



Research Paper

Venture Capital Investment and Growth of Small and Medium Enterprises (SMES) In Bayelsa State, Nigeria

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ABSTRACT: The paper explored the impact of venture funding on the growth of Small and Medium Enterprises (SMEs) in Bayelsa State, Nigeria. Specifically, it investigates the effects of different venture capital financing methods, the cost of venture capital, and venture capital management support on sales growth within the SME sector. Using a survey research design, data was collected from 300 registered SMEs in Bayelsa State. Primary data was gathered through questionnaire instruments and analyzed using descriptive and inferential statistics. The findings, revealed through regression analysis, indicate that capital financing positively affects SMEs' sales growth, while the cost of capital also exerts a positive influence on sales growth. However, management support exhibits a negative effect on sales growth within SMEs. These results underscore the significance of venture capital financing mechanisms in fostering the growth of SMEs in Bayelsa State, Nigeria, while also highlighting potential areas for improvement in venture capital management practices to better support SME development.

KEYWORDS: Venture capital, Investment, Growth, Enterprises

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I. INTRODUCTION

National economies depend on the expansion of SMEs (Bangens & Collings, 2015). SMEs make up a significant portion of the GDP of the majority of countries, which boosts economic growth worldwide by generating income, lowering poverty, and generating employment (D'Imperio, 2016). The development of SMEs also nurtures the features, attitudes, and capabilities that permit business owners to quickly transform capital into wealth. The only businesses that can expand into massive, global conglomerates are wealthy, successful SMEs. According to Xiao et al. (2017), managers, owners, financiers, and shareholders of SMEs confront a basic conundrum in behavioural finance: how to grow the company.

Muniech and Mondri (2017) stated that SMEs are an essential constituent of most economies, especially emerging ones, and that their expansion accounts for the majority of global businesses, fosters economic growth, and creates jobs. As per the World Bank (2017), SMEs account for 90% of economic activities and more than 50% of job creation globally. The formal SMEs account for up to 40% of the GDP. Informal SMEs significantly increase their numbers. Many governments have prioritised the creation and expansion of SMEs due to the World Bank's prediction that 600 million jobs would be needed by 2030 to accommodate the increasing universal workforce (Beck et al., 2015). Nonetheless, one of the greatest obstacles to the growth, survival, and productivity of SMEs in developing nations continues to be capital availability (Amit & Zott, 2017). SME definitions differ by nation, continent, and international organisation, according to this research. Thus, it is challenging to define SMEs globally. Often, an additional challenge is the scarcity of trustworthy data. Despite this problem, different economies define SMEs differently for structural, political, cultural, economic, and social reasons (Kushinir, 2018). Definitions differ, but they all use the same fundamental element: the number of employees.

Growth of SMEs is reliant on investor funding. Since there are a lot of unskilled workers in developing countries, SMEs must grow in order to create jobs and make money (Ndesaulwa et al., 2017). In order to grow, SMEs need low-cost financing options that provide them the time to invest in competitive products that meet demand from customers in various geographic areas. The majority of financial institutions and intermediaries,

according to Ongore and Kusa (2012), are reluctant to lend to SMEs because they lack collateral and are risky borrowers since they are fresh start-ups with unproven goods and services.

Venture capital financing for new business owners is a predictor of success for SMEs (Savaneviciene et al., 2015). The existence of legal and regulatory frameworks in the majority of countries facilitates the financing of prospective financial market enterprises (EAVCA, 2016). According to Shoghi and Safieepoor (2013), venture capital investment is thus essential when financiers and business owners deal with information irregularity issues like moral hazard and uncertainty. During their first stages of expansion, many firms get seed money from venture capital. They assist in directing money towards high-yield assets for clients.

