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# Bridging the Access Gap: Institutional Constraints and The Effectiveness of Government Financial Incentives for SMEs in Kogi State, Nigeria

**Durotimi Amos Dada & Ekundayo Toba Eniolorunda**

Achievers University, Owo, Ondo State, Nigeria, Department of Business Administration

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**Abstract:** *This study critically examines the accessibility and effectiveness of government financial incentives in supporting Small and Medium-Sized Enterprises (SMEs) in Kogi State, Nigeria. Although SMEs are widely acknowledged as key drivers of employment generation, poverty reduction, and economic diversification, their growth remains constrained by persistent financing gaps and institutional inefficiencies. Drawing on credit market imperfection theory, institutional theory, and the resource-based view, the study adopts a systematic conceptual and empirical review to evaluate how access-related constraints shape the utilization and outcomes of government-backed financial interventions. The findings indicate that, despite the proliferation of financial incentives including concessional loans, grants, tax reliefs, and credit guarantee schemes their accessibility is significantly limited by bureaucratic complexities, stringent eligibility requirements, low awareness levels, inadequate financial literacy, delays in fund disbursement, and weak institutional frameworks. These constraints create a misalignment between policy intent and actual outcomes, thereby undermining the inclusiveness and developmental effectiveness of such programmes. While evidence shows that beneficiary SMEs record improvements in productivity, employment, and profitability, the distribution of these benefits remains uneven and exclusionary. The study concludes that the effectiveness of government financial incentives is contingent not only on their availability but also on the quality of institutional implementation, policy coherence, and SMEs' absorptive capacity. It advocates for targeted policy reforms focused on simplifying administrative procedures, enhancing capacity building, strengthening institutional coordination and transparency, and expanding financial inclusion. Such measures are essential for unlocking the full potential of SMEs as catalysts for sustainable economic growth and regional development in Nigeria.*

**Keywords:** access to finance, government financial incentives, institutional constraints, SMEs, Nigeria.

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## INTRODUCTION

Small and Medium-Sized Enterprises (SMEs) are central to contemporary development discourse due to their pivotal role in employment generation, innovation, and inclusive economic growth. Across both developed and developing economies, SMEs constitute the backbone of productive activity, accounting for a substantial proportion of firms and contributing significantly to Gross Domestic Product (GDP) and job creation. Their importance is particularly pronounced in emerging economies, where they serve as instruments for poverty reduction, structural transformation, and economic diversification (World Bank, 2023; Organisation for Economic Co-operation and Development (OECD), 2021). In Nigeria, SMEs are widely recognized as catalysts for entrepreneurial development and regional economic balance, especially in the context of ongoing efforts to reduce overdependence on the oil sector (Small and Medium Enterprises Development Agency of Nigeria, (SMEDAN), 2022).

Notwithstanding their strategic importance, the performance and survival of SMEs in Nigeria remain constrained by persistent structural and institutional inefficiencies. A dominant constraint is limited access to finance, which aligns with the propositions of credit market imperfection theory and information asymmetry theory. These theories posit that in imperfect financial markets, lenders face challenges in accurately assessing borrower risk due to asymmetric information, leading to credit rationing, high collateral requirements, and the exclusion of small firms from formal financing channels (Stiglitz & Weiss, 1981; Beck & Demirgüç-Kunt, 2006). Consequently, SMEs often characterized by limited asset bases, inadequate financial records, and high perceived risk are disproportionately affected, thereby restricting their capacity for growth, innovation, and competitiveness (Ibitomi et al., 2024).

In response, governments particularly in developing economies have increasingly adopted financial intervention mechanisms grounded in public finance theory and developmental state theory, which justify state involvement in correcting market failures and promoting strategic sectors (Musgrave, 1959; Mazzucato, 2013; Abdulgafar *et al.*, 2023). In Nigeria, such interventions take the form of public sector financial incentives, including tax reliefs, subsidized credit schemes, grants, and credit guarantees administered through institutions such as the Bank of Industry, Central Bank of Nigeria, and Small and Medium Enterprises Development Agency of Nigeria. These incentives are intended to relax financial constraints, enhance firm-level productivity, and stimulate broader economic development (CBN, 2022; SMEDAN, 2022).

