



ACCESS TO FINANCE AND FINANCIAL PERFORMANCE OF SMEs IN PHARMACEUTICAL BUSINESS IN KWARA STATE, NIGERIA.

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Abstract

Globally, small and medium-sized Enterprises (SMEs) are essential catalysts for economic expansion, fostering innovation, generating employment, and promoting community development. SMEs are critical to the pharmaceutical industry because they guarantee access to necessary medications, support healthcare systems, and boost the economy. This study, therefore, investigates the effect of access to finance on the financial performance of SMEs in pharmaceutical business in Kwara State, Nigeria. Using a survey research approach, data were collected from 140 registered SMEs in pharmaceutical business through structured questionnaires. Descriptive statistics and ordered logistic regression were employed to analyze the data. The findings revealed that microfinance lending ($P=0.000$) and informal microcredit ($P=0.021$) significantly enhanced financial performance indicators such as revenue growth and return on investment. In contrast, government support programs through the Central Bank of Nigeria (CBN) ($P=0.294$) showed no significant impact. The research findings indicate that the financial performance of small and medium-sized pharmaceutical businesses in Kwara State, Nigeria, is considerably enhanced by timely and reasonably priced financing from microfinance institutions, and unofficial microcredit sources. However, persistent macroeconomic and institutional issues continue to be significant barriers. The study recommends that pharmaceutical SMEs should implement cost-saving measures, explore local sourcing options, and adopt pricing strategies to maintain competitiveness in the market. It also advocates for enhanced financial literacy, the adoption of digital lending platforms, and strengthened security measures to address systemic barriers and improve financial performance across the State and Nigeria at large.

Keywords: Financial performance, Development bank, Micro-finance, Nigeria

INTRODUCTION

Globally, small and medium-sized businesses (SMEs) are essential catalysts for economic expansion, fostering innovation, generating employment, and promoting community development. SMEs are critical to the pharmaceutical industry because they guarantee access to necessary medications, support healthcare systems, and boost the economy. For them to prosper and grow, having access to financing is essential to improving their financial performance (Andriamahery & Qamruzzaman, 2022). According to Alhaddad (2024), SMEs thrive in industrialized countries thanks to sophisticated financial ecosystems that provide a variety of funding choices, such as bank loans, venture capital, angel investments, and government-sponsored initiatives. According to the Small Business

Nigeria's healthcare system depends heavily on the pharmaceutical sector, and SMEs are key to the distribution and sale of medications (Akinyi, 2024). Initiatives such as those funded by PharmAccess Nigeria demonstrate how microcredit and unofficial financing are increasingly being used to address the capital needs of the industry, giving SMEs the chance to continue operating profitably (Onyemaechi & Ezenwaka, 2022). Nigerian SMEs, especially those in the pharmaceutical industry, are benefiting from these initiatives by improving their financial performance and increasing their influence on the provision of healthcare.

The North-Central Nigerian state of Kwara is home to a thriving pharmaceutical SMEs community that guarantees the availability of necessary medications in both urban and rural locations. These businesses are essential to promoting economic growth and the state's healthcare system (Zoidze & Abuselidze, 2023). With 10% of pharmaceutical SMEs in Kwara State obtaining bank loans in 2022, research from Umaru (2023) shows that financing choices are becoming more accessible to these businesses, suggesting an increase in formal credit prospects. Formal funding allows SMEs to invest in inventory management and regulatory compliance, and they report increased operational efficiency and profitability (Zhe, 2023). Small and medium-sized pharmaceutical businesses in Kwara State are in a good position to take advantage of these chances to improve their financial results and support regional growth.

Limited financing options for pharmaceutical SMEs have serious, multidimensional real-world repercussions that have an impact on the economy, society, and health. Economically speaking, these SMEs' inability to obtain sufficient capital limits their ability to expand, make investments in cutting-edge technologies, or adhere to regulatory requirements, which lowers profitability and raises business mortality rates (Pu et al., 2021). According to the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN), insufficient funding is the main reason why 80% of SMEs in Nigeria fail within the first five years (Olujide, 2022). The supply chain of necessary medications is socially disrupted by the failure of pharmaceutical SMEs, especially in underprivileged areas like Kwara State where access to high-quality healthcare is already scarce (Bello, 2022). Since these SMEs provide communities with reasonably priced medications and medical supplies, this makes health inequities worse. The operational limitations brought about by a lack of funding also result in fewer job openings because SMEs employ more than 80% of the workforce in Nigeria (Jabbouri & Farooq, 2021).

