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Trade Finance Gap and the Export Performance of Small and Medium-Sized Enterprises (SMEs) in Nigeria

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Abstract

The study investigated trade finance gap and effects on the export performance of Nigerian small and medium-sized enterprises (SMEs). The objectives of the study were to examine the effects of commercial bank credit to SMEs and aggregate export credit on non-oil exports, and to determine the roles of the prime lending rate and exchange rate in influencing export performance. The study drew from the Stiglitz-Weiss Credit Rationing Theory, which explains the way informational asymmetries separating lenders from borrowers prompt financial institutions to constrain credit availability even when firms are willing to borrow. Annual data covering 1991–2025 were obtained from the Central Bank of Nigeria, the National Bureau of Statistics, and the World Bank's World Development Indicators repository, structured around an ex-post facto quantitative research design. The ARDL bounds testing technique and Error Correction Model were used to evaluate both short-term dynamics and long-term co-integration among the specified parameters. The results showed that commercial bank SME financing and total export credit exert a statistically significant positive influence on non-oil export growth ($p < 0.01$), while the prime lending rate has a significantly negative effect, with a coefficient of -0.045. The exchange rate also enhances export price competitiveness. The ECM coefficient of -0.425 showed that about 42.5% of any short-run disequilibrium is corrected each year. It recommended that monetary authorities, specifically the Central Bank of Nigeria, should introduce a 5% credit allocation requirement for commercial banks to support SMEs engaged in non-oil export activities.

Keywords:

Trade Finance; Credit Rationing; SME Export Performance; Export Credit; Non-Oil Export Growth; Credit Constraints; Nigeria.

1. INTRODUCTION

Traceable to economic activities in Mesopotamia, Egypt, Greece and Rome, Small and Medium-sized Enterprises (SMEs), originally known as small businesses, are regarded as substantial components of the economy because of their role in job creation, income generation, and poverty alleviation, accounting for roughly nine-tenths of commercial enterprises globally and supplying more than half of worldwide employment (Roberts, 2015; Oluremi & Maku, 2024; World Bank,

2024). Beyond this, they constitute the bedrock of larger industrial enterprises and serve as a central mechanism leveraged by advanced economies for socio-economic progress (Ogundeji & Fiberesima, 2026). The sector also plays a strategic role in encouraging start-ups and entrepreneurial development, driving domestic export initiatives, expanding gross domestic product (GDP), and optimizing the use of local productive resources (Araga et al., 2025).

However, across emerging economies such as Nigeria, various systemic bottlenecks hinder substantive SME expansion, even in the face of persistent state-backed interventions and policy developments. (Etuk et al., 2014). Including poor infrastructure, weak management, corruption, and limited technical skills (Taiwo et al., 2012), access to finance stands as a more outstanding challenge, as many SMEs lack the collateral and credit records required to obtain formal loans. Weak financial infrastructure also makes borrowing more difficult because commercial banks apply caution in lending to small and newly established firms owing to their perceived inability to generate sufficient returns in the short term (Soyemi & Olowofela, 2024; Olaniyan & Adepeju, 2023).

To address this financial gap, the government established the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) in 2003 to help micro, small and medium enterprises (MSMEs) grow, and has since rolled out various policies and schemes to boost small business growth (Mohammed, 2022; Araga et al., 2025). Government funding options include the Central Bank of Nigeria (CBN) MSME Development Fund (MSMEDF), the Agri-Business/Small and Medium Enterprise Investment Scheme (AGSMEIS), TraderMoni, the Bank of Industry (BOI) financing schemes, and export funding set up by the Nigerian Export-Import Bank (NEXIM). Despite these initiatives, the financial support extended to the sector has not made an appreciable impact on sustainable SME operations, and several intervention programmes still perform below expectations (Araga et al., 2025; Aikor, 2021). Trend analyses further show fluctuating patterns in the growth of MSMEs, employment generation, and contributions to GDP, with recurring challenges in financing and weak infrastructure (Mohammed, 2022). In addition, poor implementation of government support programmes, including access to loans, training facilities, industrial estates, and infrastructure, has constrained SME development, while the challenges confronting the sector remain complex and require joint efforts across various sectors (Omali & Mojekwu, 2026).

