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# Financial Bootstrapping and Organizational Performance: A Study of Some Selected SMEs In Oyo State.

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***Abstract- Financial bootstrapping is an inexpensive method of ensuring positive cash flow of a business. Inability of SMEs to gain financial trust from banks and financial institutions resulted to their external funding constraints thereby not able to transform their ideas and plans into reality due to this financing constraints except they look at another direction. The study examined the effect of financial bootstrapping on some selected SMEs in Oyo State. Out of one hundred and eighty questionnaires that were distributed to SME owners/managers only One hundred and fifty-eight were completed and returned. PPMCC was used to analyzed the hypothesis tested. The study revealed that financial bootstrapping is determined by ownership financing, joint utilization, delay payment and maximization of account receivables and have significant relationship with SME performance. It was recommended that SMES owners come up with strategies that will promote the use of financial bootstrapping with a minimal effect on other stakeholders.***

***Indexed Terms- Financial Bootstrapping, Owner financing, Joint Utilization, Delay Payment, Maximization of Account Receivables, Financing and SME Performance***

## I. INTRODUCTION

Creation, survival and growth of SMEs have always been either supported or threatening by access to adequate or inadequate financing which has remain one of their biggest challenges. The challenge became more pronounced by the most severe financial and economic crises in decades coupled with the outbreak of COVID-19 which is still rampaging the world. SME has played major roles in creating jobs, triggering innovations and creating new products, and thus encouraged the economic growth (Kim, 2011). At the same time, SMEs are faced with major problems in securing financial assistance which can hinder their growth. They contribute immensely to the Gross Domestic Product (GDP) of nations and generate millions of jobs for the unemployed. However, one of the greatest challenges facing the private sector and for that matter entrepreneurial development is the financing constraints, lack of accessibility of fund for startup, operations and growth of the business (Kerr and Nanda. 2009). In the absence of credits from the bank, potential small and medium enterprises sometimes resort to the informal sources of finance such as the traditional money lenders, these informal money lenders charge exorbitant interest rates (Kerr et al.,. 2009). According to Adewoye and salau (2022) several resources such as money, men and machine are available to management to achieve an enhancement in the effectiveness of business organization.

Despite this economy turbulent period, the country experienced a massive growth of small owner-managed businesses. There are various financing methods available for SMEs either in a developed or developing nations. Bootstrapping is one of such alternative resource for capital acquisition strategy, which is widely used in young and small firms (Winborg and Landström, 2001; Harrison, Mason, Girling, 2004). Bhide (1992) chose to define bootstrapping as “launching new ventures with modest personal funds”. Three years later Freear, Sohl and Wetzel Jr. (1995) went a little further and explained bootstrapping as “highly creative ways of acquiring the use of resources without borrowing money or raising finance from traditional sources”. Financial bootstrapping as stated by Schofield (2015) enables small business to have different financial sources or expand the existing financial means without the use of debt. Thus, Fatoki (2014) posited that financial bootstrapping is very important as it can create way for the survival of small business.

The financial institutions and other external sources of finance are reluctant to finance SMEs in Nigeria because they are perceived as high-risk borrowers, due to insufficient assets, vulnerability to market fluctuations and high failure rate; information asymmetries due to lack of good financial book-keeping or business plans to assess the viability of their proposals; and high administrative transaction costs of lending or investing small amounts making SMEs. Information asymmetry is one of many reasons for the presence of financial bootstrapping. Since small companies find it harder to gain financial trust from banks and financial institutions than larger corporations, new ways to exploit money has been developed. Furthermore, the fear of losing the business control forced some SME owners not to raise external funds. Bootstrap strategies include the use of owner-related finance, minimization of accounts receivable, sharing and borrowing of resources, delaying payments, minimization of capital invested and using subsidy finance (Winborg and Landstrom, 2001). Moreover, bootstrap finance is sometimes treated as a second-best strategy that becomes particularly important when access to external finance is more difficult (Van Auken, 2005). Others consider the use of bootstrap strategies as desirable, as it helps to focus entrepreneurs on the efficient and more creative use of resources (Carter and Van Auken, 2005). It complements the traditional sources of financing and provides financing alternatives to small firms confronted with lack of access to traditional sources of capital.

