The Role of Microfinance in Small Scale Enterprise as Bedrock of Economic Development

Usman Ibrahim Zwal (Lead Researcher)
Department of Banking and Finance
Federal Polytechnic, Bauchi, Bauchi State Nigeria
aturabu@gmail.com

(This is a Tetfund sponsored Institutional based research IBR (2016))

ABSTRACT
The research examines the role of microfinance in Small scale enterprise as a pillar to economic development. As the past, government has initiated series of microfinance programs targeted at the poor with the overriding objective of making credit readily available to those who were traditionally denied access to credit. Such credits in the world over were used for the development of small and medium scale enterprise, which has been described as the springboard for sustainable development. The research adopts the survey type of research. The study area was Bauchi local government. Data collection was through interviews, including the documented relevant data, and questionnaires. 250 questionnaires were distributed to the residents of Bauchi metropolis. The methods that were used to analyze the data in this work were tables and percentages. Also, the opinions of the candidates on each question are weighed using simple percentage. The problems hindering micro finance in providing credit facilities to small scale enterprises was determined; the research will advance the efficiency and effectiveness of micro finance policies hampering small scale development in Nigeria, The shortcomings and inadequacies of previous and current government policies towards Micro finance were highlighted and the stakeholders advised accordingly, It will guide government and policy makers to have an insight into the policies affecting micro finance in Nigeria, The research also establish a link between micro finance and small scale enterprises development in Nigeria. It is recommended that if the fore mentioned inadequacies of the government will be improved microfinance will enhance the Nigerian economy positively.

Keywords: Role, Microfinance, Small scale Enterprise, Bedrock, Economic, Development

INTRODUCTION
In the past, government has initiated series of microfinance programs targeted at the poor with the overriding objective of making credit readily available to those who were traditionally denied access to credit. Such credits in the world over were used for the development of small and medium scale enterprise, which has been described as the springboard for sustainable development. In all emerging economies like Nigeria, the government has shown a great concern for the development of small and medium scale enterprise because of the underlying socio-economic factors plaguing the nation. some of the reasons include: the past policies failed to generate efficient self-sustaining impetus needed to uplift the country to the ‘take-off” stage of growth, the increased emphasis on self-reliant approach to the development and the recognition that dynamic and growing petty-business can contribute substantially to a wide range of developmental objectives. However, the full potential of the micro business in the development process have not been realized owing to numerous bottlenecks. In the light of this, the Central Bank of Nigeria (CBN) as part of its reform agenda, initiated Micro Finance Banks, a policy initiative aimed at bringing credit to the door step of the poor who do not have such access under the conventional financial system. The thrust of this project is to articulate the prospects of the micro finance
banks towards boosting the performance thereby reducing the level of poverty and enhancing employment generation.

It is now widely believed that following government’s acclaimed policies on rural development, rural investment will be given a boost via microfinance banking as all frustrations of our hardworking, devoted but under-privileged masses would come to an end. However, the idea behind microfinance banking is to encourage rural development through rural commitment in modern financial institutions within the rural environment. Thus, microfinance banking is supposed to be the machineries for financial and economic emancipation as its growth is connected with the community in which it serves. It is therefore not certain whether or not micro-finance banks actually impacts on small and medium scale businesses in the rural communities.

Problem Statement/Justification
The Role of Microfinance in Small Scale Enterprise has had a number of challenges in Nigeria which has greatly affected the bedrock of Economic Development of the country. Researches have been conducted with a view to clearly define these roles but little has been achieved to date. However, this research will identify what exactly are the problems hindering micro finance in providing credit facilities to small scale enterprises? How is the lack of efficient and effective micro finance policies hampering small scale development in Nigeria? It will also look at how has failure of government policies affected micro finance in Nigeria? The research will at the end establish the link between micro finance and small-scale enterprises development in Nigeria

Objective(s) of the Study
i. To ascertain the extent to which micro finance bank has been assisting in providing credit facilities to small scale industries in Bauchi state
ii. To determine the efficiency and effectiveness of Micro finance policies on small scale industries in Bauchi State
iii. To assess the failure of Government policies on the performance of Micro finance in economic development
iv. To determine and establish the link between micro finance and small scale enterprise development in Nigeria
v. To identify the problems encountered by small scale business in obtaining credit facilities from Microfinance Bank.