The study thus seeks to assess the link between trade finance gap and SMEs export outcomes in Nigeria, mainly assessing the scale and characteristics of the trade finance gap confronting Nigerian SMEs while also evaluating the effect of accessing trade funding on SME export output.

2. LITERATURE REVIEW

2.1 Conceptual Review

2.1.1 Trade Finance Gap and SME Export Performance

According to Ahn (2021), trade finance is the set of financial instruments and arrangements that bridge the timing and risk gap between payment and delivery in cross-border transactions, making international trade possible under conditions of distance, information asymmetry, and contract-enforcement uncertainty. Its importance is substantial as over 90% of international trade transactions depend on credit, insurance, or guarantees, which is why it is often described as the lifeline of international trade. For firms, especially in developing countries, trade finance aids liquidity, order fulfillment, compliance, and market participation, while weak access to it is usually identified as a major hindrance to trade expansion (Ahn, 2021; Raju, 2025). Trade finance gap describes a situation where viable firms cannot obtain adequate trade-related credit or guarantees.

This gap has overtime presented itself a global problem, expanding and mostly affecting small firms in developing economies as a result of underdeveloped financial markets (Auboin & DiCaprio, 2017; Beck et al., 2023; Jayaweera et al., 2024).

While small and medium-sized enterprises (SMEs) drive economic activity, they have been defined variedly by regions and organizations based on staff size, total assets, capital investment, or sales revenue (Ishieka, 2023). On an international level, SME are defined based on factors as employment size, although countries complement this criterion with measures such as annual turnover or asset value based on their economic circumstances (International Labour Organization, 1998, 2001; Organization for Economic Co-operation and Development [OECD], 2005). In Nigeria, SMEs are defined using diverse parameters by institutions and policy documents. The Small and Medium Enterprises Development Agency of Nigeria (2016), for instance, classifies small enterprises as firms employing 10–49 people and having assets of ₦5 million to ₦50 million, excluding land and buildings. This classification is widely used in Nigeria and provides a basis for implementing policies and support programmes for small businesses. In this study, SME export performance is concerned with the ability of these firms to enter foreign markets and increase their level of participation. This includes both export propensity and export intensity, which may depend on the capabilities of the firm as well as factors such as infrastructure and access to loans (Babatunde, 2017).

The nexus between trade finance and SMEs export performance is vividly expressed in the ability of SMEs to facilitate production for foreign markets, meet working-capital needs, deal with export risks, and enhance their transactions with overseas buyers, owing to availability of finances. However, where such finance is difficult to obtain, firms may encounter challenges entering export markets, increasing their export volume, or remaining in those markets (Adebayo & Salaudeen, 2021; Jayaweera et al., 2024). In Southwest Nigeria, for instance, finance has been linked to export facilitation through credit availability, start-up capital, loan conditions, and export finance arrangements (Adebayo & Salaudeen, 2021). Accordingly, Babatunde (2017) also note that access to loans is important for both export propensity and export intensity among Nigerian SMEs.

Shuaibu and Gana (2025) note that in the country's non-oil sector, export finance and trade credit aids productivity, competitiveness, innovation, and liquidity, while restricted access to export credit can hold back non-oil exports. Simultaneously, the need for finance may increase as SMEs expand into foreign markets because exporters have to deal with payment, delivery, and other risks associated with international transactions. Hence, trade finance serves two related purposes, that is, supporting export activity, while growing export activity also increase the need for trade-related finance (Ahn, 2021; Jayaweera et al., 2024, 2026).

2.2 Theoretical Framework: Credit Rationing Theory

The credit rationing theory was developed to explain why banks may not increase lending by raising interest rates when demand for loans is high (Stiglitz & Weiss, 1981). Stiglitz and Weiss (1981) showed that information problems in the lending market may make banks unwilling to grant loans to some borrowers, even when those borrowers are prepared to accept higher interest rates. The theory therefore holds that raising lending rates can affect the type of borrowers seeking loans and their behaviour after receiving the funds, making banks more likely to limit credit instead of increasing the interest rate (Stiglitz & Weiss, 1981).