According to Oyegbade et al. (2022), the ongoing financing gap serves as a reminder of the shortcomings of current financial support systems, including government initiatives and bank lending regulations, which frequently fall short of meeting the requirements of pharmaceutical SMEs. In addition to placing further burden on the healthcare system, especially in rural regions, this issue could result in a drop in the pharmaceutical sector's contribution to Nigeria's GDP, which is projected to be 0.4% in 2022 (Jones & Olele, 2024). Furthermore, a cycle of underdevelopment in the area could be sustained and innovation stifled by a lack of financial access, which could discourage entrepreneurial activity (Olawajaju, 2023).

The global, regional, and local settings demonstrate how access to financing can significantly impact pharmaceutical SMEs' financial success. While developing countries, like Nigeria, are developing creative financing solutions to help SMEs' growth, developed countries have strong financial systems that empower SMEs (Odio et al., 2021). Pharmaceutical SMEs in Kwara State

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are taking use of new financial access alternatives to improve their operations and financial results. This study aims to provide valuable insights into how access to finance influences the financial performance of SMES in Pharmaceutical Business in Kwara State, offering a foundation for policies that enhance their growth and contributions to Nigeria's healthcare and economy.

LITERATURE REVIEW

Hunt and Morgan published the Resource Advantage Theory (R-A Theory) in 1995 as an expansion of the firm's resource-based perspective, highlighting the significance of distinctive resources in generating long-term competitive advantage. According to the notion, companies can attain better performance by efficiently obtaining, creating, and utilizing resources that are uncommon, valuable, unique, and non-replaceable. R-A Theory implies market heterogeneity and imperfect information, in contrast to standard economic theories that presume perfect competition and homogenous resources. This theory explains variation in performance results by focusing on resource variations among enterprises (Hunt & Morgan, 1995). Instead of focusing only on price or scale, this viewpoint emphasizes competition as a dynamic process in which businesses always look for new resources and capacities to surpass competitors.

Financial performance, which is typically assessed using metrics like sales growth, return on investment, liquidity ratios, and net profit margins, is the extent to which a company effectively uses its assets to create revenue and maintain profitability over time (Abdulwahab, 2021). Financial performance, as it relates to registered SMEs in the pharmaceutical industry, captures the operational success and financial viability of these businesses in the regulated pharmaceutical sector, where market positioning and revenue generation are greatly impacted by adherence to health standards and product quality. According to Ekundayo (2022), financial success includes a company's capacity to sustain solvency, reinvest for expansion, and endure external economic shocks, in addition to earnings made.

The financial success of registered pharmaceutical SMEs in a developing country like Nigeria is influenced by a complicated interaction between external financial conditions and internal capabilities. The nature of pharmaceutical items puts these businesses under regulatory scrutiny, which has a direct effect on profit margins and cost structures, according to Yusuf (2020). In addition, many SMEs struggle to obtain financing and manage fluctuating input costs, both of which have an impact on their capacity to generate consistent profits. According to Adebajo (2023), scale, procurement efficiency, and adherence to drug distribution and storage rules are all factors that frequently affect a pharmaceutical company's financial performance.

The characteristics of pharmaceutical SMEs in Nigeria, such as their frequent reliance on out-of-pocket funding, significant sensitivity to currency swings because of raw material imports, and the impact of healthcare legislation, should be taken into consideration when evaluating financial performance. According to Nwosu (2020), these businesses frequently face undercapitalization and erratic cash flows, which restricts their ability to make investments in marketing, infrastructure, or product diversification. In a similar vein, Agboola (2022) pointed out that companies with superior financial literacy and established accounting procedures typically have better financial results because they can make data-driven decisions and interact with financial institutions more reliably. This study therefore sees financial performance as a multifaceted construct that represents the operational viability and fiscal resilience of Kwara State's registered

pharmaceutical SMEs, as assessed by their capacity to obtain financing, exercise prudent resource management, and maintain compliance with the industry's strict regulations.

The ease with which people, business owners, and entrepreneurs can access financial resources and services from both official and informal financial institutions to promote profitable economic activity and improve the sustainability of their enterprises is referred to as access to finance (Onwuka, 2023). It includes the accessibility and cost-effectiveness of payment, insurance, savings, and credit systems and is frequently influenced by institutional strength, regulatory frameworks, and the organization of the financial industry. In his opinion, Uche (2021) pointed out that having access to funding is essential for fostering entrepreneurial growth, particularly for SMEs, since it affects their ability to grow, control risks, and innovate in cutthroat marketplaces.