Scope and Delimitation of the Study
The research work is aimed at identifying those challenges faced by consumers to access microfinance facilities in the economy and how well their rights are being protected. The study covers; the aspect microfinance polices the rights of consumers and how important it is to the effectiveness of the policy.

Literature Review
Microfinance is a general term to describe financial services to low-income individuals or to those who do not have access to typical banking services. Microfinance is also the idea that low-income individuals are capable of lifting themselves out of poverty if given access to financial services. Bornstein and Davis (2010: 17) assert that the Grameen Bank and another microfinance institution, the Bangladesh Rehabilitation Assistance Committee (BRAC), “demonstrated that it was possible to mitigate poverty on a massive scale.” This sort of interpretation garnered tremendous support for microfinance. The United Nations declared 2005 the International Year of Microcredit, and microfinance is promoted extensively by USAID and the World Bank. Yunus and the Grameen Bank were jointly awarded the Nobel Peace Prize in 2006. Microfinance is supported by foundations such as Google.org, the Bill and Melinda Gates Foundation and Citi along with individuals such as eBay founder Pierre Omidyar (Bruck 2006). Business schools around the world now have programs studying and promoting microfinance. The result had been a veritable explosion of microfinance institutions and programs.

Roodman (2012, 229) reports that the twenty largest microcredit institutions on the Microfinance Information exchange were serving more than 47 million borrowers in 2009 and the number of borrowers at each institution was growing at an annual rate of between 7 and 438 percent (with a mean growth rate of 65 percent and a median growth rate of 41 percent). Total microloans of the top 50 investible
Microfinance Institutions (MFIs) increased from $1.5 billion in 2005 to $5.4 billion in 2010 (Roodman 2012, 232). ResultsAbility (2013) reports annual growth in the loan portfolios of the 100 largest investible MFIs of 10 to 30 percent between 2009 and the first half of 2013, and a doubling in the value of loans from $12 billion to more than $25 billion. Interestingly, the recent rapid growth in MFIs has proceeded despite a series of important critiques of microfinance since 2007.

In the most comprehensive study of the impact of microfinance, David Roodman (2012, 172) comes to two main conclusions: “First, poor people are diverse, and so are the impacts of microcredit upon them and there is no convincing evidence that microcredit raises incomes on average.” In carefully done studies, even in the most successful programs there is an “absence of a clear statistical link between microfinance and poverty alleviation” (Roodman 2012, 176). Roodman’s analysis has been supported by numerous other researchers (Duvendack et al. 2011, Roy 2010, Roodman and Morduch 2009, Bond 2007, Dichter and Harper 2007).

Indeed, microfinance can actually worsen poverty, as has been the case in the “microfinance meltdowns” that occurred in Bolivia, Morocco, Nicaragua, Pakistan, Bosnia and India (Bateman and Chang 2012, 16). In South African microfinance programs both rural dwellers and the urban poor proved unable to generate enough revenue to make credit payments. This, coupled with high program costs, meant that South African microfinance programs did not achieve even modest levels of success (Bond 2007, 223-4).

It is now common knowledge according to Egbe (2000) that the 1980s witnessed a rapid growth of commercial banking activities in many Nigerian rural communities where banking habits, culture, commitment and community development was poor if not non-existent. It is instructive to note that during this period, community funds among rural dwellers were hardly gathered for savings and loans in order to stimulate domestic investment. Suffice it to say that in rural communities, the rural business class hardly seeks formal institutional credits to improve their economic base. It would be observed that, despite the presumed developments in the Nigerian economy, the country is still largely being regarded as a developing country (Onyema, 2006). More so, its industrial growth is not quite impressive. Before the emergence of formal microfinance institutions, informal microfinance activities flourished all over the country. Traditionally, microfinance in Nigeria entails traditional informal practices such as local money lending, rotating credit and savings practices, credit from friends and relatives, government owned institutional arrangements, poverty reduction programs etc. (Lemo, 2006). The Central institutions in Nigeria are relatively new, as most of them never registered after 1981.

