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Strategies to Minimize Profit Loss From Small Business Enterprise Credit Rejections

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Walden University

College of Management and Technology

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Alfred Nwagbo

has been found to be complete and satisfactory in all respects,
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Walden University
2018

Abstract

Strategies to Minimize Profit Loss From Small Business Enterprise Credit Rejections

by

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CPA, Institute of Certified Public Accountant of Nigeria, 2004

MAHS, St. Edward's University, 1988

BBA, Texas State University, 1983

Doctoral Study Submitted in Partial Fulfillment

of the Requirements for the Degree of

Doctor of Business Administration

Walden University

October 2018

Abstract

Institutional policies and the terms and conditions of credit allocation complicate the demand and supply of small business enterprise (SBE) credit, causing lost profits. Bank leaders are losing 28% of profitable projects because of the high rejection rate of credit applications for SBE loans. The purpose of this multiple case study was to explore strategies Southeastern Nigerian state bank leaders use to minimize lost profit from SBE credit rejections. The conceptual framework that grounded this study was credit rationing focused on the lender–borrower relationship. Data collection involved reviews of company documents and face-to-face semistructured interviews of 6 participants from 3 banks in Southeastern Nigerian state. Based on the Schorr's modified data analysis approach, 5 themes emerged (a) credit rationing depends on sufficient information, (b) business accounts statements are a fall back for credit availability, (c) character may be more important than collateral, (d) government policies are challenges to the formal banking system, (e) profits may be a hedge for high interest rates. Findings may be used to enhance the profitability of banks in the Southeastern Nigerian state. Implications for positive social change may include the support of community projects for individuals living at or below the poverty level in region.

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Dedication

I dedicate this dissertation first to God Almighty for His grace, then my family. A profound gratitude to Alfred Jr., Princess K., Master Praise, Ugo, and Mommy Dear who contributed in various ways to nudge me forward. I am thankful for your support morally and individually throughout the doctoral journey. I dedicate this work specially to my grandchildren, Ashy and the others, for the smiles of innocence with symbolic rewards or intent that invigorated me. I give special thanks to my late parents for their sacrifice to make me the person I am today, and my late cousin “Dagogo.” Your departure was painfully too soon, but your expectation was both an encouragement and inspiration for fulfillment.

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Section 1: Foundation of the Study

The examination of bank-specific factors of profitability, such as size, revenue growth, risk, and control of expenses proves useful to compare the performance of commercial enterprises while focusing on an individual country or a geographical region (Mokni & Rachdi, 2014). The external determinants, such as the gross domestic product growth and inflation concentration, besides a few internal effects in multiple countries, are other considerations of profitability (Bruni, Beraldi, & Iazzolino, 2014; Mokni & Rachdi, 2014). Nevertheless, bank lending to small business enterprises (SBEs) or small and medium size enterprises (SMEs) is neither border nor boundary-sensitive, and is not a consideration by formal financial institutions. Although thorough efficiency analysis of the banking sectors characterizes the United States and Europe, the determinants of cost efficacy and bank profitability in developing countries are relatively lacking (Mokni & Rachdi, 2014).

Background of the Problem

Bankers relying on commercial financing schemes of SBEs have overlooked the consequences of economic opportunities or profitability lost (Holton, Lawless, & McCann, 2014). As a result of the financial crisis and bank asset consolidations at bigger banks, the reluctance to lend to small companies is an increasing issue globally. Credit rejection negatively impact bank profits (Abiola & Olausi, 2014). Banks lose 28 percentage points of profitability as small to total loans drop with a change in bank capital from 1 billion to 100 billion US dollars (USD) (McNulty, Murdock, & Richie,

2013). The propensity to lend to small enterprises reflects disproportionately about the ratio of small business loans to total assets (McNulty et al., 2013).

The studies on lending indicated that the inclination to lend to small businesses declined as bank size increased, but a credit score technology about SBEs loans often referred to banks' financial statements that have no link with bank size (McNulty et al., 2013). Credit risk assessment is important in bank financial decisions, besides profitability, classification problem exist distinguishing honest from dishonest creditors (Haspolat, 2015; Kou & Wu, 2014; Sang, Nam, & Nhan, 2016). When handling large acquisitions and mergers, the biggest banks rarely accommodate small businesses (McNulty et al., 2013). The managers of small banks made the smallest business loans and shifted the profits of the SBEs from large banks (Dong & Men, 2014). The loss of profitable projects by big banks is a correspondent response to the rejection rate of credit applications for SBE loans. In Africa, banks lost profit at a 74% rate due to small businesses credit rejection (Hefer, Cant, & Wiid, 2015).

Problem Statement

The terms and conditions of credit allocation complicate the demand and supply of SBE credit (Holton et al., 2014). Banks lose 28% of profitability to non-depository lenders from small business credit rejections (Haynes & Brown, 2016).

The general business problem was that some bank leaders fail to understand the economic benefits of small businesses. The specific business problem was that some Southeastern Nigerian state bank leaders lack strategies to minimize lost profits from SBE credit rejections.

Purpose Statement

The purpose of this qualitative multiple case study was to explore strategies Southeastern Nigerian state bank leaders use to minimize lost profit from SBE credit rejections. Leaders of three Southeastern Nigerian state banks, who have experience in financing entrepreneurial business start-ups or currently operate within credit-related profitability in banking, were the target population. The findings from this study may provide strategies necessary to relax constraints on banks resources for financing SBEs, which might result in increased SBE loans, sustainable SBEs, and decreased unemployment. The findings may also apply to increase banks' profitability to support community projects for the Southeastern Nigerians living at or below the poverty level. In addition, the findings may enable SBE owners to increase employment locally and provide extra spending income in the community.

Nature of the Study

Quantitative, qualitative, and mixed methods approaches result from differences in viewpoints (Poni, 2014). Qualitative research is a naturalistic interpretative approach for understanding the meanings people attach to phenomena (Ritchie & Lewis, 2013). The qualitative approach was appropriate for studying the banking experience in credit extension with the intent to understand a phenomenon. A quantitative does not address individual experiences, but rather focuses on numerical data (Khan, 2014). A quantitative method was not appropriate for this study because statistical analysis was needless to answer the research question. Mixed method research involves the combination of quantitative and qualitative methods in studying a phenomenon (Kipo, 2013). This

method was inappropriate because quantitative data were needless to answer the research question.

A case study design is appropriate for studying business practices (Ciasullo & Troisi, 2013). Case studies identify operational links over time (Yin, 2014). The phenomenological research involves the examination of participants' lived experiences, while the ethnographic design addresses anthropological and sociological elements of a culture (Hunt, 2014). The narrative design involves the use of storytelling to create constructivist perspectives (Bruce et al., 2014), and is atypical and less applicable to the study. A case study approach provides opportunities for in-depth exploration and description of leadership perceptions of issues (Yin, 2014). The case study design is more appropriate than ethnographic or phenomenological design in identifying coping strategies or business structures (Tracy, 2010).

Research Question

What strategies do Southeastern Nigerian state bank leaders use to minimize profit lost from SBE credit rejections?

Interview Questions

Interviews are among the most rewarding and challenging forms of measurement Noble, & Smith, 2014). An interview requires a personal sensitivity and adaptability, and the ability to remain within the bounds of the designed protocol (Kirkwood & Price, 2013). The following designed interview questions were to answer the research questions:

1. What strategies do you use in processing small businesses' credit applications?

2. How do you associate the system of evaluation of the SBEs with the credit rejections in this bank?
3. What level of ease or difficulty do you assign to the rate of credit rejections of the bank on the SBEs?
4. What strategies have you successfully operationalized to realign profits lost to SMEs credit rejection in this bank?
5. What difficulties did you have in implementing strategies to mitigate SBEs credit rejection?
6. Why would financing a small business be important in this region?
7. What else would you like to share about your bank's success in minimizing profit lost from SBE credit rejections?

Conceptual Framework

In June 1981, Stiglitz and Weiss framed credit rationing based on a plausible lender-borrower behavior, and not on characterizing the capital markets. Rationing should not exist if markets were efficient (Jaffee & Russell, 1976). When demand exceeds supply, prices rise to decrease demand and subsequently increase supply (Stiglitz & Weiss, 1981). When lenders provide rates on loanable funds above demanded loan sizes, credit rationing occurs (Jaffee & Russell, 1976). In 1969, Jaffee and Modigliani theorized credit rationing. Eventually, Jaffee and Russell (1976) applied credit-rationing theory to institutional aspects of the lender-borrower relationships on usury ceilings, risk, and various constraints of price setting.

Banks assess SBEs through credit rationing, a situation in which potential borrowers lack access to credit despite the acceptance to pay a higher interest rate than the general market price (Jaffee & Russell, 1976). High-interest rates tend to entice higher-risk borrowers with probable projects that will not prosper enough to cover the cost of borrowing (Stiglitz & Weiss, 1981). In a recent study, Coleman, Cotei, and Farhat (2016) showed how the Stiglitz-Weiss modelled credit rationing occurred when borrowers with exact comparable qualities tried to obtain debt in the capital markets. Credit rationing theory was an appropriate conceptual framework for this qualitative case study that focused on lender-borrower relationships and strategies Southeastern Nigerian state bank leaders use to minimize lost profit from SBE credit rejections.

Operational Definitions

A glossary of terms ensures clarity and consistency of interpretation by the reader (Marshall & Rossman, 2014). The constructivist paradigms include granting a researcher an unlimited freedom of expression about values, but confirmability reflects bounding characteristics that assure research validity and reliability (Poni, 2014). The following list includes operating definitions for terms used in the study:

Adverse selection: Adverse selection is an inverse association of the age and size of firms, so severe it can prevent an external funding from their most frequent banking relationships (Hernández-Cánovas & Martínez-Solano, 2007).

Conscious capitalism: Conscious capitalism highlights an advent of a breed of business leaders improving on capitalistic foundations (Simpson, Fischer, & Rohde, 2013).

Credit rationing: Credit rationing is a situation in which a potential borrower loses access to credit despite acceptance to pay a higher interest rate for credit than the prevailing market price owing to imperfect or asymmetric information (Jaffee & Russell, 1976).

Entrepreneurship: Entrepreneurship refers to opportunity identification, innovation, and risk of small business start-ups and management (Carland, Hoy, Boulton, & Carland, 1984; Luke & Chu, 2013).

Firms of Endearment: Firms of endearment refer to contemporary small businesses enterprises (SBEs) with a service ethic and appreciation for establishing profit as a reward for the enrichment of the economy and the improvement of lives (Varey, 2013).

Lending technologies: Lending technologies include transactional and relational techniques of lending (Hernández-Cánovas & Martínez-Solano, 2007).

Moral hazard: Moral hazard, like adverse selection, relates inversely to the severity of credit rejection with age and size of firms (Boateng & Abdulrahman, 2013).

Small business enterprises (SBEs): Small business enterprises are business start-ups involving employers with less than 20 employees, although the U.S. government defines a small business as having less than 500 employees (Das & Das, 2014).

Small business entrepreneur: Small business entrepreneurs are individuals who use creative processes to organize and manage calculated risks of an enterprise (Pessu, 2015).

Taylor rule: The Taylor rule refers to the contractionary monetary policy shock on the impact of internal markup on interest rate setting that affect lending policies (Bruno &Shin, 2015).

Assumptions, Limitations, and Delimitations

Assumptions

Assumptions are things that are out of the researcher's control, but if allowed to disappear the study would become irrelevant (Yin, 2014). In this study, there were four assumptions. The first assumption was that all collected data would be valid, reliable, and reasonably reproducible. The second assumption was that the reliability of the data would depend on the suitability of the interview questions and the honesty of the participants as they reported their experiences and insights. The third assumption was that all participants would speak the English language with sufficient fluency and accuracy that semantics, aphorisms, or linguistic anomalies would minimally influence the interpretation of the collected data. The fourth assumption was that the settings and processes of data collection would provide the depth and maximum opportunity for transferable results.

Limitations

Limitations are potential drawbacks in a study that a researcher may not control (Kirkwood & Price, 2013). The first limitation of this study was time constraints imposed on interview reschedules. The second limitation was that the decision-making hierarchy of participants may resulted in the differences about credit and creditworthiness at the time of SBE loan reporting. The third limitation was that not all collected data were valid,

reliable, and reasonably reproducible. The fourth limitation was that the banking conditions, the ethnocultural mix, and the existence (or absence) of financing opportunities, which limited the full transferability of a discovered phenomenon.

Delimitations

Delimitations are factors that establish the limits of a study (Davis, 2013). The first delimitation of this study was that collected data might not have fully reflect the views or experiences of all Nigerian Southeastern state bank leaders. The second delimitation was that focusing on small business lending in one southeast Nigerian State could limit transferability of the study to rural or metropolitan areas. The third delimitation was that the distinctive attributes uncommon to other Nigerian states might have an effect on transferability, as the geographic component of this study relates to factual local business operations. The fourth delimitation was that the study sample excluded the small business entrepreneurs.

Significance of the Study

This study included strategies Southeastern Nigerian state bank leaders use to minimize lost profit from SBE credit rejections. The strategies may contribute to bank leaders achieving profitability in Southeastern Nigerian. The high rate of SBEs credit rejection was an issue addressed in the study. The economic health and well-being of Southeastern Nigerian state derives from banks' increased profitability, and money available to support community projects for the Southeasterners living at or below the poverty level.

Contribution to Business Practice

During the 2008 to 2011 global financial crisis, SBEs outperformed Fortune 500 companies with 83.4% to 47% market indices (Simpson et al., 2013). Holton et al. (2014) associated the impact of the bank-lending channel of the worldwide financial instability with the SME credit rejections. The supply of credit reduces banks' profitability and constrains the resources of the banks for financing small businesses (Holton et al., 2014). Although commercial banks may differ from nonprofit-maximizing service sectors regarding their goals, the commercial bank leaders exhibit the same behaviors and attitudes toward project risk about the proportion of admissible responsibilities that fulfill appreciable econo-environmental criteria (Becchetti, Garcia, & Trovato, 2011). As SMEs dominate the private sector (Boateng & Abdulrahman, 2013), this study provide knowledge to bank leaders in the Southeast Nigerian State regarding strategies to minimize profit loss from SMEs credit rejections.

Implications for Social Change

When bank leaders re-evaluate financing hurdles in favor of relationship lending, small businesses have less credit rejection, resulting in greater profitability and positive value for the shareholder (Mancusi & Vezzulli, 2014). SMEs contribute to a free market economy with innovation, talent, and creativity (Das & Das, 2014). Bank leaders may support the community through the relaxation of the SMEs credit rejection and improvement of profitability. This qualitative study may provide essential strategies to alter constraints on banks resources for financing SBEs that may result in increased SBE loans, sustainable SBEs, and decreased unemployment. The findings may also be used to

enhance banks' increased profitability and ability to support community projects for the Southeastern Nigerians living at or below the poverty level. Additionally, the findings may affect the ability of the SBE owners to increase employment and provide extra income for spending in the community. A bank leader would be glad to unmask every social need and direct the discovery towards the future (Shepherd, Williams, & Patzelt, 2015).

A Review of the Professional and Academic Literature

The literature review included the concepts and theories about SMEs' and SBEs' financing and credit granting systems by banks with a special reference to credit rationing, lending technologies, and information asymmetry as tools banks use to assess SMEs' credit worthiness. The intent was to examine the incentives for entrepreneurial rethinking about traditional capitalism. The misguided dominance of incentives in the economic, business, and financial models extending beyond the twentieth century highlight a new approach to capitalism (Crane, Palazzo, Spence, & Matten, 2014). The inquiry also included an assessment of the operational component of entrepreneurial change through public-private partnership (PPP), or current business practices in Southeast Nigeria. The review of literature included summaries of traditional small business financing schemes and the consequences of economic opportunities or profitability lost. The review also included descriptions of the current responses to banks' credit rejection problem and assessments of small business financing merits and demerits. The review addressed the underlying causes and motivators of banks' SBEs credit rationing. The literature review concluded with a description of the general problem of

banks' lending technologies, including the potential impact on and possible choices for profitability.

The review of literature included peer-reviewed and other scholarly journal articles, published dissertations, books, and government documents. The keywords and phrases used for the searches included *business, qualitative, case study, small businesses and bank financing, small and medium business enterprises (SBEs), credit evaluation, small and medium size enterprises (SMEs), SMEs bank financing, SMEs start-ups, entrepreneur, entrepreneur and business start-up, microenterprise, microfinance, bank lending* and *SMEs*. The databases searched included the Academic Search Complete/Premier, Expanded Academic ASAP, ProQuest Central, SAGE Premier, and Science Direct. I also used Google Scholar search engine to identify other relevant literature. The review of literature included 92 peer-reviewed sources, 79 of which (86%) were published within 5 years of anticipated completion date of the study. Older sources referenced included theory authors or seminal resources that added foundational insights to the discussion. The use of current sources narrowed the broad field of eligible articles but did not negate the use of scholarly references deemed outdated for applied business purposes of this study. The purpose of the qualitative multiple case study was to explore strategies Southeastern Nigerian state bank leaders use to minimize lost profit from SBE credit rejections.

Theories of Credit Rationing

The conceptual framework of this study focussed on credit rationing. Credit rationing refers to a concept in which a lender rejects a potential borrower's loan, even

though he or she accepts a higher cost or value than the market requires (Jaffee & Russell, 1976). Jaffee and Russell in 1976 and Stiglitz and Weiss (1981) developed the theory and cited imperfect information as the greatest flaw against borrowers' behavior on productive credit granting.

Bernanke and Gertler (1995) echoed the imperfect information concern among other clashes in the credit markets as they affect the efficient funding of the economy, monetary policy transmission, and the credit channel. Although asymmetric information in credit markets can inversely result in credit overload (Bonnet, Cieply, & Dejardin, 2016), bank leaders assess SMEs for loan approvals through credit rationing (Becchetti et al., 2011; Mancusi & Vezzulli, 2014). The problem of regulation and risk management is that the people who run large financial institutions hardly understand its complexities (Cecchetti, 2014). The economic performance (bank lending and balance sheet data) via credit channel influences fluctuations in banks' balance sheets to decrease borrower's credit quality (Varlik & Berument, 2015).

Stiglitz and Weiss (1981) claimed that high-interest rates attract higher-risk borrowers to probable prospects that lack equity to cover the cost of borrowing. Bruno and Shin (2015) provided an overview of the lending channel with the effect of banking structures on loans to firms. Holton et al. (2014) associated the impact of the same lending channel with the recent global financial instability and the SME credit rejections. When interest rates soar, the average risk of projects rises, and threatens the expectation of lenders' profit, or the optimal interest below the rate of balancing the market supply and demand (Mancusi & Vezzulli, 2014). Due diligence requires actionable responses,

and if borrowers do not behave diligently, credit rationing may be the best option for lenders (Mancusi & Vezzulli, 2014). Altogether however, collateralization, interest rate, and information asymmetry costs feature in monitoring credit contracts.

The Athenian system protected property, the enforcement of contracts, and the efficient resolution of credit disputes (Carugati, Hadfield, & Weingast, 2015). Williamson (1991) and Ashton and Keasey (2005) viewed transaction costs invariantly in maintaining a credit portfolio about loan size and lending techniques, or technologies. Hernández-Cánovas and Martínez-Solano (2007) introduced the notion of information production costs about SMEs as effects of choices between relationship and transactional lending. Transactional and Relational lending technologies play significant roles in loan outcomes. Mancusi and Vezzulli (2014) support the need to assess credit extension or rejection very carefully. In the case of default, debt holders can realize recovery only to the extent of assets redeployment (Mancusi & Vezzulli, 2014).

Extrapolating the growing imperatives in technology that leave large corporations transparent, the economic crises of 2008 to 2011, and the resultant people interconnectedness in all works and environments, the world of 2020 requires a different business approach (Waddock & McIntosh, 2011). Conscious capitalism, as a belief in leading business-operating models, might have captured the complexities of systemic changes of creating shared value (Crane et al., 2014). Conscious culture, as one of the driving forces of conscious capitalism, is not only more than creating goodwill with employees, but also increasing profitability (Simpson et al., 2013). Conversely, the Basel framework in incorporating the use of financial instruments to represent debt as

regulatory capital in securitized lending, also created interactional imbalance problems within a multi-decade macroeconomic debt spiral, the risk of loan faults affecting the monetary system, and the ratio of the banking control mechanism's total stability (Alexander, Baptista, & Yan, 2015).