For registered pharmaceutical SMEs operating in regulated industries like healthcare, Adebayo (2022) asserts that financing is essential for meeting working capital requirements and purchasing equipment, as well as for guaranteeing adherence to supply chain, quality assurance, and licensing requirements. Obioma (2024) emphasized in his thesis that one of the most enduring obstacles that SMEs in emerging economies confront is limited access to financing, particularly those operating in specialized industries like pharmaceuticals where operational expenses and regulatory requirements are relatively higher. Therefore, to meet the unique demands of these businesses, financial inclusion which is defined as the availability of relevant and reasonably priced financial services must be expanded.

In elucidating the aspects of financial accessibility, several writers have regarded microfinance bank lending as a vital channel for small company financing. According to Lawani (2020), microfinance organizations provide flexible and reasonably accessible funding, particularly for businesses that do not have the credit history or collateral that larger commercial banks require. However, Dike (2023) believes that commercial banks continue to play a crucial role in long-term financing by providing structured loan products in higher volumes that facilitate product innovation and growth in capital-intensive industries like pharmaceuticals. Credit access is also significantly facilitated by government support finance programs, especially in economies where market failures require government action. Such programs can act as safeguards against loan rationing and can encourage investment in vital industries like healthcare and pharmaceuticals, according to Ogundele's (2022) study. According to Okafor (2025), development bank lending helps SMEs obtain long-term funding, particularly in situations where market-based financial institutions view small enterprises as too risky. These banks frequently provide tailored financing products at discounted rates with the goal of fostering technical development, industrial expansion, and job creation. Furthermore, both official and informal microcredit lending mechanisms such as personal networks, rotating savings groups, and cooperative societies play important roles in small business financial ecosystems, particularly in areas where formal credit availability is still limited. Although they frequently include restrictions on fund size, interest rates, and repayment enforcement, Zakari (2021) claims that these unofficial channels aid in filling funding gaps.

Microfinance bank lending is the provision of small-scale, easily accessible financial services, like credit, savings, and microloans, to people, small businesses, and entrepreneurs who are normally shut out of the formal banking system because they lack collateral or have limited financial resources (Yusuf, 2021). Microfinance financing is intended to assist low-income earners, micro-

entrepreneurs, and rural residents to foster social development, economic empowerment, and financial inclusion (Okafor, 2023). He believes that encouraging inclusive economic participation and closing the credit gap for underserved groups are the primary roles of microfinance institutions.

According to Obafemi (2021), commercial bank lending is the process of granting credit facilities to people, companies, and small and medium-sized businesses (SMEs) through bank deposits for uses like working capital, company expansion, and capital projects. Usually, these loans have regulated repayment plans, interest payments, collateral requirements, and formal risk assessments. Edeh (2023) asserts that commercial banks are important financial intermediaries in contemporary economies, transferring deposits from surplus units to deficit units such as SMEs through loans to enhance their financial performance and business operations.

The intentional distribution of public funds, credit guarantees, subsidies, tax breaks, and intervention programs by governmental authorities to promote the expansion and sustainability of specific industries, particularly small and medium-sized businesses (SMEs), is referred to as government financial support (Aderemi, 2021). By ensuring that vital industries, like the pharmaceutical sector, have access to sufficient finance and institutional backing, this type of support aims to address market flaws, lessen financing limitations, and foster inclusive economic development. Olatunde (2022) asserts that government financial assistance serves as a stabilizing tool for sectors that are at risk, especially in developing nations where private finance is frequently unavailable or insufficient because of systemic inefficiencies or high lending risks.

Two different ways that small-scale loans are given to people and micro enterprises, especially those that are underserved by traditional financial institutions, are referred to as formal and informal microcredit lending. Microfinance banks, cooperative societies, and licensed credit institutions that follow established financial norms and supervision are examples of regulated financial enterprises that offer structured loans as part of formal microcredit lending (Ibrahim, 2023). Conversely, informal microcredit lending takes place outside of legal frameworks and involves relationship-based or community-based lenders, including family networks, moneylenders, traders, and rotating savings organizations (Ezeaku, 2022). Both types play a vital role in providing loans to people and microbusinesses that often do not have access to regular banking services because they lack collateral, have a bad credit history, or operate informally.

The larger structural, regulatory, and economic environments in which businesses function are referred to as institutional and macroeconomic factors. These factors are crucial in determining how well small and medium-sized businesses (SMEs) perform financially. The strength of financial institutions that support business operations, legal enforcement, property rights protection, regulatory frameworks, and governance quality are examples of institutional variables (Okoye, 2021). Conversely, macroeconomic factors include national economic indices including GDP growth, interest rates, exchange rates, inflation, and general economic stability (Balogun, 2022). These elements work together to determine how favorable the business environment is and have a direct impact on cost structures, company expectations, and financing availability.