However, while the theoretical justification for government financial incentives is well established, their practical effectiveness remains contested. Drawing on institutional theory, the success of such interventions depends not only on policy design but also on the quality of institutional frameworks that govern their implementation. Weak institutions characterized by bureaucratic inefficiencies,

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lack of transparency, and poor accountability can undermine access, distort allocation processes, and limit policy outcomes (North, 1990; Acemoglu & Robinson, 2012). Similarly, insights from the resource-based view (RBV) suggest that access to financial incentives alone may be insufficient to enhance SMEs performance unless complemented by firm-level capabilities such as managerial competence, information access, and strategic orientation (Barney, 1991).

Empirical evidence from Nigeria and other developing contexts indicates that access to government financial incentives remains uneven and often exclusionary. Many SMEs are either unaware of available programmes or unable to navigate complex application procedures and stringent eligibility requirements. In addition, administrative bottlenecks, inadequate funding, weak monitoring systems, and poor dissemination of information continue to hinder effective utilization (Ayyagari, 2011; Beck, et al., 2005; Ibitomi *et al.*, 2024). These constraints create a disconnect between policy intent and actual outcomes, thereby limiting the capacity of financial incentives to drive meaningful improvements in SME performance.

This challenge is particularly evident in Kogi State, where SMEs operate within a dynamic but institutionally constrained environment characterized by infrastructural deficits and limited access to formal financial systems. Despite the presence of federal and state-level financial support initiatives, many SMEs in the state continue to experience significant barriers in accessing these incentives. This raises critical concerns regarding the inclusiveness, efficiency, and developmental impact of government financial intervention programmes at the subnational level.

Although existing studies have examined the relationship between financial incentives and SMEs performance, there remains a notable gap in context-specific empirical analyses that focus explicitly on access-related challenges and their implications. Most prior studies emphasize outcome variables such as profitability and growth, with limited attention to the institutional and operational barriers that mediate access to financial support. This gap is particularly pronounced at the state level, where variations in institutional capacity and policy implementation can significantly influence outcomes.

Against this backdrop, this study undertakes a systematic assessment of the challenges affecting SMEs' access to government financial incentives in Kogi State, Nigeria. By integrating insights from credit market theory, institutional theory, and resource-based perspectives, the study provides a multidimensional understanding of access constraints and their implications. The study contributes to the literature by shifting the analytical focus from mere availability of financial incentives to the critical issue of accessibility, while offering evidence-based recommendations for improving policy effectiveness, strengthening institutional frameworks, and promoting inclusive SME development.

## LITERATURE REVIEW

### Concept of SMEs

SMEs constitute a fundamental pillar of economic development globally, owing to their significant contributions to employment generation, innovation, income distribution, and economic diversification. They are widely regarded as engines of inclusive growth, particularly in developing economies where they account for a substantial proportion of business activities and employment opportunities (Ayyagari et al., 2011; OECD, 2017; Ibitomi et al., 2022). Despite their importance, there is no universally accepted definition of SMEs, as classifications differ across countries and institutions depending on economic structure, policy priorities, and level of development. Common criteria used include the number of employees, annual turnover, and value of assets (World Bank, 2020).

In the Nigerian context, SMEs are defined primarily based on employment size and asset base, excluding land and buildings. According to the National Policy on Micro, Small and Medium Enterprises (MSMEs), small enterprises are those employing between 10 and 49 workers with total assets ranging from ₦5 million to ₦50 million, while medium enterprises employ between 50 and 199 workers with asset values ranging from ₦50 million to ₦500 million (SMEDAN, 2023). This classification is also supported by regulatory and financial institutions such as the Central Bank of Nigeria (CBN), which emphasizes both human capital and financial capacity as key determinants of enterprise size and operational scope (CBN, 2022).

Beyond these quantitative benchmarks, SMEs possess distinct qualitative characteristics that differentiate them from large-scale enterprises. They are typically independently owned and managed, often by individuals or families, and are characterized by a relatively simple organizational structure, limited access to capital, and a localized market focus (Beck & Demirgüç-Kunt, 2006). However, their small size also confers flexibility, enabling them to adapt quickly to changing market conditions, innovate in response to customer needs, and exploit niche market opportunities (Storey, 2016). SMEs operate across diverse sectors including agriculture, manufacturing, retail, and services, thereby serving as critical platforms for entrepreneurship development and technological diffusion.

Furthermore, SMEs play a crucial socio-economic role by fostering poverty reduction and promoting equitable income distribution. In many developing countries, including Nigeria, SMEs provide livelihoods for a large segment of the population, particularly in rural and semi-urban areas where large corporations have limited presence (International Finance Corporation (IFC), 2019). Their ability to absorb labor and stimulate grassroots economic activities makes them indispensable for achieving sustainable development goals.

