienced, and information ally opaque. They further suggest that firms lie on a size/age/information continuum where the smaller/younger/more Opaque firms lie near the left end of the continuum, indicating that they must rely on initial insider finance, trade credit and or angel finance. The financial growth cycle model tabularized in table 2.3below, predicts that as firm grows, it will gain access to venture capital as a source of intermediate equity and mid-term loans as a source of intermediate debt. At the final stage of the growth paradigm, as the firms becomes order, more experience and more information ally transparent it will likely gain access to public equity (PE) or long-term debts.

Very Small Firms Possible with No Collateral & No Track Record	**Medium Size Firms Some Track Record Collateral Available If Necessary**	**Large Firms of Known Risk & Track Record**
Initial insider financing ↓	Venture capital ↓	Public equity ↓
Angle financial	Medium term financial institution	Long term financial institutions

Table 2: Financial Growth Cycle
Model Adopted Form Berger and UDELL, 1998

The theory further explains that at different stages of the firm's growth cycle, different financing strategies are required (Abdulsaleh2013). In general, because of the unique features that characterize small businesses during the start-up phase, such as informational opacity (Berger and Udell, 1998), lack of trading history (Cassar, 2004), and the high risk of failure (Huyghegert& Van de Gucht 2007), small business in this stage; depend heavily on insider funding sources, as they advance. They begin to gradually adjust their capital structure (Larocca, Larocca&Cariola, 2011).

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2.3. Empirical Review

A handful work has been done on financing of small and medium scale enterprises. Oladele, Olowokere and Akinruwa (2014) examined the effects of financial source on small and medium enterprises performance in Ado Ekiti Metropolis. Their study used survey research method via structured questionnaire administered to 225 respondents in 45 conveniently selected registered SMEs in the Ado- Ekiti Metropolis. Stratified sampling technique was adopted, and multiple regression analysis was employed in the study, since they have multiple independent variables. They found that each of the financial sources has a reasonable level connection with the performance of SME.

Emad, Sahail and Jabba (2014) examined also the effect of financing on performance of small and medium enterprises in Iraq. The research employed contingency theory to show the effect of financing on the performance of the small and medium enterprises in Iraq. The study was more of a review, it failed to examine the effect of sources of finance on performance. The study also did not include methodology and data was not analysed.

Olusola and Tayo (2012) examined informal credit markets and the Development of micro and small-scale enterprises in Nigeria. Primary data was used for the study and were collected from ten local government areas of Oyo State, using a multi stage sampling technique. The results indicate that size of lending, experience in lending business, have a positive and significant impact on growth in investment of new and small-scale enterprises. They recommend a policy to make fund readily available to small scale enterprises should be put in place by government.

Lingesiya (2012) examined a topic on identifying factors that indicate the business performance of small scale industries, with evidence from Sri Lanka. The study sampled 64 owners/ managers of small scale, who responded to a questionnaire survey conducted in Vavuniya district of the Sri Lanka. Cronbach alpha was used and five factors that indicate performance were extracted with reliability namely, customers satisfaction with managing change, Growth in Business and income level, growth in profitability, growth in turnover, and growth in number of employees.

Mayenga and Mashenene (2014) examined socio cultural factors and financial performance among women small and medium enterprises in Tanzania. The questionnaire survey of some women owner managers was conducted and it was found that a larger percentage of these women utilised personal savings and majority have never attempted a loan because of fear of their husbands. The study recommends serious training programs for these women.

3. Research Methodology

3.1. Research Design

Research design is the framework for executing the study. It is the plan of action on how the proposed hypotheses will be verified (Avwokeni, 2003). For the purpose of this study owing to its nature, a survey research design was adopted for this research. It is also termed sample survey research design.

Sample survey design was considered suitable for this study because, this study is focused on analysing, the opinion of people (sample) not the entire population on the financing sources of their small business.

The data used for the research was a primary data. A self-administered questionnaire, was designed by the author which was used to generate data for the study.

The population for the study are all small scale businesses in Delta State registered with small and medium scale development agency of Nigeria. Consequently, the population for the study is 647 small enterprises in delta state formed the population of the study.

The sample size for this study is 148 small scale businesses, spread across the three senatorial districts of the state. Stratified random sampling technique was adopted and the sample size, was further stratified into four stratums namely: Artisans and services, general trading, urban and commercial farming and small-scale manufacturing. The data collected for this study was analysed using descriptive and inferential statistics. The descriptive statistical tools used include tables, graphs, pie charts, simple percentage while the inferential statistical tools used include Pearson product-moment correlation coefficient and multiple regression.