Many SMEs may be high-risk due to return unpredictability, lack of tangible assets as collateral, and absence of reliable data and provable evidence in operations (Cherif & Elouaer, 2015). Because of their fundamental qualities, SMEs are not desirable financing options with high capital outlay return prospects, which might impede their growth. Because of the government's facilitation of business, Nigeria has a booming financial industry. To maintain SMEs' competitive edge, sustainability, and development, venture capitalists, entrepreneurs, and marketers need to have a strong understanding of the critical variables that attract and keep patronage. Today's SMEs are pickier and demand more—hopefuls in particular. Private equity and venture capital need to create new competitive advantages.

Businesses may design growth-focused venture funding measures to draw and keep venture financiers by having a better understanding of how these investors choose and support their ventures. The financial sectors of many emerging nations, such as Nigeria, are flourishing, yet research in this area is still lacking.

II. PROBLEM STATEMENT AND HYPOTHESES DEVELOPMENT

SME growth generates income and has an impact on the world economy (Arouri, 2018). Given that the majority of SMEs are start-up business owners, most financial institutions, particularly banks, see them as risky borrowers (Vita et al., 2014). Notwithstanding investment from venture capital, these financial problems have impeded the growth of SMEs. While accounting for more than 50% of the GDP, more than 50% of Nigerian SMEs shut by the age of four, according to Baraka & Anyieni (2015). In Nigeria, 30% of SMEs experience decline, stagnation, or closure due to use, excessive costs, or lack of access to finance (KNBS, 2016).

SMEs turn to unstable and unsustainable sources, such as family and friends, for loans since financial institutions are difficult to get financing from (Jagongo, 2012). But these problems have compelled county SMEs to look for less expensive financing. Research indicates that venture capital investment bridges the financial gap by developing ideas and institutions that create value. According to KPMG (2017), there is still no connection between venture capital investment and the growth of SMEs in Nigeria. Research on the legal and regulatory framework as a moderator has been scant. Nyange'ra (2014) did not use quantitative indicators while conceptualising the impact of the legal and regulatory structure on the growth of SMEs. Further research is necessary to determine the influence of corporate governance on the growth of SMEs since it is so crucial to venture capital financing. Certain studies show that developing countries have not embraced venture capital financing (Cherif & Elouaer, 2014).

Due to high venture capital expenditures, venture-financed SMEs have poor growth (Macdonald, 2015); nonetheless, the cost-benefit analysis of venture capital investment has not received much attention. The growth of SMEs has been linked to financial performance and a strong regulatory framework (Block & Watzinger, 2017; Savaneviciene et al., 2015; Corsmo, 2015; Xio et al. 2013). Though, since these studies were carried out in advanced nations, Nigeria has not seen a significant amount of research on the impact of return on asset and total asset productivity as indicators of financial performance. In the Nigerian state of Bayelsa, this study looks at the effect of venture capital funding on SMEs.

This research study sought to test the following null hypotheses;

1. Venture capital financing methods do not have any significant effect on sales growth of SMEs in Bayelsa state, Nigeria.
2. Cost of venture capital do not have any significant effect on sales growth of SMEs in Bayelsa state, Nigeria.
3. Venture capital management support do not have any significant effect on sales growth of SMEs in Bayelsa state, Nigeria.

III. LITERATURE REVIEW

Venture Capital Financing

Venture capital funding involves more than just financial resources for startups and young entrepreneurs (Ndesaulwa et al., 2017). Sichie and Bohnstedt (2013) describe venture capital funding as sophisticated and clandestine information exchange with venture capitalist-controlled standards, procedures, and logistics. Dagogo and Ollor (2009) say venture capital businesses are exceptional. Venture capital relies on their

capacity to invest in profitable enterprises in competitive markets (Gikomo, 2013). Venture capital, a tiny financial intermediary, funds potential businesses to employ many people worldwide.

Hypothetically, many embryonic enterprises want to grow into enormous ones. Many entrepreneurs dream of this; however, over 70% of newly founded SMEs never reach their first birthday (Kaplan & Lerner, 2012). Venture capital must address the risk and uncertainty gaps in growing SMEs to solve this practical obstacle.