A wide variety of bootstrap financing techniques are available for business owners, for the purpose of this study we shall restrict ourselves to: owner financing, joint utilization, minimization of account receivable, delaying payment. In view of this problem among others, SMEs are not able to transform their ideas and plans into reality due to the financing constraints. In light of this external funding constraints, the question that remains germane are: 'How does SMEs survive the turbulent business environment with lack of finance from financial institutions'. What is the relationship between owners financing and joint utilization? How does delay payment and minimization of account receivable influences SMEs performance? It is against this background that the researcher decided to study the effect of bootstrap financing on SMEs performance in Oyo state.

- Research Hypothesis

The following null hypothesis will be developed in an attempt to investigate the effect of bootstrap financing SMEs.

$H_{01:}$ Owner Financing and Joint Utilization has no significant relationship on the Small and Medium Enterprises performance.

$H_{02:}$ There is no significant effect of delay payment and minimization of account receivable on the Small and Medium Enterprises performance.

- Significance of the Study

Despite the role of SMEs in the Nigeria economy, the financial constraints they face in their operations are daunting and this has had a negative impact on their development and also limited their potential to drive the national economy as expected. This study will shed more light on how small and medium enterprises are managed and contribute to knowledge on bootstrap financing in small and medium enterprises in Oyo State, Nigeria. Thus, providing a better understanding on how businesses that are failing can draw from those that have recorded a marked success as far capital creation via bootstrapping are concerned. With lessons drawn from other businesses worldwide that have succeeded with bootstrap financing techniques in SMEs, SMEs in Nigeria can acquire resources without borrowing money or raising equity through traditional institutions. The study will be an eye opener to entrepreneurs that financial bootstrapping is a technique that could be used to finance the business in the early startup phase when access to traditional forms of capital such as debt and equity are limited or nonexistent.

## II. LITERATURE REVIEW

- An Overview of the Concept of Bootstrap Financing and SME performance

The term first appeared in the famous work by Bhide (1992) in Harvard Business Review, and its definition comes from the analogy of the English saying Pull yourself up by your own bootstraps that suggests improving your own (your business') situation by your own efforts. Winborg (2000) defined bootstrapping as

methods for securing the use of resources at relatively low or no cost. Grichnik et al. (2014) consider bootstrapping as an alternative resource management approach directed at avoiding market-based resource transactions. A recent study by Miao et al. (2017) viewed bootstrapping as the pursuit of creative ways of acquiring resources in non-traditional ways.

Bonginkosi and Celani (2016) see financial bootstrapping as the use of highly creative ways for meeting the need for resources without relying on long-term external finance from debt holders and/or new owners. Small businesses prefer to use bootstrap financing in running their businesses because it is generally easier to access at convenience because it is non-bureaucratic and does not require a formal business plan or collateral (Van Auken 2004). According to Harrison et al. (2004), there are two forms of bootstrapping: (i) raising finance without using banks or equity and (ii) gaining resources without the need for finance.

According to Salau, (2022) the Small-Scale Enterprises are often faced with diverse challenges that prevent their growth and optimum performance. These challenges are in diverse areas including insufficient knowledge in strategic management, poor access to financial services, weak business linkages and lack of promotional services. Financial bootstrapping can be a solution to financial problem for SME entrepreneurs because this method only requires resources to start and grow a business at the lowest possible level or even without costs (Schinck and Sarkar, 2012). Bootstrap financing is a solution for SMEs due to lack of access to capital markets and difficulties in increasing capital (Neeley and Van Auken, 2010). According to According to Schofield (2015), bootstrapping allows small business owners to create new financial resources or stretch existing resources without using debt, a venture capitalist, or other external means to attain required capital.

- Owner Financing

Owner-related finance involves the use of business owners' funds and that of his or her family or friends (Vanacker et al. 2012). The entrepreneur has traditionally used their own assets such as marketable securities, real estate, and income from other sources such as a spouse or other employment, the foregoing of salary withdrawal, and the use of their homes to run the business (Welsh, Harold P and Neeley, Lynn, 2004). These techniques are usually the first place the entrepreneur looks to raise capital for some good reasons. Those reasons include no dilution of ownership and maintained control of any future reimbursement at the entrepreneur's discretion. According to Vanacker et al. (2012), this method of financial bootstrapping affects the business owners' personal resources. It does not depend on resources that are not owned by the business owners. Owners' related financing could be that the business owners have another assignment with other businesses, relative or friends in order to raise funds to finance the business (Winborg and Landstrom, 2001).