3.2. Test of Hypotheses

- Hypothesis 1: There is no significant relationship between business financed by personal savings and the performance of small scale business enterprises

Correlations			
		Performance of Small Scale Business Enterprises	Business Financed by Personal Savings
Performance of Small Scale Business Enterprises	Pearson Correlation	1	.224**
	Sig. (2-tailed)		.008
	N	137	137
Business Financed by Personal Savings	Pearson Correlation	.224**	1
	Sig. (2-tailed)	.008	
	N	137	137
**. Correlation is significant at the 0.01 level (2-tailed).			

Table 3: Testing of the Relationship between Businesses Financed by Personal Savings and the Performance of Small Scale Business Enterprises
Source: Researcher's Result (2016)

The relationship between business financed by personal savings and the performance of small scale business enterprises was investigated using Pearson product-moment correlation coefficient. Preliminary analyses were performed to ensure no violation of the assumptions of normality and linearity. There was a small, positive correlation between the two variables (r= 0.224, n=137, p<.05). From the result, business financed by personal savings helps to explain 5% of the variance in the performance of small scale business enterprises. Since the p-value obtained is less than 0.05 level of significance, the null hypothesis is therefore rejected.

- Hypothesis 2: There is no significant relationship between business financed by money lenders and the performance of small scale business enterprises

Correlations			
		Performance of Small Scale Business Enterprises	Business Financed by Money Lenders
Performance of Small Scale Business Enterprises	Pearson Correlation	1	.147
	Sig. (2-tailed)		.087
	N	137	137
Business Financed by Money Lenders	Pearson Correlation	.147	1
	Sig. (2-tailed)	.087	
	N	137	137

Table 4: Testing of the Relationship between Businesses Financed by Money Lenders and the Performance of Small Scale Business Enterprises
Source: Researcher's Result (2016)

Table 4 above showed a Pearson product moment correlation coefficient which was run to determine the relationship between business financed by money lenders and the performance of small scale business enterprises. Preliminary analyses were performed to ensure no violation of the assumptions of normality and linearity. There was a small, positive correlation between the two variables (r= 0.147, n=137, p>.05). From the result, business financed by money lenders only helps to explain 2.16% of the variance in the performance of small scale business enterprises. The p-value however showed no significant relationship between businesses financed by money lenders and the performance of small scale business enterprises. The null hypothesis is therefore retained.

- Hypothesis 3: There is no significant relationship between business financed by cooperative society and the performance of small scale business enterprises

Correlations			
		Performance of Small Scale Business Enterprises	Business Financed by Cooperative Society
Performance of Small Scale Business Enterprises	Pearson Correlation	1	.151
	Sig. (2-tailed)		.079
	N	137	137
Business Financed by Cooperative Society	Pearson Correlation	.151	1
	Sig. (2-tailed)	.079	
	N	137	137

Table 5: Testing of the Relationship between Businesses Financed by Cooperative Society and the Performance of Small Scale Business Enterprises
Source: Researcher's Result (2016)

Table 5 above showed a Pearson's product-moment correlation which was run to assess the relationship between business financed by cooperative society and the performance of small scale business enterprises. Preliminary analyses showed the relationship to be linear with both variables normally distributed, as assessed by histogram and there were no outliers. There was a small positive correlation between business financed by cooperative society and the performance of small scale business enterprises, (r= 0.151, n=137, p>.05), with business financed by cooperative society explaining only 2.28% of the variance in the performance of small scale business enterprises. The p-value obtained (0.79) was found to be greater than 0.05 level of significance, hence the null hypothesis was accepted.

- Hypothesis 4: There is no significant relationship between business financed by family and friends and the performance of small scale business enterprises

Correlations			
		Performance of Small Scale Business Enterprises	Business Financed by Family and Friends
Performance of Small Scale Business Enterprises	Pearson Correlation	1	.024
	Sig. (2-tailed)		.778
	N	137	137
Business Financed by Family and Friends	Pearson Correlation	.024	1
	Sig. (2-tailed)	.778	
	N	137	137

Table 6: Testing of the Relationship between Businesses Financed by Family and Friends and the Performance of Small Scale Business Enterprises
Source: Researcher's Result (2016)

From table 6 above, the relationship between businesses financed by family and friends and the performance of small scale business enterprises was investigated using Pearson product-moment correlation coefficient. Preliminary analyses were performed to ensure no violation of the assumptions of normality, linearity and homoscedasticity. Result showed a small positive correlation between the two variables [r= 0.024, n=137, p>0.05]. The result showed that businesses financed by family and friends explain only 0.06% of the total variance in the performance of small scale business enterprises with the p-value obtained (0.778) greater than the 0.05 level of significance. The null hypothesis is therefore retained.