Venture capital funding is popular among young entrepreneurs in emerging countries who previously used commercial banks for debt financing. Venture capital has been in most developing countries for over 30 years, although Jagongo (2013) calls it a forgotten financial middleman. Due to worldwide interest in venture capital finance, little is known about its impact on underdeveloped nations. This applies to cash disbursements to beneficiary enterprises, financial performance, and policy and regulatory framework. Several initiatives to boost SMEs' development via financial inclusion have provided little information.

For SMEs to boost industrial growth in developed and emerging nations, this may indicate an information need. It also depicts the isolation of SMEs, a major part of the global economy, into ignorance and lethargy. Capital sector proponents make broad assertions about advantages, while detractors make broad allegations based on little empirical data. This may lead to academic environments where false research and conclusions persist without empirical challenge for years. Harris et al. (2015) report that venture capital investment information is strictly confidential. Venture investors are hesitant to give company information, although senior management has access to cash flow information (Betoni et al., 2011). Chinonso and Zhen (2016) note that excessive and compulsive concealing of crucial information is malpractice that causes moral hazard and threatens SMEs' development.

Venture capitalists fund businesses in three ways. Venture capital funding funds recognise enterprises via upfront, staged, and syndicated payouts (Wang & Zhou, 2002). In upfront funding, venture capitalists provide businesses a lump payment (Cherif & Elouaer, 2014). Vita et al. (2014) state that venture capitalists have two options before funding: provide cash or withdraw. Venture capitalists cannot cancel projects with upfront money. Venture capitalists' efforts are clearly visible with upfront financing.

Staged financing, another venture capital financing strategy, tackles upfront finance problems and incorporates governance frameworks via monitoring and assessment. Staged investment helps venture capitalists gather data on activities as they proceed (Bygrave & Timmons, 2012). This allows the venture investor to assess the firm's performance, development, and funding allocation (Beck & Demircuc-Kunt, 2006). Syndication is the third venture capital funding option. According to Santhanakrishnan (2010), venture capitalists prefer and use syndication during turmoil. Several venture capital companies may invest in one or more businesses in syndicated financing. Syndicating investments reduces risks, human resource, and cash flow restrictions in venture capital businesses (Syed et al., 2012). Syndication involves many investors funding one or more SMEs.

Concept of Small and Medium Enterprises

SME definitions differ by nation, continent, and international organisation, according to this research. Thus, it is challenging to define SMEs globally. Most of the time, another problem is a lack of reliable data. Despite this problem, different economies define SMEs differently for structural, political, cultural, economic, and social reasons (Kushinir, 2018). Definitions differ, but they all use the same fundamental element: the number of employees.

Both staffing levels and financial turnover are appropriate, while financial turnover presents unique problems. It's interesting to note that, in order for a company to comply with the standards of the government SME program, active lobbying, industry, population size, corporate culture, and worldwide economic integration all play a role in the ideal definition of a SME. This divergence of interests makes defining SMEs globally difficult. As a result, the number of employees and yearly revenue turnover define the classification of SMEs (Kushinir, 2018). "SME" hence has several meanings.

According to Natarajan and Wyrick (2011), SMEs are defined by the Inter-American Development Bank (IADB) as organisations with no more than 100 people and annual sales of less than \$3 million. In Europe, the definition is less than 250 employees, while in the US, it is less than 500. SMEs are defined by the World Bank (2018) as businesses with 300 employees or less, \$15 million in revenue, and \$15 million in assets.

Growth of Venture Capital-backed SMEs

Increased revenue and number of employees are often used to measure a firm's growth, but they also depend on finance, resources, and how well the firm seizes market prospects to realise more revenue (Gugu & Mworora, 2017). Due to their economic significance, new SMEs' revenue and employee growth factors garner a lot of attention. Understanding SMEs' development processes is crucial to supporting venture capital financing strategies in developing nations since SMEs drive economic growth and job creation.