Owners'-related finance is the techniques employed by the small business owners or managers from the owners' financial resources. It entails using owners' resources to finance the business. All these techniques of owners'-related financial bootstrapping are meant to reduce cost. Bemaa and Daniyan (2017) recommended in their study that small business owners in Benin city should be skillful in employing financial bootstrapping as owner related finance helps the business owners to be prudent in their spending.

- Joint Utilization

Joint utilization is one of the bootstrap financing techniques. According to Lam (2010), joint-utilization of resources involves actions such as hiring temporary staff or outsourcing. The 'bootstrappers' using this method also make joint utilization of resources such as equipment, machinery and property. It is the method of having access to resources through sharing (Bonginkosi and Celani, 2016). Entrepreneur share resources between and among themselves in order to save fund for the operations cost. To share premises or spaces or renting out a space is more financially beneficiary to small businesses. This is because a lot of funds or cash will be saved by the small businesses (Bonginkosi *et al.,* 2016). Winborg and Landstrom (2001) expressed that small business can use machineries or equipment of other firms or friends and employees at minimal cost. The study by Winborg, *et al., (*2001) revealed that business owners or managers initially had to share location, at a very low rental charge, with a friend who did not make full use of the space. Sharing of space rather than buying out or

renting out own premises saves start up a lot of needed cash or funds. Winborg, *et al., (*2001) added that new businesses can use the equipment and machines of friends' businesses in the evenings at no or very little cost. New businesses can engage university students in projects related to their business idea. This allows businesses to obtain knowledge at no cost or minimal costs. Businesses can share employees too in order to minimize operational costs.

- Delaying Payment

Delaying payments bootstrap financing techniques refers to methods that the managers or owners of business can negotiate with suppliers and lenders to make payments at later than usual dates (Lahm and Little 2005; Schofield, 2015). Delaying payment of accounts payable to suppliers allow firms to access which ordinarily would have been paid out to suppliers. It is a technique used for short term borrowing by taking a loan from your suppliers and delay payments to them. Delaying payments enhances the cash flow stand of the business because it entails future time of payments. According to Bonginkosi, et al., (2016), delaying payments can be postponement of bills such as value added tax, delaying payments of salaries and wages, delaying payments of rent among others. The way it works is the supplier sends the raw material or service to the entrepreneur who can use it to generate a sale. If the sale is converted to cash and the payment has not been made to the supplier, then the entrepreneur is in essence taking a short-term loan out from the supplier. Other payables may be taxes and utilities and, in some cases, even employee salaries. Just like delaying payment gives the small business owners the opportunity to have funds to finance their businesses it can also erode the confidence of the stakeholders in SMEs Afolabi et al. (2018) found that delaying payments influences small business performance in Osogbo.

- Minimization of account Receivable

In order for the payables delay to have a maximum effect, the entrepreneur needs to collect their payments from customers as soon as possible. This creates a maximum "float" period which is the time between collection and payment. Some techniques that are used include targeting customers who have a history of paying quickly, obtaining prepayments, speed up invoicing processes, charge interest on overdue accounts, and selling the receivables to a third party (Winborg and Landstrom 2001). Besides, the suppliers had a better ability to investigate the creditworthiness of their customers (Peterson and Rajan, 1997). García-Teruel and Martínez-Solano (2010) tested whether the accounts receivable decisions followed a model of partial adjustment, and found that, in Spain, firm size, sales growth, capacity to generate internal funds and short-term financing affected the accounts receivable. Khan et.al (2012) analyzed the determinants of accounts receivable in Pakistani listed companies and found that the accounts receivable is strongly affected by the firm's incentive to use trade credit and firm size. Accounts receivable management is a dynamic financial management process and its effectiveness is directly correlated with a firm's ability to realize its mission, goals and objectives (Sherman, 2010). Filbeck and Krueger, (2005) argue that a credit policy being the most important medium of managing and regulating accounts receivables requires frequent reviewing to ensure a firm maintains optimal investment in accounts receivable while minimizing costs associated with credit and at the same time maximizing the benefits from accounts receivable. Accounts receivable as a component of cash flow has a direct effect on the profitability of a business.

