**Impact of Venture Capital Finance on Small and Medium Scale Enterprises in Nigeria**

**Abstract**

This case study examined how venture capital investment on SMEs in Ekiti State. The study employed small and medium-sized firms as the dependent variable and long-term investors, investment banks, and financial institutions as the independent factors. Using a stratified sample technique, a well-structured questionnaire, descriptive statistics, and ordinary least squares estimate as method of analysis, the study indicated that long-term investors greatly affect SMEs' performance. This defies the null hypothesis. The regression study revealed a favourable correlation between long-term investment and SME success (coefficient = 0.537, p-value = 0.000, p < 0.05). The second hypothesis was rejected since investment banks positively affect SME financial viability. The regression coefficient of 0.817 and p-value of 0.000 indicate a substantial influence. Investment banks may assist SMEs improve their finances by providing structured financial products, consultation, and corporate rearrangement. The statistical data also rejected the third hypothesis by showing that financial institutions substantially and favourably enhance stakeholder and investor trust in SMEs. The research shows that external stakeholders trust and believe SMEs sponsored by reputable financial institutions (r=0.822, p=0.000). The research concluded that long-term investors, investment banks, and other financial institutions improve performance, sustainability, and credibility for Nigerian SMEs. These venture capital investment sources provide small and medium firms the financial, managerial, strategic, and reputational support they need to succeed. Thus, Nigerian SMEs can maximise venture capital financing by upgrading their goods, expanding operations, and investing in technology. SMEs should also teach managers and owners on venture capital fund management regularly. This includes accurate record-keeping, quick risk assessment, and financial compliance. SMEs receiving venture capital must be transparent and accountable. This may be achieved by doing business responsibly, keeping thorough financial records, and reporting to investors honestly.

Keywords: Venture Capital, Finance, Small and Medium Scale Enterprises, Nigeria,Regression

**1. Introduction**

“Venture capital (VC) financing has subjugated debates on global financial markets for the perceived momentous influence to inspire Small and medium-sized enterprises’ (SMEs) performance” (Egu, Olofu, Mannah, Uwalaka & Ibaye, 2024). “Finance has been identified as one of the most important factors that determines the survival and growth of any economic activities, small and medium enterprises (SMES) inclusive” (Ummi & Safiyya, 2020). “Access to finance allows SMEs to undertake productive investment, expand business and acquire the latest technology” (Bongomin, Ntayi, Munene & Malinga, 2017). “There has been an increase in attention towards Startup enterprises within developing economies as they are deemed as key drivers of economic growth and an avenue for foreign direct investments” (Mogiro, 2012), “start-up capital has become a barrier to entry in most entrepreneurial activities in Nigeria especially small and medium scale enterprises, Small and medium scale enterprises (SMEs) play a pivotal role in the national economies of countries around the world” (Emerah, Oyedele & Ofobruku, 2020). “In Nigeria, several schemes have been designed in an effort to encourage the flow of the development finance to SMEs” (Ugwu-oju, Onodugo & Mbah, 2020). “In its effort to foster inclusive growth and widen opportunities for greater participation of innovative and young small enterprises, the Nigerian government established Small and Medium Enterprises Equity Investment Scheme (SMEEIS) in 2001” (Ummi & Safiyya, 2020).

“Under the scheme, all banks are required to set aside annually certain proportion of their profit after tax (10%) for equity investment and promotion of small and medium industries. This is to complement the effort of Nigerian Government by the banking industry towards stimulating economic growth, developing local technology and generating employment. In spite of the abovementioned measures however, easy access to finance remains a major problem facing the SMEs” (Ummi & Safiyya, 2020). Hence, “for SMEs to play their role effectively, a new approach or alternative means of financing is imperative. Venture capitalist as a financial body, do relatively finance infant, and potentially, high growing companies at an early stage of their development” (Bonini & Capizzi, 2019). “The venture capitalist like to invest their capital in such a business with long term growth prospect. Venture capitalists are vigorously involved in the management of the ventures they fund, usually serving as the members of the board of directors and holding significant economic rights in addition to their ownership rights” (Salomon, 2016). Normally, “they hold top organisational position and often take the position of a limited partnership, with the venture capitalists acting as general partners and the outside investors as limited partners. Thus, venture capital is a different form of financial intermediation, focusing in the provision of equity financing to SMEs for economic development” (Ummi & Safiyya, 2020). “The Nigerian government recognizes the importance of SMEs in stimulating and driving the economy” (Gumel, 2019). As a result, “the potential for venture capital investors is rapidly increasing. Though, venture capital industry in Nigeria is relatively new, there is growing interest in the concept and its relevance in the Nigerian society” (Achugbu, 2017). “In developed countries, combination of a well-developed financial systems and appropriate government policies and programmes favours the growth and development of small and medium enterprises” (Bonini & Capizzi, 2019). However, “because of numerous challenges facing the sector, the contribution of SMEs to the economic growth and development of Nigeria is low” (Okello, Mpeera, Ntayi, Munene & Akol, 2017). “It is evident from the previous studies that small and medium enterprises have limited access to finance compared to large scale enterprises” (Brixiová, Kangoye & Yogo, 2020). “In a situation where the finance is available, it is often at a higher cost compared to larger enterprises, poor management and accounting practice hampers the ability of small and medium scale enterprises to raise finance” (Ummi & Safiyya, 2020). Worst more, information asymmetry associated with lending to small scale borrowers restricts the flow of funds to small scale enterprises. “Small and Medium Enterprises (SMES) are gate ways through which the objectives for growth and development of countries can be achieved. SMEs are essential instrument that encourage entrepreneurship, employment creation, improvement of standard, poverty reduction, mobilization of domestic savings for investment, reduction of inequalities, enhancement of resource utilization among others” (Brixiová et al; 2020; Motta and Sharma, 2020). “SMEs have huge potential for achieving sustainable development goals” (Agwu & Emeti, 2014). Yet in Nigeria, the small and medium scale enterprises is stagnated and remain relatively small in terms of its contribution to gross domestic product (G.D.P) (Aremu & Adeyemi, 2011). “It is worrisome to see that its impact on Nigerian economy is negligible, despite the efforts made by the government to establish various micro lending institutions” (Achugbu, 2017). “The performance of SMEs in Nigeria has been slow due to number of challenges confronting the sector” (Mpi, 2019). “Some of the problems associated with the sector includes poor infrastructural facilities; poor managerial and entrepreneurial skills; financing challenges; limited demand for their products and services; poor research and development as well as innovation; poor technology system; corruption, lack of transparency arising from government regulations and regulatory bodies” (Etuk, Etuk, & Michael, 2014; Ufua, Olujobi, Ogbari, Dada & Edafe, 2020; Ugbala, Owolabi, & Ajayi, 2020). However, Agbo (2020); Ugw-oju et al., (2020) argued that “the most critical problem facing SMEs in Nigeria is inadequate finance. The financing may be for the establishment of new business, innovate different ways in existing one or carry out expansion plans”. “It is regrettable to note that many creative individuals incubate new ideas that never hatch due to lack of finance” (Achugbu, 2017). To strengthen the growth and development of SMEs, a new source of financing for start-ups is of paramount importance. In 2001, the Small & Medium-Scale Enterprises Equity Investment Scheme’ (SMEEIS) was established by Nigerian Government to promote start-ups and SMEs through equity-based financing, rather than debt financing. The emergence of this financing structure is widely praised and seen as a solution to the financing problems of SMEs in Nigeria. Basically, the SMEEIS scheme entails using Venture Capital (VC) to support small and medium enterprises and other entrepreneurial ventures. To ensure steady growth and development of Nigerian economy venture capital financing is essential. Venture capital has the prospect and potentialities to reawaken and enhance the uptake of small and medium enterprises in Nigeria. In light of the preceding, This study centres on appraising impact of venture capital finance on small and medium scale enterprises in Nigeria