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A clear and context-specific definition of SMEs is therefore essential for effective policy formulation, implementation of financial incentives, and targeted support programmes. It enables governments and development agencies to design appropriate interventions, including access to finance, capacity building, and regulatory support. In sum, SMEs remain central to economic transformation, industrialization, and long-term sustainable growth, particularly in emerging economies such as Nigeria.

### **Concept of Government Financial Incentives**

Government financial incentives refer to deliberate fiscal and monetary interventions introduced by public authorities to stimulate economic activities, support business growth, and achieve broader socio-economic objectives. These incentives are particularly targeted at priority sectors such as Small and Medium-Sized Enterprises (SMEs), which are often constrained by limited access to finance, high operating costs, and market imperfections. Government financial incentives typically take various forms, including tax reliefs, grants, subsidies, low-interest loans, credit guarantees, and equity financing schemes (OECD, 2020; World Bank, 2021).

The primary objective of these incentives is to correct market failures, promote investment, and enhance the productive capacity and competitiveness of firms. In the context of SMEs, government financial incentives are designed to reduce financial barriers, improve access to capital, and create an enabling business environment that fosters innovation, expansion, and sustainability (Beck & Demirgüç-Kunt, 2006). By lowering the cost of capital and mitigating financial risks, such interventions enable SMEs to undertake productive investments, adopt new technologies, and penetrate new markets.

In developing economies such as Nigeria, the relevance of government financial incentives is even more pronounced. SMEs contribute significantly to employment generation, income creation, and poverty reduction, yet they face persistent challenges including inadequate financing, high interest rates, infrastructural deficits, and weak institutional support (International Finance Corporation (IFC), 2019; SMEDAN, 2023). To address these challenges, the Nigerian government, through institutions such as the Central Bank of Nigeria (CBN) and SMEDAN, has introduced several intervention programmes aimed at improving SME access to finance and enhancing enterprise performance. Examples include subsidized credit schemes, tax incentives, and sector-specific funding initiatives.

The theoretical underpinning of government financial incentives is rooted in development economics and market failure theory, which posit that government intervention is necessary to address inefficiencies arising from information asymmetry, externalities, and imperfect capital markets (Stiglitz, 2000). Unlike private sector financing, which is primarily profit-driven, government incentives are often motivated by developmental goals such as employment

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Publication of the European Centre for Research Training and Development-UK generation, industrialization, and inclusive growth. As such, these incentives serve as strategic policy tools for promoting economic stability and long-term development.

Empirical evidence on the effectiveness of government financial incentives presents mixed outcomes. On one hand, studies have shown that SMEs benefiting from government-backed financial support tend to experience improvements in productivity, employment, and revenue growth due to enhanced access to working capital and reduced financial constraints (Ayyagari et al., 2011). On the other hand, the effectiveness of these incentives is often hindered by implementation challenges such as bureaucratic bottlenecks, corruption, inadequate targeting, and weak monitoring and evaluation mechanisms (OECD, 2020). These limitations can reduce the accessibility and overall impact of incentive programmes, particularly in developing countries. Furthermore, the success of government financial incentives depends largely on institutional capacity, policy consistency, and effective coordination among implementing agencies. At sub-national levels, such as in Kogi State, factors including administrative efficiency, transparency, and alignment with national policies play a critical role in determining the reach and effectiveness of these interventions. Well-structured and properly implemented incentive programmes can significantly enhance SME performance, while poorly managed schemes may fail to achieve their intended objectives.

In summary, government financial incentives are essential policy instruments for promoting SMEs development and broader economic growth. While they offer significant potential to alleviate financial constraints and stimulate enterprise performance, their effectiveness is contingent upon sound policy design, transparency, efficient implementation, and continuous monitoring. For SMEs in Nigeria, maximizing the benefits of these incentives requires addressing structural and institutional challenges to ensure that financial support translates into sustainable business growth and development.