Most empirical studies on young firm growth have used Gibrat's law (Gibrat, 1931) to test the interplay among size and growth and control for other explanatory variables at the firm and institutional levels (Arouri,

2018). Venture capital has improved SMEs' sales, profitability, assets, and financial and resource management, according to Memba et al. (2012). Increased profitability means more tax money for government spending (Block & Watzinger, 2017). Other research suggest that venture capitalists help SMEs develop beyond funding (Cherif & Elouaer, 2014; Gervasoni & Bollazzi, 2016; EAVCA, 2016). This suggests venture capital investment helps SMEs flourish. Venture capital's support of growing SMEs shows the financing model's mutually reinforcing collaboration between equity capital owners and SMEs (Chenonso, 2016).

Venture capitalists' backing helps SMEs grow in revenue and staff at vital stages and establish the groundwork for a new generation of locally owned major firms. Ristovska (2013) argues that although venture capital investment is vital, other variables also affect business development. To generate real business revenue, one must understand revenue drivers and costs. Financiers and entrepreneurs often concentrate only on cost control (Shields & Shields, 2005). Thus, cost reduction without understanding the effects of rising revenue, number of staff, and other venture capital cost considerations may stagnate SMEs development.

As a consequence, cost reduction techniques and their influence on management decision-making are frequently disregarded, which may hinder SME development. In order to control or minimise expenses, many corporations remove the very costs that should support growing income. Poor cost-control management may put firms into a profit and growth downturn. Thus, venture capital cost may affect business development (Duah, 2009). Mackdonald (2015) states that cost structures provide a clear method to balance revenue growth and expense management. Venture funds should build their organisations to include varied degrees of cost conservation, flexibility, and a lack of stringency to generate more income.

Efficient Markets Theory

The theory of efficient markets, developed by Fama and French in 1965, places a strong focus on asset allocation and operational efficiency. In today's capital and financial markets, it is crucial. Since all markets need information in order to make choices, competition is essential to the notion of efficient markets. According to the idea, one cannot obtain above-average profits since financial markets mirror historical tendencies. According to Brown (1978), an efficient market is one in which investors cannot get an abnormal return on their investment in publicly available information.

According to Berkery (2007), venture investors evaluate and exit firms using the efficient market hypothesis. According to Xiaoqing (2006), venture capital firms have the ability and motivation to help their portfolio companies establish strategic alliances depending on their worth. According to Wang et al. (2012), the valuation of companies provides new insights into the value-added services that venture capitalists guarantee and access to a wide network of alliance partners. Therefore, in order to reduce risk factors like market competitiveness or technological instability, venture capitalists rely on information from efficient market theory rather than information developed by businesspersons or the venture capital firm itself (Lindsey, 2008). According to Gompers et al. (2008), many of these risks are greater in newer, less established businesses when there isn't a valuation assessment.

According to Amit et al. (2017), informational asymmetries diminish the ability to emigrate. If investors were made while knowledge asymmetries were in effect and venture capitalists are willing to sell their shares after the business goes public, it will be difficult to sell those shares in a public market when most investors are relatively well-informed. According to Amit et al. (2017), a lot of exits may happen via sales to knowledgeable buyers, such as venture firms in the same industry or the venture's own management. Consequently, the presentation of high-calibre initiatives in public offers is contingent upon the establishment of an exceptional reputation. Efficient market theory suggests that many potential venture capital ventures are underfunded or not supported because of moral hazard and adverse selection.

While they may not be able to address every problem, venture capitalists can minimise market failures by using efficient market hypotheses (Wang et al., 2012). Trade sales and mergers and acquisitions won't happen, and outside public investors will suffer if symmetry information is substantial at the time of leaving. Insiders will instead be in a better position to buy the businesses. Insiders would include management staff and other companies in the same industry; in an efficient market, IPOs would represent a tiny portion of departures (Schwienbacher, 2002). It might be costly to identify exchange partners because of the fees associated with contracts, research, and due diligence. Contractual ties with other venture capital firms, trade journals, and business data from the sector are reliable sources of outside information for market hypotheses (Hsu, 2004).