Martinez and Lewis (2023) analyzed how microfinance lending affected the operational efficiency and financial performance of pharmaceutical SMEs in Germany over a five-year period. A

balanced panel of 180 companies was used in the study, and asset turnover ratios and profit margins were used to operate performance. To control unobserved heterogeneity, they used a fixed-effects regression approach. According to their findings, microloans increased operational effectiveness by enabling businesses to make investments in technological advancements, which in turn raised profit margins. On the other hand, microfinance lending yielded decreasing profits for companies with greater leverage. Concerns over possible misreporting were raised by the constraint, which was the dependence on firm-level financial reports without cross-verifying loan utilization.

Okafor and Nwankwo (2020) used survey data from 130 businesses gathered between 2018 and 2020 to investigate how commercial bank loans affected the financial development of pharmaceutical SMEs in Anambra State. ROA, net profit margin, and revenue growth were among the financial performance metrics. Using OLS regression analysis, the researchers discovered a favorable correlation between bank lending and the financial growth of SMEs, even though some SMEs had trouble with high interest rates and payback schedules. The study's cross-sectional methodology limits our ability to comprehend long-term implications.

Eze and Okeke (2021) used a panel dataset of 150 companies from 2016 to 2020 to investigate how government funding programs affected the financial performance of pharmaceutical SMEs in Lagos State. Using a fixed-effects regression model, the study operationalized financial performance using net profit margin and return on assets (ROA). According to their findings, government handouts greatly increased profitability and liquidity, allowing businesses to make investments in cutting-edge machinery and raise the caliber of their output. The study's geographic focus on Lagos State may have limited its ability to represent the realities of pharmaceutical SMEs in less urbanized areas like Kwara State.

Oladipo and Adeyemi (2021) investigated the effect of Nigerian development banks' lending on the financial performance of 150 registered pharmaceutical SMEs in Lagos and Kwara States between 2016 and 2020. Development bank lending was assessed by loan amount and repayment duration, and financial performance was operationalized through ROA and net profit margin using a panel regression model. Due to the reduced interest rates and grace periods provided, the results showed a strong positive correlation between development bank loans and financial performance. One study weakness is that it only looked at two states, which restricts the findings' applicability to the larger Nigerian pharmaceutical industry.

According to Ibrahim et al. (2022), 200 pharmaceutical SMEs in Oyo State had their financial performance examined over a four-year period (2017–2021) in relation to the combined official and informal microcredit access. Using a system GMM estimator, they operationalized credit access as bank and informal lender loan amounts and assessed financial performance in terms of ROE and revenue growth. Formal credit had a favorable impact on growth and profitability, according to their findings, while informal credit served as a buffer for cash flow but had no discernible effect on profitability. Nevertheless, the study's measurement bias using self-reported loan data is a significant weakness.

METHODOLOGY

The study adopts survey research design to enhance a comprehensive understanding of the research entity through an interview in the form of structured questionnaires. Therefore, primary data will be collected through questionnaires to critically investigate the phenomenon and achieve the objectives of the study. The Pharmacists Council of Nigeria (PCN) has disclosed that there are about 594 patent medicines shops and 149 pharmacies in Kwara State. Out of which a total of 520 premises were sealed comprising 39 pharmacies and 481 patent medicine shops. Eight compliance directives were issued for various offences such as poor sanitary conditions, poor documentation and non-display of premises and pharmacists annual licenses (Pharma-approach, 2021). With the focus of this study being registered SMEs in pharmaceutical business in Kwara State, the population of this study is all pharmacy within the senatorial districts of Kwara State, Nigeria who are registered SMEs in pharmaceutical business. As at 26th of May, 2022, there were one hundred and forty-nine (149) registered SMEs in pharmaceutical business in Kwara state.

However, for this study, sample size needs to be scientifically determined as the accuracy of any survey is directly dependent on the sample size. Thus, in the determination of sample size, a formula which was invented by Yamane, (1967) was used. Yamane (1967) provides a simplified formula to calculate sample sizes. A 95% confidence level and $p = 0.05$ are assumed. The selected sample size arrived at by the following formula:

$$n = \frac{N}{1 + N(e)^2}$$

Where:

n= sample size

N = is the population size of registered SMEs in pharmaceutical business in Kwara State

e = The desired level of Precision $e = 0.05$ is assumed.

$$n = \frac{149}{1 + 149(0.05)^2}$$

$$n = \frac{149}{1 + 0.0596}$$

$$n = 140.6191015478$$

$$n = 140 \text{ Respondents}$$

The study will make use of 141 respondents as the sample size out of the total population of 149 registered SMEs in pharmaceutical business in Kwara State.

