

Roles of Investment Analysts on SMES Venture Schemes for Sustainable Development in Northeast, Nigeria

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Abstract

This study examined how investment analysts influence small and medium enterprises (SMEs) venture schemes for sustainable development in Northeast Nigeria. The study adopted survey research design, which was guided by three objectives and hypotheses. The population for this study was 3392, comprising Investment Analysts, Small and Medium Enterprises (SMEs), Stakeholders in SME Funding, Industry Experts, Academics and Government Agencies and Regulatory Bodies, and Local Communities and Support Organizations in Northeast, Nigeria. GPower 3.1 was used to obtain the sample size of 358 respondents, stratified random sampling technique was employed to categorizing the respondents according to their strata, and random sampling was used to selecting samples from each stratum. Roles of Investment Analysts on SMEs Venture Questionnaire (RIASVQ) was used to collect data, it was trial tested with 0.81 reliability coefficient using Cronbach alpha. Mean, standard deviation and Pearson's correlation were used in the test of hypotheses. The results show that, Investment analysts play a pivotal role in facilitating SME funding by providing strategic guidance, conducting thorough financial analyses, and assisting in accessing funding networks. The study concluded that, Investment analysts play a crucial role in offering strategic advice, doing comprehensive financial evaluations and helping small and medium enterprises connect with funding sources. Thus recommended that, stakeholders, policymakers and entities involved in supporting SME growth should strive to streamline regulatory procedures and offer more explicit instructions for SME financing. This will assist investment analysts in navigating regulatory hurdles more efficiently and streamlining funding processes for SMEs.

Keywords: Investment Analysts, Venture Schemes and Sustainable Development

Introduction

Insurgency and terrorism are longstanding issues in Nigeria. The massacres have presented a significant danger to the fundamental structure and survival of the nation. Factors such as youth militancy, religious uprisings, ethnic jingoism, and political animosity are key influences behind attacks sponsored by the state (Mishra, 2017). The Boko Haram insurgency, characterized by ransom kidnapping, community displacement, politically motivated killings, armed robbery, and other criminal activities, has instilled widespread dread throughout the country. The country is confronting formidable challenges due to a spike of attacks stemming from insurgency and terrorism of an unprecedented magnitude and severity. The implications have been extensive and profound (Tar, 2021).

Small and Medium Enterprises play a crucial role in fostering economic growth and employment opportunities in the Northeast area of Nigeria. Yet, these organizations often encounter challenges in securing sufficient financial resources and expertise to expand their operations. Investment analysts act as financial mediators, bridging the gap by offering experience in financial analysis, due diligence, risk assessment, and strategic direction. They evaluate SMEs' financial stability, growth opportunities, market position, and management skills as part of their investment process contributions (Igbashangev & Tion, 2022). There is a dearth of comprehensive knowledge regarding the role of investment analysts in the funding process, the type of advice they provide, and their influence on small and medium-sized enterprises (SMEs).

Various factors impact investment analysts' decision-making when funding endeavors for small and medium enterprises in Northeast Nigeria. The elements encompass financial data, market trends, industry forecasts, management quality, regulatory compliance, and potential venture risks. Comprehending the significance and interaction of these influencing aspects is crucial for grasping the criteria that inform investment analysts' conclusions (McQuarrie, 2017). The cultural, socioeconomic environment of Northeast Nigeria, regional market dynamics, and governmental policies can significantly influence investment analysts' funding selections for SMEs.

Investment analysts' participation in SME initiatives is anticipated to greatly influence the performance and growth path of these firms. This influence is evident through enhanced access to capital, refined corporate strategy, improved financial management practices, and heightened market competitiveness. A thorough evaluation is needed to determine how the advice and assistance from investment analysts impact the financial, operational, and strategic performance of small and medium-sized enterprises (SMEs) in the Northeast region (Pulka et al., 2021).

Investment analysts encounter many obstacles while overseeing venture plans for small and medium enterprises in Northeast Nigeria. The challenges may involve regulatory intricacies, insufficient and dependable data, challenges in evaluating the legitimacy and growth prospects of SMEs, and limited resources for doing in-depth due diligence. Cultural variations and regional economic disparities can present extra hurdles for investment analysts in performing their duties (Okolo & Akuka, 2019).

To enhance the efficacy of investment analysts, it involves examining and executing strategic actions to tackle current obstacles and maximize their contributions in supporting SMEs. Possible strategies include capacity building programs to enhance analysts' skills, increased access to market information and financial resources, advocating for regulatory reforms to simplify investment processes, promoting better collaboration among stakeholders, and creating customized support mechanisms for SMEs in the Northeast region. Implementing these measures could greatly enhance the help provided by investment analysts, promoting the growth and longevity of small and medium-sized enterprises (Hope, 2020).