Overview of the Banking Sector on SBEs and Credit

Credit risk evaluation has been important in bank lending decisions and profitability (Abiola & Olausi, 2014). The processes underscore the primary component of the strategies Southeastern Nigerian state bank leaders use to minimize lost profit from SBE credit rejections. However, distinguishing honest from dishonest creditors creates a typical classification problem (Jaffee & Russell, 1976; Kou & Wu, 2014; Rajan & Ramcharan, 2012; Sang et al., 2016). Banks mostly use credit-rationing principles that underestimate relational lending technologies to assess SBEs' applications. The approach suppresses the notion that every transaction is about exposure to a financial relationship within a system, organizations, policies, and environments, and never a singular activity (Aguirre & Bolton, 2014). In developing countries, SMEs dominate emerging private sector and form the base for the sector-led growth (Beck, De Haan, & Deyoung, 2014). Bank lending to SBEs is border or boundary-insensitive when mainstream financial institutions consider credit assessments (Kou & Wu, 2014), but the conventional issue of large banks potentially less willing to lend to small companies is a great concern. The effects of financial crisis on assets' consolidations or capitalization raised lending questions of global importance (Abiola & Olausi, 2014; Mokni & Rachdi, 2014). Although access to borrower information presents additional problems to skills and

finances, a cause for optimism might surround strategies Southeastern Nigerian state bank leaders use to minimize lost profit from SBE credit rejections.

Business models include techno-businesses designed to unlock the potential for growth in profit, nonprofit, governmental, and non-governmental entities worldwide (Evans, 2017; Pessu, 2015). Indigenous and multinational innovators in large and small firms offer new technologies (Evans, 2017). Whereas a thorough, or efficient analysis of the banking sectors prevails in the US and Europe, the factors of cost effectiveness and bank profitability are relatively lacking in developing countries (Mokni & Rachdi, 2014). On examination of the propensity of commercial banks to lend to small enterprises; McNulty et al. (2013) revealed a defined-novel in proportionate terms, or the ratio of small business loans to total assets. The biggest banks that handle the large acquisitions and mergers rarely offer any small business lending, citing size of the banking system as a determinant. As banks proportionately lose 28% of profitability to non-depository lenders from small business credit rejections (Haynes & Brown, 2016), the credit rejection rate of African small businesses applications at 74% finds banks losing profitable projects (Hefer et al., 2015). Constraints are funny things: they can box one in, or become an inspiration (Euchner, 2014). Constraints handled badly will lead to an uninspiring compromise to the market, but can result in elegant solutions people love with efficient management (Euchner, 2014). As banks incline to grant credit to the customers who are able and willing to repay loans and interest and deny credit to those who cannot, it is necessary to develop risk and uncertainty reduction methods in managing SMEs credit rejections (Valadkhani, Chen, & Kotey, 2014). Every commercial

bank seeks to make a profit and thus, needs to ensure regaining bank's capital when lending to SMEs (Rajan & Ramcharan, 2012).

Credit Rationing

Banks can assess SBEs loans through credit rationing. Credit rationing situates a potential creditee for disapproval, even if he or she accepts a higher cost or value than the market requires (Jaffee & Russell, 1976). Low-interest rates have an indirect relationship to a higher-risk application without enough probable prospects to meet the cost of borrowing (Stiglitz & Weiss, 1981). Ironically, banks chronically credit ration borrowers of innovative companies (Navaretti, Calzolari, & Pozzolo, 2015).

The credit view hypothesis also shows a microeconomic evidence to support a European Central Bank's refinancing rate that significantly and positively affects partial credit rationing (Becchetti et al., 2011). The concept approaches credit rationing from an aggregate standpoint and seeks to typify a set of determinants that amplify and propagate conventional interest rate effects (Becchetti et al., 2011). The credit rationing theory focuses on the problem of availability of credit at a micro level (Becchetti et al., 2011). The major difference between the credit and *money view (IS/LM)* is the adjustment support in the presence of changes in monetary policies, where *LM* is the liquidity preference of money supply equilibrium, and *IS*, the standard investment saving (Becchetti et al., 2011). The credit view affects both the money demand (and bond demand) and the credit supply through restrictions (Becchetti et al., 2011).

The credit rationing and credit view theories have distinctive differences for several reasons. First, the adverse selection, and moral hazard rationale standard of

Stiglitz and Weiss (1981) may reflect the banks reluctance to satisfy borrowers' demands as an avoidance of increased risky loans. Second, credit constraint may factor in a balance sheet effect (Becchetti et al., 2011). The increase in interest rates compromises the position of firms financially, inflates the cost of the original debt, and deducts from the net present value of collateralizable assets (Becchetti et al., 2011; Mancusi & Vezzulli, 2014). Third, when credit constraints reduce the loan versus the refinancing rate gap (or loans versus government bond rates), bank financing activity becomes less rewarding. Fourth, monetary squeeze may force a contraction in capital adequacy ratios, thereby, inducing banks to reduce lending (Becchetti et al., 2011).

In a weak economy, credit can both reduce firms' demand for financing from banks, and increase loan rejections and tighten provisions on credit allocation, after controlling for fixed factors (Holton et al., 2014). Financial conditions may not significantly affect demand as they do credit supply but can have adverse tensions on the chances of credit decisions, and terms (Holton et al., 2014). A profit maximizing lender will apply quantitative restrictions or equilibrium quantity credit rationing on a borrower's allowable debt amount, but the increase in interest rates stimulate an adverse selection and risk taking (Stiglitz and Weiss, 1981). If rationing of price influences loan margins, quantity rationing is a likely effect of the loan rejection rates (Armstrong, Davis, Liadze, & Rienzo, 2013). However, the availability of striking differentials in the lending rate for loans to small and large companies abound (Armstrong et al., 2013).

The disparities of loan rates are primarily a result of a lesser informational efficiency at small companies (Serrano-Cinca & Gutierrez-Nieto, 2014). SMEs are more

vulnerable to information problems because of the tendency for more information opaque than larger businesses (Armstrong et al., 2013; Becchetti et al., 2011; Serrano-Cinca & Gutierrez-Nieto, 2014). Despite asymmetric information and costs of operation to the bank, the negotiating power of borrowers is also a valid explanatory factor to influence the lending differentials between small and big business. If borrowers behave without diligence, lenders may resort resolutely to credit rationing (Mancusi & Vezzulli, 2014). Interest rates play a significant role in credit rationing.

Banks ration credit either because of caution in selecting intrinsically riskier prospects against elevated rates of loans, or because of the realization that a worsened balance sheet position affects the vulnerability of investors to risk taking (Becchetti et al., 2011). Stiglitz and Weiss (1981) imply that low-interest rates do not connote risky applicants whose prospecting means are probably insufficient for the cost of resources. When interest rates inflate, the average risk of prospects increases and obscures the expectation of the return on asset for the lender (Stiglitz & Weiss, 1981). The gain is optimal when the balancing market rate is higher than interest rate in terms of supply and demand (Stiglitz & Weiss, 1981). However, other credit contract terms than interest rates are available (Stiglitz & Weiss, 1981).

Transaction costs. Transaction costs management expose transaction cost economics (TCE) to credit rationing through the supply and demand chain where large amounts of initial supply initiatives that transform into small exchange relations give rise to dimensional conditions of mutual dependency (Kano, & Verbeke, 2015). Transaction costs significantly influence the perpetuation of a misallocation of rights, and resources;

however, a developed and tested moderating effect of the attributable factors help improve the understanding of relationship lending (Abe, Troilo, & Batsaikhan, 2015). The legal framework drawn up in the UK and many other countries limited and removed the potential for firms to abuse a dominant position within a market (Ashton & Keasey, 2005). However, Kano and Verbeke (2015) dissected the direct impact of TCE and institutional variables on an opportunistic choice option without factoring asset and behavior-specific uncertainties. Williamson (1991) confirmed the condition of asset specificity, the frequency with which transactions recur, the uncertainty, or subjective disturbances among the attributes that describe the relevant choices in the study of commercial transactions. The Athenians provide a system based on reputation and the value of reciprocity, a widely-accepted business ethics in a highly sophisticated legal framework that protect the privacy of the property, binding contracts, and the efficient resolution of contractual disputes (Carugati et al., 2015).

Kano and Verbeke (2015) recognized that various models of transactions under supply chain context associated with traditional TCE approach increased the risks of managing a borrower’s transaction. TCE subscribes to bounded rationality restrictively intended for true rational behavior (Kano & Verbeke, 2015). A fundamental analysis may suggest a positive relationship existing between the quality of the legal transactional system and the ownership concentration of new businesses. The description of self-interest is not as the frailty of motive but as opportunism, that poses additional contractual complications (Williamson, 1991).

The law, economics, and the neo-institutional literature are fertile grounds for issues on institutional framework that influence, and reduce transaction costs, including their financial efficiency (Abe et al., 2015). The richness of the institutional framework transfers to the bank as an institution, and the efforts to reduce transaction risks (Carugati et al., 2015). In Sisodia's (2013) view, companies that practice the tenets of conscious capitalism (an extraordinary degree of engagement for all stakeholders, conscious business, conscious leadership, and conscious culture) will outperform others along multiple dimensions and have an abundance of long-term global benefit without financial exclusion.

TCE subscribes to the idea that a transaction is the basic unit of analysis (& Kano & Verbeke, 2015). Williamson (1991) suggested that TCE supplicated the discriminating alignment hypothesis, conflicted mutuality, order, and carried hazard-premium at pricing unless the provisions of integrity-infusing safeguard or governance structure were detectable. The changing character of the economic organization over time within and between markets and hierarchies may be a potential interest in this study. At best, the administrative apparatus, and the private ordering support that attend these transactions may be messy (Weber & Mayer, 2014), but some argue that the approach be the product of the very entrepreneurial creativity that underpins the whole notion of capitalism.

The global economic spins convince even the hard-core deniers of reality to clarify how business, as usual, needs to change (Waddock & McIntosh, 2011). Ims, Jacob, Pederson and Zsolnai (2014) perceived organizations values as beyond economic tradition about increased profits and financial (a necessary consumeristic fundamental

impulse from new goods, methods of production or markets), a form of capitalistic industrial enterprise creation (Waddock & McIntosh, 2011). Given that this process of creative destruction was the essence of capitalism, the economist insisted that the occurrence of an economic instability was always from within, and not outside of the system. However, the deviant position is an evidence of a pervasive condition of market failure with which even experts decline to deal (Williamson, 1991).

Accordingly, transactions differ in their attributes, alignment with governance structures, cost, and competence, effect, and cost economizing result (Williamson, 1991). The marker that relies on price and competition can direct a borrower to switch when a lender fails to meet the coordinating requirements (Kano & Verbeke, 2015). The legal impetus seems to have implications for SME bank financing internationally (Ashton & Keasey, 2005). The regulatory framework shares a consistent platform in reducing the abusive potential of dominant firms over positions, discriminatory pricing, long-term relationships, and cross-subsidy (Ashton & Keasey, 2005). If proposed, these features would have a close linkage to how banks accommodate the elementary essentials of banking products and services, including information, risk monitoring, and joint production.

Information Asymmetry

Information asymmetry directly affects credit rationing (Jaffee & Russell, 1976). Informational opacity and risk are enough challenges in providing finance to SMEs for commercial banks to use conservative approaches toward credit processing (Abe et al., 2015; Moro, 2014; Whittam, Talbot, & Mac an Bhaird, 2015). Commercial banks

represent the primary source of financing, a critical bank function. The available public information is typically retrospective and so, limits the forecasting usefulness on a firm's potential, especially about new growth-oriented ventures (Moro, 2014). The loan manager's evaluation of the entrepreneur's information, voluntarily disclosed, significantly complements available public financial data. Soft data collected through observation and third parties form a basis for framing the loan manager's perception of the entrepreneur's competence (Moro, 2014) and influence a loan offer versus rejection. Information asymmetry through the process of data capture deters outside competition and globalization for the borrower, forcing the company to cede information benefits to an established lender (Anwar, 2015). Lending processes about SMEs involve a lender obtaining a private firm-specific information that is unavailable to non-lenders, or other banks (Jaffee & Russell, 1976; Fatoki, 2014). A creditor's acquisition of company specific non-public information breaks an insider-outsider information asymmetry, where a creditor has more adequate information about the firm than other creditors (Fatoki, 2014). Potentially, some governments have a legal mandate to protect entrepreneurial ideas or information at a macro-level to help the attraction of financing (Revoltella, & Kraemer-Eis, 2015).

However, most accounting policies tend to focus on the verifiability of information, ex-ante, because of the additional role of inducing voluntary disclosure (Dionysiou & Tsalavoutas, 2014). When a meaningful existence of uncertainty about measures of certain economic events persists, any induced disclosure is conditional at best, and an incentive varies with the outcome of a mandatory reporting (Dionysiou &

Tsalavoutas, 2014). High costs of information from an undisclosed market-readiness and risk aversion have the likelihood of preventing lenders from investing in young and small businesses (Navaretti, Calzolari, & Pozzolo, 2015). Every allocation technique is second best, as the asymmetric information exists when bank officers have 'imperfect' information about the funding of proposals (Abdesamed & Wahab, 2014). In a perfect capital market, without transaction and bankruptcy costs, information is costless and symmetric (Bonnet et al., 2016). A perfect competition can exist, and spatial proximity to the stock exchange may not matter, but most of the conditions are unlikely to hold for SMEs (Anwar, 2015). Larger firms resolve information asymmetries inexpensively with potential lenders and do not need to either limit the access to financing, or finance at a higher cost (Jahanzeb & Bajuri, 2014).

The study of asymmetric information that influences credit rationing and the financial intermediation dates back to Stiglitz and Weiss (1981), who highlight their lender-borrower relationships. The perception of the financing theories was in a form of pecking order hierarchy that included internal sources, funding of external debts before external equity financing. Two factors provide the the basis for applying the pecking-order theory to SMEs (Jahanzeb & Bajuri, 2014). The first includes the significantly higher levels of informational paucity than larger firms, particularly about the absence of performance history for financiers to base investment decisions. The second involves the owner-managers tenacious tendency against losing control over private business activities with new lenders, and anticipates the correct impact of profits. Information capture is an

option, as no lender knows a customer's total risk (Hernández-Cánovas & Martínez-Solano, 2007).

An information capture model enables private-lender benefits retrieval from a previously monitored borrower under asymmetric information, and loan procurement in small business financing (Anwar, 2015). The descriptive power of firm-specific, country of incorporation, institutional, and macroeconomic factors also affect the evaluation of enterprises (Coleman et al., 2016). The country of incorporation carries much more data for small than large companies in capital structure choices in being able to explain how small businesses face major financial constraints and non-firm-specific hurdles. An existing information asymmetry between private small business demands and institutional suppliers highlights a reason for financing difficulties (Moro et al., 2014; Nitani & Riding, 2015).

In China, about two and a half (2.5) million SMEs and 40 million traders accounted for almost 65% of gross domestic product (GDP), and 80% of job opportunities in 2010 (Chen, Ding, & Wu, 2014). Access to financial capital is a key growth enabler of young SMEs, as the lack factors prominently in business failures, and constraints to economic prosperity (Nitani & Riding, 2015). Privately held companies' nondisclosure requirement of financial details stifles the ease of verification (Chen et al., 2014). Consequently, lenders have to rely on soft information despite their institutional status (Chen et al., 2014). The SMEs defaults increase banks' interest rates and government loan guarantees (Nitani & Riding, 2015). Borrowers are reluctant to provide

their financial data and the accuracy of financial information even when disclosure can be low (Lee & Sohn, 2017).

Lending Technology

The extant literature distinguishes between two types of lending decision processes: relationship banking and statement (ratio) financing. A relationship loan hinges on both objective and subjective information about borrowers through customers' relationships (Hernández-Cánovas & Martínez-Solano, 2007). A ratio lending relies on objective procedures, such as credit score and loan securitization (Hernández-Cánovas & Martínez-Solano, 2007; Mancusi & Vezzulli, 2014). The lending model shows the market-associated power allowing lenders to discriminate when making loans to long-standing borrowers (Bakari, 2014; Eniola, 2014). Borrower monitoring allows a lender to evaluate a firm's willingness to pay for external funds, or a positive function of expected future profitability (Behr, Foos, & Norden, 2017; McNulty, Murdock, & Richie, 2013; Mokni & Rachdi, 2014). High proportionate loan interest rates to the firm's credit quality (publicly unobservable) derive from lender evaluation and the expectation of profits from the borrower. Driven by strong business benefits, many classification algorithms researchers proposed four types of credit risk analysis (Kou & Wu, 2014). The categories include, statistical (discriminant, and logistical regression), quantitative programming (quadratic math programming with multiple convex criteria), nonparametric statistical (programming in recursive partitioning, goals, and decision trees), besides artificial intelligence modeling (Kou & Wu, 2014).

The application of the algorithmic classification proved advantageous in providing a quick prediction of credit risk despite the huge size of the dataset, as in artificial intelligence modeling and challenging traditional methods for handling large size databases. The classification also highlighted a higher accuracy than the traditional approaches, while introducing an objective decision-making capable of reducing the influence of human biases based on algorithmic results (Kou & Wu, 2014). A typical classification problem hinged on discriminating the honest from dishonest creditors (Sang et al., 2016). While all methods of allocating resources have benefits and costs, and no single mechanism dominates all others or works free; the discrepancy would ultimately distort production, and demand (Weber & Mayer, 2014).

The banks follow an extremely conservative approach and audit the entrepreneurial capital input, security, or collateral provision for back-up (Bonnet et al., 2016). Banks follow a risk-avoidance strategy with a focus on loan features, financial profitability and collateral offered that ignore the entrepreneurial characteristics about skills (Bond, Tybout, & Utar, 2015). However, Jiménez, Ongena, Peydró, and Saurina (2014) analyzed banks' lending relationships with SMEs' default risk and found monopolistic banks in a competitive situation offering more credit at lower rates to SMEs (young or distressed) than other creditors. The monopolistic bank merely subsidized the rents for a comparable extraction from eventually successful SMEs. In adopting the strategy, a bank prepares to maintain future lending relationships over the attraction to rival banks (Jiménez, Ongena, Peydró, & Saurina, 2014).

Ashton and Keasey (2005) provide summaries of principal lending technologies that decision makers use. The first principal lending technology is financial statement lending that involves decisions made from the strength of income statements and the firm's balance sheet requiring firms to have suitably audited and transparent accounts. This approach is more suitable for larger companies with longer established financial histories than the SME counterpart. The second principal lending technology is an asset-based lending that builds decisions upon the quality of the available collateral for a loan, such as the firms' inventory and account receivables. This model is available to all businesses, yet requires pledging a high level of collateral, and often expensive for banks that must monitor the on-going value of the collateral. The third principal lending technology is credit scoring that uses statistical techniques to analyze large and appropriate data about both the firm's income, owner, and the needs to count the lending experience gained by other enterprises as a factor. This data-intensive approach, though widely used for consumer lending, is relatively new in some parts of the globe for SME lending. The credit scoring, asset-based, and financial statement lending, all refer to transactional lending. This arms-length lending is costly with data intensity, requires collateralization or securitization, and may not appear as the best option for new or risky SME lending decisions. The fourth is relationship lending that relies heavily on a link between the bank and the SME. The transactional methods contrast a form of lending that favors banking decisions about new or risky SMEs, limits the cost of data and collateral, or security. Often, SMEs may only have short, continuous histories of financial data, little collateral, and require relatively small amounts of lending.

The term relationship lending or banking that few banks use suites small firm credit decisions. The advocates note that the technology overcomes many of the associated problems with bank loan activity, including adverse selection, information asymmetry, monitoring, and intermediation risks (Ashton & Keasey, 2005). The method relies on both financial and soft or personal data about the firm owner and the firms' local reputation. The distinction of these lending decision procedures relies on both objective and subjective information about borrowers, which the bank obtains through relationships with customers (Hernández-Cánovas & Martínez-Solano, 2007). Ratio loans derive objectively from the force of procedures, credit score, and loan securitization (Hernández-Cánovas & Martínez-Solano, 2007; Mancusi & Vezzulli, 2014). The relationship built through repeated and dedicated official contacts allows the bank to gain exclusive access to firm-level financial data (Ashton & Keasey, 2005). The strategy may be expensive, but often the right information to help underpin lending decisions to SMEs, since relationship banking can ease the availability of credit to small businesses (Ashton & Keasey, 2005; Mancusi & Vezzulli, 2014). The SBEs dealing consistently with one bank give the bank an edge over competitors about information since banks can retain privacy on customers' credit behavior (Mancusi & Vezzulli, 2014). The information promotes price discrimination among clients, but financial institutions do not celebrate information asymmetry with borrower-companies.