**2. Literature Review**

**2.1. Conceptual Literature**

**2.1.1 Venture Capital**

“Venture capital financing is a form of financing that is employed to finance a relatively small size companies/ firms before they can be qualified for public underwriting” (Ummi & Safiyya, 2020). “Venture capital is an important financial market intermediary that provide capital to small and young firms that have difficulties in attracting financing” (Bonini & Capizzi, 2019). “They often finance a firm in the early stage of development of the business. Hence, there are different kind of venture capital available for different stages of business development” (Solomon, 2016). “This type of venture capital includes seed capital, start-up capital and development capital among others. Most of the firms that require venture capital financing faces a lot of uncertainties, operate in a dynamic market environment and often, owns little tangible assets and venture capital organizations finance these potentially but higher risky ventures by purchasing equity stakes” (Ummi & Safiyya, 2020). “The venture capital industry not only possess the equity of the venture but also come up with various strategies to overcome the challenges that emerge at each stage of the investment process Normally, the venture capital industry must pass through certain circle which starts from raising a venture fund and then, proceeds through the investment. To ensure profitability of the business, monitoring and value addition to firms is essential. When the business turns out to be successful, the venture capital firm exits successful deals and returns capital to its investors” (Groot, Bolt, Jat, Jat, Kumar, Agarwa & Blok, 2019).

**2.1.2. The role of venture capital in the development of a Small and Medium Scale Enterprises.**

“The development and growth of SMEs in Nigeria is relegated to the back seat, which shatters the country’s quest for industrial growth and development. Such poor growth is mostly attributed to the problems that surround the sector” (Ummi & Safiyya, 2020). “Finance is usually considered as the main obstacle of SMEs in Nigeria. The emergence of venture capital in Nigeria has shown that the prosperity of SMEs depends on financing to small and medium enterprises” (Okoh, 2020). “The venture capital provides a long-term investment for start-up companies and growing business that have the potential to develop into significant economic contributor” (Ummi & Safiyya, 2020). “It helps the small firms to play crucial role in experimentation and innovation that leads to technological change and employment growth. Hence, it increases the shift of emphasis to the small business sector. It plays a key role in capitalizing the Nigerian economy into a knowledge driven, which spike the massive growth in technological know-how and other businesses” (Daramola, 2012). Thus, it places the country on a stage with the capacity of creating a high paying jobs there by bringing wealth and prosperity for all.

“SMEs are vital tools for economic growth and development” (Akpan & Onyia, 2022). They are essential in terms of income generation, wealth creation and poverty alleviation, among others. However, “In Nigeria, various institutions have defined SMEs in their own way depending on the policy objectives or aim of the establishments. Example CBN, NERFUND and SMEDAN across national development. Small and medium scale enterprises are important sector for majority people who have low capital and skill to work together in a form of association. In order to ease access to job opportunities, the sector was also utilized as a link between various levels of segments” (Bamidele et al. 2024).  
Small and Medium-scale Enterprises (SMEs) play a crucial role in the Nigerian economy, contributing to job creation, poverty reduction, and overall economic growth (Chisor-Wabali & Ogunbiyi, 2024). SMEs are the largest employers in Nigeria, providing job opportunities to a significant portion of the population. According to the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN), SMEs account for over 80% of the country's total employment (SMEDAN, 2020). The ability of SMEs to absorb labour and create employment opportunities contributes to reducing unemployment rates and improving livelihoods. SMEs contribute significantly to Nigeria's Gross Domestic Product (GDP).

They contribute about 48% of the national GDP, according to the National Bureau of Statistics (NBS) (NBS, 2019). The growth and development of SMEs contribute to overall economic growth, diversification, and economic resilience. SMEs are known for their agility and entrepreneurial spirit, driving innovation and technological advancement in various sectors. These enterprises often introduce new products, processes, and business models, promoting competition and driving overall industry growth. SMEs serve as a breeding ground for entrepreneurship, fostering creativity and promoting a culture of innovation. SMEs have a significant impact on poverty reduction in Nigeria. They provide income-generating opportunities for individuals and communities, lifting people out of poverty and improving living standards. By creating employment and income streams, SMEs contribute to poverty alleviation and inclusive economic development.

Despite the crucial role SMEs play in the Nigerian economy, they face numerous funding challenges that hinder their growth and expansion. SMEs in Nigeria often struggle to access financing from formal financial institutions, such as commercial banks. Banks consider SMEs as high-risk borrowers due to factors such as inadequate financial records, limited collateral, and a lack of business history.

This perception leads to limited loan approvals and higher interest rates, making it difficult for SMEs to secure the necessary capital for expansion. SMEs frequently face challenges meeting stringent collateral requirements imposed by financial institutions. Many small businesses lack the necessary assets or property to fulfil these demands. The inability to provide adequate collateral limits their access to formal financing channels. SMEs in Nigeria also grapple with the burden of high interest rates imposed by financial institutions. The cost of borrowing is often prohibitive for SMEs, affecting their ability to invest in technology, skilled labour, and infrastructure necessary for expansion. High interest rates diminish SMEs' profitability and hinder their competitiveness in the market. Many SME owners lack the necessary financial literacy and business management skills to navigate the complex financial landscape effectively. This lack of knowledge hampers their ability to access and evaluate financing options, make informed financial decisions, and effectively manage funds for business expansion. While the Nigerian government has implemented various programs and initiatives to support SMEs, there are concerns about the effectiveness and accessibility of these interventions. Limited awareness, bureaucratic challenges, and inadequate implementation hamper SMEs' ability to benefit from government funding and support programs. Addressing these funding challenges is crucial for the growth and sustainability of SMEs in Nigeria. By enhancing access to finance, improving financial literacy, and implementing supportive policies and programs, the Nigerian government, financial institutions, and other stakeholders can create an enabling environment for SMEs to thrive and contribute even more significantly to the country's economic development.