- Concept of financing

Financing is an important tool for any firm growth and required throughout the firm's lifecycle. The accessibility of fund has been highlighted as a central point in the improvement, development and accomplishment of SMEs (Ou and Haynes, 2006). Banks prefer firms with proven track records and sufficient collateral in the form of hard assets. Proven track records and collaterals are difficult to obtain for small businesses.

Firms choose funding that minimizes the cost and maximizes the benefits with different sources. firms may select funding sources of debt and equity that allow them to transfer risk, maintain control, or signal information asymmetries. Other firms search for the cheapest available funding while maintaining control of the business (Harris and Riviv, 1991). Despite several efforts made by the government to improve the financing of SMEs in Nigeria the financing problem faced by the SME's especially the micro entrepreneur still persists owing to problems such as the facilities

packaged by the banks. They were found not suitable to finance the working capital requirement. If the micro, small and medium enterprises do manage to get the facilities from the financial institutions, they are faced with problems of various financial charges such as high cost of borrowings high bank charges and fees high legal documentation fees, and other charge as imposed by the financial institutions (Nurbani, Susan, Jian and Noor, 2010).

- Small Medium and Enterprise

The term 'small and medium enterprises' describes group of business organizations that are especially heterogeneous as they embrace a broad varied form ranging from hotels, manufacturing industries, agriculture, restaurants, computer software firms and small machine shops among many others (Asaolu, Oladoyin and Oladele, 2005). According to OCED (2004), the sole aim of the introduction of the concept small and medium enterprises into development scenery was to perk up trade and industrialization in the today developed nations. The small and medium enterprise definitions are drawn from each country based on the policies, agencies, programs and institutions, and the role of SMEs in the economy (Abdullah, 2000; Etuk, Etuk and Baghebo, 2014).

In 2005, the credit guiding principle to the commercial banks by the Central Bank of Nigeria (CBN) classified small scale enterprises as business whose annual turnover is below and not higher than #500,000, while the Merchant banks were to considered businesses with capital investment less than #2,000,000 (the cost of land not included) or turnover up to but not higher than 5million Naira as Small Scale Businesses (Solomon, 2011). The Federal Ministry of Commerce and Industries cited in Olabisi, Olagbemi, and Atere (2011) classified SMEs as a firm whose total investment (with the exclusion of the cost of land, however with capital included) is close to #750,000 and the maximum number of 50 persons as employees. According to National Council of Industries (2009), small and medium scale enterprises are business enterprises whose overall costs with land excluded is #200,000,000 or less. The National Council of Industry (2001) defined small and medium enterprises as businesses with between 11 and 100 employees or a total cost of N50 million or less, together with working capital and exclusive of the cost of land. While, medium Scale Enterprise is an enterprise with a labor size of between 101-300 personnel or a total cost of over N50 million but not higher than N200 million, together with working capital but without including the cost of land (Aremu, 2011). The Third National Development plan in Nigeria described SME as a business that employs not up to ten workers and the asset investment did not go beyond #600,000 (Ogechukwu, 2011).

## III. THEORETICAL FRAMEWORK

- Pecking Order Theory

Researchers (Atherton, 2012; Donaldson, 1961; Myers, 1984) have developed the pecking order theory of small business finance to explain the hierarchy of funding methods used by entrepreneurs. Donaldson (1961) first theorized of the existence of a pecking order. Myers (1984) further developed the theory of pecking order by confirming its existence. The pecking order indicates that entrepreneurs use internal financing methods prior to external methods of debt or equity financing (Degryse, de Goeij, and Kappert, 2012; Donaldson, 1961; Myers, 1984; Minola and Cassia, 2013; Paul, Whittam, and Wyper, 2007). Due to issues such as information asymmetries, financier demands, costs associated with attaining debt or equity, and loss of control, entrepreneurs tend to follow the pecking order (Minola and Cassia, 2013; Paul et al., 2007).