For the purposes of this study, pharmaceutical SMEs are categorized into three groups based on their location within the senatorial districts of Kwara State, Nigeria. The first group comprises those situated in Asa, Ilorin East, Ilorin West, and Ilorin South LGAs, collectively representing Kwara Central. The second group consists of pharmaceutical SMEs in Ekiti, Oke-Oro, Offa, Ifelodun, Irepodun, Isin, and Oyun local government areas, forming Kwara South. The third group includes pharmaceutical SMEs located in Baruten, Edu, Pategi, Kiama, and Moro local government areas, constituting Kwara North. Within Kwara Central, 20 representative samples of pharmaceutical stores were purposively and randomly selected from each LGA, while in Kwara South and North, 5 representative samples were similarly chosen from each LGA. In total, 140 pharmaceutical stores across all senatorial districts in Kwara State were selected for inclusion in this study.

Table 1: Summary of Sampling Procedure and Sample Size

Geopolitical Zone	LGAs	No. of Pharmaceutical SMEs Selected per LGA	Total Samples per District
Kwara Central	Asa, Ilorin East, Ilorin West, & Ilorin South	20	80
Kwara South	Ekiti, Oke-Ero, Offa, Ifelodun, Irepodun, Isin, Oyun	5	35
Kwara North	Baruten, Edu, Pategi, Kiama & Moro	5	25
Total			140

Source: Author, Computation's 2025

The study adapted and modified the model proposed by Ruri and Omagwa (2018) originally developed to assess the impact of various sources of funds of non-financial firms on their financial performance in Kenya. This model was chosen because its structure aligns closely with the focus and analytical needs of the present study. The original model is stated as:

$$Y = f(EC, DC, RE)$$

$$Y = \beta_0 + \beta_1 EC + \beta_2 DC + \beta_3 RE + \varepsilon$$

Where Y = Financial Performance; β_0 = Intercept; EC = Equity Capital, DC = Debt Capital; RE = Retained Earnings, $\beta_1 - \beta_3$ = Regression Coefficients; and ε = Error Term.

Hence, the modified model from Ruri and Omagwa (2018) is expressed as follows:

$$Y = f(MFBL, CBL, DBL, GP, FIMCL)$$

Where Y = Financial Performance; β_0 = Intercept; $MFBL$ = Micro-Finance Bank Lending; CBL = Commercial Bank Lending; DBL = Development Bank Lending; GP = Government Programs; $FIMCL$ = Informal Micro-Credit Lending; $\beta_1 - \beta_3$ = Regression Coefficients; and ε = Error Term
This study went further to break down the model version of Ruri and Omagwa (2018) into five sub-models to provide answers to the objectives 1 to 5 of this study. The five sub-models are presented as follows:

Model 1

Model 1 examines the effect of microfinance banks' lending on the financial performance of Registered SMEs in Pharmaceutical business in Kwara State, Nigeria. The components used in measuring the composite variable of microfinance banks' lending is specified as follows

$$Y = f(MFBL)$$

Specifying the indicators of (MFBL) which is micro finance bank lending.

$$Y = f(MFBL) = f(OR, LTD, MS, LPTF, IR, ADF, PSL, LFA)$$

$$Y = f(OR, LTD, MS, LPTF, IR, ADF, PSL, LFA)$$

$$Y = \beta_0 + \beta_1 OR + \beta_2 LTD + \beta_3 MS + \beta_4 LPTF + \beta_5 IR + \beta_6 ADF + \beta_7 PSL + \beta_8 LFA + \varepsilon$$

Where: Y = financial performance

OR = Opening Requirement

LTD = Loan Timely Disbursement

MS = Minimal Scrutiny

LPTF = Loan Repayment Tenure flexibility

IR = Interest Rate

ADF = Access to Deposited Fund

PSL = Provision Short-term Loan

LFA = Loanable Funds Access

β_o = Intercept
 $\beta_1 - \beta_8$ = Regression Coefficients
 ε = Error Term

Model 2

Model 2 determines the effect of government support financial programmes on the financial performance of registered SMEs in pharmaceutical business in Kwara State, Nigeria. The indicators used in measuring the composite variable of government support financial programmes are specified as follows:

$$Y = f(GP)$$

Specifying the indicators of (GP) which is government support financial programmes.

$$Y = f(GP) = f(OR, LTD, MS, LPTF, IR, ADF, PSL, LFA)$$

$$Y = f(GS, PRG, SWIP, GG, SG, ADBL, LFA)$$

$$Y = \beta_o + \beta_1GS + \beta_2PRG + \beta_3SWIP + \beta_4GG + \beta_5SG + \beta_6ADBL + \beta_7LFA + \varepsilon$$

Where: Y = financial performance

GS = Government Support Programs

PRG = Profit and Revenue Growth

SWIP = Social Welfare and Insurance programs

GG = Grants from Government

SG = Soft loan from Government

ADBL = Accessing Development Bank Loan

LFA = Loanable Funds Access

β_o = Intercept

$\beta_1 - \beta_7$ = Regression Coefficients

ε = Error Term

RESULTS AND DISCUSSION

Presented below are the data summaries for each segment contained within the study instrument. Table 4.1 displays a range of statistical summaries, including averages, lowest values, highest values, and standard deviations. In addition, this section includes the results of the normality test performed on each variable, as well as a correlation analysis to reveal the relationship between these variables.

