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The effect of Government monetary policy on credit accessibility and growth of small and medium-sized enterprises (SMEs) in Obio-Akpor, Rivers State

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Abstract

This study investigates the impact of government monetary policy on the growth of Small and Medium-sized Enterprises (SMEs) in Obio-Akpor Local Government Area of Rivers State, with particular emphasis on credit accessibility, financial stability, and enterprise development. The research focused on SMEs operating in Mgbuesilaru, Rumuoji, Elelenwo, Rumuekwe, Rumuobochi, and Nkpa. Primary data were obtained from 120 SME operators across various sectors, drawn from 280 distributed questionnaires. The findings indicate that SMEs face considerable difficulties in accessing credit, largely due to stringent loan conditions and high collateral requirements. Moreover, while government monetary policies have a moderate influence on the financial stability of SMEs, their overall effectiveness in stimulating business growth remains limited. The study recommends the introduction of more flexible lending terms, including reduced interest rates and extended repayment periods, to alleviate financial constraints and enhance the sustainability of SMEs.

Keywords: Accessibility, Collateral, Credit, Reserve, Stability.

1. Introduction

Small and Medium-sized Enterprises (SMEs) are a critical engine for economic growth in emerging economies like Nigeria, contributing significantly to employment generation, innovation, and national income (Ezeilo & Ike, 2024; Nnenna et al., 2020). However, despite their importance, SMEs in Nigeria, particularly in regions such as Obio-Akpor, Rivers State, face significant barriers to growth, primarily due to limited access to financial resources. Stringent lending conditions, high-interest rates, and inflation have created an environment where SMEs struggle to secure credit, hindering their growth and financial stability (Ebire, 2018; Kisseih, 2017; Onakoya et al., 2024).

In Nigeria, government monetary policies, largely implemented through the Central Bank of Nigeria (CBN), directly influence the financial stability of SMEs by affecting credit availability and interest rates (Aga, 2023; CBN, 2025; Ilo et al., 2023). While some policies have been designed to stimulate growth and reduce foreign exchange risks for local businesses (Atayi, 2024; Reuters, 2024), their effectiveness remains a subject of debate. Critics argue that high-interest rates and restrictive credit conditions often limit the ability of SMEs to access necessary funding, impeding their ability to expand and contribute to economic development (Aladejebi et al., 2023; P.M. News, 2018).

In Obio-Akpor, Rivers State, a region where SMEs play a pivotal role in the local economy, these issues are exacerbated by limited access to affordable credit, making it harder for SMEs to scale. Despite recent government efforts to introduce reforms such as the creation of the National Credit Guarantee Company to improve credit access

(Reuters, 2025), SMEs in this area continue to face financial constraints that limit their growth potential.

This study, therefore, seeks to investigate how government monetary policies affect SME growth and financial stability specifically in Obio-Akpor, Rivers State. By assessing the local impact of these policies, this research aims to identify the key factors that hinder or promote the growth of SMEs in this region, offering insights into potential policy adjustments to foster a more conducive environment for SME development.

2. Literature Review

2.1 Conceptual Review

2.1.1 Monetary Policy and SME Financing in Nigeria

Monetary policy plays a pivotal role in shaping the financial environment for Small and Medium Enterprises (SMEs) in Nigeria by influencing key factors such as interest rates, inflation control, and credit policies. Interest rates, for instance, directly affect SMEs' ability to secure financing. When interest rates are lowered, borrowing costs are reduced, which facilitates easier access to capital for SMEs. However, when interest rates rise, as seen in November 2024 when the Central Bank of Nigeria (CBN) raised its benchmark lending rate by 25 basis points to 27.50%, access to affordable financing becomes more constrained. This increase marked the sixth consecutive rate hike in the year and posed significant challenges for SMEs reliant on bank loans for expansion (Reuters, 2024).