Cassar (2004) added to the pecking order for capital structure theory, stating that the characteristics of the business may lead potential financiers to have differing demands for company performance. Unavailable information regarding the company, or information asymmetries, causes difficulties in measuring differing demands of financiers (Colombo, Croce, and Guerini, 2013). Information asymmetries play a role in the ability to attain financing, as well as the cost of attaining debt (Colombo et al., 2013; Degryse et al., 2012; Guariglia, Lui, and Song, 2011; Vasiliou, D., Eriotis, N., and Daskalakis, N. 2009). Information asymmetries occur when one party has more information than the other does, or the information is more obvious to one party over the other (Irwin and Scott, 2010; Van Auken and Neeley, 1996; Vasiliou et al., 2009).

In reaction to financier demands, information asymmetries, and debt and equity costs, entrepreneurs will seek to use internal financing methods prior to finding external sources (Cassar, 2004; Cui, Zha, and Zhang, 2010; Padachi, Howorth, and Narasimhan, 2012). Because most small businesses are unable to attain capital from external financing sources (Osei-Assibey, E., Bokpin, G., and Twerefou, D. 2012; Winborg, et al., 2001), entrepreneurs are required to use bootstrapping methods out of necessity (Osei-Assibey, et al, 2012). The current study of the correlation between bootstrap finance, firm size in terms of the number of employees, and business success measured by business age followed a broad view of the pecking order, in that internal funding methods preceded external financing alternatives (Leary and Roberts, 2010). The pecking order theory can work congruently with the theory of enactment.

- Enactment Theory

Daft and Weick (1984) explained that the theory of enactment is applicable when entrepreneurs take an active stance toward their environment, finding and acting upon opportunities rather than depending on the emergence of opportunities. Based on the entrepreneur's perception of the environment, the entrepreneur can identify these areas of opportunity (Daft and Weick, 1984; Walls and Hoffman, 2012). Entrepreneurs can use their surrounding environment to their advantage to create opportunities to benefit the business (Lam, 2010; Wiklund, Patzeit, and Shepherd, 2009).

Lam (2010) further applied the theory of enactment to business finance and stated that entrepreneurs scan their environment and use the information to create financial opportunities. Research by Grichnik, Brinckmann, Singh, and Manigart (2014) supports application of the enactment theory. These opportunities could include bootstrapping techniques such as partnerships with other entrepreneurs and networks for borrowing or purchasing supplies, bartering, or sharing resources (Neeley and Van Auken, 2009; Smith, 2009; Winborg and Landstrom, 2001). Constant searching and integration of bootstrapping techniques allow entrepreneurs to shape the financial environment (Lam, 2010). Entrepreneurs could make a conscious decision to search their environment for bootstrapping opportunities, following enactment theory principles (Grichnik et al., 2014). With an entrepreneur scanning the environment through networking and monitoring, bootstrap methods may change, but the benefits could remain.

## IV. EMPIRICAL REVIEW

- Financial bootstrapping and SME Performance

Afolabi, Y. A, Odebunmi, Y.A and Ayo-Oyebiyi,J.T (2014) examines the bootstrap financing techniques among small businesses in Osogbo metropolis, Osun State, Nigeria. A survey research design was used with the application of stratified random sampling with sample size of 200 of small businesses. Primary data were collected through questionnaire: data were analyzed through descriptive statistics (percentages and bar chart) and categorical data analysis in which chi-square test was employed. The study concluded that all variable used were significant to the study and recommendation was, that entrepreneurial training programs on Bootstrapping should be organized for small businesses in Osogbo metropolis.

- Owner Financing and Joint Utilization and the SMEs performance.

Briozzo, and Vigier, (2014) the study examined the determinants of the use of personal loans in small and medium-sized enterprises (SMEs). The findings revealed older companies, firms with lower expected growth rates, younger owners, those who seek to create value or growth, and owners who perceive low emotional costs associated with bankruptcy, are less likely to use personal loans to finance their operation.
Mungiru and Njeru (2015) examined the effects of informal financing on the profitability of SMEs in Kiambu County. The study revealed that informal sources of investment funding have a significant effect on the overall performance SMEs. Self-assistance staff finance, family along with friends' finance; trade investment funding has a great effect on the general functionality of SMEs. The study suggested that SMEs have to put a lot more focus on informal finance resources including trade credit, finance from family and friends or self-help team finance, since the informal sources of financial rely on relationships in addition to character implying that info asymmetries between informal borrowers and lenders are far less acute, the loan application system lighter, along with the collateral requirement easier to satisfy.