The major assumption of the theory is that lenders and borrowers do not have the same information about the loan. Borrowers have more information than banks about their financial position, the risks

of their projects, and expected returns, which can create problems of adverse selection and moral hazard in lending (Huang et al., 2014). In the Stiglitz–Weiss framework, lenders cannot perfectly distinguish between borrowers or projects of different risk, while borrowers are protected by limited liability, so the downside of failure is partly shifted away from them (Wette, 1983). The model also assumes that interest rates and collateral influence who applies for loans and how borrowers behave. Hence, banks use them to identify lower-risk borrowers and encourage responsible borrowing, instead of treating them simply as the price of obtaining credit (Stiglitz & Weiss, 1981; Wette, 1983). Since higher rates drive safer borrowers out of the market and attract riskier ones, and because tighter collateral can also create adverse selection effects, banks may choose to keep rates below market-clearing levels and simply deny some applicants credit (Stiglitz & Weiss, 1981; Wette, 1983).

Criticizing the theory, Su and Zhang (2016) argue that generally, credit rationing in this framework depends on how projects are ranked, and under some rankings adverse selection and moral hazard either cannot coexist or produce rationing only under extreme conditions. A related criticism is that the theory may overstate the generality of adverse selection. Arcand and McDonald (2018) argue that when borrowers are very cautious about taking risks, adverse selection may not occur. They also maintain that if lenders are more confident about borrowers, credit rationing may not occur even when there is unequal information between lenders and borrowers. Other scholars are of the notion that the model lacks the capacity to fully examine the rationale behind the unavailability of credit and loans for some groups as a result of certain difficulties. They contend that, besides unequal information between lenders and borrowers, factors such as the way financial institutions operate, the type of information available to banks, and wider economic uncertainties also influence access to credit (Ramskogler, 2011). Other studies also indicate that credit rationing may arise when lenders and borrowers experience challenges in finding suitable matches or when interest rates are subject to limits (Selçuk, 2025).

For the study therefore, the theory explores why Nigerian SMEs may face a trade finance gap even when they are willing to borrow and pay prevailing lending costs. In SME finance, unequal information makes banks uncertain about firms' true business condition, export capability, repayment capacity, and project risk, which encourages cautious lending and selective credit denial (Huang et al., 2014; Mazanai & Fatoki, 2012; Zhang, 2007). Wider applications of the theory show that low borrower self-financing, weak collateral, and limited credible information can intensify rationing, with some SMEs denied loans outright and others discouraged by stringent loan conditions (Ma et al., 2019). The theory therefore fits the study as a result of the fact that export-oriented SMEs are usually dependent on external finance to fulfill orders, manage trade risk, and sustain international transactions, yet they are among the firms most exposed to lender screening, collateral constraints, and profit-maximizing credit rationing (Jin & Zhang, 2019).

2.3 Empirical Review

Jayaweera et al. (2026) examined SMEs in Malaysia, Mexico, and Sri Lanka and found that access to trade finance was associated with better export performance. However, the study also showed that weaknesses within the firms could limit the gains from such finance, meaning that access to funding does not independently ensure better export performances. Corroborating this, Abor et al. (2024), using data from 46 African countries, established that firms with better access to finance recorded higher export levels, especially those using direct and hybrid export channels.

At the firm level, Sibanda et al. (2018) averred that access to capital improved the participation of Zimbabwean SMEs in international markets. Meanwhile, Pietrovito and Pozzolo (2019), drawing

on evidence from 65 emerging and developing economies, also stated that credit constraints reduced both the likelihood of exporting and the share of foreign sales in total revenue. Similar finding was made by Bah and Nyantakyi (2025) for Kenya and Tanzania, where financial constraints reduced export participation and export sales, with debt burden having the strongest negative effect. Konte and Ndubuisi (2021) also found that financial constraints were associated with weaker export performance across African countries, although the effect was less pronounced where institutional trust was stronger. Focusing on the nation's non-oil export segment, Shuaibu plus Gana (2025) showed that export financing and trade credit improve export performance by enhancing firms' productivity, competitiveness, innovation, and liquidity.

