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Micro Financing And Small Business Growth In South East, Nigeria

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ABSTRACT

The study examines micro-financing and small business growth using SME's in the South East of Nigeria. the specific objectives are to; ascertain the effect of interest rate charged by MFBs; loan duration/repayment period and assess the extent to which non-financial services of the MFIs affects small business growth in South East Nigeria Literature was reviewed under; conceptual framework, theoretical framework which the study was anchored on the systems theory and empirical reviewed. Descriptive survey design was adopt for this study. The area covered by the study was South-East geopolitical zone of Nigeria. Both primary and secondary sources of data were used. The population for this study consists of small business enterprises located within the South-East States of Nigeria making a total of 7319 respondents. The sample size was 1406 determined using Borg and Gall formula. Systematic sampling method was used. Instrument for data collection was questionnaire. The instrument was validated by both face and content. The reliability of the instrument was ascertained through a method known as test re-test and the application of Spearman rank order correlation coefficient. Data were analyzed using Likert scale format, summary statistics of percentages. Pearson correlation coefficient and multiple regression analysis were used to verify the claims of the null hypotheses at 0.05 level of significance. The study found that interest rate, Loan duration/ repayment period, Non-financial service rendered by MFBs and Loan/credit disbursement has a significant positive effect on performance small businesses in the selected small scale business in south East. The study concludes that micro-financing as practiced in Nigeria microfinance banks do enhance growth such as the SMEs' capacity to create jobs and increase their expansion capacity. The study recommends based on the findings of this study that; to access more credit for business expansion enterprise supported by MFBs should be linked up with larger financing window like the Small and Medium Enterprise Equity Investment Scheme (SMEEIS) fund or Strategic Partners for expansion and growth fund for business growth and survival. The entrepreneurs could also be linked up with other commercial banks who will service the entrepreneurs through the MFBs based on social capital; microfinance bank should adopt similar strategies adopted by deposit money banks in deposit mobilization because it is by so doing that they will be able to grant quality loans to entrepreneurs which will lead to job creation in the economy.

Keywords:

INTRODUCTION

Unemployment and poverty have continued to be on the increase among the people of Nigeria despite government's efforts at mitigating them. Some of the programmes initiated by government to combat unemployment and poverty include: establishment of National Directorate of Employment (NDE), Nigerian Agricultural Cooperative and Rural Development Bank Limited (NACRDB), the National Poverty Eradication Programme (NAPEP), the Peoples Bank of Nigeria (PBN), Family Economic Advancement Programme (FEAP), Directorate of Food, Roads and Rural Infrastructures (DIFRRI) and lately sure-p, to mention but a few. In recognition of the contribution of small and medium scale enterprises (SMEs) to economic growth and sustainable development globally, the Central Bank of Nigeria (CBN) have introduced the microfinance policy regulatory and supervisory framework in Nigeria to empower the vulnerable and poor people by increasing their access to factors of production, particularly primary capital (CBN, 2016). The pivotal role these classes of business play in employment generation, income redistribution and wealth creation is not in doubt (NISER, 2011). To USAID (2015), the small and medium enterprise (SMEs) represents about 87 percent of all firms operating in Nigeria. Non-farm MSMEs account for over 25 percent of total employment and 20 percent of the GDP (SMEDAN, 2017). To achieve the goals of this phase of its banking reform agenda, the apex bank sought to re-brand and re-capitalize the hitherto community banks, to come under two categories of microfinance banks. These are microfinance banks licensed to operate as a unit within Local Government and the other licensed to operate in the Federal Capital Territory with a minimum paid up capital base and shareholders' funds of N20 million and N1billion respectively (CBN, 2016).