- Delay Payment and Minimization of Account Receivable and SMEs performance.

Michael J.P, Nicholas W and Carole H, (2014) examined the effect of Late Payment and Credit Management on the Small Firm Sector. Two hundred and eleven questionnaires were administered on the selected firms. The study revealed that micro firms were characterized by significantly lower debtor days, intimated that a significant higher proportion of their debtors paid on the due date, therefore consider late payment to be significantly less important to their business.

Aimin Deng, (2017) analyzes the theory and content of the receivable financing model and its financing risk and the risk identification, evaluation, evaluation and treatment in the process of management. It also analyzes the existing risk assessment and risk. The study concludes that accounts receivable financing provides a new idea to alleviate the financing difficulties of SMEs in China; there is a big disagreement on the types of receivables financing risk; that should be from the banks, enterprises and the law three levels Strengthen the supply chain financial risk prevention and management.

Gorondutse1, Ali, and Ali, (2016) investigates the effect of trade receivables and inventory management on SMEs profitability in Malaysia. 66 sample of SMEs Manufacturing covering from 2006-2012 was used for the analysis. Ordinary least square (OLS) regression was used to estimate the relationship between independent and dependent variable. The study concluded that days account receivable and inventory turnover in days are negatively related to SME profitability proxies. The result implies that profitability of SME manufacturing depends upon effective of working capital components management. Therefore, the study recommended that SME manufacturing can improve their Profitability upon managing working capital properly. Recommendations for future study were also discussed.

Lyani Sindani, (2018) evaluated the effect of Accounts receivable financing practices on the growth of SMEs in Kenya. Descriptive survey design and purposive random sampling were used in this empirical study, based on a sample of 359 respondents. Secondary data was obtained from Kakamega County Revenue Department, for the examined timeframe. Ordinary Least Square method was used to determine the cause-effect relationship between variables. The study revealed that Accounts receivable financing practices lead to growth when they are adopted by SMEs. The study recommended that owners and managers should be enlightened on the importance of the various methods and practices of financing accounts receivables in order to enhance growth.

- Conceptual Model

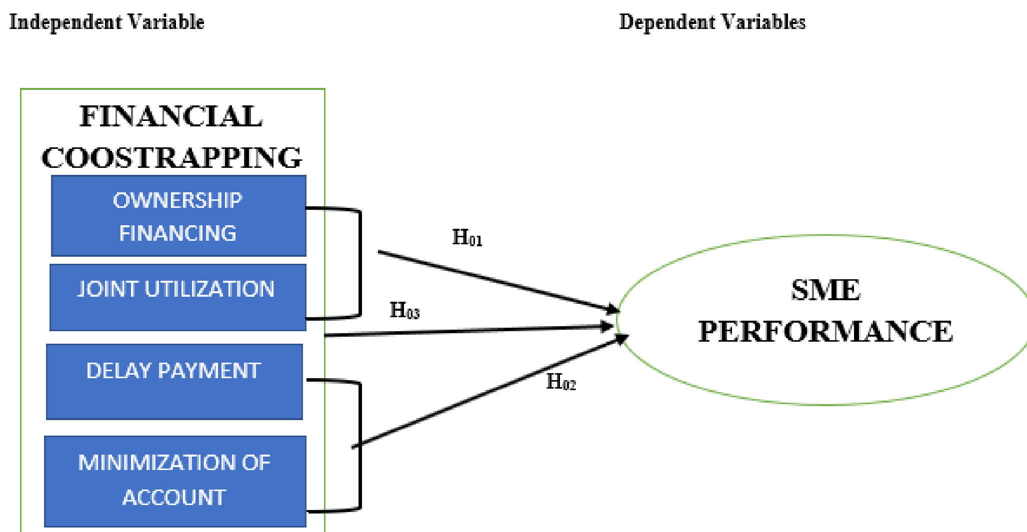


Figure 2.1: Conceptual Links between Financial Bootstrapping and SME performance.

Source: Researcher Conceptual Model (2022).