This setting emphasizes the crucial role of investment analysts in promoting the development of small and medium enterprises in Northeast Nigeria, while simultaneously underscoring the intricacies, difficulties, and possibilities of the region. Comprehending the contributions, determinants of decision-making, influence on SMEs, issues faced, and improvement plans is crucial for formulating complete solutions to bolster the growth and success of SMEs in the region.

Statement of the Problem

The economic environment in Northeast Nigeria poses distinct challenges and opportunities for small and medium enterprises (SMEs), especially in terms of securing

capital and implementing business plans. SMEs are recognized as crucial catalysts for economic growth and development in the region, but they often face obstacles such as insufficient financial resources and lack strategic direction that impede their success. Investment analysts are expected to play a crucial role in connecting these gaps by providing significant insights and knowledge to increase small and medium enterprises' access to capital and enhance the effectiveness of venture schemes. The influence of investment analysts on small and medium-sized enterprise (SME) finance processes in Northeast Nigeria has not been thoroughly researched. There is less study on how investment analysts support SMEs' venture plans and the difficulties they face in doing their responsibilities effectively in this environment. It is crucial to comprehend the moderating functions of investment analysts and the challenges they face in order to create strategies that can enhance SME development and promote sustainable economic progress in the region. This study aims to explore the complexities of investment analysts' participation in small and medium enterprise (SME) venture projects in Northeast Nigeria. The research aims to uncover the complex dynamics of the relationship to find ways to improve the effectiveness of SME finance channels and address obstacles to sustainable development. This study aims to analyze how investment analysts influence and encounter problems, in order to offer insights and recommendations to help SMEs and enhance economic resilience in Northeast Nigeria.

Objectives of This Study

The following objectives guided the conduct of the study;

1. To identify the contributions of investment analysts in the investment process for SMEs.
2. To determine the impact of investment analyst on the performance of SMEs in Northeast Nigeria.
3. To Identify the challenges faced by investment analysts in moderating venture schemes for SMEs in the Northeast region.

Research Hypotheses

The following hypotheses were tested at 0.05 level of significance;

1. Investment analysts significantly contribute to the investment process for SMEs in Northeast Nigeria.
2. The active involvement of investment analysts in SME ventures positively correlates with improved performance indicators among SMEs in Northeast Nigeria.
3. Investment analysts encounter challenges that hinder their effectiveness in moderating venture schemes for SMEs in the Northeast Nigeria.

Theoretical Framework

Edward Freeman's Stakeholder Theory from 1984 provides the theoretical underpinning for this investigation. This theory argues that organizations should take into account and oversee the concerns of stakeholders beyond only shareholders when making strategic decisions. Agency Theory is chosen as the theoretical framework for this study due to factors that are in line with the study's context and objectives. Freeman, et al. (2023) state that Agency Theory primarily examines the relationship between principals (SMEs seeking funding) and agents (investment analysts). SMEs transfer decision-making power to investment analysts in order to obtain finance through venture plans. This approach helps to enhance comprehension of the underlying conflicts, information asymmetry, and differing interests that exist among various parties.

The theory deals with information asymmetry, when the agent (investment analyst) possesses more information than the principle (SMEs) during the investment process. Investment analysts, acting as agents, oversee and offer specialized knowledge to reduce this imbalance, guaranteeing that both parties' goals are in sync. Agency Theory highlights the methods used to synchronize the objectives of principals and agents. Investment analysts play a crucial role in aligning the interests of investors and small and medium enterprises (SMEs) in venture schemes to mitigate risks, align interests, and reduce agency costs. The idea explores agency costs, encompassing monitoring costs and residual loss arising from the agency connection (Freeman, et al., 2021). Within this context, we can analyze how investment analysts can save expenses by using efficient contractual agreements and monitoring systems.

Agency Theory also discusses power dynamics and techniques for ensuring agents are accountable to principals. Studying the accountability structures and mechanisms that investment analysts use when evaluating venture schemes for small and medium enterprises in Northeast Nigeria aligns with this notion. Investment analysts who serve as financial mediators are under the scope of Agency Theory. This theory is commonly used in situations involving financial intermediaries and their client relationships. It is suitable for examining the interactions among investment analysts, small and medium-sized enterprises (SMEs), and investors in the funding process (Schaltegger, et al., 2019). Agency Theory is used to analyze the complexities, tensions, risk mitigation tactics, and methods of aligning interests between SMEs and investment analysts in venture schemes in Northeast Nigeria. It allows for a detailed analysis of the dynamics present in the principal-agent interaction in the SME investment sector.