Before now, commercial banks traditionally lend to medium and large enterprises which are judged to be credit-worthy. They avoided doing business with the poor and their micro enterprises because the associated cost and risks are considered to be relatively high (Anyawu, 2004). However, Barbara (1999), posit that the need for microfinance banking among rural dwellers has been on the increase, and as such, between 1989 and 1990, the Federal Government initiative aimed at actualizing this growing need expanded the rural banking scheme with the launching of Peoples Bank and Community Bank respectively. To make borrowing easy enough for rural communities, these banks do not require sophisticated collateral for borrowing. Also, interest on borrowed money was made as low as possible by the two banks to enable small-scale rural community industrialist and agriculturist to borrow with ease. Today, many rural communities in Nigeria have one or more of this microfinance bank, and they have had far more reaching implications for the entire socio-economic development of rural communities in Nigeria. It is worthwhile to note, according to Usang (2006), that many would recall how lack of funds often caused the collapse of small businesses and the extinction of ingenious ideas before they could be translated into reality.

**Development Theory and Microfinance**

Rural financial institutions have pivotal role in the development of rural economy, as they provide positive institutional alternative to the exploitative money lender, on one hand and on the other promote livelihood options through enhancing the availability of credit for productive investments. Recognizing their multiple linkages of credit with livelihood strategies and poverty alleviation, the low-income countries having a large underdeveloped rural economies emphasis on targeted credit delivery programs to expand the outreach of the formal lenders to the rural poor, however the theoretical and empirical
literature on rural credit market has demonstrated that the rural credit market as an institution has not been able to fulfill its objectives efficiently in meeting credit needs of the poor in the low income countries. The emergence and rapid expansion of microfinance can be seen as a result of shortcomings of development strategies, particularly in the area of development finance. By providing financial services to the poor people on a self-financing basis microfinance have overcome two main problems of all post war approaches of developmental finance. These are namely exclusion of the poorer parts of the population from the access to financial services as well as the political interference with development finance and its dependence on subsidy eventually resulting in lack of substantiality.

Over the last five decades, Nigerian strategies and programs toward financing micro, small and medium enterprises have failed to hit the required targets in enhancing the socioeconomic status of the poor despite the fact that 98 percent of the businesses in Nigeria are on a micro scale (Enhancing Financial Innovation and Access, 2012). Nonetheless, interest-based commercial banks are excluding them from financial outreach since 1992 (Luper, 2012; Terungwa, 2011). To this effect, the central bank in the country transformed the community banks to microfinance banks (MFBs) in 2005. MFBs were established in Nigeria with the aim to provide small loans and advances to poor through simple operations and without too much emphasis on asset-based collaterals (Central Bank of Nigeria, 2005; CBN, 2011a, b, c). In a nutshell, the focus of those banks is to reduce the menace of poverty and to improve well-being of the society. Similarly, Brundtland (1987) foresees sustainability as “uncompromising needs of present and future generations’ economic, social and environmental aspects of life.” As such, the Brundtland’s definition explicated the excessive need for sustaining people and their environment of which the poor is one of those segments of the society that requires immediate survival. Nonetheless, in the case of Nigeria, 103 MFBs were closed due to poor risk management and failure in corporate governance among others (Central Bank of Nigeria, 2010a, b). Moreover, it has been noted that the failure of MFBs in providing socio-economic support to poor clients is related to the gap in institutional capacities and poor banking culture (Central Bank of Nigeria (CBN), 2011a, b, c). Interestingly, efforts have been made to reduce the level of financial exclusion through other non-traditional banking models. As a result, CBN framed new banking model that accommodated the non-interest financial institutions under specialized banks. Today there are thousands of MFIs providing financial services to an estimated 100 - 200 million of the world’s poor (Christen et al., (1995)). What began as a grass-roots —movementl motivated largely by a development paradigm is evolving into a global industry informed increasingly by a commercial/finance paradigm. The rise of the microfinance industry represents a remarkable accomplishment taken within historical context. It has overturned established ideas of the poor as consumers of financial services, shattered stereotypes of the poor as not bankable, spawned a variety of lending methodologies demonstrating that it is possible to provide cost-effective financial services to the poor, and mobilized millions of dollars of —social investmentl for the poor (Mutua, et al. (1996)). It must be emphasized too that the animating motivation behind the microfinance movement was poverty alleviation. Not only that, but microfinance offered the potential to alleviate poverty while paying for itself and perhaps even turning a profit doing well by doing good. I This potential, perhaps more than anything, accounts for the emergence of microfinance onto the global stage.