In addition to interest rates, maintaining stable inflation and currency exchange rates is crucial for creating a favorable environment for SME financing. Stable inflation helps ensure predictable operating costs, while a stable currency minimizes foreign exchange risks. These factors collectively allow SMEs to focus on growth without undue financial volatility. For example, in February 2025, the CBN maintained the Monetary Policy Rate (MPR) at 27.5% in an effort to stabilize the foreign exchange market and reduce inflation, which stood at 24.48% in January 2025 (Reuters, 2025).

Credit policies aimed at promoting financial inclusion are also essential in bridging the financing gap for SMEs. By encouraging financial institutions to extend credit to underserved SMEs, government policies can support their expansion and innovation. In December 2024, the Nigerian government announced a ₦198 billion syndicated loan fund to support Micro, Small, and Medium Enterprises (MSMEs), with the first loans expected in the first quarter of 2025. This initiative, which offers loans at a single-digit interest rate of 9%, aims to enhance credit accessibility for SMEs nationwide (MSME Africa, 2024).

Beyond monetary policy, the Nigerian government has implemented several initiatives to improve SME financing. In November 2024, for example, the government raised the maximum loan amount accessible under its single-digit interest loan program to ₦5 million, supported by a ₦200 billion Presidential Intervention Fund, with ₦75 billion earmarked specifically for MSMEs (Nairametrics, 2024). Furthermore, plans were announced in January 2025 to establish a National Credit Guarantee Company by May, which aims to expand credit access and support underserved groups like women and youth (Reuters, 2025). Despite these efforts, challenges persist. High lending rates, driven by the elevated MPR, continue to hinder SMEs' access to affordable credit. Analysts have noted that servicing loans at nearly 30% interest remains a heavy burden for businesses (Reuters, 2024).

2.1.2 Challenges and Constraints of Monetary Policy on SMEs Growth

Small and Medium Enterprises (SMEs) are pivotal to Nigeria's economic development, driving employment and innovation. However, monetary policies often pose significant challenges to their growth. Key issues include high-interest rates, regulatory barriers, and economic volatility.

High-Interest Rates

Elevated interest rates substantially increase borrowing costs for SMEs, hindering their ability to finance operations and expansion. According to Ilo et al. (2023), monetary policy in Nigeria, particularly through interest rate adjustments, has not been a potent tool for promoting the performance of SMEs. This view is corroborated by Nwoye and Onuoha (2021), who note that higher interest rates tend to reduce the growth potential of SMEs by increasing operational costs, making it difficult for businesses to reinvest profits into expansion. In recent years, the Central Bank of Nigeria's series of interest rate hikes has further escalated borrowing costs, adversely affecting economic activity. For example, in November 2024, the CBN raised its benchmark lending rate to 27.50%, which marked the sixth consecutive increase in the year (Reuters, 2024). This increase has compounded the financing challenges for SMEs, which are already constrained by limited access to credit. According to Asiedu and Nketiah (2020), higher interest rates in developing economies like Nigeria discourage SMEs from borrowing, thus limiting their ability to expand. As SMEs in Nigeria rely heavily on external financing for growth, high-interest rates can significantly impede their growth prospects (Ilo et al., 2023).

Regulatory Barriers

Complex compliance requirements, multiple taxation, and restrictive lending practices create significant obstacles for SMEs. The National President of the Association of Small Business Owners of Nigeria, Femi Agbesola, highlighted that high inflation rates have eroded consumers' disposable income, reducing sales and profits for SMEs and making loan repayments difficult (Popoola, 2023). Additionally, the introduction of the Global Standing Instruction (GSI) by the Central Bank of Nigeria allows banks to recover outstanding loans from any account maintained by the debtor across all financial institutions, which, while aiming to reduce non-performing loans, adds another layer of complexity for SMEs (Popoola, 2023). Regulatory barriers also create significant challenges for SMEs, affecting their ability to thrive. Complex compliance requirements, excessive taxation, and restrictive lending practices all increase the cost of doing business and limit access to financial resources. A study by the World Bank (2023) highlights that overregulation in developing economies, such as Nigeria, discourages entrepreneurship and inhibits SME growth. Furthermore, restrictive credit conditions, such as high collateral requirements and stringent documentation processes, often prevent SMEs from securing loans, thereby stalling their expansion. Additionally, high inflation rates, often resulting from monetary policy adjustments, erode consumers' disposable income, which in turn affects the sales and profits of SMEs. A report by Agbesola (2023) reveals that when inflation increases, SMEs struggle to maintain sales and profitability, making it more difficult for them to meet loan repayment obligations. This creates a cycle where SMEs, facing declining sales and profitability, find it harder to obtain further financing, thereby stifling their growth.