Conversely, smaller firms grow access funds from the equity market via real estate and sports entertainments (RSEs) and shift profits. The costs of raising initial funds (direct transaction costs) and ongoing funds (asymmetric information and low liquidity)

are less at RSEs (Anwar, 2015). The young distressed SMEs typically have an increased probability of default if subject to rationing in competitive credit than monopolistic markets, and the default risk could even drop with high banking competition (Jiménez et al., 2014).

Ahmed (2018) challenged bankers and govenments to consider sound fiscal and multiple time measurable financial systemic levels toward improving the quality of firms' information to support the efficiency of resource allocation. The application of appropriate corporate governance over the companies qualified for the resources, and providing prudent mechanisms for risk management, pooling, and diversification were other contentions. Strategizing savings from disparate savers of the allocated resources for use in the most economically promising projects, and trade facilitation were further complications of the challenges. Sisodia (2013) holds particular business strategies or models inherently unsustainable. However, conscious capitalism forestalls a business plan or model to become a comprehensive approach of doing business (Sisodia, 2013).

Firm and loan size. Firm and loan size are complementary in banks' lending decision-making. Smaller companies fail more often than larger firms fail and command less revenue and operational diversity (Arnold, Reeder, & Trepl, 2014). Conversely, smaller than larger firms are less prone to bankruptcy risks (Jahanzeb & Bajuri, 2014). Williamson (1991) found larger companies with economies of scale to experience lower transaction charges and interest rates in proportion to SMEs institutionally. Theoretically, firm size relates to the capital structure of a firm along with profitability, and asset (Coleman et al., 2016). A loan size affects credit risk, since the loan tends to become

riskier with an increase in size (Stiglitz & Weiss, 1981), but the use of internal sources of funding shifts profits away from banks. Transaction costs manifest fixed rates influence on costs of financing and become inevitably expensive for the SMEs (Williamson, 1991). The SMEs incur higher operating risk than larger enterprises and represent a potential risk of borrowing to lenders who wish a better compensation in loan prices, or equity investments (Armstrong et al., 2013).

In China, Abdesamed and Wahab (2014) found some studies associating positively between firm size and financial leverage in the end as well as a significant negative correlation in the short term. In developing and developed countries alike, other studies on both large and SMEs tentatively confirmed the positive relationship with a firm size and every measure of capital structure (Du, Guariglia, & Newman, 2015). However, factors other than firm sizes, such as assets' effect on capital structure also significantly influence SMEs monitoring. An optimal capital structure for a firm will aim to maintain a balanced debt-equity ratio to minimize the costs of prevailing market imperfections as the static trade-off theory suggests (Jahanzeb & Bajuri, 2014). Static trade-off theory predicts a firm's financial leverage in a positive relationship with size, profitability, and asset structure. A lower bankruptcy debt costs can also provide a shield for profits against taxation and the likelihood of financial distress (Du et al., 2015). However, the applicability of the theory is expectedly low with typical SMEs restrictive access to formal debt and equity markets, and explicative power. The owner-managers target operating bases away from optimal debt-equity ratio (Du et al., 2015). Past research on SMEs and large firms in both mature and developing economies finds no

evidence of companies engaging in trade-off towards an optimal capital structure (Coleman et al., 2016). Rather, the pecking-order theory gained greater support in the small business literature with a theoretical explanation of the capital structure (Coleman et al., 2016). Lending decision-making is central to the operation of banking services toward SMEs and relies on varied lending technologies (Hernández-Cánovas and Martínez-Solano, 2007; Ashton & Keasey, 2005; Mancusi & Vezzulli, 2014).

The difficult identification problem on the examination of lending behavior at the individual bank level and exploring cross-sectional differences affect banks' varying response characteristic to shocks (Behr et al., 2017; Carbó-Valverde, Rodríguez-Fernández, & Udell, 2016). Banks can decrease their future capital inadequacy jitters by reducing lending. As the Basel accords suggest, the capital adequacy regulation combined with market imperfections that lead to pro-cyclical bank lending is an exaggeration of spiral tendencies in an aggregate economic activity (Ahmed, 2016). Similar studies on SMEs in developing economies seem to confirm the finding (Rajan & Ramcharan, 2012). However, while some studies on larger firms appear to confirm the negative relationship, others find no significant association whatsoever (Du et al., 2015).

With current lending programs (direct and directed) eclipsing in recent years, the intervention mechanism of choice for SME credit activists has been the government-backed partial credit guarantee. Over 2000 such schemes exist in almost 100 countries (Lee & Sohn, 2017). More than half of the economic States, and practically every country under the Organization for Economic Cooperation and Development (OECD) have certain forms of credit guarantee scheme, usually targeted at some sector, region or

category of a firm, or the underserved individuals by the private financial sector (Bernanke & Gertler, 1995). In the US, the Small Business Administration (SBA), through the small loan advantage (SLM) program can assist SMEs with access to capital in underserved markets (Geho & Frakes, 2013). The SLM structure encourages large SBA lenders to advance lower-dollar credits to small firms. Banks can leverage loans up to $350,000 with an 85 % SBA loan guarantee within $150,000 and 75 % loan guarantee on loans above $150,000 (Geho & Frakes, 2013). The proponents of conscious capitalism contrast capitalistic free enterprise as the most powerfully conceived creative system of cooperation and human progress ever in business (Simpson et al., 2013). The use of fair lending relationships in the banking sector may allow indeterminacy of equilibrium and can force the Central Bank to react to erratic interest rates (Bruno & Shin, 2015). Moreover, relationship-lending technologies provide avenues for automation that preclude contractual terms, such as collateralization and securitization, credit scoring processes, besides the representation of statements, or ratio when a bank wants a massive credit supply (Mancusi & Vezzulli, 2014).

The difficult identification problem depended on the examination of lending behavior at the individual bank level and exploring cross-sectional differences about banks' varying response characteristic to shocks (Behr et al., 2017). Banks can decrease their future capital inadequacy jitters by reducing lending. As the Basel framework is a prediction of capital adequacy regulation that leads to imperfections in bank lending when combined with pro-cyclical market, the exaggeration of cyclical tendencies is an aggregate economic activity (Ahmed, 2016). Similar studies on SMEs in developing

economies seem to confirm the finding (Rajan & Ramcharan, 2012). However, while some studies on larger firms seem to affirm the negative relationship, others find insignificant association (Du et al., 2015).

Securitization. Securitization refers to the pooling of all cash-flow-generating assets structured into portions and selling just a portion to investors as per their risk appetite (Pole, Asawa, & Shah, 2014). Banks understand better the ease to spread the limited donor funds across the non-poor than having a high-cost lending on smaller loans (Pole et al., 2014). In microfinance institutions (MFIs), the MFIs lend to borrowers and keep the loans on their balance sheet. The MFIs own the loans and retain their credit risk (Pole et al., 2014). The transfer of the loans to another client, or trust, along with the future cash flows, amounts to the removal of loans from the MFIs' balance sheet through *SPV* or *special-purpose vehicle* (Pole et al., 2014).

The term, SPV, encompasses a broad range of entities, including ghost corporations without people, furniture, nor assets until striking a deal; and may underlie the abuse of creative accounting practices (Bhasin, 2016). A ghost company is purposely set up to buy receivables and bond issues backed by the same receivables in an offshore jurisdiction, in most instances (Beyer & Bräutigam, 2015). The technique involves investors to fund the micro borrowers of MFIs who service the loans (Pole et al., 2014). Securitization may hide the risks of the banking system in dark corners, but a crisis can intensify and amplify a systemic risk plus the fragility of an entire financial system (Palan &Nesvetailova, 2014). Weak incentives and inadequate lending decisions in the

originate-to-distribute business model (securitization) used in lending, in part, caused the financial crisis of 2007 to 2009 (Casu, Deng, & Ferrari, 2017).

Securitization instruments include loan guarantees, and joint venture finance, but the same tools for financial enhancements brought the collapse of Northern Rock, a British bank, a confluence of two institutional trends in modern finance (Palan &Nesvetailova, 2014). The bank's crisis was symptomatic of a wider problem of today's financial system. The process of securitization and liquefying debt structures involved the facilitation of illicit practices through the shadow financial system amounting to an outright fraud (Palan &Nesvetailova, 2014). The practice was simplistic but dangerous: parceling the reserve earnings, writing a credit default swap, and transferring the majority of the bank's first-loss risk to the international capital markets. The fate of Northern Rock confirmed that fortunes reverse rapidly in the financial markets (Beyer & Bräutigam, 2015). The offshore entities caused most of the problems in Northern Rock through SPVs or entities (SPVs or SPEs, respectively). Stronger oversight powers did not help regulators police corruption. Instead, corruption resulted. Tighter restrictions on bank activities more negatively associate with bank efficiency than greater capital regulatory stringency with marginal positive effect (Casu et al., 2017). The reinforcement of an official supervisory power may be noticeably effective in countries with independent and market-based monitory authorities (Casu et al., 2017).

Conversely, greater competition in banking and information sharing among bankers lead to levels of reduced corruption (Evans, 2017). The promotion of private monitoring and transparency of banking activities may also reduce corruption.

Unfortunately, a financial institution can adopt a double SPV in cases of using over-collateralization to obtain a good credit rating (Pole et al., 2014). Any economics-based research in banking should focus more on profit rather than cost (Mokni & Rachdi, 2014). The key principle should be to distinguish between risk and collateral uncertainty during banks evaluation of SME credit rejection (Das & Das, 2014).

Collateralization. Collateralization instrumentally influences credit granting decisions, and risk management (Mancusi & Vezzulli, 2014; Udell, 2015). The instruments securitize against lender-borrower risks of imperfect information. The tool also mitigates the unsecured positions of debtors, associated costs of risk, or extra auditing (Du et al., 2015). A collateral provides protection to the lender against default and may increase with financial instability (Udell, 2015). Collateralization assists to reassure and build confidence over causal gaps from information asymmetry that may exist inevitably between borrowers and banks as formal lenders (Stiglitz & Weiss, 1981). The ratio of loan percentage to collateral requirements can be as high as 55% structurally for term loans although a smaller figure may also occur, perhaps to reflect its devaluation during a crisis period (Mancusi & Vezzulli, 2014). Abdesamed and Wahab (2014), and Du et al. (2015) considered physical assets as a predominant requirement for collateral to obtain bank financing.

In developed economies, empirical studies on SMEs support positive and negative relationships between long-and short-term asset structure, respectively with leverage. In the end, borrowers use capital security against financing. A short more than long-term financing is unsecured and consists of substantial amounts of trade credit and informal

provisions (Abdesamed & Wahab, 2014). If a debt has securitization provision against fixed assets, the firm is under restriction to apply the borrowed funds to the same project, and no other as creditors get an improved guarantee of repayment, besides the chances of higher recovery (Datta & Agarwal, 2014). Although the stockholders of levered firms can overinvest, and create conflict between shareholders and bondholders, the proportion of fixed to total assets manifests the collateral valuation of capital for the gearing level of a firm (Datta & Agarwal, 2014).

Since assurances happen with collateralization of the fixed assets, the proportion of debt increases the availability of extra capital in the balance sheet of the lender (Datta & Agarwal, 2014). Examples of physical asset collateralization include warehouse receipts, repurchase agreements, and financial lease, or risk mitigation products as insurance, forward contracts, and futures in marketable securities that form banks' incentives to reduce lending risks (Hardy, 2014). Stiglitz and Weiss (1986) used collateralization distinctively against borrower risk. Perhaps, the situation has the causal effect on enterprises' shifting to trade credit, and bank overdrafts devoid of fixed assets backed financing in the short run (Udell, 2015).

Overdraft. Overdraft increases with higher rates of rejection**.** The inability to afford collateralizable fixed assets and exclusions of credit renewals affect the demand for an overdraft. During doubtful periods, the level of control increases, and banks favor the short-termed overdrafts over loans, since penalties are readily applicable through collateralization (Armstrong et al., 2013). The benefit is to maximize investors' protection and initiate resolutions early (Hardy, 2014). However, collateral requirements

become cyclical with a raised lender demand: the more restrictive the credit for new loans, the higher a rejection rate has a direct relationship with highly tightened renewals (Armstrong et al., 2013). The net gain affects both the bank and creditors in expected returns, increased impediments of the bank's balance sheet, and a capitalized value (Hardy, 2014).

The situation is also true for margins, albeit apparent for new term loans. The financial crisis of 2007 to 2009 reflected the patterns of the tough conditions for both lenders and borrowers (Armstrong et al., 2013). After controlling for firm risk, a stronger propensity to reject SBEs applications still existed owing to tighter credit conditions, or the level of market power banks enjoyed in the sector (Becchetti et al., 2011). No risk rating implies more frequent rejection than low or minimal risk, or default (Armstrong et al., 2013). While old firms with better information are less likely to experience rejection, delinquency, or past loan default, unauthorized overdraft borrowing leads to significantly higher rejection rates (Armstrong et al., 2013).

Overdraft borrowing can become prominent despite the risk, age, and authorization. However, firm size negatively relates to credit rejection, though significant only for sales over $1.56 million (Armstrong et al., 2013). Higher sales attract lower rejection rates, and risk (average and above). Abdesamed and Wahab (2014) found an association of both firm size and profitability with leverage in support of pecking-order theory. The banking sector does not focus on size alone while simultaneously enhancing financial inclusion but develop improving characteristics with the ability to provide increased credit flows to the private sector (Arnold et al., 2014). To grant credit to the

customers who are able and willing to repay loans and interest and deny credit to those who cannot, developing risk and uncertainty reduction methods in managing SMEs rejections may be necessary (Abdesamed & Wahab, 2014).

***Uncertainty*.** Uncertainty highlights risk aversion separately from borrower characteristics and banks withdraw from higher risk borrowers who emerge in lending officers' credit assessment (Armstrong et al., 2013). Uncertainty will increase perceptions about default for banks to revert to a conservative distribution between loans and securities in causal terms (Bruni et al., 2014). The US household and real estate sectors reflected this pattern of loans empirically but excluded composite corporate lending (Armstrong et al., 2013). Relying upon highly certain plans is partly a common strategy, or a technical uncertainty avoidance with banks (Abdesamed & Wahab, 2014). Uncertainty applies to an unexpected future occurrence where probability analysis cannot apply to changes in policy, regime, or financial crisis (Armstrong et al., 2013).

Profitability. Profitability and loan losses exhibit inverse relationships (Behr et al., 2017). Accounting-based research on bank performance typically uses comprehensive financial statements information to determine banks profitability, as a value of return on assets (ROA) or return on equity (ROE) (Mokni & Rachdi, 2014). In a theoretical report, profitability was subject to an adverse relationship with the leverage a firm adopted (Arnold et al., 2014). Focusing on selective countries or a geographical region, the identification of bank-specific factors of profitability included size, revenue generation, risk, and cost control, besides analytical tools (Mokni & Rachdi, 2014). Bank profits tend

to persist over time, reacting to competitive barriers in the market, the information opacity, or sensitivity to regional and macroeconomic shocks.

The use of a method of moments (GMM) system addresses the problems of profitability, endogeneity, and unobserved heterogeneity in any banking region, giving consistent estimates of variables (Mokni & Rachdi, 2014). Using regression analysis with fixed effect may result in credit and liquidity risks, plus venture capital as the main factors affecting bank performance measure of ROA and profitability (Mokni & Rachdi, 2014).

In other words, the banking sector should focus more on profit efficiency rather than cost efficiency. Under the pecking order theory, one would expect leverage to relate negatively to the profitability, and positively to the size, and the asset structure. However, profitable firms have high internal finance available, and less need for external financing (Du et al., 2015). Firms with a greater percentage of fixed assets have the ability to access collateralized debt (Abiola & Olausil, 2014). Research into the applicability of pecking-order theory to SMEs in several economies with developed banking systems may lead to a strong preference for financing options to minimize intrusion into owner-managers' business activities.

Pecking order theory may include the recognition of the asymmetric information that exists between the management of a firm and its lender-investors. When regulatory capital declines and external financing frictions increase, the existing loan loss provisioning rules magnify the pro-cyclical economic effects (Behr et al., 2017; Cant & Wiid, 2013). If borrowers repay loans faster than making it, the money supply contracts,

the expansion mechanism reverses and creates an economically dangerous situation (Behr et al., 2017). Although market-based mechanisms can adjust over time, most prices in the economy do not apply to fixed monetary contracts. On the other hand, delaying expected loss recognition increases the significance of banks' capital ratios in their lending decisions during recessions beyond 20% (Rajan & Ramcharan, 2012). However, others argued that comparing aggregate bank lending to other forms of external financing was not a valid identification method. The evidence primarily displays correspondence in developed economies (Du et al., 2015; Rajan & Ramcharan, 2012).

Small business financing. In broad terms, small business financing refers to a set of institutions and policies aimed at realigning different sizes across enterprises about access to financial services (Cole & Sokolyk, 2016). Under non-legal mechanisms, banking constitutes the primary form of external finance, but the evidential effects of financial deepening that can contribute to economic growth to ease SMEs' financing constraints are always direct through worse resource allocation across the economy (Beck et al., 2014). Bank loans provide the second largest external financing source (Cole & Sokolyk, 2016; Udell, 2015). Governments focus on generating positive externalities (Saiz-Álvarez, Martínez, & Arango, 2014), as opposed to failure avoidance for individual firms. The seeming justifying statement makes SMEs the emerging private sector in developing countries and thus form the base for private sector-led growth (Li & Rama, 2015).

Both bilateral and multilateral policy makers and donor agencies emphasize SMEs finance as a priority area for advice and intervention, especially in developing

countries' private sectors. The G20, a collection of 19 countries, including the US and the European Union (EU) under the co-chairmanship of Germany and South Africa, established a Committee to support of the *SME Finance Challenge* and provide innovative solutions on overcoming SMEs' financing constraints (Beck et al., 2014). Policy formulators also claim SMEs as (a) valuable innovative mechanisms in stimulating job growth, (b) labor-intensive with poverty reducing effects, but (c) subject to institutional and market failure constraints in justifying policy efforts that target small businesses (Cole & Sokolyk, 2016). However, microeconomic studies across countries in various levels confirm only the last of these three claims, but with a mixed evidence on the first two, at best (Bruni et al., 2014).

While other business environmental obstacles often interrelate well under controlled interactions in a global setting and remain relevant, access to finance (or the lack thereof) consistently and robustly plague the SMEs as the most essential constraints or underlying factors (Cole & Sokolyk, 2016). Transaction costs and information asymmetries, as indicated earlier, affect access to finance across firms of multiple sizes in different variations. Fixed transaction costs to assess credit processing, and monitoring cause unit costs to decrease as the size of loan increases and makes lending to SMEs costlier (Beck, et al., 2014). Moreover, challenges in managing risks affect SME lending more than other loan products (Cole & Sokolyk, 2016). In comparison with large firms, SMEs are commonly more opaque, less forward with collateralization, and most often without audited financial statements that support the enterprise's business history and projected profits. Financial institutions rely less on the law of large numbers to exploit

economies of scale and the diversification of benefits with SMEs because of a given sectoral sparsity and a harder to capture characteristics of a few quantitative indicators (Bruni et al., 2014). Successful economies do have more SMEs, but having many SMEs does not explain the success (Beck et al., 2014).

Lending technologies, government policies and structural formations of financial systems and economic changes affect how transactions costs and risk narrow SMEs' access to external funding. Degryse, Lu, and Ongena (2016) identified firms' informal (internal) and formal (external) financing channels for an extended period with categorized, defined, and classified channels. External funding comprises debt (loans) from banks and other financial institutions, market equity (stock) and debt (bonds) raised from capital markets. External financing also includes the use of alternative finance equity, and debt raised from private sources including, group companies, promoters and founders, trade credits, and other liabilities.