Beyond Nigeria, other recent studies have buttressed the importance of financing for export competitiveness. Mazorodze (2024) found that better access to finance improved intra-African trade efficiency by enabling firms to move closer to their export potential in trade involving distant markets. In the same note, Ahmad et al. (2025), using data from more than 9,000 Indian SMEs, identified that firms relying on external finance were more likely to export than those depending primarily on internal sources of finance.

2.4 Gap and Justification for the Study

A major gap in the literature is that very few empirical studies directly examine the trade finance gap and SME export performance in Nigeria. Existing Nigerian studies show that loans and broader finance matter for export propensity and performance, but it does not isolate trade-finance-specific constraints such as access to letters of credit, guarantees, export credit, or bank rejection of trade-finance applications (Adebayo & Salaudeen, 2021; Abubakar & Rahim, 2024). Although Sibanda et al. (2018) examined the nexus between availability of finance and SME export outcomes, it was conducted in Zimbabwe and did not specifically investigate the trade finance gap. Also, majority of the studies reviewed come from multi-country studies, other African economies, or Asian and Middle Eastern settings, which are useful but not fully transferable to Nigeria because institutional quality, banking structures, export composition, and SME capabilities differ across settings (Pietrovito & Pozzolo, 2019; Almeer & Nawaz, 2025).

From the foregoing, there is a need for a Nigeria-focused study to examine the trade finance gap directly and determine how it affects SME export performance in the country's non-oil sector. This will help address the gap in existing studies, which basically focus on general access to finance instead of the specific financing difficulties faced by Nigerian SMEs involved in export activities.

3. METHODOLOGY

The paper adopted an ex-post facto quantitative research design using data spanning from 1991 to 2025. Secondary figures were sourced through the Central Bank of Nigeria (CBN), National Bureau of Statistics (NBS), and World Development Indicators (WDI). Since there is no direct index for the Trade Finance Gap, the study used commercial bank credit to SMEs (SME_CRED) and commercial bank export credit (EXP_CRED) as measures of trade finance. A fall or little growth in these forms of credit compared with the overall amount of bank credit was taken as an indication of a wider trade finance gap.

The Auto-Regressive Distributed Lag (ARDL) model was used to examine both short-run and long-run effects, involving unit root tests, cointegration testing, and an error correction model. The study also checked for serial correlation, heteroscedasticity, and model stability using the Breusch-Godfrey LM test, White test, and CUSUM and CUSUMQ plots.

3.1 Model Specification

The econometric model is grounded in Credit Rationing Theory (Stiglitz & Weiss, 1981) and adopts the time-series approach of Omali and Mojekwu (2026). The baseline regression equation is expressed as follows:

$\ln(NOEXP_t) = \beta_0 + \beta_1 \ln(SME\_CRED_t) + \beta_2 \ln(EXP\_CRED_t) + \beta_3 LEND\_RT_t + \beta_4 \ln(EXR_t) + \mu_t$ ----------1

Where:

ln = Natural logarithm transformation to ensure linearity and minimize outliers.

$NOEXP_t$ = Non-Oil Export Value (Proxy for SME export output performance) at time t.

SME_CRED_t = Commercial bank lending volume to SMEs at time t.

EXP_CRED_t = Aggregate trade/export credit extended by the banking sector at time t.

$LEND\_RT_t$ = Prime commercial bank lending interest rate at time t.

EXR_t = Official Naira-to-Dollar Exchange Rate at time t.

μ_t = White noise stochastic error term.

