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DRIVING NIGERIAN SMEs VENTURE CAPITAL TRANSFORMATIONAL FINANCING SUPER-HIGHWAY: FOCUS ON THE NIGERIAN ECONOMY*

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Abstract

The fact that a business started small is not an absolute transcendental sentence to perpetual littleness & ordinariness. This conviction set the stage for the conduct of this study. The prime task was to examine the transformational financing window of venture capital (VC) and its instrumentality in driving small and medium enterprises (SMEs) to the higher heights of greatness and largeness. The key perspectives of VC examined were equity finance, management support, and technical support. A total of 120 copies of questionnaire 120 were administered on SME focal officials (60 each for VC-backed and non-VC-backed) in various parts of the Nigerian nation. The ensuing inferential statistical results established that the VC-financed SMEs significantly out-performed their non-VC-financed counterparts in critical ways. Specifically, management support prevailed as the most critical driver of SME development and transformation. Essentially, it is imperative to provide robust incentives for VC investment in SMEs. Greater participation of private sector stakeholders will meaningfully help to actualize and optimize the recent industrialization and commercialization sensitization regime. The Nigerian nation and allied developing economies will ultimately be the best for it.

Key Words: Venture Capital; SME Financing; Nigeria

JEL Classification: F23, F49, G24, N27

Introduction

The failure of several policies of successive governments in Nigeria to achieve desired economic growth and development target disturbingly necessitated the restructuring of the financial system, especially in the glare of an ailing economy. The structural adjustment programme (SAP) in 1986 and privatization programme in 1989 amongst others were in response to failed institutional measures to promote and galvanize small and medium enterprises (SMEs) in the country over a long period of time. The prevailing economic conditions in the first few years of the SAP (1986-1988) such as government expenditure rationalization, import restriction, and financial liberalization saw a spread of SMEs and a positive attitude reorientation towards made-in-Nigeria goods, as there was need for consumers and producers to look inwards and be driven by import substitution orientation. Indeed that era saw the emergence of the Nnewi Auto-Technology, Aba Shoe Complex, and allied SME clusters, particularly in the Eastern geopolitical zone of the Nigerian nation.

Unfortunately, the SAP became history even before the gains could be consolidated, and the financing windows so opened to provide relief for SMEs lacked continuity and sustainability. These windows were also incapacitated by public sector bureaucracy, in that they

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The authors own full responsibility for the contents of the paper.