Internal sources typify net income after dividends, depreciation provisions, or funds set aside. The banking sector can impose an externality on the rest of the economy to justify assessments (Armstrong et al., 2013), besides SMEs. The concept implies that, in many economies, a significant portion of micro-enterprises and even small formal companies might not be bankable from a commercial viewpoint (Beck et al., 2014). Banks dictate restrictive requirements by using indicators of uncertainty on macroeconomic level characteristics of SMEs subject to the supply of credit constraints: distinguishing cyclical and structural changes in lending conditions (Amstrong et al., 2013). Controlling for risk, the consequential effect would be that the rejection rates for

loans and overdrafts would rise in 2008, and 2009 similar to a high level of overdraft, and loan margins maintain (Armstrong et al., 2013). A significant increase in rejection rate for term loans, particularly for low and average risk excluding high-risk firms would persist; but collateral requirements, although arrangement fees relatively higher, would stabilize. Credit rationing would strongly affect renewals more than applications for new finance, while uncertainty proxies would influence the volume of SMEs more than large firms, besides risk-adjusted capital adequacy of banks.

The lack of working capital bolsters the likelihood of SMEs failure and lower sales growth, inducing loan rejection (Casey, 2014; Udell, 2015). In other words, the access possibilities frontier is the maximum share of SMEs applying for loans that financial institutions can serve in a commercially viable manner (& Cull, 2014). The frontier, or the share of bankable SME loan applicants, is the determination of the technology and the institutional framework within which financial institutions operate (Beck et al., 2014). However, a financial system can very well operate either below or above this frontier. The results indicated that the banking sector restricted credit on the SME persistently (Armstrong et al., 2013).

Formal credit restrictions stir entrepreneurs toward independent or affiliated venture capitalists, but contingent upon the degree of sophistication of the project (Andrieu & Staglianò, 2016). Alternative finance includes loans from all nonbank and nonmarket sources, and the treatment of a group of productive assets within a country as entrepreneurial options (Lee et al., 2013). However, the agency theory poses difficulties for investors to evaluate the true quality of a project (Andrieu & Staglianò, 2016). The

success of Chinese privately owned SMEs did not depend on the presumptions that constraints on growth might be due to limited access to external sources of capital (Du et al., 2015). Government policies anchored on maximizing the variance of bundles would facilitate entrepreneurship development (Lee et al., 2013). The policy domains include tax policies; industry structure, entry barriers; foreign markets opening, direct investment; bankruptcy legislations; and a move away from traditional industrial protection (Lee et al., 2013).

Interesting is the view that enterprise and entrepreneurship are the bedrock of capitalist societies (Simpson et al., 2013). The use of entrepreneurial behaviors and the establishment of entrepreneurial ventures is to address financial rather than social needs that reflect neoliberal ideologies (de Bruin, Shaw, & Lewis, 2017). The use also aligns well with, and indeed reflects the promotion, which supports the incentives to transfer resources' control away from state ownership (de Bruin et al., 2017). Independent venture capital firms with less financial constraints tend to provide better support quality compared to bank-affiliated firms. The entrepreneur can select the optimal contract by trading off the characteristics above. Invariably, the bank-affiliated model allows several empirically testable predictions concerning the nature of projects financed by either type of venture capital firm (Lee et al., 2013).

A separate research, using macro data shows an impact of economic uncertainty on finance, which if unresolved, could invoke adverse effects on economic performance, in short, and long terms (Armstrong et al., 2013). Moreover, the interest rate offered to borrowers influences the loan risk in two important ways (Armstrong et al., 2013). First,

borrowers' willingness to pay high-interest rates, on average, may impose riskier probability of repayment at high, but below average rates. The prospect again reverts adverse selection. Second, as the interest rate increases, the previously *good-risk* borrowers may undertake projects with improper probabilities of success, but higher returns when successful (Armstrong et al., 2013). The behavior translates to the problem of moral hazard where the incentives of higher interest rates lead borrowers to undertake riskier actions (Armstrong et al., 2013).

Adverse selection and moral hazard. Adverse selection and moral hazard relate inversely to the age and size of firms and can severely prevent SBEs from getting loans outside their most frequent banking relationships (Hernández-Cánovas and Martínez-Solano, 2007). The insufficiency of available public data about SMEs, mainly owing to the substandard quality of accounting records, and low incentives to operate formally is another reason small businesses lack access to credit. Small firms are more information opaque, and therefore, have less access to external funding than larger firms (Armstrong et al., 2013; Beck et al., 2014). Financiers are unable to solve problems of asymmetric information, and adequately fund small business expansion (Armstrong et al., 2013). Typically, young and small firms do not establish reputation about their competence and honesty, nor about the risk of projects they may undertake

Bruno and Shin (2013) suggest that financial exchange and bank interest rate variances (spreads) are the essential analytical elements in the conveyance of a business cycle and monetary policy. The presented simple framework introduced lending relationships, a relevant feature of financial intermediation so far neglected in the

monetary economics literature and highlighted a dynamic equilibrium model that can stagger prices and cost channels. Bruno and Shin (2015) recognized the main findings of banking spreads generating amplified output responses while moving countercyclically. The spread movements necessitate monetary policymaking even when using a standard contractionary shock or the Taylor Rule, but with the modification of the policy to include a banking spread adjustment that improves the stabilization of the shocks (economic), and increases financing in comparison to rules' responses to output gap and inflation.

The existence of strong lending relationships in the banking sector can influence inconclusive assessment of equilibrium enough to make the Central Bank react to spread movements. At the low-interest rates, lenders tend to ration credit closer to the optimal value to maximize profit off risky borrowers (Arnold et al., 2014). While *spreads* refer to the analytical implications of lending relationships of the monetary policy, focusing particularly on the impact of endogenous markup on interest rate setting, Taylor Rule is the contractionary monetary policy shock.

One of the factors for bank leaders to ration SME credit may be in light of providing an above average return on investment (ROI) to shareholders. Simpson et al. (2013) supported an investigation report that an above average ROI was consistent with practicing the philosophy of conscious capitalism (CC). CC may be a beneficial strategic lens the Southeastern Nigerian state bank leaders can use to minimize profit loss from SBE credit rejections.

In 2007, Sisodia and other researchers examined the performance of 18 profiled publicly traded companies identified as firms of endearment (FoE). With Mackey, Sisodia used these enterprises in the evaluation of investment performances of CC companies because of the similarities in 2013 with an addition of extra ten private holding companies (Simpson et al., 2013). The findings indicated that the average financial performance of the 28 pro-CC companies look better compared to other S&P 500 companies. A 15-year (1996-2011) investment performance (stock price, adjusted for splits and dividends) of the 28 *FoE* companies was 1,489.1% (1,646.1% FoE - 157% S&P) higher than the S&P 500 for the same period (Simpson et al., 2013).

The Nigerian Perspectives

In the equilibrium credit-rationing model, Stiglitz and Weiss (1981) suggested that small firms were more at risk from the lack of information on their operations. Imperfect information is a limiting factor on the SMEs that further complicates financing and involves the principal-agent relationship between small firms and their lenders (Jacques, Moylan, & Nigro, 2016). The increase in the lender-small business information gap amplifies the asymmetry, impedes, and presupposes small business credit rejection (Boateng & Abdulrahman, 2013). In developed economies, a bank loan is the primary source of external finance for the vast majority of small businesses (Beck & Cull, 2014). In developing sub-Saharan African countries (SSACs), small business financing choices differ. In Nigeria, credit evaluation is imperative, but owing to the poor educational background of micro-small business entrepreneurs, the ability to provide quality

information necessary for loan processes is asymmetric (Boateng & Abdulrahman, 2013). Banks require collateralization more than securitization in the Nigerian context.

Collateral Security and Guarantees are intense in West Africa. Banks require 81% of small companies and 100% for medium firms in Ghana, or Nigeria to provide collateral for loan applications (Boateng & Abdulrahman, 2013). The requirement of the security tools serves to reduce the anticipated credit risk effect on the inadequacy of the information-based decision (Udell, 2015). A poor institutionally supported market and compromised regulatory and legal enforcement influence problems for a centralized finance system (Westhead & Wright, 2015).

Unfortunately, the SMEs, particularly in SSACs cannot provide the required collateral to mitigate relegation, and thus inflate the credit rejection rate (Boateng & Abdulrahman, 2013). Abiola and Olausi (2014) argued that even if an individual correctly perceived an entrepreneurial opportunity, he or she might only take advantage of credit derivatives. An entrepreneur might not benefit from the opportunity if he or she lacked capital, collateral, or access to financial markets. Moreover, the size, and age of a firm, ownership type, and relationship banking have a positive bearing on banks' credit decision about small companies in the region (Jacques et al., 2016). The financial growth cycle indicates that firms lie in size, age, and information continuum (Abdesamed & Wahab, 2014). The pecking order theory (POT) provides a strong theoretical link between firm age, size, and capital structure decisions. Smaller, younger, and very opaque firms gravitate near the left end of the continuum: an alternative reliance on initial finance sourced through family, friends, and trade credit (Boateng & Abdsulrahman,

2013). This premise is reflective of the adverse selection predicament where smaller and younger firms are often informationally opaque. Adverse selection deters potential lenders of the external fund from verifying the worth of projects small businesses undertake (Li & Rama, 2015). The notion redirects younger firms that would otherwise rely on formal financing to internal sources of funds since the potential lender required information for loans processing is absent. This view is at variance with the POT (Jahanzeb & Bajuri, 2014).

Accordingly, Corsi and Prencipe (2015), highlighting POT through higher human capital determinants would extend the expected recourse to external capital sources about the need for different types of financing in high-tech and new technology-based firms (NTBFs). Boateng and Abdulrahman (2013) stated that a major defining characteristic of small business finance in SSACs is information opacity. Since smaller companies do not ascribe to public holding, and not under a legal obligation to disclose any information about their accounts to the public, it is hard to convey the credible quality of their businesses to the outside world. Invariably, the difficulties in obtaining such adequate information to evaluate loan applications constitute one of the biggest barriers to extending credit to small businesses (Boateng & Abdulrahman, 2013). Thus, the problem of information availability weighs heavily on small businesses that apply for external sources of finance (Corsi & Prencipe, 2015). The attributable time it takes to gather all the required information is also important as search costs are higher for small business loans than information-ready large firms (Moro, 2014). The cost (an interest hike on capital), consistent with information asymmetry model of the capital structure, mediates a

small company's risk (Coleman, 2016). Thus, information asymmetries between the owner, or manager, and the potential new supplier of debt would point an external provider to demand a premium unreasonably high for any anticipatory fund (Ashton & Keasey, 2005).

The information disparity between the potential lender and small firms increases the perceived risks and consequently raises the search and monitoring burden the lenders bear as the cost of capital (Boateng & Abdulrahman, 2013). The entrepreneurs mostly engage in small business transactions on a cash basis that cut them off the banking system and dampens the relationship with the lender (Fatoki, 2014). In Nigeria, the banks respond to the small businesses' imperfect information on loan applications decisions that influence: (a) demand for collateral securitization and guarantees, (b) creditworthiness search, and (c) relationship banking (Boateng & Abdulrahman, 2013).

Table 1

Relative Importance of Sources of Finance in Ghana & Nigeria

Rank	Sources of Finance	Mean	*SD*
1	Personal savings	4.75	0.89
2	Suppliers credit	3.41	1.52
3	Co-operative finance/credit clubs	3.35	1.66
4	Bank loan	3.34	1.66
5	Partners contribution	3.25	2.12
6	Government sponsored credit	3.18	1.71
7	Contribution/Loan from close acquaintances	3.06	1.57
8	NGOs	3.05	1.71
9	Leasing	2.86	1.65

Note**.** $n = 582$. The mean is the average on the scale of (1 = not at all important) to (5 = very important). SD = standard deviation. Mean scores are significantly different on one-sample *t*-test ($p < 0.01$). Adapted from "Micro Small-Sized Enterprises and Bank Credit: Evidence from West Africa" by Boateng, A., and Abdulrahman, M. D. (2013). *Journal of Emerging Market Finance, p. 142*. Please, see Appendix C.

Table 1 shows a ranking of finance sources for small business in Ghana and Nigeria based on mean measures of significance. All the nine sources exceed the median measure. The leasing organizations rank the least important in these countries while personal savings and suppliers' credit rate the most significant on the scale (Boateng & Abdulrahman, 2013). In Table 1, bank loans are relatively lower in priority than personal saving and suppliers' credit for small enterprises. The finding reflects a prior study's suggestion that banks do not usually extend risk lending to small businesses (Boateng &

Abdulrahman. 2013). High transaction cost, risk, and the lack of loans' processing information affect risky lending (Boateng & Abdulrahman, 2013).

Bank leaders prefer details of the borrower's current and historic balance sheets, business plan, managed cash flows, and competitive records to make credit decisions (Dong & Men, 2014). Barring a recent liberalization of the finance sector in Ghana and Nigeria to adequately deal with small business problems, the aim was not to encourage credit at the risk of financial institutions (Boateng & Abdulrahman, 2013). Dosanjh and Jh (2016) argued that theories about how temporal interrelated aspects of a market or industry once accepted generally influenced the growth strategies and, ultimately, the fate of firms in that sector. The pecking order theory provisions help small companies toward the internal source of finance first but stir profitability away from commercial lenders in the process. Companies will only use external capital if the internal source of funds is inadequate to take advantage of value adding opportunities (Boateng & Abdulrahman, 3013). However, the younger SME firms without accumulated levels of retained profits are more unlikely to require external funds than older enterprises. Small businesses experience extreme versions of the pecking order in decision-making because of the limitations in the appropriate external source of capital, and inexperience about business transactions (Ashton & Keasey, 2005).

Agwu and Emeti (2014) suggested how policymakers could encourage capacity building for entrepreneurship education in Nigeria, and the best ways to achieve competence in the perceived lack of entrepreneurial approach to business. A short life expectancy of small firms, poor bookkeeping, the lack of technical knowledge, planning,

market research, and managerial skills account for lost opportunities to build the credibility and reputation necessary to access financing (Agwu & Emeti, 2014; Boateng & Abdulrahman, 2013). Entrepreneur competence in a business project and collateralization can be less important than profitability. A glut of information notwithstanding, the relationship between bankers and companies are rarely perfect, and bankers can make errors in granting or not granting credit (Bonnet et al., 2016). The US economy exemplifies the entrepreneurial mindset that leads to a universal extension and technically dictated tune about global production growth, properly coordinated educational development, and supported attitudinal changes (Agwu & Emeti, 2014). If entrepreneurs can run businesses for some years longer and gain extra-institutional financial experience, they can shift from internal to external sources of the fund, as the years of consistent successful entrepreneurial business relationship is a major factor in qualifying for bank credit (Das & Das, 2014). However, most small businesses cannot meet the requirements for commercial loans because they lack collateral. Sometimes, the SMEs that do meet the requirements still find collateralization prohibitively expensive regarding repayment terms (Behr et al., 2017). The constraint may obviate the importance of the study in what strategies Southeastern Nigerian state bank leaders use to minimize profit loss due to SME credit rejections.

Bonnet, Cieply, and Dejardin (2016) suggested that banks prioritized critical borrower information on credit granting assessment against the financial market position on firms' past profitability factors in comparison with rejection rates. Armstrong et al. (2013), Becchetti et al. (2011), Jaffee and Russell (1976); Stiglitz and Weiss (1981) have

also identified other factors hindering the success of banks credit granting to small businesses. The SME's share of investment and the risk-taking proclivity – a moral hazard issue – may also be of a lesser priority than minimizing loss (Bonnet et al., 2016). A 10-year study on entrepreneurship education has suggested a degree of consistency in levels of attitudinal changes across a varied range of small enterprises, but education has a prominent resonance in Sub-Saharan Africa, where resource-constrained demand outstrips capacity (Obeng & Blundel, 2015).

The processes and procedures or opportunities created underestimate the people's self-awareness in thinking and acting creatively as entrepreneurship education requires (Boateng & Abdulrahman, 2013). The equilibrium capital markets, devoid of information asymmetries, transaction costs, or taxes, may project internal and external finance as perfect substituted views of a world's absolutes, but considering implications in the real world, companies and banks face difficulties in the determination of optimal capital structure (Bonnet et al., 2016). Banks fail to fund potentially profitable projects in the above process. However, the success of the Grameen Bank (the Village Bank) derived from lending constraints that transformed the creditworthiness of the poor and became dominant in the last three decades of the 20th century (Dosanjh & Jha, 2016). Although the intersubjective relationship is critical to an entrepreneurial conception, it is not only easy to see how constraints may frame and shape interactions but also how new opportunities may emerge (Dosanjh & Jha, 2016). The microcredit institutions recently became the target of much criticism about interest rate hikes annually (Evans, 2017).

Invariably, all methods of allocating resources have benefits and costs. No single mechanism dominates the others and works free. Hence, all allocation techniques are second best. The argument revisits the notion that organizational forms, rules, and payments methods are subject to economic analysis (Casey, 2014). The standard for success in the private sector is profitability and positive collaborative engagement (Townsend, Wilkinson, & Burgess, 2014). Extant literature reveals the entrenchment of public-private entities in emerging economies. Advocates struggle to substantiate the differing aims and responsibilities of the public and private sectors, albeit constituent companies plan to make a profit out of nonprofit public-sector organizations (Townsend et al., 2014). The differences in how the sectoral agencies work together about relative contributions to finance, design, manage, or create PPPs may have implications for service and organizational workforce (Waring, 2015).

A multi-tier workforce, not limited to insourcing, outsourcing, and even offshoring of Government work, may evidence public-private partnerships (PPP) creation (Townsend et al., 2014). The model may potentially complement relational lending in representing a drastic response to the policy of government-controlled enterprises often bedeviled by unnecessary bureaucracy, reckless impunity, abject corruption, and gross inefficiency (Aliu, Adeyemi, & Adebayo, 2014). The government (public) and the private sectors employ PPP as a policy to resolve pressing planning issues that share the benefits and risks of partnership. The usefulness is already in other areas of the Nigerian economy, such as transport, housing, agriculture, and education (Aliu et al., 2014). While the North American businesses have an extended involvement with service delivery,

some PPPs deviate from similar established rules in various European public sectors (Waring, 2015).

Reflecting the analysis of 30 largest US metropolis key indicators included a recession as a period of selective growth and not a time of total decline in some cultural sectors (Grodach, 2016). Sometimes, PPPs serve as a primary basis for risk sharing or large-scale public infrastructural projects' financing and later leased to or for public agency management (Waring, 2015). Any financial disruption can cause a major shift of economic development in many places (Grodach, 2016). Other strategies exist alongside economic gardening, a relatively traditional economic development gaining currency.

After World War II, colonialism in Africa and Asia had ended with powerful states, and centralized planning to propagate economic development, and most strategies to adapt to a market discipline and create the physical infrastructure of a modern state were considerably successful (Ness, 2014). Although the planners did not include important opportunities for the development of productive local entrepreneurial enterprises, a small US town from Colorado State creatively started a model (economic gardening) to support its local entrepreneurs (Ness, 2014). Economic gardening distinguishes from economic development in seeking and nurturing local entrepreneurs, rather than influencing external investments and employment to the locality. Economists long supported individualistic self-interest that enhanced a high value creating PPPs (Villani, Greco, & Phillips, 2017), but the economic developers can leave for lower-cost greener pastures after raising wages and standards of living; economic gardeners are indigenes who stay with the success of the business and the community (Ness, 2014).

Economic developers will find that they can support local businesses in networking, provide financing and expertise, and create markets (demand for energy efficiency standards that support local construction and energy companies) with significantly reduced budgets. Thus, economic gardening means working with local businesses, usually existing companies with 10–99 employees, to create jobs. However, allowing passive private actors an intersubjective involvement above profits may trigger an activist stakeholder to either avert or shape novel solutions that can overturn trade-offs and gains (Villani et al., 2017). New research suggests that economic gardening manifest in established businesses that have high growth as best targets for assistance (Ness, 2014). Economic gardening will be a significant transition for many states and regional economic organizations that previously used substantial budgets in recruiting large companies from other cities, states, and countries.

Although a few PPPs oppose micronutrient-deficiency associations with business and companies, the Global Alliance for Improved Nutrition (GAIN) supported home fortification for micro nutrition powders and small portions of lipid-based supplementary nutrients in rural and urban South Africa (Pelto & Armar-Klemesu, 2015). Businesses will proactively engage in private governance schemes that offer the potential for economic profit without a bottom-up structured output (innovative diffusion), and long-term orientation (Ness, 2014).