**2.1.4. Funding of SMEs in Nigeria**

Financial institutions, including commercial banks, microfinance banks, and development finance institutions, play a critical role in funding Small and Medium-scale Enterprises (SMEs) (Chisor-Wabali & Ogunbiyi, 2024). Their involvement is crucial in addressing the funding challenges faced by SMEs and supporting their growth and expansion. Financial institutions provide SMEs with access to formal financing channels, allowing them to secure capital for business operations and expansion. Commercial banks offer loans, lines of credit, and overdraft facilities to SMEs based on their creditworthiness and ability to repay. These formal financing options provide SMEs with the necessary funds to invest in infrastructure, technology, inventory, and human resources. Financial institutions play a vital role in assessing the creditworthiness and risk profiles of SMEs. They evaluate SMEs' financial statements, business plans, and collateral to determine their eligibility for funding. This risk assessment process helps mitigate potential risks for both the financial institution and the SME. By evaluating the financial health and viability of SMEs, financial institutions allocate funds to those with the highest potential for success. Financial institutions offer financial advisory services to SMEs, assisting them in developing robust business plans, improving financial management practices, and enhancing their creditworthiness. These advisory services include financial planning, cash flow management, risk management, and investment strategies. By providing guidance and expertise, financial institutions help SMEs make informed financial decisions and improve their overall financial performance. Financial institutions often conduct capacity-building programs and training sessions for SMEs to enhance their financial literacy and business management skills. These programs cover topics such as financial planning, accounting principles, access to finance, and credit management. By equipping SMEs with the necessary knowledge and skills, financial institutions empower them to better understand financial processes, effectively manage funds, and navigate the complexities of the financial landscape (Allied Crowd, 2021).

**2.2. Theoretical Review**

**2.2.1. Pecking Order Theory**

The Pecking Order Theory, proposed by Myers and Majluf (1984), suggests that firms prioritize their sources of financing based on a hierarchy of preferences. According to this theory, SMEs prefer internal financing sources, such as retained earnings, followed by debt financing and, as a last resort, external equity financing (Chisor-Wabali & Ogunbiyi, 2024). This theory assumes that firms have asymmetric information, and external financing is seen as a signal of information asymmetry or adverse selection. In the context of this study, the Pecking Order Theory provides insights into the funding preferences and behaviour of SMEs in Rivers State (Myers & Majluf, 1984). It helps explain why SMEs may face challenges in accessing external financing for business expansion and why internal sources, such as retained earnings, may be insufficient. The theory also highlights the importance of understanding SMEs' financing preferences and constraints when assessing their funding needs and potential solutions. The Pecking Order Theory is applied in this study to understand the funding preferences of SMEs in Rivers State. It will help identify the extent to which SMEs rely on internal financing, debt financing, and external equity financing for business expansion. The theory will be used to assess the implications of these funding preferences on SMEs' ability to access the necessary capital for expansion.

**2.2.2 Resource-Based View Theory**

The Resource-Based View (RBV) Theory, developed by Barney (1991), emphasizes the role of unique and valuable resources and capabilities in achieving sustainable competitive advantage. According to this theory, firms with valuable and rare resources are more likely to outperform their competitors (Chisor-Wabali & Ogunbiyi, 2024). Resources can include tangible assets, intangible assets, knowledge, skills, and relationships. In the context of this study, the RBV theory provides a lens for examining the resources and capabilities that SMEs in Rivers State require to support their business expansion efforts. It helps identify the specific resources, such as financial capital, technological capabilities, skilled labour, and market knowledge, that SMEs need to acquire and develop to successfully expand their businesses (Barney, 1991). The theory also emphasizes the importance of leveraging and effectively utilizing these resources to achieve competitive advantage and improved performance. The Resource-Based View Theory is applied to examine the resources and capabilities that SMEs in Nigeria require for business expansion. It will help identify the specific resources, both tangible and intangible, that SMEs need to acquire and develop to support their expansion efforts. The theory will also be used to evaluate how the effective utilization of these resources can contribute to improved performance in terms of revenue growth, employment generation, and market share expansion. By incorporating the Pecking Order Theory and the Resource-Based View Theory, this study provides a theoretical framework that helps explain the funding behaviour of SMEs and the resources required for their business expansion. The theories offer valuable insights into the decision-making process and the factors influencing SMEs' access to funding and their performance in terms of business expansion in Nigeria.

**2.3. Empirical Review**

This section reviewed previous empirical studies relevant to current study. Emerah, Oyedele and Ofobruku (2020) focused on the effect of venture capital on the performance of small and medium scale enterprises in Nigeria. The study employed structured questionnaire, Purposive sampling method, percentages and linear regression as estimation technique, the result revealed that venture capital had a significant positive effect on the performance of small and medium scale enterprises in Nigeria and recommended that venture capital firms should shift emphasis from profit making to long terms goals like business size, investor protection and entrepreneurial experience which will ensure the survival of SMEs and benefit all stakeholders; Equally, SMEs should embark on proper marketing strategy, pricing policy, research and development and proper management among others so as increase performance.

Ummi and Safiyya (2020) appraised “the role of venture capital (VC) financing on the growth and development of small and medium enterprises (SMEs) in Kano State”. The study employed percentages and tabulation as estimation technique, the result revealed a substantial growth and development of SMEs through venture capital financing. The study also revealed that the operation of venture capital is successful, profitable and favoured SMEs in Kano State. Thus, entrepreneurs patronize and prefer venture capital financing than traditional banking loans. Therefore, it was recommended that proper policy framework should be developed to increase the number of venture capital firms in Nigeria. More so, awareness creation and provision of adequate fund are highly recommended.

Akpan and Onyia (2022) examined the effect of venture capital financing on the growth of small and medium scale enterprises in Nigeria. The study adopted ex post facto research design and employed ARDL approach as estimated technique, the result revealed that total savings of deposit and lending rates had a positive and non-significant effect on SMEs growth in Nigeria and prime average deposit and lending rates had a negative and non-significant effect on SMES growth in Nigeria and concluded that venture capital financing had a positive/negative and non-significant effect on SMEs growth of Nigeria. Therefore, recommended that government should come out with a clear policy on SMEs. There should be a firm choice between state sponsorship without control, autonomy of SMEs without assistance and state sponsorship with their total savings of deposit and lending rate and government and its development prime average deposit and lending rates whereby SMEs would be taught at all levels of especially at small business within the states.

Egu, Olofu, Mannah, Uwalaka and Ibaye (2024) examined “the effect of venture capital financing on the financial performance of small and medium scale enterprises (SMEs) in Cross River state, Nigeria. The study employed descriptive statistics of mean, standard deviation, correlation test and analysis of variance (ANOVA) as estimated technique, the result revealed that there was significant difference in net sales, net profit and return on assets after using venture capital financing and concluded that venture capital financing has significant effect on the financial performance of SMEs. Therefore, it was recommended among others that fund managers should intensify the advisory role to ensure that businesses take advantage of increase their turnovers”.