### **Government-Backed Intervention Funds and SMEs in Kogi State, Nigeria**

Government-backed intervention funds constitute a core pillar of Nigeria's policy framework for stimulating Small and Medium-Sized Enterprises (SMEs) and promoting inclusive economic growth. These funds are structured financial mechanisms designed by public institutions to address persistent market failures particularly credit constraints, high cost of borrowing, information asymmetry, and inadequate collateral which continue to impede SME development. Typically operationalized through concessional loans, grants, subsidies, and credit guarantee schemes, these interventions are often interest-subsidized or risk-shared with financial intermediaries to enhance access to finance for underserved enterprises (Ogunleye & Adeyemi, 2021; World Bank, 2021). Among the most prominent instruments is the Bank of Industry (BoI) intervention fund, which provides medium- to long-term financing to SMEs in priority sectors such as manufacturing, agro-processing, and technology. Empirical evidence demonstrates that access to BoI financing significantly enhances firm-level performance. Ibrahim and Musa (2022) report that beneficiary

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Publication of the European Centre for Research Training and Development-UK firms exhibit higher levels of capital investment, improved production efficiency, and increased output relative to non-beneficiaries. This is largely attributable to reduced financing costs and improved liquidity, which enable SMEs to acquire modern production technologies and scale their operations.

Similarly, the Micro, Small and Medium Enterprises Development Fund (MSMEDF), established by the Central Bank of Nigeria, is aimed at deepening financial inclusion by providing affordable credit to micro and small enterprises, particularly in rural and underserved areas. Empirical findings (Ojo & Alabi, 2023) indicate that MSMEDF-supported enterprises demonstrate improved survival rates, enhanced participation in local value chains, and increased entrepreneurial activities, especially among women and youth. These outcomes underscore the role of targeted financial interventions in fostering inclusive growth and reducing socio-economic disparities.

The Small and Medium Enterprises Credit Guarantee Scheme (SMECGS) further complements these efforts by mitigating lending risks faced by commercial banks. Through partial credit guarantees, the scheme incentivizes financial institutions to extend credit to SMEs that lack sufficient collateral. Evidence from Adebayo (2021) shows that the implementation of SMECGS significantly increased the volume of bank lending to SMEs and improved their access to formal financial services. This has facilitated the integration of SMEs into the formal financial system, thereby enhancing their credibility, financial discipline, and long-term sustainability.

Beyond direct financial support, government intervention programmes increasingly incorporate capacity-building components such as business advisory services, financial literacy training, and managerial skill development. These complementary interventions are critical, as access to finance alone is insufficient to guarantee improved enterprise performance. Empirical studies suggest that SMEs that combine financial support with capacity development exhibit stronger growth trajectories, improved financial management practices, and greater resilience to macroeconomic shocks (Beck & Demirgüç-Kunt, 2006; IFC, 2019).

At the sub-national level, particularly in Kogi State, SMEs operate within a challenging business environment characterized by limited access to finance, infrastructural deficiencies, and low technological capacity. Within this context, government-backed intervention funds have demonstrated measurable impacts on enterprise performance. Okwu and Agbaje (2022) provide empirical evidence that SMEs benefiting from such interventions recorded significant improvements in key performance indicators, including employment generation, sales turnover, and profitability. In addition, these firms exhibited a greater propensity to adopt innovative production techniques and expand their market reach.

Furthermore, access to intervention funds has been associated with enhanced business resilience. Beneficiary SMEs in Kogi State were better positioned to withstand economic shocks due to

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Publication of the European Centre for Research Training and Development-UK improved liquidity and operational flexibility. This finding aligns with broader empirical literature suggesting that financial inclusion and access to subsidized credit are critical determinants of SMEs sustainability in developing economies.

However, despite these positive outcomes, the effectiveness of government-backed intervention funds remains constrained by several structural and institutional challenges. Iheanacho and Okoye (2023) identify bureaucratic inefficiencies, delays in fund disbursement, stringent eligibility requirements, limited awareness, and weak monitoring frameworks as key impediments. These challenges often result in limited outreach and suboptimal targeting, thereby restricting the overall impact of such programmes. In some instances, issues related to governance, including lack of transparency and political interference, further undermine the efficiency and credibility of intervention initiatives.

Government-backed intervention funds remain a strategic instrument for enhancing SMEs performance and driving economic development in Nigeria, particularly at the sub-national level. Empirical evidence from Kogi State supports their positive impact on employment generation, productivity, innovation, and business sustainability. However, the realization of these benefits is contingent upon effective programme design, transparent implementation, and robust institutional frameworks. Strengthening monitoring and evaluation systems, improving accessibility, and enhancing inter-agency coordination are critical to maximizing the developmental impact of these interventions. When effectively implemented, government-backed intervention funds have the potential to significantly accelerate SME growth, foster industrialization, and promote sustainable economic transformation.