## V. METHODOLOGY

The research design for this study requires a methodological approach which permits gathering of primary data on Succession Planning. This study will rely on survey research design. The study was carried out in Oyo State, Nigeria. The State was divided based on the three senatorial zones for cost and time effectiveness and high flexibility. Sixty questionnaires (60) each was administered on selected SMEs in each senatorial zone in the state, out of which one hundred and fifty-eight (158) were returned. The Primary data for the study was obtained through a combination of administration of questionnaires, personal interviews methods. Simple random sampling method will be chosen and primary data will be utilized to achieve the objectives of the study. Data collected will be analyzed using regression analysis while multiples regression analysis will be used to analyses the effect of joint predictors on SME performance.

## VI. RESULTS AND DISCUSSIONS

Table 1 depicted the demographic characteristics of 210 respondents. About the age of the respondents that served as participants in the study: about 32 (20.25%) of the respondents were between 20-29years of age; 53(33.54%) of the respondents were between 30-39years of age, 48 (30.38%) were between 40-49years of age and 25(15.83%) between 50-59years. Therefore, majority of the respondents to the questionnaire was between the ages of 50-59years. The study further shows the gender classification of the participated respondents in the study as follows: 107(67.72%) of the respondents are male while 51(32.27%) of the respondents are female. Therefore, simple majority of the participated respondents were male.

The demographic further analyses our respondents based on marital status, the result shows that 36(22.78%) of the respondents are single, 84(53.17%) of the respondents are married and 25(15.83%) of the respondents are widowed while 13(8.2%) are separated. Most of the participants were married. The study equally classified the respondents in terms of their level of formal education. Results in table 1 further show that 33 (20.89%) of the respondents had WASCE certificate, 76(48.13%) are Diploma/NCE graduate, while 36(22.78%) are B.Sc./HND graduate while 13(8.2%) are Masters/Ph.D. holders. Most of the respondents are Diploma/NCE graduate.

The level of awareness of financial bootstrapping by the participated respondent in the study are as follows: 63(45%) of the respondent firms were aware of financial bootstrapping, 95(60.12%) of the respondent firms were not aware of strategic management. Most of the participants firms are not aware of talent management.

4.1 Descriptive Analysis of Demographic report

Table 4.1: Demographic Distribution of Respondents

| Variables | Level | Frequency | Percentage (&) |
|---|---|---|---|
| Age | 20—29 | 32 | 20.25% |
| | 30-39 | 53 | 33.54% |
| | 40-49 | 48 | 30.38% |
| | 50-59 | 25 | 15.83% |
| | Sub Total | 158 | 100% |
| Gender | Male | 107 | 67.72% |
| | Female | 51 | 32.27% |
| | Sub Total | 158 | 100% |
| Marital Status | Single | 36 | 22.78% |
| | Married | 84 | 53.17% |
| | Widow | 25 | 15.83% |
| | Separated | 13 | 8.2% |
| | Sub Total | 158 | 100% |
| Educational Qualification | WASCE | 33 | 20.89% |
| | ND/NCE | 76 | 48.13% |
| | B.SC/HND | 36 | 22.78% |
| | M.SC/Ph.D | 13 | 8.2% |
| | Sub Total | 158 | 100% |
| Awareness of financial bootstrapping | Yes | 63 | 39.87% |
| | No | 95 | 60.12% |
| | Sub Total | 158 | 100% |

Source: Field Survey (2021)

HYPOTHESIS 1: There is no significant relationship among Ownership Financing, Joint Utilization and SME Performance in Nigeria.

In Table 2, Pearson Product Moment Correlation (PPMC) was run to determine the relationship among ownership financing, joint utilization and SMEs performance. The result of the PPMC which tested the relationship among ownership financing, joint utilization and SMEs performance is significant. The correlation coefficient is therefore statistically corelated at 99% confidential level. The hypothesis tested shows that there is correlation among the ownership financing, joint utilization and SMEs performance at r = (Ownership Financing, 0.818*; Joint Utilization, 0.615**) with a Sig. level 2tailed; P< 0.05; that is, 0.000). It implies that as ownership financing, joint utilization increased by 81.8% and 61.5% respectively SME performance also increased in the same proportion and this shows a positive relationship between the dependent and independent variables. Hence, the null hypothesis ($H_{01}$) which state that "There is no significant relationship among Ownership Financing, Joint Utilization and SME performance in Oyo State, Nigeria" is hereby rejected while alternative hypothesis is accepted. The result of present study is in agreement with the empirical studies of Mungiru and Njeru (2015) which revealed self-assistance, staff finance, family along with friends' finance; trade investment funding has a great effect on the general functionality of SMEs and Taiwo, Falohun, and Agwu (2016), Ackah and Vuvor (2011) and Mensah (2004) who found personal finance as significantly utilized for SMEs operations. The result further aligns Briozzo, and Vigier, (2014) who opined that older companies, those who seek to create value or growth, and owners who perceive low emotional costs associated with bankruptcy, are less likely to use personal loans to finance their operations.