Olalekan (2024) investigated the impact of financial literacy on the financial performance of small and medium scale enterprise (SMEs) using the sample size of 223 SMEs in Bauchi metropolis. The result revealed that there is a relationship between financial literacy and the performance of SMEs. In general, the findings revealed that there is a significant positive relationship between SMEs performance and financial literacy. Therefore, recommended that the providers of various financial literacy programs should consider implementing a program which fits the culture and traditions of the people as well as preceding financial literacy and technology training with adequate technological infrastructures like electricity, network connectivity, to make its implementation a reality.

Ketani-Mwanakatwe and Malama (2024) investigated “how venture capital funding impacts SME performance in Lusaka, Zambia. The study employed a mixed study design and achieved a 100% response rate from 102 SME owners/managers through questionnaires, the result revealed a positive correlation between venture capital funding and SME performance, along with the importance of financial management skills. Challenges include limited access to venture capital, awareness issues, and regulatory hurdles. Therefore, recommended developing growth-centric business plans and enhancing awareness of venture capital benefits for SMEs”.

Chisor-Wabali and Ogunbiyi (2024) explored the funding challenges faced by Small and Medium-scale Enterprises (SMEs) in Nigeria, with a specific focus on the state of Rivers from 2000 to 2022. The study employed stepwise regression analysis as estimation technique, the result revealed that Bank Loans, Grants, Venture Capital, and Crowdfunding had significant positive coefficients, indicating that an increase in these funding sources was associated with higher profitability. The control variables, Interest Rate, and Economic Conditions, had significant negative coefficients, suggesting that higher interest rates and unfavourable economic conditions negatively affected profitability and concluded that the availability and utilization of diverse funding sources have a significant impact on the profitability of SMEs in Rivers State. Therefore, recommended that financial institutions should develop tailored financial products and services that cater to the specific needs of SMEs. This includes providing flexible loan options, grants, and venture capital funding opportunities to support SME growth and expansion; that the government should continue to facilitate an enabling business environment by implementing policies and programs that support SMEs. This includes offering incentives, tax breaks, and streamlined processes for obtaining grants and funding; and that SME owners and entrepreneurs should be provided with financial literacy training to enhance their understanding of funding options and their effective utilization. This will empower them to make informed financial decisions and improve their chances of securing funding.  
**3 Research Method**

**3.1. Research Design**

The study adopted a cross-sectional survey research design to achieve the objectives of the study. The design was considered appropriate for the study because survey is concerned with describing, recording, analysing and reporting conditions that exist or existed. The survey method is widely used to obtain data useful in evaluating present practices and in providing basis for decisions.

**3.2. Population of the Study**

The population of the study ~~was~~ made up of the entire number of beneficiary of EKSG/ CBN SMCE development fund loans scheme in Ekiti State.

**Table 1 Population of the Study (Member Strength)**

|  |  |  |
| --- | --- | --- |
| **S/N** | **LGA/SMCE** | **Member Strength** |
| 1. | Ado | 133 |
| 2. | Efon Alaye | 31 |
| 3. | Ekiti East | 20 |
| 4 | Ekiti South West | 25 |
| 5 | Ekiti West | 15 |
| 6 | Emure | 20 |
| 7 | Gboyin | 13 |
| 8 | Ido/Osi | 32 |
| 9 | Ijero | 33 |
| 10 | Ikere | 54 |
| 11 | Ikole | 39 |
| 12 | Ilejemeje | 10 |
| 13 | Irepodun/Ifelodun | 25 |
| 14 | Ise/Orun | 15 |
| 15 | Moba | 29 |
| 16 | Oye | 14 |
|  | Total | 508 |

Source: Fact and Figure, Ekiti State Bureau of Statistics (2020)

**Table 2 Sample for the Study**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **LGA/SMCE** | **Participant** | **Number Selected** |
| 1. | Ado | (133\*223)/508 | 58 |
| 2. | Efon Alaye | (31\*223)/ 508 | 14 |
| 3. | Ekiti East | (20\*223)/ 508 | 8 |
| 4 | Ekiti South West | (25\*223)/ 508 | 11 |
| 5 | Ekiti West | (15\*223)/ 508 | 7 |
| 6 | Emure | (20\*223)/ 508 | 9 |
| 7 | Gboyin | (13\*223)/ 508 | 6 |
| 8 | Ido/Osi | (32\*223)/ 508 | 14 |
| 9 | Ijero | (33\*223)/ 508 | 14 |
| 10 | Ikere | (54\*223)/ 508 | 24 |
| 11 | Ikole | (39\*223)/ 508 | 17 |
| 12 | Ilejemeje | (10\*223)/ 508 | 4 |
| 13 | Irepodun/Ifelodun | (25\*223)/ 508 | 11 |
| 14 | Ise/Orun | (15\*223)/ 508 | 6 |
| 15 | Moba | (29\*223)/ 508 | 13 |
| 16 | Oye | (14\*223)/ 508 | 7 |
|  | Total |  | 223 |

**Source:** Author’s Computation (2025)

**Sample Size Determination and Sampling Techniques**

**Sample Size Determination**

The statistical formula applied to determine the size from the population of the study as formulated by Taro Yamani (1967) is stated as follows:

n = N

1+N(e)2

Where:

n = Sample Size,

N= Population Size,

e = margin of error.

= 508

1 + 508 (0.05)(0.05)

= 508

1 + 508(0.0025)

= 508

1 + 1.27

= 508

2.27

= 223.7885

= 223

**3.4. Sampling Technique**

For effective coverage, stratified sampling technique was used to select the participating co-operators because not all members of the population have an equal chance of selection. Taro Yamani (1967) model was used to calculate the sample size of each stratum as below:

n = N!n!

N

Where:

n = Number of respondents from selected local government in Ekiti State

n! = total sample size

N! = number of each group

N = population size of the study.