METHODOLOGY
The research adopted the survey type of research. The study area will be Bauchi local government. Data collection will be through interviews, including the documented relevant data, and questionnaires. 250 questionnaires will be distributed to micro finance staff and small-scale business owners in Bauchi metropolis. The data for the study were collected through survey with the use of questionnaires, which were administered to workers in some selected micro finance banks and small-scale enterprises in Bauchi State, Nigeria. Stratified sampling method was adopted in selecting the parastatals and respondents for this study. The questionnaire was divided into two sections, the first tends to obtain the respondent bio data while the second part contains the items regarding the Variables of the subject matter and this was
based on a five-point Linkers scale (5-Strongly Agreed, 4- Agree, 3-Undecided, 2-Strongly Disagree, 1- Disagree) which describes the extent to which the respondents agree with each of the items in the questionnaire. The methods that were used to analyze the data in this work were tables and percentages. Also the opinions of the candidates on each question are weighed using simple percentage. This is done so as to ascertain the average opinion of the respondents. A total of 250 copies of the questionnaires were administered within selected institutions, 242 were useful while 8 were found not to be useful due to improper filling or were unreturned.

RESULTS- DATA ANALYSIS PRESENTATION

<table>
<thead>
<tr>
<th>S/N</th>
<th>STATEMENT</th>
<th>SA</th>
<th>A</th>
<th>UD</th>
<th>D</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Extent to which microfinance banks has been assisting in providing credit facilities</td>
<td>170 (70.2%)</td>
<td>25 (10.3%)</td>
<td>10 (4.1%)</td>
<td>20 (8.3%)</td>
<td>17 (7.1%)</td>
</tr>
<tr>
<td>2</td>
<td>I believe that microfinance banks in the state are making credit facilities easy and accessible to small scale industries.</td>
<td>10 (4.1%)</td>
<td>05 (2.1%)</td>
<td>17 (7.0%)</td>
<td>185 (76.4%)</td>
<td>25 (10.4%)</td>
</tr>
<tr>
<td>3</td>
<td>Microfinance banks are reluctant in providing credit facilities in the state</td>
<td>175 (72.3%)</td>
<td>25 (10.3%)</td>
<td>30 (12.4%)</td>
<td>5 (2.1%)</td>
<td>7 (2.9%)</td>
</tr>
<tr>
<td>4</td>
<td>I, am really aware of credit facilities provided by Micro finance banks and have access to various</td>
<td>50 (20.7%)</td>
<td>50 (20.7%)</td>
<td>87 (35.9%)</td>
<td>15 (6.2%)</td>
<td>40 (16.5%)</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>405 (41.8%)</td>
<td>105 (10.8%)</td>
<td>144 (14.9%)</td>
<td>225 (23.2%)</td>
<td>89 (9.3%)</td>
</tr>
</tbody>
</table>