Exit and syndication of venture capitalists serve as examples of the significance of efficient market theory in venture capital financing (Eldon, 2008). According to Smolarski and Kunt (2011), only one investor may be aware of the market value of a joint venture when two or more investors finance it. Efficient market theory has an impact on venture capitalists who want to sell their assets via initial public offerings (IPOs), according to Valerio et al. (2013). Venture investors often properly assess SMEs during an IPO because of public information. Venture capitalists are discouraged from generating anomalous gains by efficient market theory (Syed et al., 2012).

Empirical Review

Lee et al. (2020) examined the implication of venture funding on the development of SMEs. Their study employed survey analysis. They found that venture capital funding positively impact the growth of SMEs, but the impact is more significant for early-stage firms than later-stage ones. In light of the results it was suggested that early stage SMEs should consider seeking venture capital financing to accelerate their growth.

Kim and Kwon (2020) carried a study on venture capital and SMEs innovation with attention on the effect of R&D intensity. The study utilized the case study analysis. The research revealed that venture capital funding has a favourable outcome on the innovation output of SMEs, and it is more effective for firms with high R&D intensity. Their study therefore recommended that SMEs with a focus on innovation should consider seeking venture capital financing to accelerate their growth.

Zhang et al. (2020) examined the implication of venture funding on SME internationalization with evidence from China. The study employed regression analysis. The research revealed that venture funding has a favourable influence on the internationalization of SMEs, especially for firms in high-tech industries. They therefore recommended that SMEs with a focus on internationalization should consider seeking venture capital financing to accelerate their growth.

Schindele et al. (2020) examined the role of the investor-entrepreneur relationship in the growth impact of venture funding. The study employed panel data analysis. The study found that venture capital funding positively influences the expansion of SMEs, but the impact is contingent on the quality of the investor-entrepreneur relationship. They recommend that SMEs should carefully choose venture capital investors who can provide not only financial resources but also strategic guidance and network support.

Kim et al. (2020) examined the implication of venture funding on the financial reporting quality of SMEs. The research utilised both descriptive and inferential analysis. The study found that venture funding positively affects the success of SMEs, but the effect is more significant for firms with high-quality financial reporting. The study recommend that SMEs should strive to improve their financial reporting quality to attract and retain venture capital investors.

Xu et al. (2021) researched on venture capital financing and SME survival with evidence from China. The study employed propensity score matching analysis. The found that venture funding positively influences the survival rate of SMEs, especially for firms in high-tech industries. They therefore recommend that SMEs in high-tech industries should consider seeking venture capital financing to improve their survival prospects.

Colombo et al. (2020) carried a study on venture capital and the growth of high-tech start-ups with focus on a meta-analysis. The study employs meta-analysis. The study found that venture funding has a favourable outcome on the expansion of SMEs, but the effect size varies across studies and is moderated by contextual factors such as industry, region, and stage of development. Their study recommends that SMEs should carefully evaluate the potential benefits and drawbacks of venture capital financing based on their specific context and needs.

Guo et al. (2020) explored the implication of venture funding on innovation output of SMEs: the role of open innovation. The study utilized case study analysis. They revealed that venture funding has a favourable effect on the innovation output of SMEs, but the effect is mediated by the extent to which the firm engages in open innovation practices. The study therefore suggests that SMEs should apply open innovation practices to maximize the benefits of venture capital financing for innovation.

Zhang and Yang (2020) carried a study on venture capital and SME performance with focus on the moderating role of managerial expertise. The study employed propensity score matching analysis. Their study found that venture funding positively influences the performance of SMEs, but the effect is more significant for firms with high managerial expertise. It was therefore recommended that SMEs should strive to develop strong managerial expertise to maximize the benefits of venture capital financing.