Therefore;

**Table 3 Population of the Study(Sample Size)**

|  |  |  |
| --- | --- | --- |
| **S/N** | **LGA/SMCE** | **Sample Size** |
| 1. | Ado | 58 |
| 2. | Efon Alaye | 14 |
| 3. | Ekiti East | 8 |
| 4 | Ekiti South West | 11 |
| 5 | Ekiti West | 7 |
| 6 | Emure | 9 |
| 7 | Gboyin | 6 |
| 8 | Ido/Osi | 14 |
| 9 | Ijero | 14 |
| 10 | Ikere | 24 |
| 11 | Ikole | 17 |
| 12 | Ilejemeje | 4 |
| 13 | Irepodun/Ifelodun | 11 |
| 14 | Ise/Orun | 6 |
| 15 | Moba | 13 |
| 16 | Oye | 7 |
|  | Total | 223 |

Source: Author’s Computation (2025)

**3.5. Model Specification**

The model specification adopted by the researcher is a simple linear regression analysis that was tailored to be:

Dependent variable = Small and Medium Scale enterprises in Nigeria (SMEs)

Independent variable = Venture Capital Financing (VCF)

SMEs = f(VCF) ………………………………….. 3.3

Where:

SMEs is Small and Medium Scale Enterprises

VCF is Venture Capital Financing

SME = *f*(LTI, INVB, FI) ……………………………. 3.4

Equation 3.4 can further be disaggregated into three equations in line with the objectives and hypotheses of the study. This is explicitly represented as:

analyse the impact of long-term investors on small and medium scale enterprises in Nigeria.

SME = f(LTI) …………………………………………………. 3.5

investigate the impact of investment bank on small and medium scale enterprises in Nigeria.

SME = f(INVB) …………………………………………………. 3.6

examine the impact of financial institution on small and medium scale enterprises in Nigeria.

SME = f(FI) …………………………………………………. 3.7

In line with equation 3.5, 3.6 and 3.7 the models are stated as:

SME = β0 + β1LTI + µ ………………………………………. 3.8

SME = β0 + β1INVB + µ ………………………………………. 3.9

SME = β0 + β1FI + µ ………………………………………. 3.10

Where:

LTI is Long Term Investors

INVB is Investment Bank

FI is Financial Institution

β0-β1: co-efficient of regression for Long Term Investors, Investment Bank and Financial Institution respectively.

While μ is the random error term accounting for all other variables not captured in the model.

**4 Analysis, Interpretation and Discussion of Findings**

**4.1. Introduction**

The chapter centered on the data analysis, interpretation and discussion of findings. Descriptive statistics of frequency counts and percentage were used to present the demographic and items raised on each variable data of the respondents while simple linear regression was used to test the hypotheses at 5% significant level.

**4.2. Analysis of the Administered Questionnaire**

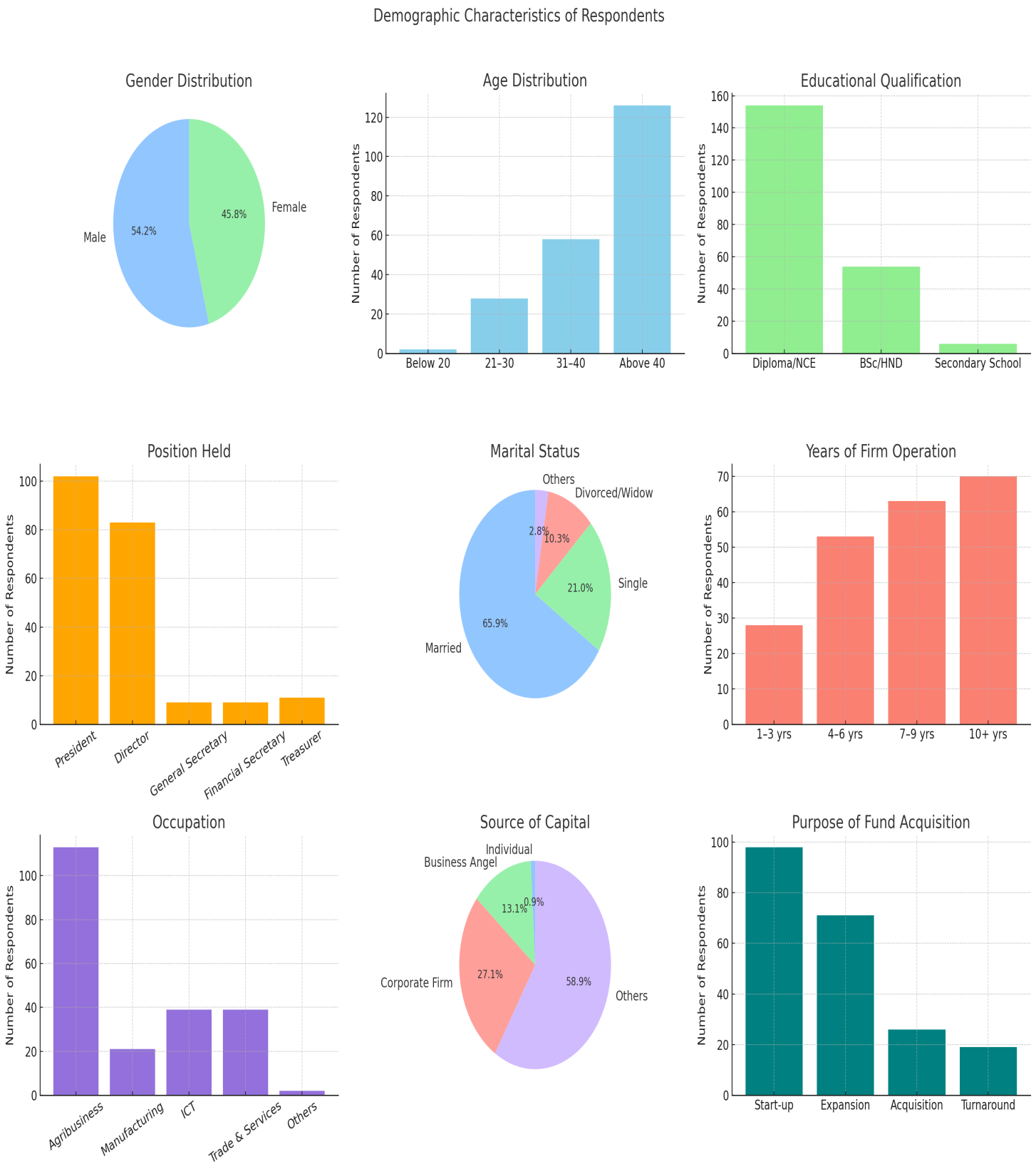
**Table 4: Analysis of the Administered Questionnaires**

|  |  |  |
| --- | --- | --- |
| **Questionnaires** | **Responses** | **Percentage (%)** |
| Number of filled | 214 | 96 |
| Number Not Returned | 9 | 4 |
| Total | 223 | 100% |

**Source:** *Author’s Computation, (2025)*

The result above reveals that out of the 223 questionnaires that were administered, 214 representing 96% were filled, while representing 4% were not returned. This implies that the analysis of the items on the questionnaires was based on 223 respondents, being the number of the questionnaires filled and returned.