Impact of microfinance policies on small scale Industries in Bauchi

<table>
<thead>
<tr>
<th>S/N</th>
<th>STATEMENT</th>
<th>SA</th>
<th>A</th>
<th>UD</th>
<th>D</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>The implementation of government policies on microfinance has not impacted positively on the lives of people of Bauchi state</td>
<td>145 (59.9%)</td>
<td>16 (6.6%)</td>
<td>20 (8.3%)</td>
<td>14 (5.8%)</td>
<td>47 (19.4%)</td>
</tr>
<tr>
<td>2</td>
<td>The impact of microfinance policies has covered the entire Bauchi state</td>
<td>37 (15.3%)</td>
<td>7 (2.9%)</td>
<td>15 (6.2%)</td>
<td>10 (4.1%)</td>
<td>173 (71.5%)</td>
</tr>
<tr>
<td>3</td>
<td>The implementation of microfinance policies in Bauchi state based on its area of coverage</td>
<td>28 (11.6%)</td>
<td>7 (2.9%)</td>
<td>63 (26.0%)</td>
<td>6 (2.5%)</td>
<td>138 (57.0%)</td>
</tr>
<tr>
<td>4</td>
<td>Microfinance policies of government have not lived up to expectation in terms of desired change in Bauchi state</td>
<td>137 (56.6%)</td>
<td>48 (19.8%)</td>
<td>20 (8.3%)</td>
<td>7 (2.9%)</td>
<td>30 (12.4%)</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>347 (35.8%)</td>
<td>78 (8.1%)</td>
<td>118 (12.2%)</td>
<td>37 (3.8%)</td>
<td>388 (40.1%)</td>
</tr>
<tr>
<td>Assessment of government policies on microfinance</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>Total</td>
<td></td>
</tr>
<tr>
<td>--------------------------------------------------</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>-------</td>
<td></td>
</tr>
<tr>
<td>I am fully aware of government policies on microfinance</td>
<td>149 (61.6%)</td>
<td>16 (6.6%)</td>
<td>21 (8.7%)</td>
<td>11 (4.5%)</td>
<td>45 (18.6%)</td>
<td></td>
</tr>
<tr>
<td>I have the perception that the beneficiaries of this policies have fully understood its objectives</td>
<td>38 (15.7%)</td>
<td>5 (2.1%)</td>
<td>15 (6.2%)</td>
<td>10 (4.1%)</td>
<td>174 (71.9%)</td>
<td></td>
</tr>
<tr>
<td>Microfinance policies have performed well in raising the social status of the beneficiaries in Bauchi state</td>
<td>27 (11.2%)</td>
<td>6 (2.5%)</td>
<td>63 (26.%)</td>
<td>5 (2.1%)</td>
<td>141 (58.2%)</td>
<td></td>
</tr>
<tr>
<td>The establishment of microfinance banks in the state did not improve the status of small scale enterprises in the state</td>
<td>137 (56.6%)</td>
<td>48 (19.8%)</td>
<td>23 (9.5%)</td>
<td>14 (5.8%)</td>
<td>20 (8.3%)</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>351 (36.3%)</td>
<td>75 (7.7%)</td>
<td>122 (12.6%)</td>
<td>40 (4.1%)</td>
<td>380 (39.3%)</td>
<td></td>
</tr>
</tbody>
</table>

Assess the relationship between microfinance and small-scale development in Nigeria

| The number of small scale industries in Bauchi have increased and are working well due to good working relationship with microfinance banks in the state | 143 (59.1%) | 17 (7.0%) | 42 (17.4%) | 15 (6.2%) | 25 (10.3%) |
| Employment opportunities are created in the state due to the activities of small scale vis-à-vis Microfinance banks in the state | 165 (68.2%) | 20 (8.3%) | 30 (12.4%) | 17 (7.0%) | 10 (4.1%) |
| The relationship between small scale and microfinance in the state is not cordial as they do not provide support | 101 (41.7%) | 45 (18.6%) | 55 (22.7%) | 20 (8.3%) | 21 (8.7%) |
| The support provided by microfinance banks in the state is inadequate | 150 (61.9%) | 27 (11.2%) | 40 (16.5%) | 15 (6.2%) | 10 (4.2%) |
| Total | 559 (57.7%) | 109 (11.3%) | 167 (17.3%) | 67 (6.9%) | 66 (6.8%) |

The problems encountered by small scale industries in accessing facilities from the microfinance banks

| I have the believe that there is cordial relationship between microfinance banks and small-scale businesses in the state | 14 (5.8%) | 16 (6.6%) | 165 (68.2%) | 27 (11.2%) | 20 (8.2%) |
| Small scale business in the state lacks basic knowledge of microfinance banks activities and | 145 (59.9%) | 40 (16.5%) | 47 (19.4%) | 3 (1.3%) | 7 (2.9%) |
their facilities