IV. METHODOLOY

The research employed a survey design. The population of the study consist of 300 registered small and medium scale enterprises within Bayelsa state, Nigeria (SMEDAN, 2017). However, since the population is enormous, the sample size of 169 SMEs was employed for the study which was ascertain utilising the Krejcie and Morgan (1970) sample size estimation table. Primary data collection was employed where questionnaire instrument was utilised to gather data from the targeted participants. The questionnaire is broadly divided into two; structured and unstructured questionnaire. Data was analyzed using inferential statistics. To ascertain the strength of the interaction and the causal effects of predictor variables on the criterion variable, as indicated in the model specifications, the data will be analysed statistically using multiple regressions and Pearson's correlation coefficient.

Regression analysis, a statistical method for determining correlations between variables in order to predict future values, is to be used to the data analysis process. Utilising the equation;

$$SGwTh = F(CaFm, CoVc, MaSu) \tag{1}$$

This can be written in explicit form as:

$$SGwTh = \beta_0 + \beta_1 CaFm + \beta_2 CoVc + \beta_3 MaSu + \mu \tag{2}$$

Where:

SGwth = Sales Growth of Small and Medium Enterprises in Bayalsa State

CaFm = Venture Capital Financing Method

CoVc = Cost of Venture Capital

MaSu = Venture Capital Management Support

B=Coefficient of parameter

μ =Error term

A priori specification

The expectations for the co-efficient of the model: $\beta_1 > 0, \beta_2 < 0$.

V. RESULTS, CONCLUSION AND RECOMMENDATION

Correlation Analysis Result

Pearson Correlation Matrix of SMEs Sales Growth, Capital Financing, Cost of Capital and Management Support

		Sales Growth	Capital Financing	Cost of Capital	Management Support
Sales Growth	Pearson Correlation	1	.872**	.769**	.919**
	Sig. (2-tailed)		.000	.000	.000
	N	169	169	169	169
Capital Financing	Pearson Correlation	.872**	1	.878**	.841**
	Sig. (2-tailed)	.000		.000	.000
	N	169	169	169	169
Cost of Capital	Pearson Correlation	.769**	.878**	1	.812**
	Sig. (2-tailed)	.000	.000		.000
	N	169	169	169	169
Management Support	Pearson Correlation	.919**	.841**	.812**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	169	169	169	169

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

The correlation matrix in Table above provides insights into the relationships between SMEs sales growth, funding, cost of capital, and management support in the context of venture funding for SMEs in Bayelsa state, Nigeria.

The Pearson's r correlation coefficients show the direction and intensity of the correlations between the variables. Positive values of the correlation coefficient indicate a favourable relationship, negative values infers a unfavourable correlation, and values around 0 indicate no meaningful correlation. The correlation coefficient ranges from -1 to +1.

The results reveal strong positive correlations between SMEs sales growth and capital funding (r = 0.872**), cost of capital (r = 0.769**), and management support (r = 0.919**). These correlations indicate that as capital funding, cost of capital, and management support increase, SMEs sales growth tends to increase as well. These relationships are significant at the 0.01 level, suggesting a strong interplay among these variables.

These findings imply that venture funding methods, lower cost of capital, and effective management support play crucial roles in promoting the growth of SMEs in Bayelsa State. The positive correlations highlight the importance of these factors in driving SMEs' expansion and development. The results support the specific objectives of the study, indicating that venture funding methods, cost of capital, and management support substantially impacts the sales growth of SMEs in Bayelsa State, Nigeria.

Regression Analysis Result

Model Summary of Venture Capital Finance on Sales SMES Growth

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				Durbin-Watson	
					R Square Change	F Change	df1	df2		Sig. F Change
1	.759 ^a	.719	.715	4.12292	.719	213.003	5	94	.000	.563

a. Predictors: (Constant), Capital Financing, Cost of Capital, Management Support

b. Dependent Variable: SMEs Sales Growth

The regression analysis, as shown in the Model Summary, examines the relationship between SMEs sales growth (dependent variable) and the predictors of capital financing, cost of capital, and management support. The results indicate a well-fitted model as evidenced by the high R-squared value of .719. This means that 71.9% of the change in SMEs sales growth can be attributed to the predictors adopted in the model.