Muklar (2019) agreed that micro financing is about providing financial services to the group of businesses who are traditionally not served by the conventional financial institutions. They argued further that microfinance is mostly used in developing economies where MSMEs do not have sufficient access to other sources of financial assistance. That is to say that microfinance activity recognizes poor and micro entrepreneurs who are excluded or denied access to financial services on accounts of their inability to provide tangible asset as collateral for credit facilities (Jamil, 2018). Maruth, Smith and Laxmi (2011) are of the view that the main objective of micro credit is to improve the welfare of the poor as a result of better access to small loans that are not offered by the formal financial institutions. In the same vein, Kolawole (2013) acknowledged that microfinance banks are well positioned to help generate savings in the economy, attract foreign donor agencies, encourage entrepreneur ship and catalyze development in the economy. The establishments of the finance institutions (MFIs) in Nigeria, according to the CBN (2016), are to serve the following purposes: provision of diversified, affordable and dependable financial services to the active poor; mobilize savings for financial intermediation; create employment opportunities by helping SMEs to grow and increase productivity. Others are, to increase the access of the core poor to financial resources in the country; enhance organized, systematic and focused participation of the poor in the socio economic development and resource allocation process; provide veritable avenues for the administration of the micro credit programmes of government and high net individuals on the non-recourse case basis. Financial institutions were never intended to support those who don't already have financial assets and to a large extent that remains the case, especially so in developing countries. Banks can make more money making large loans than small ones and the same is true for savings accounts.

This reality has started to shift in the past decade with some banks being established with the specific purpose of providing financial solutions to poor communities. Grameen Bank in Bangladesh and Bancosol in Bolivia are just two examples of financial institutions that were established to specifically benefit low income individuals, families, businesses and NGOs. In the light of the above, this study examines microfinancing and small business growth using MSME's in the South East of Nigeria.

Statement of the Problem

More than ten years into the microfinance bank's policy in Nigeria, it is doubtful if the target groups (SMEs) have been significantly impacted through the implementation of the MFBs Policy. Yunus (2018) in his keynote address delivered at the First Bank Impact Conference series in Nigeria in 2011 had stated that there are strong indications that there are fundamental flaws with microfinance programme of Nigeria. He implicitly hinted that Nigeria is not pursuing the correct form of microfinance banking including the fact that policies are not designed for the poorest of the poor members of the communities., rather they are for traders, suppliers and importers which explains the cut throat interest rates Nigerian MFBs charge, economic hardship and poverty (due to lack of formal employment and self-employment projects experience by rural people and the urban poor) calls for financial attention in form of low-interest credits, to improve their social-economic life. It is obvious that most people from both rural and urban poor areas in Nigeria and with particular reference to South East of Nigeria have innovative ideas and invaluable creative abilities that can turn around business opportunities, but lack the necessary financial resources to implement these ideas. This of course is responsible for the low and poor result in the economic activities by SMEs operators.

One of the means of getting finances is through commercial banks or other major financial institutions. This also must be with collaterals. Most entrepreneurs and small scale business owners may not have the necessary collaterals demanded by financial institutions and as such may never have access to such micro credit or soft loans as the case may be. The issue of collateral requirements is being taken care of by the Micro finance banks and emerging cooperative societies which do not demand for collaterals. However, they lack the capacity to fully take care of the financial needs of SMEs in the country and South East of Nigeria in particularly. Despite the potentials of SMEs in any economy, high mortality rate among established SMEs is a matter of major concern in the developing economies. International Finance Corporation (IFC) reported in 2002 that only 2 out of every 10 newly established businesses survive up to the fifth year in Nigeria. The report was corroborated by Small and Medium Enterprise Development Agency of Nigeria (SMEDAN) that only 15% of newly established businesses survive the first five years in Nigeria. This is a pointer to the fact that there is a problem.

Also, empirical study on the impact of microfinance on poverty and youth unemployment reduction in Nigeria, and reported that microfinance programmes in Nigeria have made insignificant impact on poverty and unemployment. Another study on the contributions of MFIs to empowerment and poverty alleviation indicated that there has been significant impact. This study intends to examine microfinancing and small business growth using MSME's in the South East of Nigeria.

Objectives of the Study

The broad objective of the study is to examine the effect of micro-financing and small business growth in South East of Nigeria. However, specific objectives are to:

(i) Ascertain the effect of interest rate charged by MFBs on small business growth in South East Nigeria.
(ii) Determine the effect of loan duration/repayment period on small business growth in South East Nigeria.
(iii) Assess the extent to which non-financial services of the MFIs affects small business growth in South East Nigeria.