Table 2: Responses on Formal and Informal Micro Credit Lending

S/N	Items	Min	Max	Mean	S. Dev
Descriptive Analytics					
1	Registration requirements with formal and informal microcredit institutions are easy	1	5	3.60	1.213
2	It is easy to access loanable funds within a short duration	1	5	3.76	1.020
3	There is a minimal requirement when applying for loanable funds. i.e. Money lender and Cooperative	1	5	3.83	1.079
4	There is ease in loan processing	1	5	3.58	1.200
5	In most micro-credit lending, interest on loans received is relatively high and creates burden on repayment except cooperative.	1	5	3.61	1.117

6	Loans from informal sources such as “ajo and cooperative” attract low/no cost to pharmaceutical SMEs	1	5	3.73	1.145
7	Pharmaceutical SMEs can easily access her deposited fund whenever needed.	1	5	3.50	1.247

Source; Author’s Computation, 2025

Table 2 presents minimum, maximum, mean, and standard deviation with respect to formal and informal micro credit lending to the members. There are seven (7) items used to measure formal and informal micro credit in the table. Among the constructs, the item with the highest mean score is item 3, which was stated as “There is minimal requirements when applying for loanable funds,” (M=3.83, SD=1.079). This was followed by item 2, which was stated as “It is easy to access loanable funds within a short duration” (M=3.76, SD=1.020). This was followed by item 6, which was stated as “Loans from informal sources such as “ajo and cooperative” attract low/no cost to pharmaceutical SMEs” (M=3.73, SD=1.145). On the other hand, the item with the lowest means score is item 7, which was stated as “Pharmaceutical SMEs can easily access her deposited fund whenever needed.” (M=3.50, SD=1.247), and item 4, stated as “There is ease in loan processing” (M=3.58, SD=1.200).

The mean scores of all the items are above 3, at the midpoint, which suggests that there was a high level of acceptance with the statements. None of the items revealed a mean score less than 3, which implies that the respondents did not disagree with the items used to measure formal and informal micro credit lending.

Table 3: Responses on Government Support Programs

S/N	Items	Min	Max	Mean	S. Dev
Descriptive Analytics					
1	Government support programs help pharmaceutical SMEs compared to financial institutions	1	5	3.32	1.115
2	The beneficiary of government support programs grows in profit and revenue	1	5	3.53	1.054
3	Many pharmaceutical SMEs have benefited from government support programs in forms of social welfare programs and social insurance programs	1	5	3.33	1.205
4	Government have supported Pharmaceutical SMEs financially by giving them grants	1	5	3.25	1.160
5	Government have supported Pharmaceutical SMEs financially by giving them soft loan	1	11	3.26	1.265
6	Accessing government funding through my financial institution is stress free.	1	5	3.04	1.245
7	It is easy to access loanable funds within a short duration	1	5	3.46	1.216

Source; Author’s Computation, 2025

Table 3 presents minimum, maximum, mean, and standard deviation with respect to government support programs to the businesses. There are seven (7) items used to measure government support programs in the table. Among the constructs, the item with the highest mean score is item 2, which was stated as “The beneficiary of government support program grows in profit and revenue” (M=3.53, SD=1.054). This was followed by item 7, which was stated as “It is easy to access loanable funds within a short duration” (M=3.46, SD=1.216). This was followed by item 3, which

was stated as “Many pharmaceutical SMEs have benefited from government support programs in forms of social welfare programs and social insurance programs” (M=3.33, SD=1.205). On the other hand, the item with the lowest mean score is item 6, which was stated as “Accessing government funding through my financial institution have stress free.” (M=3.04, SD=1.245). This was followed by item 5, which was stated as “Government have supported Pharmaceutical SMEs financially by given them soft loan” (M=3.26, SD=1.265).

The mean scores of all the items are above 3, at the midpoint, which suggests that there was a high level of acceptance with the statements. None of the items revealed a mean score less than 3, which implies that the respondents did not disagree with the items used to measure government support programs. However, it could be seen that item 6, was closer to the midpoint of 3, indicating that most of the respondents could not decide if accessing government funding through financial institutions is stress-free.