<table>
<thead>
<tr>
<th>3</th>
<th>Small scale enterprises in the rural areas are not carried along in the microfinance programs of the government</th>
<th>130 (53.7%)</th>
<th>20 (8.3%)</th>
<th>70 (28.9%)</th>
<th>10 (4.2%)</th>
<th>12 (4.9%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>Credit facilities procedures are very many as such difficult</td>
<td>50 (20.7%)</td>
<td>10 (4.1%)</td>
<td>105 (43.4%)</td>
<td>50 (20.7%)</td>
<td>27 (11.1%)</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>339 (35.0%)</td>
<td>86 (8.9%)</td>
<td>387 (39.9%)</td>
<td>90 (9.4%)</td>
<td>66 (6.8%)</td>
</tr>
</tbody>
</table>

From the above table, the questionnaire is divided into four segments which answer the four objectives of the research. 405 responses received, representing 41.8% of the total sample strongly agreed that the Microfinance Banks are assisting the small-scale industries in the state in providing credit facilities to enhance growth and development of the small scale in Bauchi state even though the coverage is entire local government in the Bauchi state. It signifies that the Microfinance institutions have positively impacted on the small-scale industries in the state. 105 respondents representing 10.8% agreed to the statement, 144 respondents (14.9%) were not sure. 225 respondents representing 23.2% strongly disagreed and 9.3% representing 89 respondents disagreed.

Secondly on the impact of microfinance policies on small scale in Bauchi state responses received has 347 respondents representing 35.8% of the total sample strongly agree the implementation of government policies on microfinance has impacted positively on the performance small scale enterprises in the state while 8.1% representing 78 respondents agree that microfinance policies has done well on small scale enterprises in the state, 118 (12.2%) were not sure, 40.1% (388) disagreed and 37 (3.8%) strongly disagreed. Thirdly on the assessment of government policy on microfinance in Bauchi state responses received has 351 respondents representing 36.3% affirming that some residence of Bauchi state are not aware of the existence of government policies towards Microfinance but beneficiaries of this policies have fully understood its objectives. Also, microfinance related policies and programs is well understood and appreciated in Bauchi state. Other statements are microfinance policy strategies have performed well in raising the status of the beneficiary small scale enterprises in the state, which equally improve economic status of the state populace. 75 respondents representing 7.7% agreed, 122 (12.6%) undecided, 40 (4.1%) disagreed while 380 (39.3%) strongly disagreed to the statement.

Thirdly the relationship between microfinance and small scale in the state, although there mutual relationship but still there are some hitches on the part of the management of microfinance institutions in the state which is common in the country as a lot of them are going distress due to low capital base which presently the CBN has set in to address by reviewing upward the capital base from N20,000,000.00 to N200million etc. 559 representing 57.7% strongly agreed that there is mutual relationship between microfinance institutions and small scale enterprises in the state, while 109 respondents (11.3%) agreed, 167 respondents (17.3%) undecided. A total of 67 responses (6.9%) disagreed and 66 (6.8) received strongly disagreed with the statement mutual relation between the Microfinance institutions in the state and the small-scale enterprises. Lastly the problems encountered by the small-scale enterprises in accessing credit facilities are also assessed as follows: 339 responses (35.0%) strongly agree to the statement the many problems exist that hinders the efficiency of the microfinance institutions in providing credit facilities to the small-scale enterprises in the state, 86 (8.9%) agreed to the above statement. While 387 (39.9%) undecided signifying majority are unawares about the existing problem between the Microfinance institutions and the small-scale enterprise or even not aware of the government policies on the microfinance institutions, 9.4% (90) respondents disagreed and 66 (6.8%) strongly disagreed.
DISCUSSION ON FINDINGS
From the data so far examined and presented it is glaringly that the concept under discussion has been extensively analysed. On the first objective of this study the larger percentage of 405 representing 41.8% proved that microfinance facilities are provided in the study area. Although a total of 144 responses (14.9%) were not sure of the provision of these credit facilities and 89 respondents (9.3%) strongly disagreed to the provision of these credit facilities in the state. A total of 105 representing (10.8%) Agree that microfinance credit facilities are made available in the state, while 225 representing (23.2%) disagree to the provision of the credit facilities.
However, in discussing the impact of micro finance policies on SME’s 347 representing (35.8%) have strongly agreed that microfinance policies have impacted positively on the lives of people and that the policy and its objectives are understood, 118 representing (12.2%) are undecided about the policies. Also 388 (40.1%) are of the opinion that microfinance policies did not impact positively on lives of the people. 78 (8.1%) Agree that the policies have impacted on the SME’s and 37 (3.8%) disagreed.