In Nigeria, the operations of PPP in food and nutrition industries are similar. The country maintains a binding political consensus on the benefits of PPP in comparison to the traditional methods of funding public services. The methods include private sector

management with technological applications, creative efficiency, and value for money (Aliu et al., 2014). GAIN reserves a significant budget allocation for funding objectives to strengthen local capacities to co-finance food fortification projects and technical advice to support capacity building in various countries, including Nigeria (Pelto & Armar-Klemesu, 2015). Along with the local public and private sector, the national projects seek to implement a long-lasting fortification strategy in the respective country. GAIN depends on a grant system that provides localized financial support in selecting fair projects. In a competitive procedure, interested national alliances must apply for funds, and present a fortification plan. Each alliance must include all PPP components (national representatives of the government, the qualified producers and distributors, and the civil society) to qualify for one of the grants of up to $3 million. In rural Nigeria, it is necessary to comply with the UN mandate to achieving economic security through PPP development via civil society organizations and business actors (Pelto & Armar-Klemesu, 2015).

Overall, businesses associations with GAIN depended on the use of a familiar approach. Market-based technical solutions enhance the reputation of the companies, and widely claim an organizational independence that supports the principles of efficiency and flexibility. Although skeptics questioned some potentially doubtful marketing practices of a GAIN partner, Nestle, about infant feeding and complementary foods for young children, GAIN strongly encourages governments to advance scientifically valid products (Street, 2015). GAIN did not publicize any structural membership list of the Alliance or kept it secret, but a report mentioned nine companies from the food sector:

Unilever, Tetra Pak, PepsiCo, Cargill, DSM, Danone, Britannia Industries Ltd, Firmenich, and Mars. In addition, workers expect new opportunities through business diversification (Eniola, 2014). However, cultural issues, legal environment, tradition, and history in an industry exist despite consequential economic incentives, and entrepreneurial success. The absence of strong implementable institutional frameworks could lead to informal barriers that hinder the growth of SMEs (Eniola, 2014).

Transition

In this section of the qualitative case study, I explored the factors on how banks evaluate the rate of small business credit rejections about their losses in profitability in the Southeast States of Nigeria. The case study problem and purpose statements supported exploration of how banks are losing profit at a high rate of small businesses credit rejections. The review of the literature about this research question is to reveal the issue of various financial policy influences. Researchers and scholars that examined the problem articulated a variety of possible solutions. One interest in the availability of financing to SMEs is that discriminating honest from dishonest creditors creates a typical classification problem. In countries, developed or developing, SMEs are the emerging private sector and thus form the base for the sector-led growth. Banks losing profit at 74% rate of small businesses' credit rejection happen frequently.

In Section 2, I provide the purpose statement, research design, research method, study instruments, and the analytical technique for the research data. In the section is also a provision of the selection method for choosing participants, interview questions, and measures to ensure reliability and validity. In addition, this section includes in detail the

steps to protect participants and ensure ethical research. Section 3 of this study includes a description of the application to professional practice and implications for positive change. The section also contains the discussion of the study results.

Section 2: The Project

Section 2 provides the purpose statement, research design, research method, study instruments, and analytical technique for the research data. The section also provides the selection method for choosing participants, interview questions, and measures to ensure reliability and validity. Further, I explain the steps to protect participants and ensure ethical research.

Purpose Statement

The purpose of this qualitative multiple case study was to explore strategies Southeastern Nigerian state bank leaders use to minimize lost profit from SBE credit rejections. Leaders of three Southeastern Nigerian state banks with experience in financing entrepreneurial business start-ups or currently operate within credit-related profitability in banking, are the target population. The findings from this study may support social change through providing strategies necessary to relax constraints on banks resources for financing SBEs that may result in increased SBE loans, sustainable SBEs, and decreased unemployment. The findings may also support banks' increased profitability to make money available to support community project needs for the Southeastern Nigerians living at or below the poverty level. In addition, the findings may affect the means of the SBE owners by increasing employment locally and provide extra income for spending in the community.

Role of the Researcher

In this qualitative case study, I was the data primary collection instrument. Cypress (2015) indicated that the researcher as the instrument is an accepted practice to

collect data himself or herself than rely on developed instruments. My role as the researcher was to select the appropriate research methodology and design, recruit potential participants, and collect and analyze data. I am not a banker in the Southeastern Nigerian state, but I work in a similar environment that questions the role of commercial banks in promoting change, and what strategies bank leaders use to minimize loss of profit from SBEs credit rejections. My duty in a directorate capacity with a Federal agency enables exchange of financing information with various international operatives, including the Koreans whose model of credit scoring is predictive of superior strategies for banks to manage credit through relationship banking.

The Belmont report of 1979 summarized the ethical principles and guidelines for the protection of human subjects in Biomedical and Behavioral Research (Mikesell, Bromley, Khodyakov, 2013). The report includes a distinction between research and practice, the three basic ethical principles, and the application of these principles. The three ethical basics for human subjects in a study included (a) the principles of respect of persons, (b) beneficence, and (c) justice (Mikesell et al., 2013). Research ethics standards, based on the fundamental principle of respect for persons, consistently concede the need to seek informed consent voluntarily when conducting research with human subjects (Manhas et al., 2015). In my role as the researcher, I ensured that the participants got the opportunity to read and seek clarification before voluntarily signing the consent form.

I mitigated my bias and preconceptions by maintaining a state of epoche during the interviews and had control reactions to interviewees' responses. The interview

protocol (Appendix A) essentially ensured my role as the researcher to follow the same protocol with each participant. The absence of prior business relationships with the bank leaders served as a mitigating tool against personal bias during the interviews. Bevan (2014) approached a case study protocol contextually and with apprehension or modes of appearing attitudinally natural.

Aguirre and Bolton (2014) recognized that all research methods encompass limitations about data collection, data analysis, and researcher bias as well as the belief that the interpretive approach is most congruent with the primary goals of a holistic understanding, and theory development. Every research study is subject to possible researcher bias, and the role of the researcher spans awareness in addressing limitations about every initiated research and inquiry level (Aguirre & Bolton, 2014).

I used unbiased interview protocol (Appendix A) to support the conduct of all interviews and posed interview questions in a neutral manner and listened attentively throughout each interview. Following the interview protocol did not allow the missing or skipping of any necessary steps. To mitigate potential bias, a researcher as instrument should maintain reflexive self-awareness to bracket preconceptions, interpretation, and research findings (Roulston & Shelton, 2015). Interviewees responded to each identified interview question and offered additional insights and perspectives on the problem of SBEs credit rejections. This understanding was indicative of the usefulness in theory development that informed practice and policy (Aguirre & Bolton, 2014). The methodology supported synergistic understanding of phenomena with richness in diverse

settings, qualitative traditions, and participants. The identification and management of personal biases also ensure the integrity of the data collection and analysis process.

Thematically, a case study protocol approach is on the basis of contextualization (natural attitude and lifeworld), apprehension (modes of appearing, natural attitude), and clarification (imaginative variation and meaning (Bevan, 2014). Contextualizing highlighted the experiences of the life-world against a backdrop of context or horizon, with a personal insight that provides meaning to that experience. Apprehending directed the focus on the experience that interests the researcher, and clarification involved the use of experiential elements, or a totality of experience while exploring the phenomenon itself.

A qualitative researcher is free to structure his or her interview in a way that enables a thorough investigation (Bevan, 2014). The role of the researcher included the realization of self-consciousness or bias while providing a judgmentally subjective interpretation of a synthesized analysis (Roulston, 2014). Thus, the rationale would base on the familiarization with, and internalization of, the concepts for immersion in, and application of the important method (Bevan, 2014). The existence of underlying structures in interviews, even vaguely, is an important starting point for a qualitative interviewer (Roulston, 2014).

Participants

An inclusionary criterion is essential for research, particularly in considerations of certain factors or conditions of potential candidature to ensure a fair sampling (Holloway & Wheeler, 2013). In this qualitative case study, all participants comprised of bank

leaders. Some had certified current membership of financial institutes, including consultants, but all have led a successful Nigerian financial services' strategic banking program since January 2011. For the purpose of the study, the successful bank leaders delivered the scope, timeline, and benefits expected of the strategies to minimize profit loss from SBE credit rejections in the Southeastern Nigerian state. For the purposive sample, only successful bank agents listed with certified financial analyst (CFA) in Nigeria or holding a valid certified management consultant (CMC) designation were eligible for contact about the study.

In a financial environment, a skill-set to detect potent unobservable gaps between small business firms made a participant an eligible candidate of a population (Krishnan, Nandy, & Puri, 2015). Minola, Cassia, and Criaco (2013) relied on financial information and business dynamics to determine eligibility criteria for participation. Mason and Brown (2013) considered strong market orientation and customer engagement ethos for eligibility to participate in small business credit evaluation.

Typically, qualitative research involves the voluntary participation of people who have experienced the phenomenon under investigation. However, Donaldson (2013), Morse and McEvoy (2014), Yost and Chmielewski (2014) encountered an advertisement of a research project for potential participants, mailing a list off to a regional resource center, or e-mailing and telephone calls in addition to volunteers coming forward. The identification of participants for this study came from capitalized banks with the Central Bank of Nigeria (CBN) database, southeastern zone. Borrowing from Donaldson (2013), I reached the identified bank leaders off the CBN database through e-mail, letters that

included a description of the study objectives and intent. Potential interviewees decided to participate based on the letter contents and information provided in the consent form. The letters contained sufficient information for prospective participants to determine whether to participate in the study. Each study participant received an informed consent form to review and sign. An appropriate relationship with the participants was central to the success of a research endeavor (Bell, 2013; Braye & McDonnell, 2013; Manhas et al., 2015), and a purpose this contact built.

Bahn and Weatherill (2013) highlight complex ethical dilemmas that qualitative researchers encounter when collecting data that are sensitive in nature from vulnerable people. To delve into the participant's intimate worlds to collect data, the researcher needs to establish trust and rapport with participants, as well as empathy and understanding (Bahn & Weatherill, 2013). Following Marshall and Rossman (2014) conduct of interviews, I worked to develop effective working relationships with interviewees by encouraging interviewees to share information from their individual perspectives, framing initial and follow-up questions in an open-ended manner, and listening attentively. In other words, the means of pursuing the interview is eclectic and diverse but essentially formed around the problem (Braye & McDonnell, 2013).

An appropriate link between participants and the research question is central to the success of a research (Manhas et al., 2015). Restricted access to a unique database of firms when initiating financial research endeavor is beneficial, since beaming on external capital providers is an experiential factor in both debt and equity (Minola et al., 2013).

Krishnan, Nandy, and Puri (2015) carefully sampled participants for financing-driven alternatives to avoid potential biases in interpretations.

Research Method and Design

Research inquiry, though endless, is a journey for researchers to discover truth (Poni, 2014). The division of the quantitative, qualitative, and mixed-methods into camps depend on the research pattern (Poni, 2014). I intend to use a qualitative method and a case study design for this study. Qualitative method is a hermeneutically inspired research approach that establishes the importance of the researcher's pre-understanding, not based on statistical analysis (Cypress, 2015), and exemplifies the epistemological rationale of this study. A case study design embodies a deeper understanding of human interaction: the attempt to understand human behavior through the lens of the participants in the study (Yin, 2014).

Research Method

I am selecting a qualitative method for this study. Poni (2014) associated a qualitative research method with researchers' orientation toward the human agency-constructed reality, nature, or study viewpoint. Qualitative methods enhance nuanced understandings from the participants' standpoint about contextual experiences, business, and environments (Koch, Niesz, & McCarthy, 2014). The qualitative research methodology may be useful to guide this inquiry and insightful about what strategies the Nigerian bank leaders use to minimize profit lost from SMEs credit rejections. The qualitative research method is valuable in constructing relevant knowledge about participants' experiences, values, and beliefs (Roulston & Shelton, 2015). The alignment

between ontology, epistemology, and methodology governs scholarly inquiry, and the utilization of qualitative methods justifies the nature of the phenomena that underpin the study approach (Cypress, 2015).

The use of the qualitative research method in this qualitative study is appropriate and justifiable to explore hermeneutic principles with the intent to understand a phenomenon. Research paradigms represent a fundamental element in any research project that impacts both the strategy and manner necessary to derive and interpret the meaning of reality (Poni, 2014). The qualitative method supported the understandings from the participants' perspective in business contexts (Koch et al., 2014), and what strategies Southeastern Nigerian state bank leaders use to minimize profit lost from SBE credit rejections. Methodology concerned the process and the method of capturing the worldview helpful in answering the research questions, and the objectives of the study (Roulston, 2014).

A qualitative method is an option in acquiring adequate sample size than producing copious amounts of numerical data for statistical analysis that are difficult with few suitable participants (Locke, 2015). The use of limited size facilitates description and analysis of various processes, practices, and phenomena in qualitative research (Koch et al., 2014). Qualitative method is intensive and necessitates the study of a smaller number of individuals than is customary in quantitative research (Hyett, 2014). Small-scale qualitative studies are useful to draw a wider inference about business as in the social world, if an appropriate adherence to the boundaries of qualitative research approach exist (Khan, 2014).

The qualitative research method is a threefold puzzle that involves behavior over time, fluid situations, and nongeneralizable unique individuals Poni, 2014). Hunt (2014) chose a qualitative approach based on an appropriate population to answer a research question in a proposed study, and I borrowed the strategy in conducting this study. In qualitative research, the way in which the respondents perceive and interpret social reality influences a motif, or tool for social change (Cypress, 2015). A qualitative method is more suitable and comprehensive in illuminating research interest and enabling the listening to interviewees' *hidden voices* about credit initiatives, impacts, and profitability than a quantitative approach (Khan, 2014), including SMEs credit rejection at commercial banks.

In a study, Poni (2014) classified quantitative research as a scientific method based on such characteristic techniques as the fixed design, or numeric data from quantified and generalizable conclusions. The quantitative research may isolate facts, causes, and truth despite the use of quantification (Koch et al., 2014). The quantitative research method is an objectivist view and relies on choosing best achievable multiple perspectives to answer research questions (Cypress, 2015). The investigator in quantitative research rather, puzzled by the world of social organization that propels the machine of inquiry, contradicts seeking to understand the human viewpoint. The quantitative deductive properties lead to the explanation of such macro concepts as norms, roles, society, institutions, values, and positions (Poni, 201). The quantitative research instrument, because of the fundamental assumptions, would not strive to describe such uniquely human and unquantifiable phenomenal construction processes as

consciousness and emotional experiences inherent in a qualitative method. The quantitative research method is contextually specific and includes the use of sensitive scientific approaches (Masue, Swai, & Anasel, 2013). The classic science characterizes the use of mechanistic assumption, deterministic reductionism, and atomized quantification (Varey, 2013). Analytically, quantitative methods imply causal complexity in which the effect of one variable or characteristic can depend on whether others are present, or an outcome resulting from several different combinations of conditions (Masue et al., 2013). Quantitative method is ontological that reality is not a social discovery but a construction (Naidu & Patel, 2013), and attempts to apply empirical concepts to social phenomena, testing human problem with numerical variables (Yilmax, 2013)

Quantitative approaches include local and personal understandings in favor of broad-brush and numerical aggregates of data that downplay textual constructs (Khan, 2014), and inappropriate for the study about what strategies Southeastern Nigerian state bank leaders use to minimize profit lost from SBE credit rejections. Quantitative methods are ineffective to provide an understanding of complex social phenomena about which qualitative method is appropriate; the causal conditions do not apply in all cases and contexts (Masue et al., 2013). Quantitative method helps to seek causal determinations but not assist in establishing legitimacy through content analyses, using labels such as soft and hard data to validate causal explanations (Cypress, 2015).

In every research, the aim is to satisfy some basic criteria applicable to methods and fields. However, different substantive research questions require various methods and

result in diverse levels of resolution to uncertainty (Locke, 2015). Mixed methods typify neither more nor less cogent approach than specific research (Mayoh & Onwuegbuzie, 2015). Methodological standards are central to the working of any scientific discipline, but the uncertainty of formulating and maintaining standards appears to present greater practical difficulties in the social than the natural sciences (Locke, 2015). A research pattern is important to connect a methodology and an appropriate set of research methods to address established research questions or hypotheses under examination (Mayoh & Onwuegbuzie, 2015). Mixed methods research involves the combination of quantitative and qualitative methods as useful and good to study a phenomenon (Kipo, 2013). The study's objective of understanding and describing responses to the problem of what strategies Southeastern Nigerian state bank leaders use to minimize profit lost from SBE credit rejections would not require scientific quantification or quantitative analysis of factors. Accordingly, I did not select a mixed methods research approach for the study. The study was about the qualitative method that advanced a subjective truth and multiple realities. Challenging issues of reconciliation between epistemological case study and observations of participants always exist while dealing with qualitative-quantitative divide (Kipo, 2013). The measurability of profitability (earnings management) across both methods was inconsistent (Naidu & Patel, 2013). Mixed method designs are a differentiation of qualitative or quantitative methodology studies that dominate the design, or investigations sharing the two methodological types as a major focus (Ellis & Clark, 2015), atypical of this study.

Research Design

Research designs provide important clues about the substance the researcher aims to assess, recognizing research purpose and research questions as the developing points to research (Yin, 2014). I used a case study design for this research as an ideal for human sciences. A case study design is non-historical in a natural context but includes focal characteristics of qualitative research to clarify business peculiarities in an evolutionary manner (Ciasullo & Troisi, 2013). The use of a case study as a holistic inquiry that investigates a contemporary event characterizes the phenomenon within its natural setting (Yilmaz, 2013). Case studies enhance the privilege of a comprehensive understanding of the phenomenon (Morse & McEvoy, 2014). The case study was useful to address the special task of seeking to understand the individual, the collective internal insight into how participants intentionally and consciously thought about the exposure to SMEs financing.

Phenomenological research design has a texture of desire: the means of making persistent new connections in an effort to produce the self-consciousness as a necessity that must overcome the life-system, or the limits of a unique social arrangement (Mayoh & Onwuegbuzie, 2015). Phenomenology includes the valuation of lived experiences within every needful life-system, and the connection between self and the world that all seek to appropriate (Wilson, 2014), besides organizing around the capitalistic axiom. Phenomenologists describe the central concern about returning to embodied, experientially aimed meanings for fresh, complex, and rich concretely lived phenomena (Finlay, 2013). However, the phenomenological design may not convey suitable

moderating effects in addressing entrepreneurial activity about barriers to enterprise initialization (Tracy, 2010), and inconsistent for consideration in this study.

An ethnographic design derives from the act of writing about people under anthropological and sociological origins, and focusing on a cultural description (Lewis, 2015; Hunt, 2014). Ethnography entails the risk of identifying with participants and losing the distance needed for observation and analysis, or allowing the researcher to *go native* (Borjesson, 2014). Ethnography was inappropriate for this study because it was less useful in addressing a contemporary event about business structures.

Narrative design premises that individuals, groups, and cultures create understandings of reality within social constructivist perspectives through storytelling (Bruce et al., 2014). A narrative approach affords the opportunity for the interviewer to hear the participants' uninhibited words (Ellis, Dowrick, & Lloyd-Williams, 2013). In a study, Reiter and Schlimbach (2015) used the narrative design to explore the immersion and reflection of what the youths not in employment, education, or training (NEET) sessions implied of self and biographical action. NEET transformed the diversity of youthful disengagements to become a standard indicator for labor market performance (Reiter & Schlimbach, 2015). However, the criteria for the study is neither storylines nor mere reflections, but in-depth exploration and description of leadership perceptions of an issue.

Ethnographical, narrative, and phenomenological designs may not include the same moderating effects on entrepreneurial activity to address enterprise initialization, success, or growth barriers (Tracy, 2010) as a case study. Case studies are

methodologically eclectic to benefit the study of a phenomenon in the natural context, allowing comparisons, especially in diverse settings (Houghton, Casey, Shaw, & Murphy, 2013). A case study design might be a means for readers to reflect on and analyze the research findings to determine the applicability to a given situation (Taylor, 2013) where other qualitative research designs do not support the rich exploration and description desired for the study, nor allow the gathering of information from publicly available documents.