**4.3. Analysis of the Background Information of the Respondents**



**Fig 1-: RESEARCHERS COMPUTATION [2025]**

**Table 5 Background Information of the Respondents**

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | Frequency | Percent (%) |
| Gender | Male | 116 | 54 |
|  | Female | 98 | 46 |
|  | Total | 214 | 100 |
| Age |  |  |  |
|  | Below 20 Years | 2 | 1 |
|  | 21-30 years | 28 | 13 |
|  | 31-40 years | 58 | 27 |
|  | 40 years above | 126 | 59 |
|  | Total | 214 | 100 |
|  |  |  |  |
| Educational degree |  |  |  |
|  | B.Sc./HND | 54 | 25 |
|  | Diploma/NCE | 154 | 72 |
|  | Secondary school | 6 | 3 |
|  | Total | 214 | 100 |
| Post head |  |  |  |
|  | Director | 83 | 39 |
|  | President | 102 | 48 |
|  | General secretary | 9 | 4 |
|  | Financial secretary | 9 | 4 |
|  | Treasurer | 11 | 5 |
|  | Total | 214 | 100 |
|  |  |  |  |
| Marital status |  |  |  |
|  | Married | 141 | 66 |
|  | Single | 45 | 21 |
|  | Divorced/widow | 22 | 10 |
|  | Others | 6 | 3 |
|  | Total | 214 | 100 |
| Firm operation |  |  |  |
|  | 1-3 years | 28 | 13 |
|  | 4-6 | 53 | 25 |
|  | 7-9 | 63 | 30 |
|  | 10 years and above | 70 | 33 |
|  | Total | 214 | 100 |
| Occupation |  |  |  |
|  | Agribusiness | 113 | 53 |
|  | Manufacturing | 21 | 10 |
|  | ICT | 39 | 18 |
|  | Trade and services | 39 | 18 |
|  | Others | 2 | 1 |
|  | Total | 214 | 100 |
|  |  |  |  |
| Source of capital | Individual | 2 | 1 |
|  | Business angle | 28 | 13 |
|  | Corporate firm | 58 | 27 |
|  | Others | 126 | 59 |
|  | Total | 214 | 100 |
| Purpose of funds acquisition |  |  |  |
|  | Start up | 98 | 46 |
|  | Expansion | 71 | 33 |
|  | Acquisition | 26 | 12 |
|  | Turnaround | 19 | 9 |
|  | Total | 214 | 100 |

**Source:** *Author’s Computation, (2025)*

**Table 6: The impact of long-term investors on small and medium scale enterprises in Nigeria.**

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Items | SA | | A | | D | | SD | | Total | |
| *F* | % | *F* | % | *F* | % | *F* | % | *f* | % |
| the involvement of long-term investors improved your financial stability | 77 | 36 | 60 | 28 | 43 | 20 | 34 | 16 | 214 | 100 |
| long-term investors affected the decision-making process in your business | 101 | 47 | 14 | 6 | 31 | 14 | 68 | 32 | 214 | 100 |
| what challenges do long-term investors face in investing in SMEs in Nigeria | 49 | 23 | 96 | 45 | 36 | 17 | 34 | 16 | 214 | 100 |
| long-term investors helped your business to secure additional funding | 139 | 65 | 29 | 13 | 22 | 10 | 24 | 11 | 214 | 100 |
| the involvement of long-term investors improved your financial stability | 49 | 23 | 96 | 45 | 36 | 17 | 34 | 16 | 214 | 100 |
| long-term investors affected the decision-making process in your business | 77 | 36 | 60 | 28 | 43 | 20 | 34 | 16 | 214 | 100 |
|  |  |  |  |  |  |  |  |  |  |  |

**Source:** *Authors Computation, (2025)*

The table above revealed the relationship between long term investors on small and medium scale enterprises in Nigeria., 77% strongly agreed, 60% agreed, 43% disagreed while 34% strongly disagreed the involvement of long-term investors improved your financial stability.

101% strongly agreed, 14% agreed, 31% disagreed while 68% strongly disagreed that long-term investors affected the decision-making process in your business, in the same vein. 49% strongly agreed, 96 agreed, 36% disagreed while 34% strongly disagreed that what challenges do long-term investors face in investing in SMEs in Nigeria. Also 139% strongly agreed, 29% agreed, 22% disagreed while 24% strongly disagreed that long-term investors helped your business to secure additional funding, 49% strongly agreed, 96 agreed, 36% disagreed while 34% strongly disagreed that the involvement of long-term investors improved your financial stability.

Lastly, it was discovered that 77% strongly agreed, 60% agreed, 43% disagreed while 34% strongly disagreed that long-term investors affected the decision-making process in your business.

**Table 7: the impact of investment bank on small and medium scale enterprises in Nigeria**

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Items | SA | | A | | D | | SD | | Total | |
| *F* | % | *f* | % | *F* | % | *F* |  | *F* | % |
| the involvement of long-term investors improved your financial stability | 112 | 51 | 63 | 29 | 39 | 18 | - | 1 | 214 | 100 |
| long-term investors affected the decision-making process in your business | 79 | 37 | 111 | 52 | 17 | 7 | 7 | 3 | 214 | 100 |
| what challenges do long-term investors face in investing in SMEs in Nigeria | 92 | 43 | 49 | 23 | 43 | 20 | 30 | 14 | 214 | 100 |
| long-term investors helped your business to secure additional funding | 128 | 60 | 51 | 24 | 15 | 7 | 19 | 9 | 214 | 100 |
| Business experienced increased profitability since receiving long-term investments | 34 | 16 | 43 | 20 | 60 | 28 | 77 | 36 | 214 | 100 |
| long-term investors have contributed to the long-term sustainability of SMEs | 79 | 37 | 111 | 52 | 17 | 7 | 7 | 3 | 214 | 100 |

**Source:** *Author’s Computation, (2025)*

The table above revealed the impact of investment bank on small and medium scale enterprises in Nigeria 112% strongly agreed, 63% agreed, 39% disagreed that the involvement of long-term investors improved your financial stability

79% strongly agreed, 111% agreed, 17% disagreed while 7% strongly disagreed long-term investors affected the decision-making process in your business 92% strongly agreed, 49% agreed, 43% disagreed while 30% strongly disagreed that what challenges do long-term investors face in investing in SMEs in Nigeria,

128% strongly agreed, 51% agreed, 15% disagreed while 19% strongly disagreed what challenges do long-term investors face in investing in SMEs in Nigeria 34% strongly agreed, 43% agreed, 60% disagreed while 77% strongly disagreed Business experienced increased profitability since receiving long-term investments

Lastly, it was discovered that 79% strongly agreed, 111% agreed, 17% disagreed while 7% strongly disagreed that long-term investors have contributed to the long-term sustainability of SMEs.