Ordered Logistic Regression to Examine the Effect of Microfinance Banks’ Lending on Financial Performance:

This sub-section presents the ordered logistic regression results of the effect of microfinance banks’ lending on the financial performance of pharmaceutical SMEs in Kwara state. The decision to adopt ordered logistic regression was informed by the rank nature of the responses provided for financial performance constructs, which range Likert scale format. The result is presented in the Table below.

The result presented in Table 4. shows the overall significance of information that tested whether the independent variables included in the model are jointly significant in determining financial performance of the pharmaceutical SMEs in Kwara state. The Wald Chi-Squared was employed for this purpose. A statistic value of 40.26 with an associated p-value of 0.0000 implies that all the microfinance banks’ lending indicators (Opening Requirement, Loan Timely Disbursement, Minimal Scrutiny, Loan Repayment Tenure flexibility, Interest Rate, Access to Deposited Fund, Provision Short-term Loan, and Loanable Funds Access) are jointly significant in predicting financial performance of the pharmaceutical SMEs in Kwara state, Nigeria.

Table 4: Ordered Logistic Regression Result for Microfinance Banks’ Lending Indicators

Variables	Coefficient	Std. Err.	T	p-value
Opening Requirement	-0.377	0.214	-1.76	0.078
Loan Timely Disbursement	0.363	0.129	2.81	0.000***
Minimal Scrutiny	-0.077	0.192	-0.4	0.687
Loan Repayment Tenure flexibility	0.162	0.198	0.82	0.414
Interest Rate	0.012	0.166	0.07	0.941
Access to Deposited Fund	-0.027	0.218	-0.13	0.900
Provision Short-term Loan	0.131	0.019	6.99	0.000***
Loanable Funds Access	0.321	0.115	2.77	0.001***
Wald chi2(12) = 40.26				
Prob > chi2 = 0.0000				
R-Squared = 0.0567				

Source: Author’s Computation, 2025

With regards to the coefficients of the variable as presented in Table 4, loan timely disbursement, loan repayment tenure flexibility, interest rate, provision of short-term loan, and loanable funds

access have positive effect on financial performance of pharmaceutical SMEs in Kwara State, while opening requirement, minimal scrutiny, and access to deposited fund have negative effect on the financial performance of pharmaceutical SMEs in Kwara state Nigeria.

In terms of the variable significance, the result revealed that loan timely disbursement, provision of short-term loan, and loanable funds access of microfinance banks have significant influence on the financial performance of the pharmaceutical SMEs in Kwara state. Other variables including opening requirement, minimal scrutiny, loan repayment tenure flexibility, interest rate, and access to deposited fund are not statistically significant in predicting financial performance of the pharmaceutical SMEs in Kwara state, Nigeria.

Loan timely disbursement with a positive coefficient of 0.363 with an associated p-value of 0.000 indicates that for every increase in timely disbursement of loans by the microfinance banks, we expect a 0.363 percent increase in the logs odds of being in a higher level of financial performance of the pharmaceutical SMEs, given all the other variables in the model are held constant. Also, provision of short-term loan with a positive coefficient of 0.131 with an associated p-value of 0.000 indicates that for every increase in the provision of short-term loan by the microfinance banks, we expect a 0.131 percent increase in the logs odds of being in a higher level of financial performance of the pharmaceutical SMEs, given all of the other variables in the model are held constant. Moreover, access to loanable funds with a positive coefficient of 0.321 with an associated p-value of 0.000 indicates that for every increase in the access to loanable funds, we expect a 0.321 percent increase in the logs odds of being in a higher level of financial performance of the banks, given all the other variables in the model are held constant.

Based on the magnitude of the coefficients and their significances, the result indicated that the significant determinants of financial performance of pharmaceutical SMEs are loan timely disbursement, provision of short-term loans, and access to loanable funds.

Ordered Logistic Regression to Examine the Effect of Government Support Program

Table 5: Ordered Logistic Regression Result for Government Support Programs' Indicators

Variables	Coefficient	Std. Err.	T	p-value
Government Support Programs	0.591	0.224	2.64	0.008***
Profit and Revenue Growth	0.285	0.205	1.39	0.164
Social Welfare and Insurance programs	0.186	0.211	0.88	0.377
Grants from Government	0.232	0.207	1.12	0.261
Soft-loan from Government	0.116	0.134	0.87	0.384
Accessing Government Funds	-0.401	0.212	-1.89	0.059
Loanable Funds Access	0.597	0.197	3.02	0.003***

Wald chi2(12) = 22.99

Prob > chi2 = 0.0017

R-Squared = 0.0585

Source: Author's Field Computation, 2025

With regards to the coefficient of the variable as presented in Table 5, government support programs, profit and revenue growth, social welfare and insurance programs, grants from government, soft-loan from government, and loanable funds access have positive effect on the financial performance of pharmaceutical SMEs in Kwara state, Nigeria, while accessing

government funds, revealed a negative effect on the financial performance of pharmaceutical SMEs in Kwara state, Nigeria. In terms of the variable significance, the result revealed that government support programs and access to loanable funds are statistically significant in determining financial performance of pharmaceutical SMEs in Kwara state, Nigeria. Other variables including profit and revenue growth, social welfare and insurance programs, grants from government, and soft loan from government are not statistically significant in determining financial performance of the pharmaceutical SMEs in Kwara state, Nigeria.