The quality and content validity of a research may hinge on the data saturation (Fusch & Ness, 2015). In a study by Levi, Liechtentritt, and Savaya (2013), no new information emerged beginning with the ninth interview. The conduct of a tenth interview was to confirm data saturation. Borrowing from Levi et al. (2013), I elicited responses while aiming at interview continuation until the information provided by the interviewees became redundant without new data emerging. Further, the development of summaries after each interview describing participants' responses followed with insights generated from the interview for review and discussion. Each review was to examine emerging information and patterns in the data supporting the determination of data saturation. Not learning anything new from interviews concluded an achievement of data saturation (Cabassa, Gomes, & Lewis-Fernández, 2015). In a study, Levi et al. (2013) typified a sample size for a case study as between five and 20 with 10 informants sufficing. However, the expectation for this study was 15 informants or above, or until redundancy. As sizes of informants depend on the research design, the achievement of data saturation for one design differ from another (Fusch & Ness, 2015). The

confirmation of data saturation by member checking occurs when all participants read the findings and can add nothing extra to increase the credibility of the process (Woo & Heo, 2013).

Member checking is one of the strategies that ensure rigor in a case study (Houghton et al., 2013; Taylor, 2013). The sharing of my analysis of interview responses with participants for consistency and accuracy integrates the process of member checking (De Massis & Kotlar, 2014). I conducted member checking with respondents to confirm the transcribed interpretations of participants' perspectives. Houghton et al. (2013) preferred member checking to occur following transcription rather than after analysis. The use of member checking to minimize threats of data misinterpretation with participants can be a tool for triangulation (Morse & McEvoy, 2014). Member checking, as a valuable tool, helps to confirm data saturation and research findings (van der Merwe, 2015).

Population and Sampling

The interview target in this research is a population of 15 bank leaders within the Nigerian Southeast States. A case study design, which I used for this study, based the assumption on a minimum of three banks with 15 participants from a relevantly homogenous population. The population appropriately supported intensive case-findings that depended on a geographical sampling that enhanced a wholesome comprehension about contextual real-life responsorial perspectives to meet standards and inferential imperatives of reliability and replicability (Boblin, Ireland, Kirkpatrick, & Robertson, 2013). Moreover, sampling links the purpose and research questions of the study closely

(Khan, 2014). The population may also highlight the perspectives of the participants about financing entrepreneurial business start-ups in providing rich and in-depth data (Barth, Lin, Ma., Seade, & Song, 2013), or what strategies Southeastern Nigerian state bank leaders use to minimize profit lost from SMEs credit rejections.

In this study, I adopted purposeful sampling. In qualitative research, purposeful sampling is useful to select and recruit participants or even a research site to integrate experiences (Boblin et al., 2013; Koch et al., 2014). Lewis (2015) adapted the snowball technique of purposeful sampling in a qualitative study. Snowball sampling refers to the ability to select only potential participants for the research (Khan, 2014). The snowball technique is useful in reaching the potential participants for information about the research problem, besides getting most contacts for data collection through interviews. Koch, Niesz, and McCarthy (2014) recognized that snowball technique included detailed information to explore deeply, discover, and understand phenomena, and a representation of the population based on the characteristics of interest. The use of the snowball technique was appropriate for a deep comprehension of what strategies Southeastern Nigerian state bank leaders use to minimize profit lost from SBE credit rejections. Snowball technique also assisted in the alignment of responses to explain and resolve the research question, besides defending the quality relationship for sampling adequacy (Robinson, 2014).

Accordingly, only an appropriate and proper development of the sampling technique will lead to authentic results since sampling deduces information about a population by a limited number of units (Khan, 2014). A relatively small number of

interviews sufficed for this case study because the design based its assumption of a relatively small and relevantly homogenous population *ab initio* (Naidu & Patel., 2013). Although the case study design required at least 15 participants, I conducted interviews until new data ceased to emerge.

Data saturation has multiple meanings and limited transparency and has become the golden standard to determine the diversity of samples (O'Reilly & Parker, 2013). I ensured data saturation by developing summaries after each interview response and reviewing the insights generated from the interview and discussion toward redundancy, the ideal qualitative sample size from interviewing. If no new information results after repeated interviews, the achievement of data saturation is the conclusion (Cabassa, Gomes, & Lewis-Fernández, 2015). Fusch & Ness (2015) suggested that data saturation should not be a one-size-fits-all method to reach since study designs vary. Embracing the case study attitude, entering the lifeworld via participants' descriptions, and remaining within the horizons of implicit meanings, will explicate the phenomenon holistically, and integrate frames of reference (Finlay, 2013). (Khan (2014) used 15 participants for a typical case study. Galvin (2015) realized that 14 interviews were enough to achieve saturation in a study. However, the intent was to continue to conduct interviews until, and unless data saturation occurred, and new information ceased to emerge.

Following Naidu and Patel (2013), I selected all participants only from the financial services sector for homogeneity. The participants were bank leaders; some have certified current membership of financial institutes, including consultants, but all were of the first-line management who have direct interaction with the immediate small business

entrepreneurs under financing constraints and have strategies to minimize profit loss from SMEs credit rejections. For the purposive sample, only successful bank agents listed with the certified financial analyst (CFA) in Nigeria or holding a valid certified management consultant (CMC) designation comprised the population for the study. The research and all data collection occurred in English only by face-to-face, semistructured interviews to enhance the crucial role in understanding the effect of credit rejection on profitability (Khan, 2014). Over 15 responses explained and resolved the research questions, besides assisting in defending the quality relationship for sampling adequacy (Robinson, 2014). A sampling decision is not only about what people to interview, but also about settings and processes to help provide the depth and maximum opportunity for the transferability of result (Lewis, 2015).

Qualitative research bases on distinct methodological traditions of inquiry and conducts the study in a natural setting (Khan, 2014). The geographic setting for this case study was a Southeastern Nigerian state. I requested permission from participants to conduct the interview at their business location because of their familiarity and comfortability with the environment. Participants had fewer fears and frustrations when interviews took place in familiar settings (Sahi et al., 2013). The tone of voice can intuitively reflect, question, doubt, confide, seek, critic or become hopeful in responding to participants' voices either by a researcher's hearing reflection or listening to earlier subtle audio interviews (Taylor, 2015). In obedience to the concerns of Taylor (2015), adherence to watching for conduct in the interview setting was a necessity.

Ethical Research

The conduct of this study was contingent upon receiving approval number 10-13-17-0352049 from the Institutional Review Board (IRB) on basic research ethics at Walden University. I ensured all selected participants understood that (a) they were volunteering freely, (b) their privacy would remain protected permanently, and (c) they could disengage from the interview at any time. Before the conduct of interviews, participants received information about the study objectives and intent, including an informed consent form for each participant to review and sign. Grundy (2014) guided participants ethically through the process of informed consent.

All interviewees had the opportunity to decide if they wished to participate in the study based on the information provided in the consent form. The informed consent form contains a statement that addressed the participant's withdrawal from the study. Some probing research topics into respondent's personal experiences can cause distress to the interviewee (Bahn & Weatherill, 2013). The participants are free to retract statements or withdraw from the entire study process without consequence, identification, or memorialization of inputs or data (Braye & McDonnell, 2013). However, no probing personal or distressful question occurred, and no participant withdrew at any time during this study. Although vulnerable people who lack the ability to withdraw from the interview or raise the issue of adverse experience if they become uncomfortable are at risk (Bahn & Weatherill, 2013), the participants in this study did not belong in the category of eligibility.

The basis for participation in this study was voluntary. To preserve the integrity of the study, the letter of invitation and the consent form explicitly contained statements that the participants would not expect incentives. As incentives result in a selection bias, and undue inducement (Klitzman, 2013), the interviewees did not receive incentives in exchange for participation. The offer of incentives in exchange for participation compromises the ethical research standards (Klitzman, 2013). The fundamental ethics principle is valid when a consent informs without incentives (Manhas et al., 2015). However, in a study by McAreavey and Das (2013), a researcher offered honoraria as incentives to participants in recognition of their time spent on the research.

The conduct of the interviews was at a mutually agreed upon location to minimize discomfort (Grundy, 2014), and risks to participants' safety or well-being and ensure non-requirement of protection. The condition of a researcher's interview setting is a direct indication of his or her advanced topical knowledge, the preparedness to listen to the participants' responses comprehensively and to ensure the collection of valuable data (Taylor, 2015). Participants may experience some risk of minor discomforts such as fatigue, stress, or becoming upset should sensitive topics arise for discussion. Borrowing from Babones (2016) about participants' sensitivity, I developed critical consciousness or an awareness of the surroundings and self to pay attention to the world of the participant and the researcher's behavior. The literature lessons require researchers to pay careful attention to ethical considerations throughout the research project as persons under compulsion to use personal judgments before, during, and after interviews (Bahn & Weatherill, 2013). In ensuring that respondents experience minimal to zero discomforts

during the conduct of each interview, the participants select their interview locations to minimize inconvenience and be able to participate in the interviews effectively (Aguirre & Bolton, 2014). Participants will have fewer fears and frustrations if the interviews take place in familiar environments (Sahi, Arora, & Dhameja, 2013).

Following the guidelines of Bahn and Weatherill (2013) in conducting interviews, I monitored and assessed the participant’s responses to each question to ensure that lines of discussion did not create undue discomfort for the participant. The conduct of semistructured, face-to-face interview is an adherence to the importance of personal contact, and visual communication (Vogl, 2013). Bevan (2014) recognized the value of familiarization with, the internalization of the concepts for immersion in, and the application of a case study research design. While a request for each participant’s permission to record his or her responses before the start of the interviews was a necessity to obtain and record all interviews, a password-protected laptop was available to store the electronic copies of all interview audio files for the subsequent creation against interview transcripts for analysis.

Data storage is necessary, but often inadequate with researchers resorting to suboptimal storage methods that result in unreliable and short-lived data (Leong, Bahl, Jiayan, Siang, & Lan, 2013). In this study, I stored all data collected during the data gathering and analysis process in a safe, secure location for 5 years in compliance with the Walden University policy. Optimization of security includes privacy, access and retention in cloud space, the application of encryption process to all digitized materials, and issues around data storage; besides protecting the data from compromise,

corruptions, and making the data as invulnerable as possible (Nielsen et al., 2014). The storage of all collected data during gathering and analysis phases in a safe, secure location for 5 years served to protect the rights of participants. A password-protected computer contained the electronic copies of all collected data and analysis files. A locked container is a provision to hold all hard copies of data and analytical materials since issues of confidentiality, privacy, and data security become paramount when considering data use, and re-use (Manhas et al., 2015).

I ensured the privacy of the study participants and their affiliated institutions via de-identification of the participants during the data analysis process. Modifying empirical data as pseudonyms afford the confidentiality for the protection of the research participants' identity (Grundy, 2014; Vainio, 2013). A mechanism for maintaining privacy and confidentiality is one of the fundamental principles of research ethics (Manhas et al., 2015; Vainio, 2013).

Data Collection Instruments

In this qualitative case study, I collected the study data from semistructured face-to-face interviews, as the data collection instrument, and reviewed the information and documents obtained from the respondents. Being the instrument, representing the design choice of using a human rather than a non-human instrument is paramount (Kaczynski, Salmona, & Smith, 2014). Qualitative research is a reflection of keen awareness of self without being overly critical but understanding the self as a unique and defective instrument (Babones, 2016). The human instrument directly controls the construction of knowledge and meanings during data collection and analysis for the study. The

instrument takes into account personal competencies about qualitative research results (Fusch & Ness, 2015). A case study research starts with a curiosity or passion that turns into a research question, or a process of entering the lifeworld involving a descriptive invitation that intertwines with a form of empathic listening (Finlay, 2013). Borrowing from De Massis and Kotlar (2014), the intent was to collect data for the study from reviewing relevant historical archival documents from operational sources of the potential participating banks. The data collection also included conducting face-to-face, semistructured in-depth interviews with bank leaders who have experience in financing entrepreneurial business start-ups; or currently operate within credit-related profitability in banking. Although interview may be by far the most dominant technique for a phenomenological data collection, it applies to a descriptive case study as a total design for research (Bevan, 2014). A case study protocol is useful to ensure the dependability of a study through focused efforts on the research question, data collection, analysis, besides reporting (Marshall & Rossman, 2014). Every interview includes questions plus follow-up for further probing (Morse & McEvoy, 2014).

The interview protocol consists of the steps to guide each interview (Appendix A). The means of pursuing the interview is eclectic and diverse but essentially formed around the problem (Braye & McDonnell, 2013). The verbal data collection is a consideration of relevance, not a privilege, nor a recognition over non-verbal data (Onwuegbuzie & Byers, 2014), but on following Onwuegbuzie and Byers (2014), I adopted a case study protocol that included (a) a description of the interview process and

data collection procedures, and (b) an outline of the case study contextual flow. The process also included a list of the case study interview questions (Boblin et al., 2013).

A summary of the data analysis procedures and usable tools will enhance a description of the study's dependability, credibility, and transferability methods (Aguirre & Bolton, 2014). In similitude of Marshall and Rossman (2014), I established the credibility of the study-using member checking. As a means of sound practice in conducting qualitative research, the use of member checking will validate the interpretation of the participants' conforming responses and perspectives (Harvey, 2015), including this qualitative case study. Kornbluh (2015) coded interview data, compared and analyzed them over the course of data collection, until saturation point, and followed-up the interviews with seven participants for member checking. Member checking among bracketing of assumptions, reflexive journal, and audit trail enhances methodological rigor (Ojelade, McCray, Meyers, & Ashby, 2014). Woo and Heo (2013) verified that the accuracy of their transcriptions was using member checking after reviewing responses with participants. In a study, member checking served as credibility measures against transcriptions' accuracy, and the confirmation of interview findings (Doubet & Ostrosky, 2015).

The use of in-depth semistructured interviews is to substantiate research reliability and validity (Houghton et al., 2013). In this study, I followed the lead of Harvey (2015), and Hazzan and Nutov (2014) in using a case study research protocol, and rigor to produce rich detail in execution, substantive accounts from evidential inferences and conclusions drawn from participants. Member checking, also, was to ensure validity in

the qualitative case study. Attending to qualitative research rigor is an essential component of the qualitative research journey that may provide an opportunity for critique and further development of the science (Hardy, 2014). The suppression of preconceptions throughout data collection and interpretation processes will be to control the threats to validity and preserve the value of this research (Owen, 2014).

Data Collection Technique

I collected the study data from interviews and the review of documents. After setting up a convenient time and place with the participant to meet for the interview via preliminary meeting, the next stop was allocating a longer time than scheduled to accommodate unforeseen events, such as interruptions or lateness. Another step was calling to confirm the interview date, time, and location a day before schedule: an option to await the participants. Upon arrival at the interview location, notation of the date, the time, demographics, and surroundings, participants' interactions with others commenced on a notepad, while handing each participant a copy of the electronically signed adult consent form for review before starting with the interview questions.

The interview began with a rapport to make the participant for the first interview comfortable and to audio-record the open-ended face-to-face response. The interviews lasted for 30 to 45 minutes, ending with thanks for participating and the opportunity to elaborate. The transcription of the recorded responses took place, and after review and interpretation, returned to the participants to verify the capture of the intended meanings through member checked accuracy to enhance reliability.

As a means of furthering profitability being cognizant of and responsive to relevant dimensions about various contextual complexities of SBE credit rejection rates and the qualification for equalities are available. Mertens (2013) used a semistructured interview to ask about the role of commercial banks in promoting change, evaluating credit extension to SBEs amidst inequities. In case study, Lai and Chang (2013) used semistructured interviews to evaluate mystery shoppers' quality of service in Chinese restaurants. Semistructured interviews may fall between the two extremes of the unstructured and structured interviews, but they contain a clear list of issues to address the research question (Ezan, Gollety, & Hémar-Nicolas, 2015).

Face-to-face interviews may be long but can permit richer data collection about nuances (Anyan, 2013). The face-to-face interview effectively enables the capture of the participant's voices and insights into the routine and problematic expectations, and the meanings attached to the individuals' viewpoints (Onwuegbuzie & Byers, 2014). Some respondents may be reluctant or at vantage points to address sensitive questions (Roulston, 2014), but structuring the questions, phrasing, and the placement terms can allow the flexibility of the interviewer's freedom to probe the responses (Ezan et al., 2015). Chopy, Winkler, Schwartz-Barcott, Melanson, and Greene (2015) conducted interviews to evaluate the purpose, intent, and clarity of each question. Following Chopy et al. (2015), I developed interview questions after a thorough literature review based on the interview protocol (Appendix A) to limit interview weaknesses requiring adjustments. The use and reuse of the interview questions for subsequent studies give adequate evidence of reliability, rigor, and credibility (Houghton et al., 2013; Sexton, 2013).

Harvey (2015) designed flexible, open-ended questions to attain qualitative research rigor.

I used member checking to validate the participants' response as interpreted in conducting this study through follow-up questions to (a) delve deeply into the participants' exposure to credit decision-making processes, (b) confirm findings, and (c) increase the credibility of the research. A followed-up interview with member checking may be purposely to ascertain respondent's reaction to the data collected rather than information verification (Koelsch, 2013). To enhance methodological rigor, Ojelade et al. (2014) used member checking. As a process for participants to confirm the accuracy of the findings from the interviews, Doubet and Ostrosky (2015) also used member checking as a process for participants to confirm the accuracy of the findings from the interviews.

I reviewed copies of documented reports or memoranda that study participants believed would provide information useful for the assessment of individual and organizational representations regarding the problem of SMEs credit evaluation. The study participants had the opportunity to provide the documents with the emphasis on voluntarism and not a requirement. Information from the review of documents supported the exploration and description of what strategies the Southeastern Nigerian state bank leaders use to minimize profit lost from SBE credit rejections. A review of documents can represent perspectives absent in the analysis of statements from respondents (Betsill & Stevis, 2016). Morse and McEvoy (2014) sought and used multiple sources of information in a study because no single source of data can provide a trusted,

comprehensive viewpoint. Qualitative case study inherently requires multisource information (Hyett, Kenny, & Dickson-Swift, 2014). Immediately after the interviews, documents collection from the participants in the form of SME credit files and earnings statements for one year commenced. However, the difficulty in accessibility, the bias about evasion of privacy, and internal protective policies affect data retrieval may impede the reviews of documents (De Massis & Kotlar, 2014; Owen, 2014; Yin, 2014). Documents are a stable, unobtrusive, and exact source of data.

The use of multiple data sources enhances data credibility (De Massis & Kotlar, 2014). An objective factual document can be advantageous for the understanding of the organization’s established policies and outcomes (Owen, 2014; Yilmaz, 2013; Yin, 2014). However, the potential for low retrieval, biased selectivity, custodian reluctance to allow access, and protective privacy issues are an inherent weakness of documentary data (De Massis & Kotlar, 2014; Owen, 2014; Yin, 2014).

Face-to-face, semistructured interview is an inductive approach with advantageous opportunity to nurture rapport and a course to enhance trust and openness in the research process (Bamu, De Schauwer, & Van Hove, 2016). Interviews are advantageous in enabling the researcher to witness the nonverbal cues of interviewees (Babbie, 2015). The flexibility of semistructured interviews allows the researcher to understand the interviewees’ viewpoint (Baškarada, 2014). Interviews also have pitfalls, including (a) personal prejudices or convictions to misinterpret or misunderstand questions and answers, (b) interjecting comments that could bias the response, (c) making assumptions about what the interviewee may answer based on prior responses

(Baškarada, 2014). A potential for *emotional labor*: researcher helplessness or vulnerability from participant exhibited negative and powerful feelings (Bamu et al., 2016). The *shaman effect*: an interviewee with specialized information on the topic could overshadow the data (Fusch & Ness, 2015).

Data Organization Technique

The Excel spreadsheet can be helpful in keeping track of the interview data and other sources about the qualitative case study. The Nvivo software is another useful tool in entering data sources for coding, analyzing, and organizing (Hilal & Alabri, 2013; Mertens, 2013; Odena, 2013). I created and maintained a data log on a password-protected computer to include an entry for each item of data about information on (a) data type (document or interview), (b) data identification (document file, name, or interviewee number); (c) date and location of collection. A corresponding research notes with file name, recording note during the review of collected documents, the conduct of interviews, and referencing the collected notes during the data analysis reflected the process. The use of the NVivo helped in the data organization.