The ARDL Specification

The ARDL model is specified below:

$$\Delta \ln(NOEXP_t) = \alpha_0 + \sum_{i=1}^{p} \gamma_1 \Delta \ln(NOEXP_{t-i}) + \sum_{i=0}^{q_1} \gamma_2 \Delta \ln(SME\_CRED_{t-i}) + \sum_{i=0}^{q_2} \gamma_3 \Delta \ln(EXP\_CRED_{t-i}) + \sum_{i=0}^{q_3} \gamma_4 \Delta LEND\_RT_{t-i} + \sum_{i=0}^{q_4} \gamma_5 \Delta \ln(EXR_{t-i}) + \lambda_1 \ln(NOEXP_{t-1}) + \lambda_2 \ln(SME\_CRED_{t-1}) + \lambda_3 \ln(EXP\_CRED_{t-1}) + \lambda_4 LEND\_RT_{t-1} + \lambda_5 \ln(EXR_{t-1}) + \epsilon_t$$ ----------2

Where:

Δ = First-difference operator.

p, q_1 ... q_4 = Optimal lag lengths determined by the Akaike Information Criterion (AIC).

γ_1 ... γ_5 = Short-run dynamic coefficients.

λ_1 ... λ_5 = Long-run multipliers.

ε_t = White noise stochastic error term.

4. DATA PRESENTATION, ANALYSIS AND DISCUSSION

4.1 Descriptive Statistics

Table 1: Descriptive Statistics

Metric	NOEXP	SME_CRED	EXP_CRED	LEND_RT	EXR
Mean	2525.826	31.158	136.293	18.554	239.146
Median	1460.900	18.900	22.500	17.590	133.500
Maximum	9320.000	192.500	855.300	36.090	1480.000
Minimum	244.400	0.980	0.410	11.530	9.910
Std. Dev.	2477.711	42.420	213.485	4.661	332.373
Skewness	0.951	2.492	1.979	1.893	2.996
Kurtosis	3.138	9.544	6.648	8.576	12.262

Source: E views Output

In Table 1, NOEXP recorded an average of $2,525.83 million. SME_CRED had a median of ₦18.90 billion, compared with ₦136.29 billion for EXP_CRED, pointing to lower credit allocation to SMEs. The lending rate averaged 18.55% and rose as high as 36.09%, indicating that borrowing was costly, while the exchange rate changed considerably over the period.

4.2 Unit Root Stationarity Test

Table 2: Augmented Dickey-Fuller (ADF) Test

Variable	Level: I(0) ADF	Level p-value	First Diff: I(1) ADF	First Diff p-value	Order of Integration
NOEXP	-1.142	0.686	-5.892***	0.000	I(1)
SME_CRED	-0.405	0.901	-4.611***	0.001	I(1)
EXP_CRED	-3.582**	0.012	—	—	I(0)
LEND_RT	-2.104	0.244	-6.115***	0.000	I(1)
EXR	-0.923	0.767	-4.981***	0.000	I(1)

Source: E views Output
*Note: *** and ** indicate significance at the 1% and 5% levels, respectively.*

The ADF test indicates that the variables are integrated at different levels, I(0) and I(1). Aggregate Export Credit is stationary at level, while Non-Oil Exports, SME Credit, Lending Rate, and Exchange Rate become stationary after first differencing. Since none of the variables is I(2), it necessitates the use of ARDL bounds testing to examine their long-run relationship.

Table 3: ARDL Bounds Test (Dependent Variable: NOEXP)

Test Statistic	Computed Value	Significance Level	Lower Bound: I(0)	Upper Bound: I(1)	Decision
F-statistic	**5.418**	10%	2.45	3.52	Cointegration Confirmed
k (regressors)	4	5%	2.86	4.01	Cointegration Confirmed

		1%	3.74	5.06	Cointegration Confirmed

Source: E views Output

Note: The critical values are based on Pesaran, Shin, and Smith (2001), Case III, with an unrestricted intercept and no trend.

Table 3 indicates a long-run association among the variables. The F-statistic of 5.418 is higher than the upper-bound critical value of 5.06 at the 1% level. The null hypothesis of no cointegration is therefore rejected, meaning that the trade finance variables, interest rate, exchange rate, and non-oil SME exports have a long-run connection. This enables the use of the long-run and short-run error correction models.