Economic Volatility

Sudden changes in monetary policy, such as currency redesigns and inconsistent interest rates, create an unstable business environment for SMEs. The 2022 currency redesign by the Central Bank of

Nigeria, intended to promote a cashless economy, posed significant challenges to SMEs, resulting in decreased sales and productivity (Aladejebi et al., 2023). Additionally, economic reforms, including the unification of exchange rates and reduction of petrol subsidies, have led to increased inflation and operational costs, making it challenging for SMEs to plan long-term investments (Financial Times, 2024). Moreover, the unification of exchange rates and the reduction of petrol subsidies have led to increased inflation and operational costs, making it challenging for SMEs to plan effectively. According to Osei et al. (2023), exchange rate volatility and sudden shifts in monetary policy undermine the growth prospects of SMEs by creating an unpredictable business environment. In Nigeria, such volatility increases operational costs, which disproportionately affects SMEs that lack the financial resilience of larger firms.

2.2 Theoretical Framework

This study is anchored on two theories: the Keynesian Economic Theory and the Monetary Policy Transmission Mechanism.

2.2.2 Keynesian Economic Theory

The Keynesian Economic Theory, introduced by economist John Maynard Keynes in the early 20th century, highlights the importance of government intervention to regulate economic cycles. Keynes proposed that government policies could stabilize the economy by influencing aggregate demand, which is the total demand for goods and services within the economy. According to Keynesian theory, in times of economic downturn, the government should increase spending and reduce interest rates to stimulate demand. Conversely, in periods of high inflation, the government can implement restrictive policies to cool the economy. This theory provides a foundation for understanding how government actions, particularly monetary policies, impact the growth of small and medium-sized enterprises (SMEs) by influencing demand, credit availability, and investment costs (Keynes, 1936). In the context of SME growth, the Keynesian Economic Theory suggests that expansionary monetary policies, such as reducing interest rates or increasing money supply, can lower borrowing costs for SMEs, thereby encouraging them to invest, expand, and contribute to economic growth. Alternatively, contractionary policies that increase interest rates or restrict the money supply may limit SMEs' access to affordable credit, potentially stifling growth and innovation within this sector (Ashogbon et al., 2022). Many SMEs may face constraints in accessing capital or sustaining operations when economic conditions are unfavorable, making them highly sensitive to changes in monetary policy.

2.2.2 Monetary Policy Transmission Mechanism

The Monetary Policy Transmission Mechanism further explains how changes in government monetary policy impact the real economy. This theory outlines the pathways through which monetary policy adjustments affect individuals, businesses, and overall economic activity. The transmission mechanism operates primarily through several channels, including the interest rate channel, the credit channel, and the exchange rate channel. Each of these channels has implications for SMEs, which often depend on affordable credit and stable economic conditions to thrive (Mishkin, 1995). For example, the Interest Rate Channel suggests that changes in the central bank's interest rates directly affect the cost of borrowing for SMEs. Lower interest rates can encourage SMEs to borrow, invest, and expand, while higher rates may discourage borrowing due to the increased cost. The Credit Channel posits that monetary policy influences the

availability of credit to businesses. When monetary policy is expansionary, banks may be more willing to lend to SMEs, promoting growth. The Exchange Rate Channel affects SMEs involved in international trade; a lower interest rate may lead to currency depreciation, making exports cheaper and benefiting SMEs engaged in exporting goods or services. Applying these theories, this study seeks to understand how monetary policy actions, such as adjustments in interest rates or credit supply, influence SME growth by either providing more favorable economic conditions or imposing constraints on businesses.