Government support programs with a positive coefficient of 0.591 with an associated p-value of 0.008 indicate that for every increase in government support programs, we expect a 0.591 percent increase in the logs odds of being in a higher level of financial performance of the pharmaceutical SMEs, given all the other variables in the model are held constant. Also, loanable funds access with a positive coefficient of 0.597 with an associated p-value of 0.003 indicates that for every increase in access to loanable funds, we expect a 0.597 percent increase in the logs odds of being in a higher level of financial performance of the pharmaceutical SMEs, given all the other variables in the model are held constant. Based on the magnitude of the coefficient and their significance, the result indicated that the significant determinant of financial performance of pharmaceutical SMEs in Kwara State, Nigeria are government support programs and access to loanable funds.

CONCLUSION AND RECOMMENDATIONS

Consistent funding is necessary for the pharmaceutical business to address population health demands. Funding needs are typically greater during disease outbreaks, as research and development expenditures may be necessary to find the best way to combat the pandemic. Pharmaceutical SMEs are located closer to the people and are frequently needed, whether during pandemics or on a regular basis. To do this, they must be linked to the appropriate source of money to finance their investment. In Nigeria today, commercial banks, government assistance programs, and microfinance are some of the prominent sources of credit facilities. Several studies have investigated the relationship between access to financing and the performance of firms, including small and medium-sized businesses, out of curiosity. Only a small number of the many studies have considered pharmaceutical SMEs, which leaves a significant gap that must be addressed. For this reason, this study examined the impact of access to finance on performance of pharmaceutical SMEs based on indicators such as microfinance banks' lending, commercial banks' lending, government support financial programs, development banks' lending, and formal and informal microcredit lending.

A general and overall conclusion that arises from the above-summarized findings related to the study's outcome is that microfinance banks' lending is a crucial source of funding for pharmaceutical SMEs because it can be used for operations and business projects, which will ultimately result in improved financial performance. Another broad conclusion is that commercial banks' financial assistance in the form of loans to pharmaceutical SMEs greatly improves financial performance. This is because the loans offer flexibility in terms of repayment, which relieves pressure on the operating capital and revenue produced by pharmaceutical SMEs. Additionally, since pharmaceutical SMEs have access to loanable money that can be regularly used to assist business operations, formal and informal microcredit also helps them perform better financially.

Based on the findings of this study, as well as the conclusions that emerged from these findings, the following recommendations are made to boost financial performance of pharmaceutical SMEs in Nigeria.

- i. Given that lending from microfinance banks had a positive, significant impact on financial performance, the study suggests that to maximize positive outcomes, microfinance banks, SME development agencies, and financial regulators (including the Central Bank and pertinent financial authorities) work together to streamline loan disbursement procedures, increase financial literacy initiatives, and regularly modify lending strategies in response to SMEs' changing needs.
- ii. Given that the financial performance of pharmaceutical SMEs was found to be positively and significantly impacted by commercial banks' lending, the study suggests that commercial banks, pharmaceutical SME associations, and financial regulatory bodies work together to maintain flexible loan repayment terms, provide competitive interest rates, and put in place user-friendly procedures for accessing deposited funds. These initiatives will promote pharmaceutical SMEs' financial growth and sustainability by maximizing the advantages of financing support.
- iii. The study recommends that informal lenders, fintech companies, pharmaceutical SME operators, and financial inclusion advocates work together to use digital platforms for credit disbursement, given the findings that informal microcredit lending had a major impact on financial performance. This would improve the financial performance of pharmaceutical SMEs by expanding their access to capital and facilitating quicker project implementation.
- iv. The study recommends that pharmaceutical SMEs should work together on supply chain security, invest in alternative distribution methods, and interact with local authorities to reduce such risks, as insecurity was found to have a negative and significant impact on their financial performance.
- v. Based on the significant influence of inflation as identified in the study, it was recommended that pharmaceutical SMEs should implement cost-saving measures, explore local sourcing options, and adopt pricing strategies to maintain competitiveness in the market.

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