### **Challenges of Accessing Government Financial Incentives by SMEs in Kogi State, Nigeria**

SMEs are widely recognized as pivotal drivers of economic growth, employment generation, and innovation in Nigeria. In response to their strategic importance, both federal and state governments have implemented a range of financial incentive programmes including subsidized credit schemes, tax incentives, grants, and business development support to enhance SME performance and competitiveness. Despite these initiatives, empirical evidence suggests that many SMEs, particularly in states such as Kogi, continue to face significant barriers in accessing and effectively utilizing public sector financial incentives (Ike, 2023; Muhammad & Bin Ngah, 2020).

Small and Medium-Sized Enterprises (SMEs) play a pivotal role in driving economic growth, innovation, and employment generation in Nigeria (Ogunleye & Adeyemi, 2021). In Kogi State, SMEs are integral to the local economy, particularly in sectors such as agriculture, agro-processing, manufacturing, trade, and services. Recognizing their economic significance, the Nigerian federal and Kogi State governments have implemented multiple financial incentive programmes, including concessional loans, grants, tax reliefs, credit guarantees, and business development support. However, empirical evidence indicates that SMEs continue to face

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Publication of the European Centre for Research Training and Development-UK significant barriers in accessing and effectively utilizing these incentives, limiting the impact of government interventions on enterprise growth, competitiveness, and regional economic development (Ike, 2023; Muhammad & Bin Ngah, 2020).

A major challenge is the bureaucratic complexity associated with government financial programmes. Application, screening, and approval processes are often cumbersome and characterized by multiple layers of verification, making it difficult for SMEs especially micro and informal businesses to navigate the system effectively. In Kogi State, where SMEs operators often have limited administrative capacity, weak institutional outreach and inadequate dissemination of information exacerbate this challenge. Many business owners remain unaware of available programmes, eligibility criteria, or procedural requirements, resulting in low uptake despite the availability of substantial funding (Ike, 2023; Muhammad & Bin Ngah, 2020).

Closely related to administrative hurdles are stringent eligibility criteria and documentation requirements. Public financial schemes frequently require detailed financial statements, audited accounts, collateral, and comprehensive business plans. SMEs in Kogi State, particularly those in rural areas, often lack the organizational infrastructure or formal record-keeping systems needed to meet these conditions. Shamsudeen, et al (2023) note that such high compliance thresholds frequently result in application rejections or discourage SMEs from applying, highlighting structural barriers that mirror broader challenges in Nigeria's financial ecosystem.

Limited financial literacy and managerial capacity further constrain SME access to government incentives. Many entrepreneurs in Kogi State lack the technical skills to develop bankable proposals, interpret financial guidelines, or comply with reporting obligations tied to public funding. Empirical studies suggest that inadequate financial and managerial competencies significantly reduce SMEs' ability to navigate incentive systems and efficiently utilize funds when obtained (Muhammad & Bin Ngah, 2020; Shamsudeen et al., 2023). Consequently, even when SMEs secure support, suboptimal fund utilization often limits the intended developmental impact. The timing and cost of accessing incentives also present practical challenges. Subsidized loans or tax relief programmes may exist in principle, but delays in fund disbursement and bureaucratic bottlenecks diminish their effectiveness. In Kogi State, SMEs frequently require prompt funding to address immediate operational needs, and prolonged approval processes can render incentives irrelevant. Ike (2023) highlights that such delays, combined with hidden compliance costs, undermine trust in public programmes and discourage participation.

Institutional weaknesses in programme implementation and monitoring constitute another barrier. Public sector initiatives often suffer from poor coordination among implementing agencies, lack of transparency, and inadequate follow-up support for beneficiaries (Ike, 2023). In Kogi State, these structural deficiencies are compounded by limited local government capacity, leading to inequitable fund allocation and reduced accountability. Political interference and corruption in

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some cases further restrict access, preventing deserving SMEs from benefiting from available support.

Finally, macroeconomic and structural factors exacerbate the difficulty of accessing public incentives. High inflation, volatile policy environments, elevated lending rates, and limited alternative financing options create additional uncertainty for SMEs. Limited integration between public sector incentives and private financial markets restricts SMEs' ability to leverage multiple sources of capital for growth and expansion (PwC, 2024). In Kogi State, these factors disproportionately affect SMEs operating in rural or semi-urban areas, where access to banking infrastructure and technical support is already constrained.

Government financial incentives are designed to strengthen SME performance in Nigeria, SMEs in Kogi State face multidimensional challenges including bureaucratic hurdles, stringent eligibility requirements, low awareness, limited managerial capacity, institutional inefficiencies, and adverse macroeconomic conditions. Addressing these obstacles requires targeted interventions such as streamlined application procedures, enhanced dissemination of information, capacity-building programmes, and improved institutional coordination at both state and local levels. Enhancing transparency, efficiency, and accessibility in programme implementation is critical to ensuring that public financial incentives achieve their intended developmental impact on SMEs growth and regional economic advancement.