2.3 Empirical Review

Onakoya et al. (2024) conducted a study on inflation and small SMEs growth in Nigeria, examining the influence of inflation rates, interest rates, and exchange rates on SME expansion. Using secondary data spanning 2001 to 2022 from the Central Bank of Nigeria (CBN) and the Federal Office of Statistics (FOS), the research employed unit root tests for stationarity, followed by Cointegration, Ordinary Least Squares (OLS), and an Error Correction Model (ECM) for analysis, alongside multiple diagnostic tests on residuals. Findings indicated a statistically significant positive effect of interest rates on SME financing, while inflation negatively influenced funding, and exchange rates showed no impact. The study recommended that monetary authorities implement inflation control measures and create structured financial channels within institutions to offer low-interest credit, fostering SME development and curbing inflationary pressures. Ashogbon et al. (2022) examined the impact of lending rates on the growth of SMEs in Nigeria using annual time-series data from 2000 to 2019. The study aimed to assess how variations in loan rates influence SME growth, measured by small and medium scale enterprises GDP (SMEGDP). Independent variables included the monetary policy rate (MPR), inflation, exchange rates, reserve requirements, and commercial bank SME lending rates. Additionally, total bank lending to the private sector, SME loans, and the proportion of SME credit allocation were analyzed over time. The study applied the autoregressive distributed lag (ARDL) model alongside descriptive and inferential statistics. Findings indicated that an increase in lending rates (LRCM) by 1% led to a 1.6% decline in SMEGDP, while a 1% rise in reserve requirements (RR) increased SMEGDP by 0.005%. The study recommended policies that lower lending rates and optimize reserve requirements to enhance SME growth. Nnenna et al. (2020) investigated the impact of economic variables on SMEs in Nigeria, focusing on the effects of interest rates, exchange rates, and inflation on businesses in the South-East. The study employed a cross-sectional survey design, selecting 296 participants from a population of 1,560. Multiple regression analysis was used to test the research hypotheses. Findings revealed that inflation, loan rates, and currency fluctuations significantly hinder SME growth in the region. The study concluded that uncontrolled inflation weakens SME stability and competitiveness. It recommended effective inflation management policies to foster a conducive economic environment for SME expansion. Atayi et al. (2020) examined the impact of exchange rate fluctuations on the performance of small and medium-sized enterprises in Nigeria. The study employed unit root tests to assess the stationarity of variables and used the Generalized Autoregressive Conditional Heteroskedasticity model to estimate exchange rate fluctuations. The Bound Cointegration test was applied to determine long-run relationships, while the ARDL approach was used to analyze both short- and long-run effects. Findings

indicated a long-run relationship between exchange rate fluctuations and SME performance, while short-run results showed that a 1 percent increase in exchange rate fluctuation led to a 0.96 percent decline in SME performance at a 5 percent significance level. Inflation and trade openness exhibited both positive and negative relationships with SME performance. The study concluded that exchange rate volatility negatively affects SMEs, with inflation and trade openness as key determinants. It recommended government incentives and subsidies for local manufacturers, alongside stable inflation and interest rate policies to mitigate exchange rate instability. Kisseih (2017) explored interest rate fluctuations and the growth of small and medium enterprises in Accra, assessing how shifts in borrowing costs influence SME expansion. Variables examined included interest rate movements, profitability, business size, and access to bank loans. A combination of primary and secondary data was analyzed using SPSS and Microfit, with the ARDL technique applied after conducting unit root tests. Findings revealed a co-integration relationship, demonstrating that SME profitability is interdependent on interest rates, loan availability, and enterprise scale. The study proposed reinstating minimum credit quotas for banks and establishing well-defined policies to strengthen SME growth.