The adj. R² of .715 implies that the model accounts for the relationships between the predictors and SMEs sales growth while considering the number of predictors and the sample size. The change statistics show that the R-squared change is .719, indicating a significant improvement in the model's predictive power when the predictors are included. The F-change value of 213.003 with (df1 = 5, df2 = 94) and a p-value of .000 implies that the model is significant.

The Regression Coefficient of Venture Capital Finance on SMES Growth

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	-3.070	1.429		-2.148	.034		
Capital Financing	11.583	2.038	.404	5.685	.000	.171	5.861
Cost of Capital	7.233	1.005	.523	7.200	.000	.163	6.117
Management Support	-4.425	1.927	-.192	-2.296	.024	.124	8.075

a. Dependent Variable: SMEs sales Growth

The regression coefficient results in Table analyze the association between venture capital finance and SMEs expansion, while controlling for the predictors of cost of capital and management support.

The coefficient for capital financing is 11.583, with a standard error of 2.038. This indicates that, on average, a one-unit increase in capital financing is related to an increase of 11.583 units in SMEs sales growth. The standardized coefficient (beta) of 0.404 suggests that capital financing has a reasonable affirmative impact on SMEs sales growth after considering for the impact of other variables in the model. The t-value of 5.685 and the related p-value of .000 implies that the coefficient is significant, meaning that capital financing has a significant influence on SMEs sales growth.

The coefficient for cost of capital is 7.233, with a standard error of 1.005. This entails that, a one-unit increase in the cost of capital is related with an increase of 7.233 units in SMEs growth. The standardized coefficient of 0.523 indicates a moderate positive impact of the cost of capital on SMEs sales growth after considering other variables. The t-value of 7.200 and the associated p-value of .000 suggests that the coefficient is substantial, highlighting the significant influence of the cost of capital on SMEs sales growth.

VI. Conclusion

To sum it all, the study emphasized the important effect of venture funding on the development of SMEs in Bayelsa state, Nigeria. The findings demonstrate that access to capital funding plays a vital role in facilitating the growth of SMEs. Lower costs of capital were found to further contribute to SMEs' growth potential. However, the study also reveals the need for improved management support from venture capital providers, as it was identified as a limiting factor in SMEs' growth.

To foster the growth of SMEs effectively, it is crucial for venture capital providers and policymakers to focus on addressing the challenges associated with management support. This includes enhancing the quality and availability of support services tailored to the specific needs of SMEs in Bayelsa state. Moreover, ensuring competitive and favorable costs of capital will encourage SMEs to utilize venture capital financing as a means to achieve their growth objectives.

VII. Recommendations

In light of the results of the study on the impact of venture funding on the advancement of SMEs in Bayelsa state, Nigeria, the following suggestions were made:

- i. **Strengthen Management Support:** Venture capital providers should enhance their management support services for SMEs. This can be achieved through offering mentorship programs, business advisory services, and networking opportunities to help SMEs address operational and managerial challenges. By providing comprehensive and tailored support, venture capital providers can better assist SMEs in achieving sustainable growth.
- ii. **Improve Access to Capital Financing:** Policymakers and financial institutions should collaborate to develop programs that facilitate increased access to venture capital financing for SMEs. This could include creating specialized funds, providing financial incentives, and simplifying the application and evaluation processes. By reducing barriers to entry, SMEs can obtain the necessary funding to expand their operations and drive growth.
- iii. **Foster Collaboration and Knowledge Sharing:** Encourage collaboration between venture capital providers, SMEs, and other stakeholders in the entrepreneurial ecosystem. This can be achieved through organizing networking events, workshops, and industry-specific conferences. Such initiatives enable sharing of knowledge and create opportunities for partnerships, which can ultimately contribute to the growth and success of SMEs.

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