Furthermore, the efficiency and effectiveness of microfinance banks in the study area received a strong boost as 559 respondents representing (57.7%) were of the view that the few microfinance banks in the state are effective and therefore has impacted positively on the growth of SME’s in the state. A total of 109 representing (11.3%) and 66 (6.8%) agreed and strongly disagreed. While 167 respondents (17.3%) are neutral and 69 (6.9%) disagreed.
Finally, in determining the problems encountered by the SME’S in assessing microfinance loans the research shows that although there is mutual relationship between microfinance banks and SME’s, but a lot of awareness need to be put in place to make the relationship more beneficial. In the above the result shows 339 respondents (35%) strongly agree that there is little problem encountered by the SME’s in accessing Microfinance loans, while 90 (9.4%) disagreed. Similarly, 86 respondents representing (8.9%) agree. 387 (39.9%) were neutral and 66 (6.8%) strongly disagree.

CONCLUSION AND RECOMMENDATION

Considering the present economic hardship in the country there is the urgent need for microfinance in the country in order to provide for those entrepreneurs who are able and capable of turning small amount of capital to fortune at lower rate of interest.

The Government of Nigeria has identified microfinance as an effective tool for promoting better access of the poor, low income population and vulnerable groups, to financial and social services, and broad based/strong economic growth. Microfinance enables poor people to expand their businesses, increase their revenues, and create employment. To put micro-finance in proper perspective, the Nigerian Government launched the Microfinance Policy, Regulatory and Supervisory Framework for Nigeria on 15th December, 2005.

In the other way SMEs constitute large numbers of small business that are found in all the nook and crannies of the country which constitute about 92% of all business in the country contributing to the GDP growth and are practically the bedrock of the economy and the highest employer of labour. They are located in almost all sectors of the economy ranging from agriculture to manufacturing and are also sources of income to most families in the country.

This research found that one of the biggest problem faced by the SMEs is that of Financing which if the Microfinance policies are adhered to properly will provide solution and enhance economic growth and development of the country.

The following recommendations need to be considered seriously:
1. The government need to review policies on microfinance to include all embracing prerequisite with the intention of removing all bottlenecks that serves as impediment to the efficiency and effectiveness of microfinance policies in the country, to pave way for effective microfinance policy that will bring the desired economic growth and development.
2. Public policies should include institutional capacity building such that microfinance institutions can match people’s capacity with opportunities in order to link the demand and supply of capital to the requirements of the SMEs to boost the accessibility to financing which will lead to economic growth and development in the country.

3. The challenge of policy streamlining is to combine growth promoting policies with the right policies in assuring the poor fully participate in economic development. However, the challenges for this research is to improve knowledge and understanding of what policies, technologies and investment matter for sustained and inclusive growth in the country (Kuznets, 1971).

4. Poverty in any economy deter economic growth and development. To reduce poverty and improve the quality of life in Nigeria will require sustained economic growth. However, the extent of poverty reduction will depend on the degree to which the poor participate in the growth process and share in its proceed. Repositioning microfinance institutions will go a long way towards achieving these.

5. Microfinance institutions should be adequately equipped, repositioned and be given adequate attention by the government in order to serve as a source of finances to SMEs in the state. This will go a long way in minimizing unemployment as the SMEs are major employers of labour, which will boost economic growth and development.

6. Microfinance Institutions need to put more efforts towards financing SMEs, their roles need to be felt by the SMEs in terms of growth and development.

7. The guidelines for microfinance institutions to finance SMEs need to be flexible to accommodate the SMEs needs.

8. It is the hope of this research that microfinance institutions in Nigeria will develop more interest in supporting growth in SMEs.

To adequately support small enterprises, MFIs will need to better understand their unique needs and to tailor financial services and build appropriate infrastructure to meet them. Successfully serving small enterprises is a process, not a one-time event so careful planning is crucial. This will require a commitment from top management to create a client centric approach, hire dedicated and knowledgeable staff and invest in appropriate technologies.

REFERENCES


Central Bank of Nigeria (2010a), “CBN grants provisional approval for new licenses to 121