Data security and privacy apply to data protection, including a strictly controlled access, self-determined storage, and transfer of personal data (Memon, Wagner, Pedersen, Beevi, & Hansen, 2014). Data storage is important, and adequate when seeking reliable storage methods without a short-term (Leong et al., 2013). Digitized material data require optimum security, and protection from compromise, corruptions, and vulnerability (Nielsen et al., 2014). Standard best practices require a 5-year protection of data restricted to a passworded computer for controlled access, storage, and transfer. I

stored data collected during note taking, and analytical results, including all electronic data on a personal, password-protected, external hard drive for 5 years; and all of the raw data, such as case notes and diaries to remain locked in a cabinet drawer for 5 years before deletion and destruction respectively.

Data Analysis

I used the modified approach from Schorr's (2008) as part of the methodological triangulation for this qualitative multiple case study. Methodological triangulation increases construct validity (Yin, 2014), and provides a more comprehensive picture than a single type of data (Houghton et al., 2013). Triangulation among complementary methods and data sources leads to converging conclusions (Yilmaz, 2013). Interview questions (Appendix B) and Bank documents formed the focus of the technique for exploring the central research question. The analysis began with reviewing the member-checked data and bank documents about the research question to develop the conclusions.

Data analysis is a recognition of the in-depth descriptive development of shared themes that derives from the principle of double hermeneutic (Rafique & Hunt, 2015). Following Yin (2014) data analysis stages, I separated the collected data into groupings, (b) regrouped the data into themes, (c) assessed the information, and (d) developed conclusions. A review of the entire transcription separately necessitated the identification of text segments that meaningfully enhanced the deductive creation of a coding system about what strategies the Southeastern Nigerian state bank leaders use to minimize profit lost from SBEs credit rejections. The construction of a deductive outline involved the use of the existing conceptual framework to inform and structure the coding. The process was

to allow for the validation, expansion, and refutation of perspectives about collected data (Yang et al., 2014). The software program, NVivo, was useful to review each transcript of the research question and collate each content category. The NVivo was helpful to facilitate coding and summarize the participants' shared perspectives to validate the data interpretations and conclusions. The semistructured interview format have inbuilt flexibility for the interviewer to use cues in directing the course of the conversation (Hagaman & Wutich, 2017). The use of the computer-assisted qualitative data analysis software is to search the written interview transcripts for words, or phrases and other data, including audio and video files (Odena, 2013) sensibly.

The analytical sequence includes an outline for comprehension, synthesis, theorizing, and re-contextualization (Taylor, 2013). The review of the banks' documented credit assessments was a complementarity help to explore the annual profit and loss statements about credit rejections and evoke triangulation. The web-based software program facilitates the sorting of qualitative data, and a researcher can use the analytical programs to add rigor to the qualitative research process (Mertens, 2013; Hazzan & Nutov, 2914). Adherence to orderly interview transcriptions and a review of archival documents developed into the identifiable themes on what strategies Southeastern Nigerian state bank leaders use to minimize profit lost from SBE credit rejections.

I used the information off NVivo computer software to assist with deriving key ideas or themes and summarize the participants' viewpoints. The software program will review each transcript of the research question, collate each content category, and review every code for a systemic data management (Kwong et al., 2014). The program designers

configured the software to allow the research option of displaying data to support findings and drill down into the collected data to identify emerging themes. The program can aid to identify respondents who said what, and where, besides recurring themes (Odena, 2013), and helpfully combine archival materials with possible participants' observations, since data do not come ready in nice little unit packages. The use of coding is a mechanism in qualitative research for categorizing and describing collected data. Coding methods include deductive coding, and inductive (open) coding to identify concepts and themes that emerge from the review of the collected data (Bernard, 2013). The software programs are an effective interface with word processing programs that conveniently format document and audio files (Odena, 2013).

Data analysis is a technique involving a scrutiny about how one or more individuals present a contextual phenomenon with significance and convictions (Onwuegbuzie & Byers, 2014). Numerous qualitative data analysis approaches, techniques, and strategies exist for coding and analyzing collected data. Open coding permits the emergence of patterns and themes from data (Yilmaz, 2013). Using the qualitative data analysis software will lead to sorting data in a variety of ways, creating labels, searching the keywords and phrases, and using color codes to identify aspects of the data (Odena, 2013).

The generation of deductive codes from member checked responses and documents enabled the identification and isolation of keywords and themes related to the conceptual framework selected for the study. The conceptual framework that grounded this study is credit rationing. Credit rationing theory suggests imperfect information

issues about borrowers' behavior as the greatest limitations on productive credit granting (Armstrong et al., 2013; Becchetti et al., 2011; Jaffee & Russell, 1976; Stiglitz & Weiss, 1981).

Reliability and Validity

The essentials of a research proposal include not forgetting how to address the qualitative rigor, reliability, and validity (Vaismoradi, Turunen, & Bondas, 2013). Lewis (2014) determined that rigorous qualitative researchers substitute the concept of *dependability* for the quantitative concept of *reliability*. In qualitative studies, El Hussein, Jakubec, and Osuji (2015) chose the use of some procedures, and appropriate techniques to achieve credibility, dependability (trustworthiness), transferability (fittingness), confirmability (auditability), and saturation of data.

Reliability

Strategies Hardy (2014) used to establish dependability included peers-participated analytical process, provision of a research method detailed description, conducting a systematic repeat of the study to see if results might be similar, or enhance the original findings. Dependability refers to the stabilization of data over time, and under different conditions (Elo et al., 2014). Dependability captures consistency (Lewis, 2014) to attain achievability through a systematic inductive approach for data analysis (Yilmaz, 2013). The NVivo content analysis software program will help to ensure data analysis and coding consistency, as recommended by Brill (2013), Gläser and Laudel (2013), Hilal and Alabri (2013), and Sotiriadou, Brouwers, and Le (2014). Details about software use and number of reviewers involved in coding and analysis can allow readers to assess

the dependability of the findings (Tong et al., 2014). Following Yilmaz (2013), I intend to achieve dependability through the process of selecting, justifying, and applying research strategies, procedures, and methods to clarify the effectiveness of evaluation, and confirmation by member checking.

Validity

Sufficiently extended engagement and persistent observation, triangulation, and member checking can enhance the credibility of research (Houghton et al., 2013). In this study, I ensured credibility through a lengthened engagement in research and member checking. Lewis (2014) prolonged engagement in research, and member checking to attain validity, however, the employment of data saturation punctuated the timing, besides triangulation. Woo and Heo (2013) used member checking to establish credibility. In another study by Doubet and Ostrosky (2015), member checking served as credible measures against transcription accuracy, and the confirmation of interviews' findings. Houghton, Casey, Shaw, and Murphy (2013) regarded trustworthiness and credibility as first quality markers in providing a common language for a qualitative practice. Qualitative researchers may use the terms *credibility, trustworthiness*, or *quality* as substitutes for the quantitative concept of *validity* (Newcomer, Marion, & Earnhardt, 2014). However, Marshall and Rossman (2014) used member checking to ensure the credibility of a study.

Transferability refers to whether particular findings are transferable, (or not) to comparable situations or context while preserving the resultant meanings (Houghton et al., 2013). I enhanced the transferability of this study by providing the audience with a

rich, detailed, and clear presentation of findings. The enhancement may include direct quotes from the participants, and an assessed quality of reporting through excerpts from the field notes. The development of themes from the data, and the detailed accounts of the context included examples of raw data for alternative interpretations. The interactive treatment of variations, outcomes, settings, and context dependent mediation is useful in reducing the threat to external validity and reverting to transferability (Baškarada, 2014). The interview protocol (Appendix A) is a provision, strategically reliable, to guide the interview questions and ensure that other examiner could follow the same procedures and arrive at similar results (Yin, 2014).

Lewis (2014) contended that transferability establishes thick, or rich and detailed descriptions of data, while Franco (2015) recognized transferability to assist readers about credible research results. A close interaction with participants in qualitative research is one of the most beneficial methods for establishing validity, as trustworthiness translates to readers having confidence in a qualitative study's findings (Elo et al., 2014; Lub, 2015). The sufficiency of information about sampling and data collection procedures may also enhance the reader's consideration of the settings to a finding (Koch et al., 2014).

Confirmability refers to the objectivity, or potential for agreement among two or more independent persons about data's accuracy, relevance, or meaning. (Elo et al., 2014). Lewis (2014) associated confirmability with raw data and audit trail. In line with Lewis (2014), I ensured confirmability through data abstraction from a constant comparison and by having an expert researcher review the audit trail from raw data by

analysis. Accordingly, the possibility of leaving an audit or decision trail may allow others to review a detailed overview of each step in a study (Koch et al., 2014). The strategies to ensure trustworthiness of the data may include the provision of quotes for evidence of themes, besides member checking (Nelson, Onwuegbuzie, Wines, & Frels, 2013).

Despite multiple meanings and limited transparency, data saturation has become the golden standard to determine the diversity of samples (O'Reilly & Parker, 2013). Fusch and Ness (2015) asserts no consistent approach to using or determining saturation across qualitative methods, but Khan (2014) achieved data saturation after 20 interviews. However, I ensured data saturation through the member checking follow-up interview and obtaining in-depth information that enhanced the research rigor. If no new lesson results after repetitive interviews, the achievement of data saturation will become conclusive (Cabassa, Gomes, & Lewis-Fernández, 2015). Saturation may be methodologically specific and require understanding within the aligned perspective (Fusch & Ness, 2015). Embracing warm attitude, entering the lifeworld via a descriptive case study, and remaining within the horizons of implicit meanings, may explicate a phenomenon holistically, and integrate frames of reference (Finlay, 2013). Galvin (2015) achieved data saturation or redundancy of interviewing 14 participants in a study. Levi, Liechtentritt, and Savaya (2013) continued to elicit responses from interviewees until the information provided became redundant with no new data emerging. Accordingly, member checking will help to decrease the possibility of presenting false or misleading data (Reilly, 2013).

Transition and Summary

Section 2 provides a continued inquiry into what strategies Southeastern Nigerian state bank leaders may use to minimize lost profit from SBE credit rejections through (a) the purpose statement of the qualitative case study, (b) the role of the researcher, and (c) the enunciation of the research methodology and design. The section further provides a demonstration of (a) the population and sampling method, (b) ethical research, and (c) data collection instruments, technique and organization, and data analysis. Section 2 culminates with considerations of the methods and aptitude that may assure the reliability and validity of the study, and a transitional summary. Section 3 commenced with an introduction of the purpose statement and the research question before the presentation of findings. Section 3 is useful to address further the application of professional practice, and the implications for social change. The section is also helpful to offer recommendations for action and further research, and researcher reflections, before the conclusion.

Section 3: Application to Professional Practice and Implications for Change

Introduction

The purpose of this proposed qualitative multiple case study was to explore strategies Southeastern Nigerian state bank leaders use to minimize lost profit from SBE credit rejections. The results of the study indicated that bank leaders in the region relied heavily on information sufficiency and transactional techniques to ration credit even when character may be more important than collateral. The findings also indicated that the banks fall back on a business's statement of accounts for credit availability and profit might substitute a function of hedgng against high interest rates. In addition, stringent government policies adversely underscore banks' SME credit processing.

Although bank leaders could be willing to provide credit facilities to SBEs, the processes might be subject to government bureaucratic constraints. The position supports both the credit view hypothesis and credit rationing. Microeconomic evidence includes European Central Bank's refinancing rate that significantly and positively affects partial credit rationing (Becchetti et al., 2011). Bank leaders assess SMEs for loan approvals through credit rationing (Mancusi & Vezzulli, 2014). However, the findings of this study highlight how bank leaders attune to the challenges of the changing lending environment, including relationship financing (Bouslama & Bouteiller, 2014). The coverage of Section 3 includes the application of professional practice and the implications for social change. The section also contains the recommendations for action and further research, researcher's reflections, and conclusion.

Presentation of the Findings

The research question of this study was: What strategies do Southeastern Nigerian state bank leaders use to minimize profit lost from SBE credit rejections? Traditionally, bankers relied on commercial financing schemes of SBEs and overlooked the consequences of economic opportunities or profitability lost (Holton, Lawless, & McCann, 2014). As a consequence of the financial crisis and bank assets' consolidations at bigger banks, the reluctance to lend to small companies conventionally continued to rise globally. Credit rejection, though problematic for SBEs, negatively impact bank profits (Abiola & Olausi, 2014). Banks proportionately lost 28% of total small profitable loans with a downward change of bank capital from one billion to 100 billion US dollars (USD) (McNulty, Murdock, & Richie, 2013).

The participants in this study were six leaders from three Southeastern Nigerian state banks, who have experience in financing entrepreneurial business start-ups, and currently operate within credit-related profitability in banking. All the participants resided in Abakliki Town, Southeastern Nigeria. After the IRB approval, I introduced myself to several banks with a written letter of invitation, and six participants among the first three responding banks agreed to participate in the study. I collected data using face-to-face, semistructured interviews using voice recorder, field notes, and reviews of company documentation. I asked each of the participants seven open-ended interview questions using the interview protocol (Appendix A) as a guide. All six participants responded to all seven of the interview questions. On concluding each interview, I requested for the company profit and loss and cash flow statements per bank as

supplementary data for analysis from the participants. The description of company documents reviewed for this case study appears in

Table 2

Description of Company Documents Reviewed

Identification	Description	*N*
Bank 1	Statement of annual performing and non-performing loan	1
Bank 2	Annual statement of internal total loan activities	1
Bank 3	Summary of annual total loan distribution	1

Note. *n* = Number of documents received

In each closing, I thanked the participant for his or her participation in my study. I then transcribed the data by a logical triangulation of all the available data into interpretive meanings for every respondent and returned a copy to each participant for his or her review and verification of the interview response interpretations. Once I achieved data saturation, I entered the transcribed data into NVivo 11 Plus for coding and analysis (Figure 1). The quality and content validity of research may hinge on the data saturation (Fusch & Ness, 2015). The themes that emerged from the data analysis included (a) credit, (b) business, (c) character, (d) government, and (e) profit. On the criteria for credit assessment and approval, credit granting compounded issues about borrowers' behavior as the greatest productive limitation. Business categorization was an integral evaluative procedure of standards for loans approval, while the emergence of character bordered on a balance between securitization and lending relationship. The theme, government,

conveyed external challenges affecting credit-rejections for the bank leaders, as the emergence of profit emphasized a principal trade-off with credit-rationing implications.

The responses from all of the participants supported the assumptions. In the region, SBEs compare 90% to 10% with large enterprises, but the level of credit rejection is as high as 60 to 70 percentage points. Banks regard the SBE category of business a credit-risk and demand high-security requirements to qualify for loans. Although the bank leaders are aware of the diversion of profitability in the process, they face the challenge of a political economy, government policies, or interest rates.

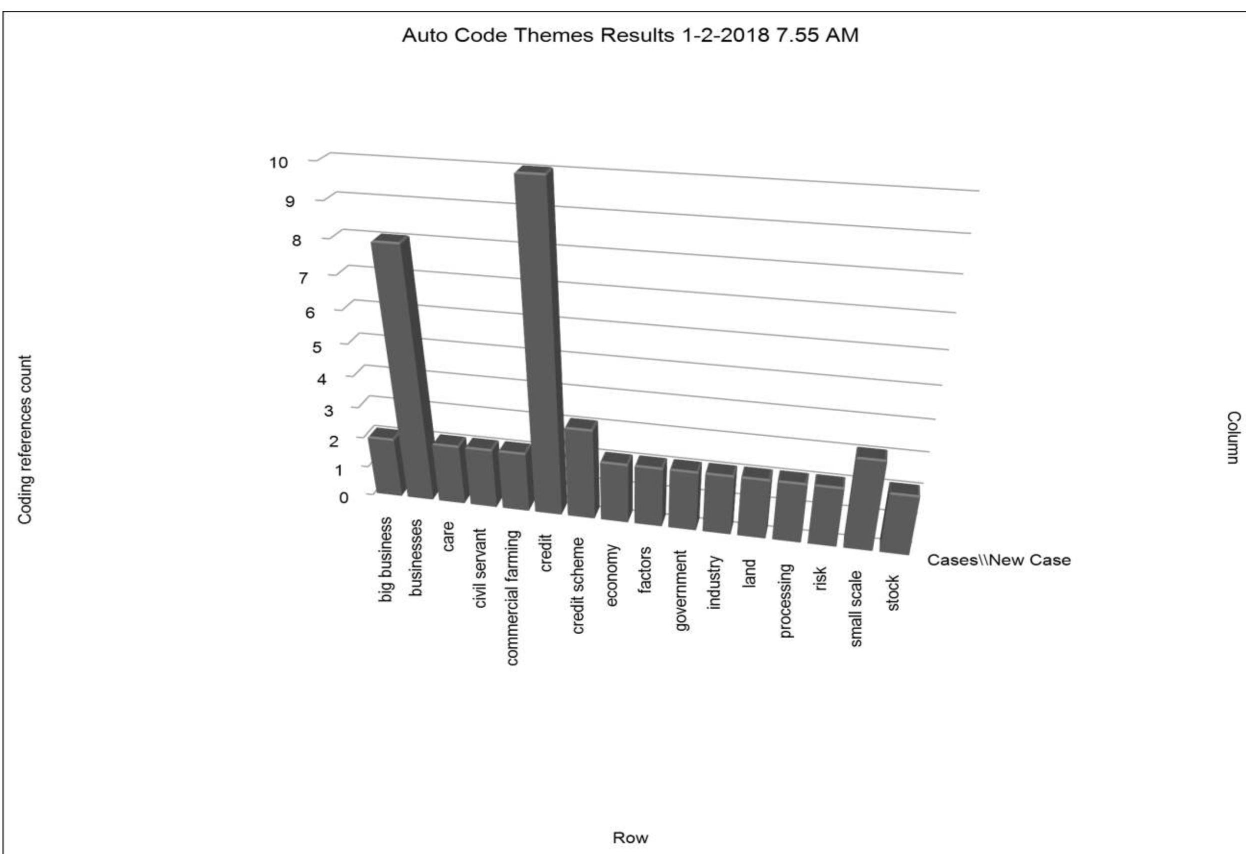

Figure 1: Auto coding results for themes using NVivo 11 Plus

Figure 1 supports the relationships of the nodes with the generated themes.

Theme 1: Credit rationing, a Transactional Evaluative Preference and Depending on the Sufficiency of Infornation

Participant B3P1 stated that credit required the passage of applications through several desks, including the Training Committee before the Debt Recovery Committee to minimize defaults. While Participant B1P2 felt it better to package the loans for big business with a track record or meet the risk assessment criteria or the Risk Act because not every business has good credit and needs financing, Participant B2P1 identified the reliability of information as a primary evaluative aspect. Insufficiency of information and risk are enough challenges in providing finance to SMEs for commercial banks to use conservative approaches toward credit processing (Abe et al., 2015). Changes in the structure of any banking system are likely to affect the cost of dealing with the specific information that alters the nature of the bank-SME relationship (Bouslama & Bouteiller, 2014). When banks consolidate operations that cause organizational changes, they significantly impact the aggregate SME lending and the condition of the relationship. However, B1P3 contended that the credit offer, in most cases, depended on whether the borrower met the criteria in processing collateral.

The advent of globalization and a revolutionized-information technology need organizational considerations in adapting each decision process and structure (Osuna, Ortiz, Jiménez, & Hernández, 2016). The Basel framework, in incorporating the use of financial instruments (securitized lending), represented debt as regulatory capital, creating interactional imbalance problems. Consequently, the risk of loan faults within

the multi-decade macroeconomic debt spiral affected the monetary system and the ratio of the banking control mechanism total stability (Alexander, Baptista, & Yan, 2015).

Table 3

Credit, a Transactional Evaluative Preference and Depending on the Sufficiency of Infornation.

Nodes Theme 1	Sources	References
Agricultural credit scheme	1	3
Credit	1	6
Credit line	1	3
Credit card issue	1	3
Credit applications	1	2
Credit rejections	1	2
Credit monitoring	1	3
Giving credit	1	3
Medium enterprise credit schemes	1	6
Prior credit	1	3

Note. Sources refer to Interviews as a source and References to Freqency

Table 3 shows 10 subnodes auto-analyzed and regrouped from the transcribed participant responses by the NVivo 11 Plus to produce Credit. The subnodes may represent mini-themes, source, the interview, the references, and the frequency of the term occurrences. To arrive at this theme, there were 34 references.