Small and Medium Scale Enterprises (SMEs) Concept

In Nigeria, small and medium-sized companies (SMEs) are businesses with assets totaling up to 500 million Naira (excluding land and working capital) and employing between ten (10) and 300 workers. Nigerian SMEs must comply with the legislative regulations that oversee their operations (Ufua et al., 2020). Businesses with a capital exceeding 1.5 million Naira but less than 500 million Naira, incorporating working capital but not land expenses, and employing 11-100 persons fall into this classification. Medium-sized firms are defined as having a capital base over 50 million Naira but less than 500 million Naira, including working capital but excluding land costs, and/or employing 101-300 workers (Adanlawo et al.).

Small and Medium Enterprises (SMEs) are significant contributors to the economic environment of Northeast Nigeria. These enterprises, operating in diverse fields like agriculture, manufacturing, services, and technology, are characterized by their magnitude, scope, and impact on regional progress. SMEs in Northeast Nigeria vary in size from micro-enterprises with a limited number of employees to small and medium-sized businesses with a modest workforce and turnover (Ufua, et al., 2020). They often work with little resources and staff compared to larger firms, yet they are nimble, flexible, and essential to the local economy.

Small and medium-sized firms (SMEs) make a substantial contribution to the region's GDP and job development. They promote entrepreneurship, innovation, and local economic growth by offering job possibilities, particularly in rural areas where they are crucial for survival. Small and medium-sized enterprises encounter various obstacles, notwithstanding their significant economic impact. Restricted financial access remains a hindrance to their growth potential (Adanlawo, et al., 2021). Insufficient infrastructure, regulatory difficulties, market competitiveness, and volatility in market demand are major obstacles. SMEs often show perseverance, innovation, and adaptation when dealing with

these issues. Investment analysts are crucial in supporting small and medium enterprises in their development and long-term viability (Olaore et al., 2021). They serve as intermediaries for small and medium-sized enterprises seeking capital and possible investors. Investment analysts assess small and medium-sized enterprises' financial strength, market opportunities, and management capabilities to help with funding and investment decisions.

In the title's setting, investment analysts play a crucial role by overseeing venture projects for small and medium enterprises in Northeast Nigeria. These analysts utilize their financial acumen, industry understanding, and risk evaluation abilities to assist small and medium-sized enterprises in obtaining finance, which is essential for their development, creativity, and competitiveness (Onyeiwu et al., 2020). Comprehending the intricacies of Small and Medium Enterprises (SMEs) in Northeast Nigeria is crucial for acknowledging their significance in the local economy. Investment analysts play a crucial role in supporting venture schemes, which directly influence the growth and success of these firms. This, in turn, contributes to regional economic development, job creation, and socioeconomic progress in Nigeria's Northeastern area.

Research Methodology

This study utilized a survey research design to gather quantitative data, offering numerical insights about SMEs, investment trends and the functions of investment analysts. The study's population consists of 3392 individuals, including Investment Analysts, Small and Medium Enterprises (SMEs), Stakeholders in SME Funding, Industry Experts, Academics, Government Agencies, Regulatory Bodies, Local Communities and Support Organizations in northeast Nigeria. The sample size of 358 respondents was determined using GPower 3.1. Stratified random sampling was utilized to categorize the respondents into different strata, and random sampling was employed to select samples from each stratum. This strategy guarantees that there is participation from different parts of the respondents, which leads to a more thorough and inclusive dataset. The data was collected using the SMEs Venture Questionnaire (RIASVQ), which was trial tested and achieved a reliability coefficient of 0.81 using Cronbach's alpha. Mean, standard deviation, Pearson's correlation coefficient and Multiple regression analysis were employed to address research inquiries and examined hypotheses. If the p-value is less than or equal to the α -value, the null hypothesis is rejected; if the p-value is larger than the α -value, the null hypothesis is accepted.

Results

Hypothesis One: Investment analysts significantly contribute to the investment process for SMEs in Northeast Nigeria

Table 1: Relationship between Investment analysts and investment process for SMEs in Northeast Nigeria

	Investment Analyst	SMEs investment process
Investment Analyst	1	
SMEs investment process	0.08	1

A correlation close to 1 or -1 indicates a strong relationship, while a correlation close to 0 indicates no relationship. In this case, a correlation coefficient close to 0 suggests no significant relationship between Investment analysts and investment process for SMEs in Northeast Nigeria

Hypotheses Two: The active involvement of investment analysts in SME ventures positively correlates with improved performance indicators among SMEs in Northeast Nigeria.