The major Challenges Affecting Access to Government Financial Incentives by SMEs in Kogi State, Nigeria are:

### **Bureaucratic Complexity and Administrative Bottlenecks**

A key challenge is the complexity of administrative procedures involved in government financial incentive programmes. SMEs in Kogi State often encounter multiple stages of application, verification, and approval, which may require approvals from several government agencies and extensive documentation (Ike, 2023). Many SMEs operate with minimal administrative capacity, lacking dedicated staff to manage intricate application processes. Consequently, a significant proportion of eligible SMEs fail to access available funding.

Poor outreach and communication from implementing agencies exacerbate this issue. Many entrepreneurs remain unaware of programme existence, eligibility requirements, or application procedures, leading to low uptake despite the presence of substantial funding windows (Muhammad & Bin Ngah, 2020). In rural and semi-urban areas of Kogi State, these challenges are further compounded by limited access to information technology and physical government offices, making it difficult for SME operators to stay informed about available opportunities.

### **Stringent Eligibility Criteria and Documentation Requirements**

Government financial incentives are typically accompanied by strict eligibility criteria to reduce risk and ensure accountability. Requirements often include audited financial statements, verified business plans, tax compliance certificates, and collateral (Shamsudeen, et al, 2023). For many SMEs in Kogi State particularly micro, informal, or start-up businesses meeting these requirements is a formidable task. Many small business operators lack formal organizational structures and proper record-keeping, making it challenging to satisfy documentation requirements. Consequently, SMEs are often discouraged from applying or face frequent rejections, which mirrors broader structural challenges in Nigeria's formal financial ecosystem. For instance, rural agro-processing SMEs, which constitute a large portion of Kogi State's entrepreneurial landscape, frequently lack collateral or audited accounts, automatically excluding them from accessing subsidized loans or grants.

### **Limited Financial Literacy and Managerial Capacity**

Financial literacy and managerial competence are critical factors in enabling SMEs to navigate complex incentive systems. Effective access to government funds requires the ability to prepare bankable proposals, understand financial guidelines, and comply with reporting obligations (Muhammad & Bin Ngah, 2020; Shamsudeen et al., 2023). In Kogi State, many entrepreneurs especially those in rural communities lack these skills. This skills gap significantly constrains the capacity of SMEs to access incentives and limits the efficient utilization of funds even when obtained. SMEs that receive concessional loans without adequate financial planning may misallocate funds, leading to operational inefficiencies, limited growth, or repayment defaults, which undermines the objectives of public financial support.

### **Delays in Fund Disbursement and High Transaction Costs**

Even when SMEs meet eligibility requirements, delays in fund disbursement often reduce the practical value of incentives. Subsidized loans, grants, and tax reliefs may be held up by verification processes, inter-agency coordination issues, or bureaucratic inefficiencies (Ike, 2023). High transaction costs including time spent preparing applications, complying with documentation requirements, and following up with government offices further erode the net benefits of these programmes. In Kogi State, where SMEs often operate in highly competitive, capital-constrained markets, timely access to financial support is critical for operational continuity, investment in modern equipment, and adoption of innovative production techniques.

### **Institutional Weaknesses and Poor Monitoring**

Institutional inefficiencies present another major challenge. Many public sector programmes suffer from poor coordination between implementing agencies, limited transparency, and inadequate monitoring and evaluation frameworks (Ike, 2023). In Kogi State, these weaknesses often manifest

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Publication of the European Centre for Research Training and Development-UK as delayed approvals, inequitable allocation of funds, and lack of post-disbursement support for beneficiaries.

Political interference and corruption can further compromise programme integrity, preventing deserving SMEs from accessing support and undermining trust in government initiatives. Limited post-funding oversight also reduces accountability, increasing the risk that funds may not be optimally used for productive purposes.

### **Macroeconomic and Structural Constraints**

Broader macroeconomic and structural factors exacerbate SMEs' difficulties in accessing government incentives. Nigeria's volatile economic environment including high inflation, fluctuating interest rates, and unstable fiscal policies creates uncertainty that reduces the effectiveness of public financial support (PwC, 2024). In Kogi State, limited integration between public incentives and private financial institutions restricts SMEs' ability to combine government funding with other sources of capital. Additionally, inadequate banking infrastructure, insufficient credit facilities in rural areas, and weak business advisory support constrain SMEs' participation in incentive programmes. These structural barriers further limit the ability of SMEs to invest, expand operations, and achieve sustainable growth.