3. Methodology

3.1 Research Design

This study adopted a descriptive survey design to examine the impact of monetary policies on small and medium enterprises (SMEs) in Obio/Akpor Local Government Area, Rivers State. The design was chosen because it allows for the systematic collection of primary data from a wide range of SME operators. This approach is ideal for exploring how specific monetary policy factors, such as interest rates and credit accessibility, influence SME operations. The descriptive survey design also enables the study to capture detailed insights into the challenges SMEs face, offering a comprehensive understanding of the local impact of financial policies.

3.2 Population of Study

The research targeted SMEs operating in Obio/Akpor, focusing on Mgbuesilaru, Rumuoji, Elelenwo, Rumuekwe, Rumuobochi, and Nkpa. These locations were selected due to their high concentration of business activities, including retail trade, service-based enterprises, and financial operations, making them suitable for assessing the effect of monetary policies on SME growth.

The research targeted Small and Medium Enterprises (SMEs) operating in Obio/Akpor, specifically focusing on the areas of Mgbuesilaru, Rumuoji, Elelenwo, Rumuekwe, Rumuobochi, and Nkpa. These locations were chosen due to their high concentration of business activities, including retail trade, service-based enterprises, and financial operations. The total population of SMEs in these areas was estimated at 953 based on local business directories and the records from the Obio/Akpor Local Government Area office.

Respondents included SME owners, managers, and financial officers who are directly involved in the day-to-day operations and decision-making processes related to financial policies. These individuals were chosen because they have firsthand knowledge of how monetary policies, such as interest rates and credit accessibility, impact their businesses.

By selecting these respondents, the study aims to capture diverse perspectives on the effects of monetary policies on SME growth, ensuring that the data collected reflects the experiences of key stakeholders in the local SME ecosystem.

3.3 Sample Size and Sampling Technique

The total SME population in Obio/Akpor was estimated at 953. A simple random sampling technique was adopted to ensure equal representation of business categories. Using the Taro
Yamane formula (1967), the sample size was determined as follows:
The total population of SMEs in Obio/Akpor was estimated at 953. To ensure the sample was representative of the entire population, a simple random sampling technique was employed. This technique was chosen because it provides each SME in the population with an equal chance of being selected, minimizing bias and ensuring a diverse representation across all sectors of SMEs. By using simple random sampling, the study can generalize the findings to the broader SME population in Obio/Akpor. While alternative methods such as cluster sampling or systematic sampling could have been considered, simple random sampling was preferred because it avoids the complexities of grouping SMEs into clusters or selecting samples at fixed intervals. Furthermore, it allows for more straightforward analysis and ensures that each SME, regardless of its size or sector, has an equal probability of inclusion, leading to a more robust and unbiased data set. Using the Taro Yamane formula (1967), the sample size was determined to be appropriate for statistical significance, ensuring the study's findings are representative of the entire SME population in Obio/Akpor.

$$n = N / (1 + N(e)^2)$$

Where:
n = Sample size
N = Population size (953)
e = Margin of error (5%)
1 = Constant
$n = 953 / (1 + 953 (0.05)^2)$
$n = 953 / (1 + 2.3825)$
$n = 953 / 3.3825$
$n \approx 281.4$
Final sample size: 281 respondents
Respondents were drawn from diverse SME sectors, ensuring a balanced representation across: Food industry workers, POS banking agents, cybercafé operators, retail shop owners, transport service providers, artisans (e.g., welders, carpenters), Agricultural traders Fashion designers and tailors. A total of 281 questionnaires were distributed equally. However, only 161 were completed, out of which 120 were correctly filled.