Table 2: Pearson Product Moment Correlation Table Showing the Relationship Between Owner financing, Joint Utilization and SMEs Performance.

| | | SMEP | OWFI | JOUT |
|---|---|---|---|---|
| SME Performance | Pearson Correlation | 1 | | |
| | Sig. (2-tailed) | | | |
| | N | 158 | | |
| Ownership Financing | Pearson Correlation | .818** | 1 | |
| | Sig. (2-tailed) | .000 | | |
| | N | 158 | 158 | |
| Joint Utilization | Pearson Correlation | .615** | .471** | 1 |
| | Sig. (2-tailed) | .000 | .000 | |
| | N | 158 | 158 | 158 |

**. Correlation is significant at the 0.01 level (2-tailed).

HYPOTHESIS 2: There is no significant relationship among Delaying Payment and Minimization of account Receivable and SME Performance in Nigeria.

In Table 3, Pearson Product Moment Correlation (PPMC) was run to determine the relationship among Delaying Payment and Minimization of account Receivable and SMEs performance. The result of the PPMC which tested the relationship among delaying payment and minimization of account receivable and SMEs performance is significant. The correlation coefficient is therefore statistically corelated at 99% confidential level. The hypothesis tested shows that there is correlation among delaying payment and minimization of account receivable and SMEs performance at r = (Delaying Payment, 0.810*; Minimization of account Receivable, 0.705**) with a Sig. level 2tailed; P< 0.05; that is, 0.000). It implies that as the delaying payment and minimization of account receivable increased by 81.0% and 70.5% respectively SME performance also increased in the same proportion and this shows a positive relationship between the dependent and independent variables. Hence, the null hypothesis ($H_{01}$) which state that "There is no significant relationship among delaying payment and minimization of account receivable and SME performance in Oyo State, Nigeria" is hereby rejected while alternative hypothesis is accepted. The result of present study is in consonant with the empirical studies of Nzitatira and Mulyung, (2018) which revealed that efficient Accounts receivable management practices, when adopted by SMEs lead to growth and Lyani Sindani, (2018) The study revealed

that Accounts receivable financing practices lead to growth when they are adopted by SMEs.

Table 3: Pearson Product Moment Correlation Table Showing the Relationship Between Delaying Payment and Minimization of account Receivable and SMEs Performance.

| | | SMEP | DEPA | MARE |
|---|---|---|---|---|
| SME Performance | Pearson Correlation | 1 | . | |
| | Sig. (2-tailed) | | | |
| | N | 158 | | |
| Delaying Payment | Pearson Correlation | .810** | 1 | |
| | Sig. (2-tailed) | .000 | | |
| | N | 158 | 158 | |
| Minimiz. Receivable | Pearson Correlation | .708** | .542** | 1 |
| | Sig. (2-tailed) | .000 | .000 | |
| | N | 158 | 158 | 158 |

**. Correlation is significant at the 0.01 level (2-tailed).

## CONCLUSIONS AND RECOMMENDATIONS

The study examined the effect of financial bootstrapping on organizational performance with particular reference to some selected SMEs in Oyo state. The result of the study revealed that all the variables of financial bootstrapping (ownership financing, joint utilization, delay payment and maximization of account receivables) are positively significant to the performance of SMEs in Oyo state. Therefore, the study implies that financial bootstrapping is determined by ownership financing, joint utilization, delay payment and maximization of account receivables and have significant relationship with SME performance. It was recommended that SME owners should come up with strategies that will promote the use of financial bootstrapping with a minimal effect on other stakeholders.

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