- Hypothesis 5: There is no significant relationship between business financed by banks and the performance of small scale business enterprises

Correlations			
		Performance of Small Scale Business Enterprises	Business Financed by Banks
Performance of Small Scale Business Enterprises	Pearson Correlation	1	.116
	Sig. (2-tailed)		.179
	N	137	137
Business Financed by Banks	Pearson Correlation	.116	1
	Sig. (2-tailed)	.179	
	N	137	137

Table 7: Testing of the Relationship between Businesses Financed by Deposit Money Banks and the Performance of Small Scale Business Enterprises
Source: Researcher's Result (2016)

A Pearson Product-Moment Correlation coefficient was conducted to determine if there is any relationship between businesses financed by deposit money banks and the performance of small scale business enterprises. Preliminary analysis conducted to ensure that the assumptions of normality, linearity and homoscedasticity are not violated showed no violations. The result as shown above, revealed a small correlation between the two variables [r= 0.116, n=137, p>0.05], with businesses financed by deposit money banks explaining only 1.35% of the total variance in the performance of small scale business enterprises. The p-value obtained (0.18) is shown to be greater than 0.05 level of significance. Hence, the null hypothesis is retained.

- Hypothesis 6: There is no significant relationship between businesses financed by personal savings, money lenders, cooperative societies, family and friends, and banks and the performance of small scale business enterprises

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	.856	.502		1.706	.090
Business Financed by Personal Savings	.289	.098	.252	2.938	.004
Business Financed by Money Lenders	.144	.095	.131	1.522	.130
Business Financed by Cooperative Society	.074	.083	.080	.895	.373
Business Financed by Family and Friends	.076	.112	.059	.673	.502
Business Financed by Banks	.112	.103	.097a	1.087	.279
a. Dependent Variable: Performance of Small Scale Business Enterprises					

Table 8: Testing of the Relationship between Businesses Financed by Personal Savings, Money Lenders, Cooperative Societies, Family and Friends, and Banks and the Performance of Small Scale Business Enterprises
Source: Researcher's Result (2016)

A multiple regression was run to determine the relationship between the various sources of finance (businesses financed by personal savings, money lenders, cooperative societies, family and friends, and banks) and the performance of small scale business enterprises. Result showed that the model (combination of all the sources of finance) as a whole can predict the performance of small scale business enterprises. And that the model as a whole explains 10% of the performance of small scale business enterprises, R^2 = 0.100, F(5, 131) = 2.921, p< .05. Business Financed by Personal Savings makes the strongest unique contribution in explaining the performance of small scale business enterprises (with a Beta value of 0.252) while Business Financed by Family and Friends make less of the contribution (with a Beta value of 0.059). Also, only Business Financed by Personal Savings makes a statistically significant unique contribution to the equation with a P-value of 0.004 which is less than 0.05 level of significance.

4. Summary

This chapter focused mainly on the presentation of data and its analysis. It provided answers to the research questions and also tested all the hypothesis formulated for the study.

5. Conclusion and Recommendations

5.1. Conclusion

The study analysed the performance of small business utilising personal saving, loans from cooperatives, money lenders, family and friend and microfinance banks. These formed the independent variables while performance measured by sales volume and profitability formed the dependent variable.

Small scale business owners utilize mostly their personal savings as their capital whether it is enough or not as they are mostly scared of interest rate from other sources. These small-scale owners don't really consider whether the owner capital is enough for them or not, they rather remain small or not do business at all, than for some of them to source finance outside their personal savings.

Small scale business owners surveyed, did not often utilize money lender source of finance and microfinance, as they perceive it to be risky because of the interest rate charged. They prefer cooperative societies sources and family & friends. The study however, concludes that all the sources of finance study can predict the performance of small scale businesses in Delta State.

5.2. Recommendations

Based on the research findings the following recommendations are advanced:

- Proper sensitization and encouragement of the need for small scale business owners to look outside their personal savings should be done by all government small business stakeholders. Examples, the Small and Medium Enterprises Development Agency (Smedan), Bank of Industry, Ministry of Commerce, etc.
- The money lenders under the informal financial market should be registered with the government so that their dealing with the small-scale business owners can be accessed, since they can give large volume of loans.
- Government should ensure through her regulatory bodies that microfinance bank loans should be low and affordable and also organise enlightenment programs regularly for these small-scale business owner, so that they can utilize that source without fear of the unknown
- Government should encourage small scale business owners to go into farming and manufacturing. This will impact on the Gross Domestic Product (GDP) of the economy. It was observed that only 8.8% of the sample was involved in farming and manufacturing activities in a small scale.

6. References

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