### **Limited Awareness and Information Dissemination**

Finally, limited awareness of available incentives is a critical barrier. Many SMEs, especially those in rural and semi-urban areas, remain uninformed about grants, concessional loans, tax reliefs, and other government support mechanisms (Muhammad & Bin Ngah, 2020).

Weak communication strategies, insufficient engagement with local business associations, and lack of digital outreach contribute to underutilization of available programmes, even when they are adequately funded. Enhancing awareness through targeted campaigns, workshops, and partnerships with local chambers of commerce is essential to ensure that SMEs can take full advantage of public financial support.

### **Solutions to the Challenges of Accessing Government Financial Incentives by SMEs in Kogi State, Nigeria**

Addressing the persistent barriers limiting SMEs' access to government financial incentives in Kogi State requires a comprehensive, context-driven, and policy-integrated approach. Such an approach should combine administrative reforms, institutional strengthening, capacity development, and enhanced stakeholder engagement. The effectiveness of public financial support programmes depends not only on their availability but also on their accessibility, transparency, and alignment with the operational realities of SMEs. The following strategies are therefore proposed to improve the accessibility, efficiency, and developmental impact of these incentives:

### **Streamlining Administrative Procedures and Reducing Bureaucracy**

A critical step toward improving access is the simplification of application and approval processes. Excessive bureaucracy discourages SME participation and delays fund utilization.

Government agencies should prioritize:

- a. The deployment of integrated digital platforms that enable end-to-end application, tracking, and feedback mechanisms.
- b. The establishment of SME one-stop centres within Kogi State to centralize information dissemination, application support, and processing.
- c. The harmonization of requirements across agencies to eliminate duplication and reduce administrative burden.

Furthermore, decentralizing administrative processes to local government levels will significantly enhance access for SMEs in rural and semi-urban areas, where proximity to institutions remains a major constraint.

### **Reforming and Contextualizing Eligibility Criteria**

To ensure inclusivity, eligibility conditions must be aligned with the structural realities of SMEs, particularly micro and informal enterprises. This involves:

- a. Recognizing alternative creditworthiness indicators such as mobile transaction records, cooperative society guarantees, and supplier-buyer relationships.
- b. Reducing dependence on collateral and audited financial statements, which many SMEs cannot readily provide.
- c. Designing tiered and sector-specific funding schemes that reflect the varying capacities of micro, small, and medium enterprises.

Such reforms will expand the pool of eligible beneficiaries, especially in key sectors within Kogi State such as agriculture, agro-processing, and petty trade.

### **Enhancing Financial Literacy and Entrepreneurial Capacity**

Improving SMEs' financial and managerial competencies is essential for both accessing and effectively utilizing government incentives. Strategic interventions should include:

- a. Continuous capacity-building programmes focusing on financial management, bookkeeping, proposal writing, and compliance requirements.
- b. Institutional partnerships with universities, polytechnics, and business development service providers within and around Kogi State.
- c. The establishment of structured mentorship and incubation programmes to support emerging entrepreneurs.

These initiatives will enable SMEs to develop bankable proposals, improve financial discipline, and enhance overall business performance.

### **Ensuring Timely Disbursement and Minimizing Transaction Costs**

The relevance of financial incentives is highly dependent on timely access and cost efficiency. To address delays and hidden costs, government agencies should:

- a. Introduce time-bound service delivery standards for application processing and fund disbursement.
- b. Automate verification and approval processes to reduce human-induced delays.
- c. Eliminate unnecessary administrative fees and streamline compliance procedures.

Efficient disbursement mechanisms will ensure that SMEs can respond promptly to investment opportunities and operational demands.

### **Strengthening Institutional Capacity and Promoting Transparency**

Robust institutional frameworks are critical for effective programme implementation. This requires:

- a. Enhanced coordination among federal, state, and local agencies involved in SME development.
- b. Deployment of transparent monitoring and evaluation (M&E) systems to track fund allocation, utilization, and outcomes.
- c. Adoption of digital tracking and reporting tools to minimize corruption, political interference, and fund mismanagement.

In Kogi State, strengthening the capacity of local implementing agencies will improve accountability and ensure equitable distribution of financial incentives.