Table 4: Long-Run and Short-Run ARDL Coefficients

Dependent Variable: (NOEXP*t*)
Selected Model Structure: ARDL(1, 0, 2, 1, 0)

Long-Run Regressors	**Coefficient**	**t-Statistic**	**p-Value**	**Status/Effect**
InSME_CRED*t*	0.384	3.122	0.004***	Significant (Positive)
InEXP_CRED*t*	0.512	4.891	0.000***	Significant (Positive)
LEND_RT*t*	-0.045	-2.614	0.015**	Significant (Negative)
EXR*t*	0.188	2.102	0.046**	Significant (Positive)
Constant (C)	4.112	5.340	0.000***	Significant (Positive)
Short-Run Dynamics				
ΔlnSME_CRED*t*	0.215	2.451	0.021**	Significant (Positive)
ΔlnEXP_CRED*t*	0.340	3.662	0.001***	Significant (Positive)
ΔlnLEND_RT*t*	-0.028	-1.988	0.058*	Weakly Significant
ΔlnEXR*t*	0.094	1.821	0.081*	Weakly Significant
ECM$_{t-1}$	**-0.425**	**-4.912**	**0.000*** **	**Highly Significant**

Source: E views Output

*Note: The symbols ***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively.*

As presented in Table 4, SME credit and export credit exert a positive and significant effect on non-oil exports over the long term, because a 1% growth in SME credit and export credit increases non-oil exports by 0.38% and 0.51%, respectively. The lending rate exerts a inverse impact, while fluctuations in the exchange rate positively influence exports. Over the short run, the effects are lesser but follow the same direction. The error correction parameter is statistically significant and negative at -0.425, which implies roughly 42.5% of any immediate imbalance gets adjusted each year.

Table 5: Diagnostic Checks

Diagnostic Test Type	**Operational Statistical Technique**	**F-Statistic/ Chi-Sq (χ^2)**	**p-Value**	**Implication/Decision**
Serial Correlation	Breusch-Godfrey LM Test	1.104	0.345	No Serial Correlation (Passed)
Heteroscedasticity	White's Multiplier Test	0.892	0.521	Homoscedastic Residuals (Passed)

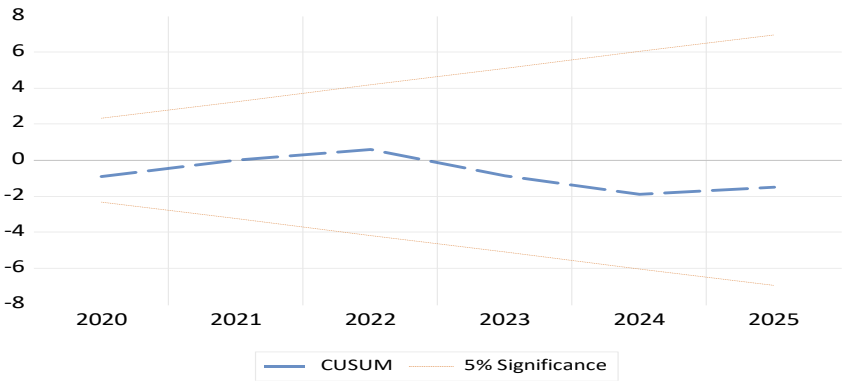
Normality	Jarque-Bera Histogram	1.415	0.493	Residuals Normally Distributed (Passed)
Functional Form	Ramsey RESET Test	0.561	0.582	Model is Correctly Specified (Passed)

Source: E views Output

The results of the diagnostic checks indicate that the estimated specification meets the requirements, with the Breusch-Godfrey test (p = 0.345) showing the absence of autocorrelation, and the White test (p = 0.521) showing homoscedasticity across error terms. Residual normality is corroborated by the Jarque-Bera statistic (p = 0.493), while functional form accuracy is validated via the Ramsey RESET test (p = 0.582).