Research Questions

The following research questions guide in the study.

(i) To what extent does interest rate charged by MFBs affect small business growth in South East Nigeria?
(ii) To what degree does loan duration/repayment period affects small business growth in South East Nigeria?
(iii) To what extent do non-financial services rendered by MFBs affect small business growth in South East Nigeria?

Statement of Hypotheses

The following null hypotheses were be formulated to guide the study:

(i) **Ho_1**: Interest rate charged by MFBs has no positive significant effect on small businesses in South-East, Nigeria.
(ii) **Ho_2**: Loan duration/ repayment period and performance has no positive significant effect on small businesses in South-East, Nigeria
(iii) **Ho_3**: A non-financial service rendered by MFBs has no positive significant impact on small businesses in South-East, Nigeria.

REVIEW OF RELATED LITERATURE

Conceptual Framework

Microfinance

The term "microfinance" is the activity of the provision of financial services to clients who are excluded from the traditional financial system on account of their lower economic status. These financial services will most commonly be in the form of loans and deposit (savings), through some microfinance institutions who also offer other services such as insurance and payment services (Nwanyanwu (2011). To CBN (2016), microfinance is a development tool used to create access for the economically active poor to financial services at a sustainable and affordable price. Ehigiamusae (2016) opined that microfinance is the supply of loans, savings and other financial services to the poor. The Central Bank of Nigeria's Microfinance Policy, Regulatory and Supervisory Framework for

Nigeria (2005) sees microfinance as a means of providing financial services to the poor, who are traditionally not served by the conventional financial institutions.

In his contribution to the body of literature, Ojo (2017) defined microfinance as small scale financial services that are provided to rural/informal small scale operators for farming, fishing, trading and building of houses and to engage in any other productive and distributive activities. Microfinance and microfinance institutions are intended to fill a definite gap in the finance market and the financial system respectively, to assist the financing requirements of some neglected group who may be unable to obtain finance from the formal financial system. In a related development, Yunus (2018) describes microfinance as an amazingly simple approach that has been proved to empower very poor people around the world to pull them out of poverty. He remarked that it is a financial system that relies on the traditional skills and entrepreneurial instincts of the active poor people, mostly women, using small loans (usually less than US$ 200) to start, establish, sustain or expand very small, self-supporting businesses. To Robbinson (2015), microfinance is defined as the supply of loans, savings and other basic financial services to the poor. Microfinance, evolved as an economic development and empowerment approach intended to benefit the low-income part of a given society, both men and women. To the World Bank (2017), the term refers to provision of financial services (including savings and credit) to the poor. Apparently, microfinance banks therefore are institutions that are established to provide financial services to the poor. Microfinance institutions can be non-governmental organizations, savings and loan cooperatives, loan unions, government banks, commercial banks or non-bank financial institutions (Ledgerwood, 2016). He observed that the policy seeks to make financial services available on a sustainable basis to the economically active poor, low income earners and micro, small and medium scale enterprises through privately owned enterprises.

Fadahunsi and Ratsimalahelo (2012) observed that microfinance involves the provision of broad range of financial services such as deposits, loans, payment\services, money transfers and insurance to poor and low-income households and their micro-enterprises. Cull, Demirgue & Morduch (2019) classified MFIs into three broad groups viz: formal institutions i.e., (rural banks and cooperative societies); semi-formal institutions i.e., (non-governmental organizations); and informal models i.e., (money lenders and shop keepers).

Matour (2006) defined it as deliberate finance products and services that are targeted towards the economically active poor. However, Christen and Rosenberg (2010) perceived the concept of microfinance as the provision of financial and non-financial services by microfinance institutions (MFIs) to low income groups without tangible collateral but whose activities are linked to income-generating ventures. These financial services include savings, credit, payment facilities, remittances and insurance. The non-financial services mainly entail training in micro enterprise investment and business skills. Rooyen (2012) believes also that microfinance encompasses micro credit, micro savings and micro insurance. As Brana (2008) have noted, MFIs provide similar products and services to their customers as formal sector financial institutions. The scale and method of delivery differ, but the fundamental services of savings, loans and insurance are the same. Notwithstanding, to date, most efforts to formalize microfinance have focused on enterprise lending (loans for enterprise formation and development) which remain by far today the dominant product offered by MFIs (Nourse, 2018, Woller, 2014) this however, has slowly begun to change. Increasingly today, MFIs have begun to offer additional products, such as savings, consumption or emergency loan, insurance, and business education.