Theme 2: Business Accounts' Statement is a Fallback for Credit Availability

Bank leaders are weary and want to know the need for funds and the business intent. Participant B2P1 stated that the rate of default is a basic problem, and most borrowers lack the basic knowledge of business. Every participant mentioned that the statement of accounts of the business in question up to 6 months, the turnover (how much comes in and what comes out) stock of goods, especially if it is a trading business are a necessary tool to assess loan applications. However, Participant B1P2 projected that the success in his bank is on the minimized level of bad loans. Participant B1P3 stated that much depended on what the government was doing in providing lower rates to the public than the private sector, crowding out investments instead of rolling out security bonds (not A++) for banks to have an alternative. Participants B1P1, B1P3 and B3P2 respectively shared the similar concerns that banks must set a procedure for selecting businesses to offer loans; the Central Bank of Nigeria (CBN) has written criteria accessible through commercial banks, and contra-operates in diverting qualified SMEs to either commercial agricultural credit schemes (CACS) or small and medium enterprise credit schemes (SMEC). Participant B1P3 stated that the ease or difficulty of evaluation depends on the environment, as loan applicants need to meet the Risk Act or risk assessment criteria.

In the equilibrium credit-rationing model, small firms were at risk from the lack of information on their operations (Stiglitz & Weiss, 1981). However, complex organizations demonstrate suboptimal efficiency and effectiveness to finance SMEs with imperfect information (Bouslama & Bouteiller, 2014). In Nigeria, nearly every farmers' society, group, and cooperative, fit into the SME category. In 1977, the Nigerian government set up an agricultural credit guarantee scheme fund (ACGSF) to guarantee

banks lending to farmers. Approximately 75% of the CBN-managed fund, net of the realizable security, are in default (Gbandi & Amissah, 2014).

Table 4

Business, Accounts' Statement and a Fallback for Credit Availability

Nodes Theme 2	Sources	References
Big business	1	4
Business worth	1	1
Starting business	1	2
Small scale business	1	3
Trading business	1	3
Personal business	1	1
Businesses	1	7

Note. Sources refer to Interviews as a source, while References indicate Frequences

Table 4 shows 7 subnodes auto-analyzed and regrouped from the transcribed participant responses by the NVivo 11 Plus to produce Business. The subnodes may represent mini-themes, source, the interview, the references, and the frequency of the term occurrences. To arrive at this theme, there were 21 references.

Theme 3: Character may be More Important Than Collateral

Participant B2P2 stated that in credit, the character of the borrower, who must have been customer of the bank, is most important. However, Participant B1P3 stated that the result might differ if the government or other organizational body evaluated, profiled, and guaranteed an amount. Participant B2P2 stated that a borrower's character bordered on

integrity. Participant B2P2 further stated that credit is critical to require the use of the universal processing law (character, condition, capacity, capital, and collateral) or the 5Cs as a consideration in assessing SME loans. Participant B1P3stated that character implied relationship lending that involved a recognized customer of the lender, since relationship lending is also through the central bank of Nigeria (CBN). However, Participant B3P1 objected that the norm was to offer credit if the borrower met the criteria in processing collateral, in most cases. Participant B3P1 expressed that the relationship lending needs of small businesses were the means of reducing information asymmetry to convey the importance of SBE financing in the region.

A multi-tier workforce not limited to insourcing, outsourcing, and even offshoring of government initiatives, may evidence the creation of public-private partnerships (PPP) (Townsend et al., 2014). The model may potentially complement relational lending in representing a drastic response to the policy of government-controlled enterprises often bedeviled by unnecessary bureaucracy, reckless impunity, abject corruption, and gross inefficiency (Aliu, Adeyemi, & Adebayo, 2014).

Table 5

Character, more Important Than Collateral

Nodes theme 3	Sources	References
Borrower must have character	1	3
Character borders on integrity	1	3
Character is who you know or trus	1	1
In credit, the most important is character	1	3
Payment is a matter of character	1	2
Popularity is charaterization	1	1

Note. Sources refer to Interviews as a source and References to Frequencies

Table 5 shows 6 subnodes auto-analyzed and regrouped from the transcribed participant responses by the NVivo 11 Plus to produce Character. The subnodes may represent mini-themes, source, the interview, the references, and the frequency of the term occurrences. To arrive at this theme, there were 13 references.

Theme 4: Government policies are challenges to formal banking system of various node categories

Participant B1P3 informed that the government and the CBN complicate commercial banks and SBEs lending: the federal system is another cause for worry, including opacity and non-dynamic decisions. Even when one has innovative ideas, his or her action will be on guard. In case of default, he or she is without government underwriting to bail out the lender. Participant B1P2 felt that the bank would fund SBEs

if the government or other organizational body evaluated, profiled, and guaranteed a certain amount.

Accounting-based research on bank performance typically includes comprehensive financial statement information to determine banks profitability, as a value of return on assets (ROA) or return on equity (ROE) (Mokni & Rachdi, 2014). In a theoretical report, profitability was subject to an adverse relationship with the leverage a firm adopted (Arnold et al., 2014). Every bank wants to protect depositors' funds.

Table 6

Government, Policies and Challenges to Formal Banking System of Various Node Categories

Nodes theme 4	Sources	References
Default government	1	3
Government	1	6
Government underwritting	1	3

Note. Sources refer to Interviews as a source, while References indicate Frequenies

Table 6 shows 3 subnodes auto-analyzed and regrouped from the transcribed participant responses by the NVivo 11 Plus to produce Government. The subnodes may represent mini-themes, source, the interview; the references, and the frequency of the term occurrences. To arrive at this theme, there were 12 references.

Theme 5: Profit may be a Hedge for High Interest Rates

Participant B1P3 implied that bank leaders nimized risk by looking at the margin, securing depositors' money, keeping loan lost folios to the barest minimum, and relating

to profit and economy. In participant B3P1's view, high-interest rates help the bank to stay afloat in business, also to hedge for the money realized from profit. A bank increases interest rates in minimizing risk exposure and for the reward of the account. However, participant B1P2 remarked that failure was a risk factor, but the two ways to increase profitability were either to make more revenue or reduce loss. The government had not been helpful argued Participant B1P1. If the government could assist with the lost percentage of the loan, the risk would be less.

Bank leaders are aware of profit loss but prefer the 10% non-SBE category prospects, citing a high rate of default. As bankers prefer credit granting to the customers who are able and willing to repay loans with interest and deny lending to borrowers who cannot, it is necessary to develop risk and uncertainty reduction methods in managing SMEs' credit rejections (Valadkhani, Chen, & Kotey, 2014). The existence of substantial lending relationships in the banking sector can influence the inconclusive assessment of equilibrium enough to make the Central Bank react to spread movements. At the low-interest rates, lenders tend to ration credit closer to the optimal value to maximize profit off risky borrowers (Arnold et al., 2014).

Data analysis is an interpretative process to achieve and facilitate a series of steps in identifying themes and integrating them into research results (Rafique & Hunt, 2015). Profit and edging for high interest rate*s* informed the banks use of interest rates as a hedge against default. Nitani and Riding (2015) felt that the SMEs' defaults increased banks' interest rates and government loan guarantees.

Participant B1P3 recognized that in case of default, bank leaders are without government underwriting to bail out the lender. Also, participant B3P1 stressed that strategies to provide credit included a third-party guarantee (TPG). However, findings in some banks contradict collateralization. Participant B1P3 argued that the most important factor in extending credit was the character of the borrower who must have been a bank customer and borders on integrity, just as positions supported by Participant B2P2.

Five themes emerged from the study findings. The occurrence of the codes and the resultant five themes aligned with the conceptual framework of the study. The alignment manifested from the comparative analysis of the study's findings with published peer-reviewed constructs of previous studies. The general import derived from the interviewees included contextual perspectives regarding credit rationing, collateralization, and information opacity.

The themes associated with the literature materialized from the data analysis. Bank managers recognized that credit depends on sufficiency of information to avoid disqualification, but some banks sell service rather than credit. The borrower's statement of accounts up to six months forms a fall back to assess financing, especially in trading business, besides securitization. However, character or credit history, (lending relationship), may be more critical to determine a borrower's credit worth than collateralization, in some cases. Despite facing the governmental policy challenges and awareness about profit loss, bank leaders still prefer the 10% non-SBE category prospects; citing a high rate of default. The individual themes were not peculiar to specific participants, as more than one theme could apply to an SME.

Stiglitz and Weiss (1981) proposed the first theory of startup financing. The model showed the disparity of credit rationing when borrowers of equal status but different information base tried to raise debt in the capital markets. The degree of informational asymmetry between potential borrowers and lenders explained why some borrowers received loans and others did not. A creditor's acquisition of company specific non-public information breaks an insider-outsider information asymmetry, where a creditor has more adequate information about the firm than other creditors (Fatoki, 2014).

Table 7

Profit, a Hedge for High Interest Rates

Nodes theme 5	Sources	References
Aware of profits being lost	1	3
Banka operate on surplus and deficit	1	2
Going-concerns must remain profitable	1	1
Lost profit converts to big business	1	2
Profitability checks	1	3

Note. Sources refer to Interviews as a source, while References refer to Frequencies

Table 7 shows 5 subnodes auto-analyzed and regrouped from the transcribed participant responses by the NVivo 11 Plus to produce Profit. The subnodes may represent mini-themes, source, the interview, the references, and the frequency of the term occurrences. To arrive at this theme, there were 11 references

Applications to Professional Practice

The findings include considerations for the participants' perspectives, analysis of the data, and interpretation of the results. The reliance on the sufficiency of information to avoid credit disqualification is relevant to the professional business practice. However, certain bank leaders prefer services rather than credit to customers. A bank leader's choice to rely on a borrower's statement of accounts for six months to grant credit and ignore profit lost from SBE rejections can be a professional decision. To prefer a lesser category of prospects over a high default-rated SBEs, 10% to 90%, is also a professonal practicable exception.

The findings and recommendations may serve as a basis for bank leaders to improve the strategies of accessing credit and minimizing profit lost from SBE loan rejections in the Southeastern Nigerian state. The results could guide a financially struggling bank leader to reform strategies on credit availability. In professional practice, the effects include the potential for bank leaders to share best practices for relaxing access to SBE credit. This study contributes to the body of credit rationing literature to benefit both current and future bank leaders in the banking sector. Bank leaders may review the dependence on sufficiency of information to avoid credit disqualification, including selling service rather than credit. An absolute reliance on the borrower's statement of accounts for six months to finance a business may not negate the revision of profit lost from SBE rejections. Citing high rates of defaulting SBEs may be an excuse to deny credit. If character or credit history may be more critical in determining a borrower's credit worth than collateralization, then the lending relationship deserves a

thorough review. The revisions are not exclusive of governmental policy challenges to implement useful strategies to mainimize profit lost from SBE credit rejections. The prevailing economic and financial shocks decreased bank lending and affected SMEs' access to credit, particularly (Nassr & Wehinger, 2014). Conversely, small banks are more dominant in offering SMEs relationship lending through pre-existing records than large banks and the financial crisis notwithstanding (Zhang, Song, & Zhong, 2015). SMEs experience financing inadequacy from formal external sources, but the information asymmetry rather than bank size is the main fault of the finance gap (Whittam et al., 2015).

Implications for Social Change

The positive social change that would emerge from this study might include empowering SMEs to avert the negative social impact of the unemployed within the society. A bank leader would feel pleased to meet every social need and direct the discovery towards the future (Shepherd, Williams, & Patzelt, 2015). When bank leaders re-evaluate financing hurdles in favor of relationship-lending, small businesses have less evidential credit rejection, resultant profitability, and a positive value for the shareholder (Mancusi & Vezzulli, 2014). SMEs, beyond jobs, contribute to the fibre of a free market and the economy with innovation, talent, and creativity (Das & Das, 2014).

Nigeria continued to experience an overwhelming growth in the youth population since the discovery of oil, increasing the number of graduates' joblessness (Olueye, 2014). The result of this qualitative study might contribute to positive social change based on the highlighted findings on the strategies to alter banks' constraints on resources

for financing SBEs that might result in increased SBE loans, sustainable SBEs, and decreased unemployment. The findings might affect the means of the SBE owners about increasing employment locally in providing extra income for spending in the community. In addition, the results might also enhance banks increased profitability and money available to support community project needs for the Southeasterners living at or below poverty level.

Recommendations for Action

The bank leaders who participated in this study chose to maximize stakeholders' return and not their lending capacity. I recommend that the strategies involve the short and long-term debts, besides a combination of the target capital and retained earnings of the banking sector. The strategy identifying the sources of short and long-term debt should include optimal debt levels from each source. Furthermore, bank leaders should use the capital strategy levels and purpose of secured and unsecured capital available from each source to itemize the comparable profitability.

The changing business environment may be the basis for the bank leaders to reevaluate the difficulties and challenges of approving SBEs credit for profit and sustained growth. To overcome possible credit constraints, bank leaders might embrace *character* instead of *collateralization* in adapting to change. The question of who needs credit and who gets credit among bank leaders must be of great importance, not only to the small firm borrowers and prospective lenders, but also to policymakers interested in a healthy economy. The bank leaders should seek both a deliberate capital strategy with bank credit and alternative sources of credit availability.

To communicate the results and recommendations of this study to the business community, I will provide a one or two-page summary to the participants, Central Bank of Nigeria, state chambers of commerce in the Southeastern Nigerian state, and to local chambers of commerce, in Abakaliki. Additionally, I will provide a one or two-page summary to the Small and Medium-size Enterprise Development Administration (SMEDA), Abuja, Nigeria for circulation to its members.

In addition to bank leaders, commercial bank boards of directors, executive officers, and principal lenders should hearken to the results of this study. Commercial banks, particularly in the Southeastern Nigerian state, are losing a significant amount of business to alternative providers of SME credit. The commercial banking industry is losing its competitive edge to alternative credit providers. To increase awareness, I will provide a one to two-page summaries of the results and recommendations of this study to the Nigerian Bankers' Association, Small and Medium-size Enterprise Development Administration (SMEDA), Abuja, Nigeria; and the Nigerian Deposit Insurance Commission (NDIC). Additionally, I will make myself available for expos and seminars or workshops of the state banking associations, besides publishing in a peer-reviewed journal.

Federal and state bank regulators should be mindful of the results of this study for impetus on SBE policies. The findings of this study could provide a transformational understanding of a definitive relationship between SMEs and commercial banking profitability for the regulators and examiners. In the commercial banking industry, the preferred lending source for banks is in decline (Cole & Sokolyk, 2016). As a result, the

requisite number of commercial banking regulations and examiners should also decline. The determinants of the safety and soundness of commercial banks include both asset quality and earnings. Staving off business from commercial banks damages earnings and could negatively affect a community's employment level.

Policymakers must hearken to the results and recommendations of this study on behalf of their constituencies collectively, individually, and economically. Every economy depends on job provision created through SMEs (Ihugba, Odii & Njoku, 2014). The findings of this study could help policymakers to mitigate the imposition of harsh banking regulations on SME growth and a candid objective to protect the interests of the society. To circulate the results and recommendations of this study to the policymakers, I will provide a one or two-page summary to the field offices of the Nigerian National Assembly (NASS), including five offices of the House of Representatives and Senate. I will also provide a one to two-page summary to the governors' office within the Southeastern Nigerian state.

Recommendations for Further Research

The topic of bank leaders adapting strategies on minimizing profit lost from SBE credit rejections merits additional research given the sources of the information on the subject. The literature on credit rationing is enormous (98,100 results in a 0.07 second of Google Scholar search). Profitable companies retain a high source of internal financing (Du et al., 2015), which might continue to affect the commercial banking sector negatively. The recommendations for further study include emphasized improvements to the practice of business and addressing identified limitations of the study in Section 1.

The recommendations might involve addressing the probability that the data might not accurately reflect the perspectives or experiences of every southeast Nigerian state bank leader. The focus of the study on small business financing in a single southeast Nigerian state might vary from the degree of transferability intended for conclusions of the study to rural or urban communities. In addition, the distinctive attributes uncommon to other Nigerian State might affect transferability, since the geographic component of this study relates to factual local business operations.

Recommendations for further study to improve business practice include tracking the growth of the SBEs' credit sources, aggregate loans extended to SMEs from alternative provisions versus the relative profitability. In addition, researchers could advance the understanding on the financial impact of relationship-lending, rather than restrictive credit rationing, to SMEs in different communities (Aguirre & Bolton, 2014). As the banking sector's environment continue to change beyond credit accessibility because of disruptive technology, global trade, and regulations, the strategic adaptation of loss minimization should be an important topic considering the significance of small businesses to national and global economies.

Reflections

Objectivity, although mysterious at the practical or applied level, is a goal of every research study. Most scientists and researchers claim that absolute objectivity will never be achievable because each research derives from some viewpoint or level of subjectivity (Olemis, 2015). However, Henriques (2014) ignored the perceptions or preconceptions of the problem to avoid bias and subjectivity in scholarly research.

Throughout my experience with the doctoral study process, including data collection, interpretation, and presentation, I bracketed my personal biases. Bracketing involved identifying, acknowledging, and mitigating personal presuppositions, before and during the exploration of the research question. To ensure unbiased results, I restricted preconceptions and experiential judgments, knowledge, beliefs, or meanings developed during the study, and explored the challenges of overcoming credit constraints from a bank leader's viewpoint.

Through this qualitative case study, the understanding of the consequence of constrained access to credit from the perspective of the bank leaders has compelling effects where few scholarly, qualitative researchers have sought a comparable experience. My reflections on the findings of the study came from the drive, resilience, and spirit of a bank's financial management. Bank leaders in the region want to remain the custodians of the depositors' funds despite the obstacles in the way. I developed a special respect for the bank leaders' resolve to balance internal business ethics and government policies, with stakeholders' interests. I felt particularly astonished at the bank leaders' commitment to do whatever is reasonable to separate their jobs from personal values while accomplishing organizational goals successfully. In this study, interacting with the bank leaders of the Southeastern Nigerian state was not just a pleasure, it was an honor.

Conclusion

The purpose of this qualitative multiple case study was to explore strategies Southeastern Nigerian state bank leaders use to minimize lost profit from SBE credit rejections. The economic recession, varying government policies, and tight CBN and

state underwriting regulations on the banking sector adversely affect commercial banks against SMEs' credit evaluation. The findings revealed that bank leaders are responding to procedural credit assessments that rely heavily on the transactional tradition via trade credit, collateralization, and third-party guarantees.

The future direction for bank leaders might involve capital strategic formalization that utilizes character or alternative relational financing, responding to economic changes, and adapting financial analytical processes. Nevertheless, the government needs to idealize its SBE development schemes to streamline, rather than divert alleviative programs. The government and policymakers need to slow down the political economy for the private sectoral enterprises. The benefits of public-private partnership (PPP) include private sector management with technological applications, creative efficiency, and value for money. To remain on a level playing field, the financial and community-based programs of the government need a uniform spread about interest rates for every banking entity. When bank leaders indicated concerns about profit loss, the pitfalls were SBEs' high rate of default and governmental policy challenges. If the government could review its inconsistent policies added to character or relational lending, credit rejections would significantly reduce.

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Appendix A: Interview Protocol

I. Introduce self to participant(s).

II. Present consent form, go over contents and answer questions and concerns of participant.

III. Participant signs consent form

IV. Give participant copy of consent form.

V. Turn on recording device.

VI. Follow procedure to introduce participants with pseudonym or coded Identification, noting the date and time.

VII. Begin interview with question #1; follow through to final question.

VIII. Follow up with additional questions.

IX. End interview sequence; discuss member checking with participants.

X. Thank the participants for their part in the study. Reiterate contact numbers for follow up questions and concerns from participants.

XI. End protocol.

Appendix B: Interview Questions

1. What strategies does the bank use in processing small businesses' credit applications?
2. How do you associate the system of evaluation of the SBEs with the credit rejections in this bank?
3. What level of ease or difficulty can you assign to the rate of credit rejections of the bank on the SBEs?
4. What strategies have you successfully operationalized to realign profits lost to SMEs credit rejection in this bank?
5. What difficulties did you have in implementing strategies to mitigate SBEs credit rejection??
6. Why would financing a small business be important in this region?

7. What else would you like to share about your bank becoming successful with small business strategic financing?

Appendix C: Copyright Clearance

Copyright Clearance

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