Parameter Stability Plots (CUSUM and CUSUMQ)

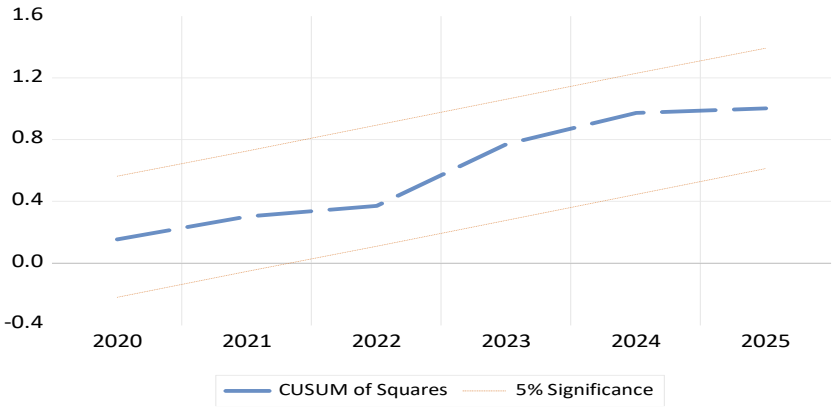
Figure 1: CUSUM Stability Test



***Note**: The years 1991–2019 are not displayed in full because EViews uses the first observations to establish the lag structure before generating the recursive estimates.*

In Figure 1, stability is confirmed across the 2020–2025 period by the CUSUM plot as the recursive residuals plot remained inside the 5% significance bounds for the entire duration and did not cross either boundary. This means that there was no major structural change in the model over the study period.

Figure 2: CUSUM of Squares Stability Test



***Note**: The years 1991–2019 are not displayed in full because EViews uses the first observations to establish the lag structure before generating the recursive estimates.*

The CUSUM of Squares plot, shown in Fig. 2 above, indicates parameter consistency throughout the sample timeline. The squared residual trace lies entirely inside the 5% threshold boundaries without crossing either boundary, verifying the absence of parameter instability in the model and that the estimated results are suitable for further policy analysis.

4.3 Discussion of Findings

The analysis shows that over the long term, SME credit and export credit have statistically significant positive effects upon non-oil exports, with coefficients of 0.384 and 0.512, respectively. This means that a 1% increase in SME credit and export credit is associated with increases of about 0.38% and 0.51% in non-oil exports. Corroborating this is Babatunde (2017) and Adebayo and Salaudeen (2021), who found that access to loans and export finance improves the export activities of Nigerian SMEs. Following Stiglitz and Weiss's (1981) model, limited access for credit is therefore a major restricting factor to viable small firms financing their production, meeting export requirements, and entering foreign markets.

The results further indicate that the lending rate has a negative, statistically significant impact upon non-oil exports, hence, when borrowing costs become higher, there is limit to the availability of funds to SMEs for production and export activities. This is in agreement with Gold and Yusuf (2025), who also found that interest rates had a detrimental impact on non-oil exports from Nigeria. The positive effect of the exchange rate denotes that Naira depreciation can improve the price competitiveness of Nigerian exports. However, this advantage may be reduced for SMEs that rely on imported machinery and production inputs, as exchange-rate depreciation raises their operating costs. Supporting this view, Monday et al. (2017) found how domestic manufacturing SMEs were highly affected by exchange-rate movements and rising operating costs. However, Ekeuwei & Akpan (2024) expressly argued that the country's ongoing reliance on foreign inputs and the underuse of local productive resources is detrimental to the country's domestic production capacity, a situation which they noted was made visible following and aftermath of COVID-19 pandemic after the nationwide shutdown of large-scale trading activities. Since exchange-rate gains may be reduced when the cost of imported inputs rises alongside depreciation, they further submitted that strengthening local production and the use of domestic raw materials would help Nigerian SMEs gain more from exchange-rate movements and improve their export capacity.

In the short-run, SME credit and export credit have positive effects on non-oil exports. Therefore, when access to finance is made easy, there are noticeable improvements in export activities within a relatively short period. Accordingly, Gana and Shuaibu (2024) found that financial development facilitated trade performance in Nigeria in the short run. A study in India also shows that short- and long-term export credit is a major support for export growth (Azmi et al., 2026). This also corroborates the stance of the International Labour Organization that poor access to funding has overtime been a major constraint on SME activity in Africa (Soumaré, 2022).