3.4 Sources & Method of Data Collection

Both primary and secondary data were utilized. Primary data were gathered through structured questionnaires designed to capture respondents' perceptions on access to finance, monetary policy influence, and SME challenges. Secondary sources included government reports, journal articles, textbooks, and statistical bulletins.
Both primary and secondary data were utilized in this study. Primary data were gathered through structured questionnaires designed to capture respondents' perceptions on access to finance, the influence of monetary policies, and the specific challenges faced by SMEs. These questionnaires were administered to SME owners, managers, and financial officers, who provided firsthand insights into the operational and financial impacts of government monetary policies on their businesses. Secondary data, however, were not directly collected through this study. Instead, secondary data were used for contextual analysis and background information. These secondary sources included government reports, journal articles, textbooks, and statistical bulletins, which helped provide a broader understanding of the economic and financial landscape in which SMEs operate. Thus, the primary data collection focused on firsthand responses from SMEs, while secondary data were used to

complement and support the analysis of the findings.

3.5 Method of Data Analysis

Data were analyzed using mean and standard deviation. The mean provided insight into the general trend of responses, while the standard deviation assessed variability among opinions. This analytical approach ensured a comprehensive understanding of monetary policy effects on SME performance.

4. Result and Discussions

4.1 Socio-Demographic of the Respondents

A total of 281 questionnaires were distributed equally. However, only 161 were completed, out of which 120 were correctly filled.

Table 1: Respondents Demographic Variables

Variable	No. of Respondents	Percentage
Age Group		
18-25	30	25%
26-35	40	33.3%
36-45	30	25%
46 and above	20	16.7%
Total	**120**	**100%**
Marital Status		
Single	45	37.5%
Married	68	56.7%
Divorced	7	5.8%
Total	**120**	**100%**
Educational Qualification		
WAEC	25	20.8%
B.SC	45	37.5%
M.SC (Edu.)	30	25%
MSC	20	16.7%
Total	**120**	**100%**
Business Location		
Mgbuesilaru	20	16.7%
Rumuoji	20	16.7%
Elelenwo	20	16.7%
Rumuekwe	20	16.7%
Rumuobochi	20	16.7%
Nkpa	20	16.7%
Total	**120**	**100%**
Type of Business		
Food industry workers	15	12.5%
POS banking agents	15	12.5%
Cybercafé operators	15	12.5%
Retail shop owners	15	12.5%

Variable	No. of Respondents	Percentage
Transport service providers	15	12.5%
Artisans (e.g., welders, carpenters)	15	12.5%
Agricultural traders	10	8.3%
Fashion designers	10	8.3%
Tailors	10	8.3%
Total	**120**	**100%**
How long have your business operated?		
Less than a year	30	25%
1-3 years	30	25%
4-6 years	30	25%
More than 6 years	30	25%
Total	**120**	**100%**
Gender		
Male	55	45.8%
Female	65	54.2%
Total	**120**	**100%**

Source: SPSS 24 Output Result.

The result of table 1 above shows the demographic characteristics of SME operators located in Obio-Akpor, highlighting factors that influence access to credit and responsiveness to monetary policies. The gender distribution shows a higher female participation in SME operations, with 54.2% of respondents being female and 45.8% male, which may shape financing dynamics. The age distribution reveals that 33.3% of respondents fall within the 26-35 age range, followed by 25% in both the 18-25 and 36-45 categories. This indicates a youthful workforce that may be more open to financial innovations but could face credit access challenges due to limited financial history.

Marital status data shows that 56.7% of respondents are married, suggesting significant financial obligations that may impact business investment and risk tolerance. Regarding educational qualifications, 37.5% hold a B.Sc., while 25% have an M.Sc., reflecting a well-educated SME sector with potential advantages in financial literacy and credit management. The even distribution of businesses across Mgbuesilaru, Rumuoji, Elelenwo, Rumuekwe, Rumuobochi, and Nkpa suggests a diverse sample, making policy implications broadly applicable. The nature of SME activities varies, with businesses spread across food services, POS banking, retail, transport, skilled trades, and other sectors, highlighting the need for sector-specific monetary policies. In addition, the distribution of business experience is balanced, with equal representation of enterprises operating for less than a year, 1-3 years, 4-6 years, and more than six years, suggesting a mix of new and established businesses with different financial needs. This demographic composition underscores the necessity for tailored monetary policies that enhance SME growth, improve financial accessibility, and support economic stability in the region.