**Table 8: the impact of financial institution on small and medium scale enterprises in Nigeria**

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Items | SA | | A | | D | | SD | | Total | |
| *F* | % | *F* | % | *F* | % | *F* |  | *F* | % |
| Members face the challenges of High-interest rates on loans when accessing financial services from banks and financial institutions | 101 | 47 | 113 | 53 | - | - | - | - | 214 | 100 |
| Members are satisfied with the level of customer support from banks or financial institution | 77 | 36 | 116 | 54 | 21 | 10 | - | - | 214 | 100 |
| Better access to capital for expansion are benefited from financial institutions in terms of financial management | 92 | 43 | 57 | 27 | 56 | 26 | 9 | 5 | 214 | 100 |
| More financial literacy programs for SMEs are suggested for financial institutions to better support SMEs in Nigeria | 79 | 37 | 88 | 41 | 32 | 15 | 15 | 7 | 214 | 100 |
| Members has benefited from any government-sponsored financial programs for SMEs | 64 | 29 | 110 | 51 | 40 | 18 | - | 1 | 214 | 100 |

**Source:** *Author’s Computation, (2025)*

The table above revealed the impact of financial institution on small and medium scale enterprises in Nigeria.101% strongly agreed and 113% agreed, that the challenges of High-interest rates on loans when accessing financial services from banks and financial institutions 77% strongly agreed, 116% agreed, while 21% disagreed that Members are satisfied with the level of customer support from banks or financial institution, in the same vein. 92% strongly agreed, 57% agreed, 56% disagreed while 9% strongly disagreed that better access to capital for expansion are benefited from financial institutions in terms of financial management,

in the same vein.79% strongly agreed, 88% agreed, 32% disagreed while 15% strongly disagreed that more financial literacy programs for SMEs are suggested for financial institutions to better support SMEs in Nigeria,

Lastly, it was discovered that 37% strongly agreed, 64% agreed, 110% disagreed while 40% strongly disagreed that Members has benefited from any government-sponsored financial programs for SMEs.

**Table 9 the relationship between small and medium scale enterprises performance and venture capital financing in Nigeria**

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Items | SA | | A | | D | | SD | | Total | |
| *F* | % | *F* | % | *F* | % | *F* |  | *F* | % |
| Access to finance are the biggest challenges SMEs is facing right now | 49 | 23 | 96 | 45 | 36 | 17 | 34 | 16 | 214 | 100 |
| SMEs offer professional development or training opportunities for employees | 139 | 65 | 29 | 13 | 22 | 10 | 24 | 11 | 214 | 100 |
| SMEs collaborate with external partners or research organizations to innovate | 49 | 23 | 96 | 45 | 36 | 17 | 34 | 16 | 214 | 100 |
| More financial literacy programs for SMEs would improve performance of SMEs in Nigeria | 77 | 36 | 116 | 54 | 21 | 10 | - | - | 214 | 100 |

**Source:** *Author’s Computation, (2025)*

The table above revealed the relationship between small and medium scale enterprises performance and venture capital financing in Nigeria. 49% strongly agreed, 96% agreed, 36% disagreed while 34% strongly disagreed that Access to finance are the biggest challenges SMEs is facing right now, in the same vein. 139% strongly agreed, 29 agreed, 22% disagreed while 24% strongly disagreed that SMEs offer professional development or training opportunities for employees. 49% strongly agreed, 96 agreed, 36% disagreed while 34% strongly disagreed that SMEs collaborate with external partners or research organizations to innovate.

Lastly, it was discovered that 77% strongly agreed, 60% agreed, 43% disagreed while 34% strongly disagreed that more financial literacy programs for SMEs would improve performance of SMEs in Nigeria.

**Table 10 Regression Analysis (Hypothesis 1)**

**Hypothesis 1:** Long term investor has no significant impact on small and medium scale enterprises in Nigeria.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Variables** | **Coefficient** | **Std Error** | **T-Statistic** | **Prob.** |
| C | 4.323 | 1.648 | 6.670 | 0.000 |
| long term investors | 0.537 | 0.045 | 11.892 | 0.000 |
| R | 0.659 | | | |
| R-Square | 0.435 | | | |
| F-Statistics | 141.410 | | | |
| P-Value (F. Stat) | 0.000 | | | |

**Source:** *Author’s Computation, (2025)*

The table above shows that the correlation coefficient (R) of 0.659 indicates a moderate positive relationship between venture capital finance and the performance of small and medium scale enterprises (SMEs) in Nigeria. The coefficient of determination (R²) is 0.435, which implies that 43.5% of the systematic variation in SME performance can be explained by venture capital financing in Nigeria. The remaining 56.5% of the variation in SME performance is due to other factors not included in this model.

Venture capital finance has a positive and statistically significant effect on the performance of SMEs in Nigeria. This is confirmed by the regression coefficient value of 0.537 and a p-value of 0.000. As a result, the null hypothesis is rejected, and the alternative hypothesis is accepted.

The size of the coefficient suggests that a 1% increase in venture capital financing leads to a 53.7% improvement in SME performance in Nigeria. This result is further supported by the F-Statistic probability value of 0.000, which is below the 5% significance level used in this study. Thus, the overall regression result is statistically significant.

**Hypothesis 2:** investment bank has no significant impact on small and medium scale enterprises in Nigeria

**Table 11 Regression Analysis(Hypothesis 2)**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Variables** |  | **Coefficient** | **Std Error** | **T-Statistic** | **Prob.** |
| C |  | 0.207 | 0.288 | 0.720 | 0.000 |
| investment bank |  | 0.817 | 0.020 | 40.739 | 0.000 |
| R |  | 0.949 | | | |
| R-Square |  | 0.900 | | | |
| F-Statistics |  | 1859.642 | | | |
| P-Value (F. Stat) |  | 0.000 | | | |

**Source:** *Author’s Computation, (2025)*

Table 11 shows that the correlation coefficient (R) of 0.949 implies a strong relationship between venture capital finance and the performance of small and medium scale enterprises (SMEs) in Nigeria. The coefficient of determination (R²) value stands at 0.900, indicating that 90% of the systematic variation in SME performance can be explained by venture capital financing in Nigeria. The remaining 10% of the variation in SME performance is attributed to other factors not captured in this model.

Venture capital finance has a positive and significant effect on the performance of SMEs in Nigeria. This is supported by the coefficient value of 0.817 and a p-value of 0.000. Therefore, the null hypothesis, which states that venture capital finance does not have any significant effect on SME performance, is rejected, while the alternative hypothesis is accepted.

The size of the coefficient indicates that a 1% increase in venture capital financing will lead to an 81.7% improvement in the performance of SMEs in Nigeria. This finding is further reinforced by the probability value of the F-statistic, which is 0.000. Since this value is less than the 5% significance level adopted for this study, the regression result is statistically significant.