### **Expanding Awareness and Improving Information Dissemination**

Low awareness remains a major barrier to accessing financial incentives. Addressing this requires a multi-channel communication strategy, including:

- a. Utilization of local media platforms such as radio, community forums, and social media for widespread outreach.
- b. Collaboration with trade associations, chambers of commerce, and cooperative societies to disseminate information at the grassroots level.
- c. Development of simplified and user-friendly guidelines outlining eligibility criteria and application procedures.

Improved awareness will enhance participation rates and ensure that available programmes reach their intended beneficiaries.

### **Promoting Financial Inclusion and Strengthening Infrastructure**

Improved access to financial services is essential for SMEs to benefit from government incentives. Policy measures should focus on:

- a. Expanding banking and microfinance networks in underserved areas of Kogi State.
- b. Encouraging the adoption of digital financial solutions, including mobile banking and fintech platforms.

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- c. Strengthening linkages between public financial schemes and private financial institutions to facilitate blended financing opportunities.

Enhanced financial inclusion will enable SMEs to better access, manage, and leverage available funds for growth and expansion.

### **Ensuring Policy Stability and Macroeconomic Support**

A stable macroeconomic environment is fundamental to the effectiveness of financial incentives. Government should:

- a. Maintain consistent and predictable policy frameworks to reduce uncertainty for SMEs and investors.
- b. Implement measures to control inflation and stabilize interest rates, thereby improving the real value of financial support.
- c. Integrate SME-focused policies into broader state and national development strategies to ensure coherence and sustainability.

Policy stability will strengthen business confidence and encourage greater participation in government incentive programmes.

## **CONCLUSION AND RECOMMENDATIONS**

This study critically examined the role, accessibility, and effectiveness of government financial incentives in supporting Small and Medium-Sized Enterprises (SMEs) in Kogi State, Nigeria. SMEs remain central to economic development due to their capacity to generate employment, stimulate innovation, reduce poverty, and promote economic diversification. Despite the availability of various government-backed financial incentives such as concessional loans, grants, tax reliefs, and credit guarantee schemes their overall impact has been limited by significant access-related constraints.

Anchored on credit market imperfection theory, institutional theory, and the resource-based view, the study demonstrates that the existence of financial incentives alone is insufficient to drive SME growth. Rather, accessibility, institutional quality, and firm-level capabilities are critical to realizing their intended benefits. Empirical evidence from Nigeria, particularly Kogi State, confirms that SMEs with access to government support exhibit improvements in productivity, employment generation, and profitability. However, these gains remain uneven due to persistent structural and institutional barriers.

The study identified key challenges including bureaucratic bottlenecks, stringent eligibility requirements, low awareness, weak financial literacy, delays in fund disbursement, institutional inefficiencies, and macroeconomic instability. These challenges create a disconnect between policy formulation and actual outcomes, thereby limiting the inclusiveness and effectiveness of

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Publication of the European Centre for Research Training and Development-UK financial incentive programmes. In Kogi State, these issues are further intensified by infrastructural deficits, weak local institutional frameworks, and low levels of financial inclusion, especially in rural and semi-urban areas.

To improve SMEs' access to government financial incentives and enhance their effectiveness in Kogi State, the following key recommendations are proposed:

### **Simplification and Digitization of Access Processes**

Government agencies should streamline and digitize application, screening, and approval procedures. The establishment of integrated online platforms and SME support centres will reduce bureaucratic delays, improve efficiency, and expand access, particularly for rural-based enterprises.

### **Adoption of Inclusive and Flexible Eligibility Frameworks**

Eligibility criteria should be restructured to reflect the realities of SMEs by reducing reliance on collateral and audited statements. Alternative credit assessment mechanisms such as transaction records and cooperative guarantees should be adopted, alongside tiered funding structures for different SME categories.

### **Strengthening Capacity Building and Financial Literacy**

There is a need for sustained investment in training programmes focused on financial management, record-keeping, and business planning. Collaborations with academic institutions and business development organizations will enhance SMEs' capacity to access and effectively utilize financial incentives.

### **Enhancement of Institutional Efficiency, Transparency, and Timely Disbursement**

Government should strengthen institutional coordination, establish clear timelines for fund disbursement, and deploy transparent monitoring systems. Digital tracking mechanisms will reduce corruption, ensure accountability, and improve the credibility of intervention programmes.

### **Improved Awareness and Financial Inclusion Strategies**

Targeted awareness campaigns using local media, trade associations, and community networks should be intensified to bridge information gaps. Simultaneously, expanding financial infrastructure and promoting digital financial services will enhance SMEs' ability to access and manage government-supported funds.

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