5. CONCLUSION

It is clear from the study that the shortage of trade finance still poses a major problem for the improvement and diversification of the country's non-oil economy. Both SME-targeted credit and overall trade credit have positive effects on export performance, which means that firms need adequate funds to facilitate their participation in cross-border trade. The situation is made more difficult by the limited credit available from commercial banks, partly because banks are cautious about lending where there is not enough information about the firms and their ability to repay. Though a weaker exchange rate can make Nigerian goods cheaper in foreign markets, the benefit is partly lost in situations where firms have to borrow at high interest rates, since this adds to the cost of production. Since the export sector can recover from short-term difficulties, it therefore becomes necessary to improve access to finance and also address the challenges that make banks and other financial institutions cautious about lending to SME exporters.

6. RECOMMENDATIONS

The findings provide the basis for the following recommendations:

1. The CBN and NEXIM should establish an SME Export Credit Guarantee Scheme covering up to 70% of loans granted to verified non-oil exporters. The guarantee would reduce the lending risk for banks and encourage more credit to reach export-oriented SMEs.
2. The Ministry of Industry, Trade and Investment, through BOI and NEPC, should provide a Special Non-Oil Export Expansion Facility for SMEs with valid international Letters of Credit, with loans offered at rates not exceeding 9% per annum.
3. The CBN should direct commercial banks to set aside at least 5% of their total lending for agricultural and manufacturing SMEs engaged in exports. Banks that do not meet the requirement should face appropriate regulatory measures, while funds recovered from such penalties should be channeled to NEXIM for export financing.
4. The Federal Ministry of Finance and the Nigeria Customs Service should complete the Unified Digital Trade Single Window, including electronic Bills of Lading and secure digital records. This should help reduce documentation delays and make the processing of trade finance easier for SMEs.

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APPENDIX I: RESEARCH DATA

Table 6: Raw Macroeconomic Time-Series Dataset (1991–2025)

Year	NOEXP (M. USD)	SME_CRED (B. ₦)	EXP_CRED (B. ₦)	LEND_RT (%)	EXR (₦/$)
1991	244.40	1.12	0.45	20.01	9.91
1992	251.10	1.04	0.52	29.80	17.30
1993	262.00	0.98	0.41	36.09	21.89
1994	245.90	1.09	0.63	21.00	21.89
1995	281.40	1.21	0.88	20.23	21.89
1996	302.20	1.44	0.94	20.82	21.89
1997	315.50	1.73	1.11	13.54	21.89
1998	290.10	2.12	1.05	18.29	21.89
1999	340.80	3.39	1.42	21.32	92.69
2000	410.50	4.88	1.90	17.98	102.11
2001	480.90	7.91	2.54	18.29	111.94
2002	530.20	13.31	3.10	24.77	120.97
2003	585.50	21.01	4.67	20.71	129.36
2004	642.10	29.43	6.22	19.18	133.50
2005	710.80	48.51	9.03	17.95	132.15
2006	890.40	25.72	12.44	16.90	128.65
2007	1,120.50	32.22	17.81	16.94	125.83
2008	1,460.90	13.51	22.50	15.14	118.57
2009	1,820.20	16.33	29.11	18.99	148.88
2010	2,311.60	12.30	38.65	17.59	150.30
2011	2,890.40	15.61	55.40	16.02	153.86
2012	3,110.20	14.12	72.10	16.79	157.50
2013	3,450.80	21.34	98.43	16.72	157.31
2014	4,210.50	25.10	112.50	16.55	158.55
2015	4,680.10	31.42	145.22	16.85	193.28
2016	3,990.40	22.11	189.44	16.87	253.49
2017	4,120.20	18.90	211.33	17.43	305.79
2018	4,890.60	28.55	267.80	16.71	306.08
2019	5,230.10	35.40	312.44	14.99	306.92
2020	4,110.30	41.22	289.15	11.53	360.50
2021	4,950.80	65.30	340.50	11.62	402.10
2022	5,602.40	82.11	412.30	13.85	425.44
2023	6,890.10	112.40	560.88	15.42	635.80
2024	7,460.00	145.20	692.10	19.10	1,480.00
2025	9,320.00	192.50	855.30	23.40	1,420.00

Sources: Central Bank of Nigeria (CBN) Statistical Bulletin, National Bureau of Statistics (NBS) Trade Reports, and World Development Indicators (WDI)