Table 2: Correlation between Investment Analysts' Involvement and SME Performance Indicators

	Level of investment analysts' involvement in SME ventures	SME Performance Indicators
Level of investment analysts' involvement in SME ventures	1	
SME Performance Indicators	0.04	1

A correlation close to 1 or -1 indicates a strong relationship, while a correlation close to 0 indicates no relationship. In this case, a correlation coefficient close to 0 suggests no significant relationship between Level of investment analysts' involvement in SME ventures and SME Performance Indicators

Hypothesis Three: Investment analysts encounter challenges that hinder their effectiveness in moderating venture schemes for SMEs in the Northeast Nigeria. **Table 3:** Relationship between challenges encounters by Investment analysts and SMEs venture schemes for SMEs in the Northeast Nigeria

	Investment analysts encounter challenges	analysts venture schemes for SMEs
Investment analysts encounter challenges	1	
venture schemes for SMEs	0.65	1

A correlation close to 1 or -1 indicates a strong relationship, while a correlation close to 0 indicates no relationship. In this case, there is significant relationship between Investment analysts encounter challenges and venture schemes for SMEs.

Findings of the Study

Based on the analysis of data collected from the respondents, the following findings were emerged:

1. Investment analysts play a pivotal role in facilitating SME funding by providing strategic guidance, conducting thorough financial analyses, and assisting in accessing funding networks.
2. SMEs that received substantial guidance from analysts demonstrate better financial and operational outcomes.
3. Investment analysts encounter various challenges, including regulatory complexities, limited access to comprehensive data, information asymmetry, and difficulties in assessing the credibility of SMEs.

Discussion of findings

The study's findings highlight the vital role investment analysts have in enabling funding for Small and Medium Enterprises (SMEs) in Northeast Nigeria. Investment analysts play a crucial role in offering strategic advice and performing thorough financial

assessments to help small and medium-sized enterprises (SMEs) connect with funding sources. Analysts play a crucial role in helping SMEs secure capital by leveraging their skills and industry knowledge.

The study shows a direct relationship between the recommendations given by investment analysts and the financial and operational performance of small and medium-sized enterprises (SMEs). Small and medium-sized enterprises that receive significant support and direction from analysts show enhanced financial performance and operational efficiency. This indicates that the guidance and financial expertise provided by investment analysts have a beneficial effect on the general well-being and development path of small and medium-sized enterprises (SMEs).

Despite their crucial function, investment analysts encounter many hurdles while trying to properly assist SMEs. The constraints include of regulatory complications, restricted access to complete data, information asymmetry, and challenges in evaluating the reliability of SMEs. Regulatory obstacles and limited access to dependable data make it challenging for analysts to effectively assess the financial well-being and hazards of SMEs. The information asymmetry between analysts and SMEs can impede the effectiveness of their guidance and recommendations.

The study emphasizes the significance of investment analysts in the small and medium enterprise (SME) funding system and points out the challenges they face in carrying out their duties efficiently. Meeting these difficulties could improve the assistance offered by analysts and help promote the sustainable development of SMEs in Northeast Nigeria.

Conclusion

Ultimately, the research emphasizes the crucial function of investment analysts in enabling financing for Small and Medium Enterprises (SMEs) in Northeast Nigeria. Investment analysts play a crucial role in offering strategic advice, doing comprehensive financial evaluations, and helping small and medium enterprises connect with funding sources. They use their skills and industry knowledge to help SMEs secure capital, which greatly impacts their financial stability and long-term success. The study shows a direct relationship between the assistance offered by investment analysts and the financial and operational performance of small and medium-sized enterprises (SMEs). Small and medium-sized enterprises that receive significant assistance from analysts show enhanced financial performance and operational efficiency, demonstrating the concrete advantages of their participation.

Investment analysts encounter obstacles such as regulatory complications, restricted access to complete data, information asymmetry, and issues in evaluating the credibility of SMEs while trying to support them successfully. It is essential to tackle these difficulties in order to improve the assistance offered by analysts and foster the sustainable development of SMEs in Northeast Nigeria. Ultimately, the results emphasize the importance of investment analysts in the SME finance system and emphasize the necessity for specific actions to tackle the difficulties they face. Overcoming these constraints can improve the efficiency of investment analysts and support the long-term prosperity of SMEs in the region.

Recommendations

Based on the findings of the study the following recommendations were made::

1. Stakeholders, policymakers, and entities involved in supporting SME growth should strive to streamline regulatory procedures and offer more explicit instructions for SME

financing. This will assist investment analysts in navigating regulatory hurdles more efficiently and streamlining funding processes for SMEs.

2. Stakeholders, policymakers, and entities involved in supporting SME growth should enhance data accessibility by making complete data pertinent to SMEs in Northeast Nigeria more readily available. This may entail creating centralized databases or platforms for analysts to access pertinent information to guide their analysis and decision-making.
3. Stakeholders, policymakers, and entities involved in supporting SME growth should promote collaboration among investment analysts, subject matter experts, government agencies, and financial institutions to tackle information asymmetry and enhance the credibility evaluation process.

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