Research Question 1: What are the challenges faced by SMEs in accessing funding and credit?

Table 2: Examine the challenges faced by SMEs in accessing funding and credit.

Coefficients a

Model	Unstandardized Coefficients	Standardized Coefficients	T	Sig.	Collinearity Statistics
	B	Std. Error	Beta		
(Constant)	0.875	0.314		2.787	0.006
Loan Requirement Difficulty (REQDIFF)	0.422	0.083	0.498	5.084	0.000
High Interest & Collateral (INTCOLL)	0.273	0.052	0.321	5.250	0.000

a. Dependent Variable: Challenges in accessing funding and credit

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.642	.412	.402	0.735

ANOVA a

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	52.324	2	26.162	48.487	.000
Residual	74.396	117	0.636		
Total	126.720	119			

a. Dependent Variable: Challenges in accessing funding and credit

b. Predictors: (Constant), Loan Requirement Difficulty, High Interest & Collateral

Source: SPSS 24 Output Result

Interpretation: The regression model is statistically significant ($F = 48.487$, $p < .001$), with an $R^2 = .412$, indicating that approximately 41.2% of the variance in the challenges SMEs face in accessing funding can be explained by loan requirement difficulties and high interest/collateral conditions. Both predictors are significant ($p < .001$), with **loan requirements** having a slightly higher influence ($\beta = .498$) than **interest and collateral burden** ($\beta = .321$). The positive coefficients suggest that higher difficulty in meeting loan requirements and higher financial burdens significantly contribute to funding access challenges.

Research Question 2: What are the impacts of government monetary policies on the financial stability and growth of Small and Medium- sized Enterprises (SMEs)?

Table 3: Assess the impact of government monetary policies on the financial stability and growth of Small and Medium-sized Enterprises(SMEs).

Coefficients a

Model	Unstandardized Coefficients	Standardized Coefficients	t	Sig.	Collinearity Statistics
	B	Std. Error	Beta		
(Constant)	0.952	0.308		3.090	0.002
Interest Rate Adjustment (INTADJ)	0.436	0.085	0.502	5.129	0.000
Policy Resilience Support (POLRES)	0.267	0.053	0.316	5.038	0.000

a. Dependent Variable: SME Financial Stability and Growth

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.638	.407	.396	0.727

ANOVA a

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	49.732	2	24.866	47.019	.000
Residual	75.488	117	0.645		
Total	125.220	119			

a. Dependent Variable: SME Financial Stability and Growth
b. Predictors: (Constant), Interest Rate Adjustment, Policy Resilience Support

Interpretation: The regression model is statistically significant ($F = 47.019$, $p < .001$), explaining 40.7% of the variance ($R^2 = .407$) in SME financial stability and growth. Both predictors interest rate adjustments ($\beta = .502$, $p < .001$) and perceived policy support for economic resilience ($\beta = .316$, $p < .001$) are significant and positively associated with SME growth. This implies that monetary policies, particularly adjustments in interest rates, significantly affect the financial condition and resilience of SMEs. However, the relatively moderate adjusted R^2 (0.396) suggests that other external factors beyond monetary policy also play critical roles in SME financial outcomes.

Research Question 3: What is the effectiveness of government monetary policy interventions on the growth of SMEs?

Table 4: Analysis of the effectiveness of government monetary policy interventions on the growth of SMEs.