**Hypothesis 3:** financial institution has no significant impact on small and medium scale enterprises in Nigeria

**Table 12 Regression Analysis(Hypothesis 3)**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Variables** | **Coefficient** | **Std Error** | **T-Statistic** | **Prob.** |
| C | 0.107 | 0.166 | 0.700 | 0.000 |
| financial institution | 0.517 | 0.020 | 20.739 | 0.000 |
| R | 0.822 | | | |
| R-Square | 0.701 | | | |
| F-Statistics | 1609.121s | | | |
| P-Value (F. Stat) | 0.000 | | | |

**Source:** *Author’s Computation, (2025)*

Table 12 shows that the correlation coefficient (R) of 0.822 implies a strong relationship between venture capital finance and the performance of small and medium scale enterprises (SMEs) in Nigeria. The coefficient of determination (R²) value stands at 0.701, indicating that 70.1% of the systematic variation in SME performance can be explained by venture capital financing in Nigeria. The remaining 29.9% of the variation in SME performance is attributed to other factors not captured in this model.

Venture capital finance has a positive and significant effect on the performance of SMEs in Nigeria. This is supported by the coefficient value of 0.701 and a p-value of 0.000. Therefore, the null hypothesis, which states that venture capital finance does not have any significant effect on SME performance, is rejected, while the alternative hypothesis is accepted.

The size of the coefficient indicates that a 1% increase in venture capital financing will lead to a 70.1% improvement in the performance of SMEs in Nigeria. This finding is further supported by the probability value of the F-statistic, which is 0.000. Since this value is less than the 5% significance level adopted for this study, the regression result is statistically significant.

**4.4. Discussion of findings**

This study investigated the impact of venture capital finance on small and medium scale enterprises (SMEs) in Nigeria, using simple linear regression analysis to test the three formulated hypotheses. The findings provide strong empirical support for the significant role that different sources of venture capital long-term investors, investment banks, and financial institutions play in enhancing SME development.

The result of the first hypothesis rejected the null hypothesis and confirmed that long-term investors have a positive and significant impact on SME performance. The regression analysis revealed a coefficient of 0.537 with a p-value of 0.000 (p < 0.05), indicating that long-term investment positively contributes to the performance of SMEs. This implies that when SMEs receive funding from long-term investors, they benefit not only from sustained capital but also from continuous support that fosters business growth, operational expansion, and enhanced market presence. These investors often bring strategic business insights, mentorship, and valuable networks that help SMEs scale efficiently. This is consistent with the findings of Osei and Nwankwo (2019), who emphasized that long-term investment plays a critical role in enhancing the growth and sustainability of SMEs.

The second hypothesis was also rejected, with analysis showing a significant and positive relationship between investment banks and the financial sustainability of SMEs. The regression coefficient was 0.817 with a p-value of 0.000, indicating a strong effect. Investment banks often provide structured financial products, financial advisory services, and business restructuring support that strengthen the financial capacity of SMEs. Their involvement ensures effective financial planning, access to larger capital markets, and reduced dependency on informal or short-term funding. This finding aligns with the study by Adediran and Akintoye (2020), who reported that investment banks play a crucial role in instilling financial discipline and enhancing the transparency and accountability of SMEs.

The third hypothesis was equally rejected based on the statistical result, which showed that financial institutions have a positive and significant impact on investor and stakeholder confidence in SMEs. With a regression coefficient of 0.822 p-value of 0.000, the analysis demonstrates that SMEs supported by reputable financial institutions tend to gain higher levels of trust and credibility from external stakeholders. This is primarily due to the rigorous due diligence, performance monitoring, and formal governance frameworks encouraged by these institutions. As a result, SMEs backed by financial institutions often attract further investments, expand their customer base, and establish stronger relationships with suppliers and partners. This outcome is in line with the research of Kwabena (2021), who found that institutional financial backing significantly boosts stakeholder confidence in SMEs.

In conclusion, the findings of this study reveal that long-term investors, investment banks, and financial institutions all have significant positive effects on the performance, sustainability, and credibility of SMEs in Nigeria. These sources of venture capital finance not only provide monetary support but also strategic, managerial, and reputational advantages that are crucial for the long-term success of small and medium businesses in the country.

**Summary**

This study examined the impact of venture capital finance on small and medium scale enterprises (SMEs) in Nigeria. The focus was to understand how venture capital affects business performance, financial sustainability, and the confidence of stakeholders in SMEs. The research was guided by the financial intermediation theory, which explains the role of financial institutions in supporting businesses.

To gather information, a survey was conducted using a structured questionnaire. The data collected was analysed using both descriptive and inferential statistics with the help of the Statistical Package for Social Sciences (SPSS). The results showed that venture capital finance has a strong and positive effect on the growth and performance of SMEs in Nigeria.

Firstly, the study found that when SMEs receive support from venture capital, their business performance improves significantly. This was shown by a result of 0.537 (p = 0.000 < 0.05), meaning that venture capital helps businesses to grow by providing funds and support services like advice and mentorship.

Secondly, the research showed that venture capital greatly improves the financial strength and sustainability of SMEs. With a result of 0.817 (p = 0.000 < 0.05), it was clear that venture capital helps businesses manage their finances better, avoid waste, and stay in business longer.

Finally, the study also found a positive and significant relationship between venture capital finance and stakeholder confidence in SMEs, with a result of 0.822 (p = 0.000 < 0.05). This means that when investors and customers see that an SME is supported by a venture capital firm, they are more likely to trust the business and invest or do business with them.

Moreover, the findings of this research show that venture capital finance plays a very important role in supporting the success of SMEs in Nigeria. It helps them grow, stay financially stable, and earn the trust of investors and other stakeholders.

Conclusively, the study recommends that more SMEs in Nigeria should consider accessing venture capital finance. It can serve as a powerful tool to improve business operations, grow faster, and attract more support from the public and private sectors.

**Conclusion** In conclusion, the study presents strong evidence that venture capital finance has a major impact on the growth and success of small and medium scale enterprises (SMEs) in Nigeria. The findings show that venture capital helps improve business performance, supports better financial management, and boosts stakeholder confidence in SMEs.

The study also highlights how important venture capital is in helping SMEs grow, become more financially stable, and gain the trust of investors and customers. By providing not just funding but also business guidance, venture capital gives SMEs the tools they need to succeed in a competitive business environment.

Conclusively, the results of this research emphasize the need for more support and access to venture capital for SMEs in Nigeria. With proper investment and guidance, these businesses can achieve long-term growth, create more jobs, and contribute greatly to the Nigerian economy.

**6. Recommendations.**

Based on the findings of this study, the following recommendations are made; Small and medium scale enterprises (SMEs) in Nigeria should take full advantage of venture capital financing by putting the funds into productive use, such as improving their products, expanding their operations, and investing in technology to grow their businesses; business owners and managers of SMEs should be trained regularly on how to properly manage venture capital funds. This includes understanding how to keep accurate financial records, detect financial risks early, and follow proper financial practices and SMEs that receive venture capital support should maintain transparency and accountability in their operations. This can be achieved by keeping proper financial records, sharing honest reports with investors, and building trust through good business practices.

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