Coefficients a

Model	Unstandardized Coefficients	Standardized Coefficients	t	Sig.	Collinearity Statistics
	B	Std. Error	Beta		
(Constant)	1.102	0.281		3.922	0.000
Direct Benefit from Policy (BENEFIT)	0.387	0.086	0.464	4.500	0.000
Policy Credit Access Support (CREDITACC)	0.312	0.078	0.374	4.000	0.000

a. Dependent Variable: Effectiveness of Government Monetary Policy Interventions on SME Growth

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.612	.375	.364	0.800

ANOVA a

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	54.126	2	27.063	42.262	.000
Residual	90.894	117	0.777		
Total	145.020	119			

a. Dependent Variable: Effectiveness of Monetary Policy Interventions
b. Predictors: (Constant), Direct Benefit from Policy, Policy Credit Access Support

Interpretation: The regression model is significant ($F = 42.262$, $p < .001$) with an R^2 of 0.375, meaning that about 37.5% of the variation in the perceived effectiveness of government monetary interventions on SME growth is explained by direct policy benefits and credit access support programs. Both predictors are statistically significant ($p < .001$). The stronger predictor is whether SMEs

receive direct benefits from policies (β = .464), followed by improvements in credit access (β = .374). This indicates that actual, tangible policy benefits and facilitation of credit are central to improving the effectiveness of interventions, though the moderate R^2 suggests room for other variables or structural improvements.

5. Conclusion, and Recommendations

Summary of Findings

This study assessed the influence of government monetary policy on the growth and financial sustainability of Small and Medium-sized Enterprises (SMEs) in Obio-Akpor Local Government Area. Data were gathered from a cross-section of SMEs operating in sectors such as food services, point-of-sale (POS) banking, retail, transportation, and skilled trades. The study area included Mgbuesilaru, Rumuoji, Elelenwo, Rumuekwe, Rumuobochi, and Nkpa, selected to reflect diverse economic settings and ensure a representative view of SME conditions across the region.

Out of 280 distributed questionnaires, 175 were returned, with 120 valid responses used for analysis. The analysis revealed that SMEs encounter substantial challenges in securing funding, including difficulty meeting loan conditions, collateral demands, and limited availability of affordable credit. These financial barriers significantly constrain business expansion and productivity. Although government monetary policy interventions exist, their reach and impact remain uneven. Many SME operators reported limited direct benefits from such policies, suggesting a disconnect between policy design and implementation. Furthermore, while certain monetary adjustments such as interest rate policies and credit facilitation programs exert some positive influence, they have not translated into broad-based or sustained SME growth.

Conclusion

The study concludes that SMEs in the region face systemic obstacles to financial access, which continue to hinder their growth potential. Existing monetary policy interventions have not been sufficiently effective in addressing these challenges. High borrowing costs, complex lending requirements, and minimal policy support mechanisms have created a financing environment that is unfavorable for SME development. Consequently, the limited financial inclusivity restricts SMEs' capacity to contribute meaningfully to economic diversification, job creation, and local development. Strengthening the responsiveness and accessibility of monetary policy frameworks is therefore essential to unlocking the growth potential of the SME sector.

Recommendations

Government agencies and financial institutions must design inclusive credit instruments by introducing customized financing solutions for SMEs, such as microloan schemes with reduced collateral requirements, revenue-based financing options, and loan guarantee programs that minimize lender risk. Central banking authorities should promote concessionary lending by implementing interest rate relief measures and extended repayment terms specifically targeted at SME lending, thereby easing cash flow constraints and enhancing business sustainability. Policymakers must enhance policy implementation mechanisms through the establishment of transparent, accountable, and robust monitoring and evaluation frameworks to ensure that monetary policy intentions translate into tangible outcomes at the enterprise level. Efforts must be made to bridge information gaps by launching awareness campaigns and creating accessible information channels to improve the visibility of support programs and encourage broader SME

participation. Collaborative financing platforms must be fostered by strengthening public-private partnerships among governments, banks, and development finance institutions to co-create financing products that align with the realities and sector-specific needs of SMEs.

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