Nourse (2018) reviews the context and rise of microfinance products and argues there is a need for savings and insurance services for the poor and not just credit products. He goes on to argue to MFIs need to provide tailored lending services for the poor instead of rigid loan product. Supporting this latter assertion of Nourse (2018), Eyiah (2001) develops a model of small construction management contractors.

Small Business Growth

On the other hand, defining small business has always been very difficult and controversial. This is because the term "small business" covers a variety of firms; it is used loosely in most of the literature (Nkamnebe and Idemobi, 2011). They stated that small-scale enterprises sometimes called small business is a business that employs a small number of workers and does not have high volume of sales. Such enterprises are generally privately owned and operated sole proprietorships, corporations or partnerships. The legal definition of a small scale enterprise varies by industry and country. They pointed out that the U.S. Small Business Administration states that small-scale enterprises generally have fewer than 500 employees within a 12-month period in non-manufacturing industries. A company must consider any individual on its payroll as an employee. In Australia, however, a small-scale enterprise is one that has fewer than 15 employees on payroll, as defined by the Fair Work Act.

The Small Business Act for Europe states that small enterprises are those that have 250 employees or less. Small-scale enterprises in Asian countries generally have 100 or fewer employees, while small-scale African enterprises hire so or fewer workers, they explained. They noted further that in some countries, the definition of a small-scale enterprise is bound by financial measures such as not profits, balance sheet totals, the value of assets and annual sales. In the United States, for example, they noted that a non-manufacturing small-scale enterprise is one that does not earn more than $7 million in a year. Financial measures, according to them can vary by industry, as annual receipt may be higher for industries that have higher overhead costs to operate. In general, they reiterated that small-scale enterprises are businesses that do not dominate their respective industry.

Understanding the size, components and benefits of small business to citizens' life, most especially people at the grassroots level, is an important factor to be considered in defining small scale business. With the current rate of unemployment and poverty level in Nigeria, small business has become source of livelihood to millions of Nigerians. About 60 percent of all the business established in Nigeria is on small scale level (Njoora, Kyalo, 2014). However, just like other social science subject, the concept of small business does not have acceptable or uniform definition (Obasi, 2017).

However, small business definitions differ within the fixed co-ordination of national boundaries. For instance, Alaye-Ogan (2012) defines small business as companies with capital base between twenty million naira and thirty million naira (equivalent of $125,000 to $193,500). According to Hartten (2012), a company is considered small if it is independently own, operated, and finance; has fewer than 100 employees; and has relatively little impact on its industry. Also, the Federal Ministry of Commerce and Industry of Nigeria defines small-scale business as a business with capital investment that is not over seven hundred and fifty thousand naira (N750,000), while the Central Bank of Nigeria (CBN, 2016) defines small and medium enterprises (SMEs) as business with asset base of between five and five hundred million naira, and staff strength of between 11 - 300 people. For Hartten (2012), small business, nevertheless, include business activities of the stay-at-home parent who provides day care for children whose parents are not around, factory workers who engage in after hours' deliveries, to owners of fast food restaurants.

Most small businesses are managed by the owners because they cannot afford to hire expertise to manage the businesses for them (Rooyen, 2012). Consequently, small business owners perform so many operational tasks and management functions themselves (Kabear, 2018). It is a development that is not so favourable to business ventures as it often leads to business failure (Ibru, 2014). It follows that the independent and private ownership (sole proprietorship or partnership) of small business always promote uncertainty, and it invariably means that small business success or failure squarely depends on the sole ability of the owner(s) without the shield of limited liability. Small business owners may be personally liable for the business misfortunes such as debts (Akande, 2012). He argues also that small businesses heavily rely on owner(s) skills, ability and personal characteristics for the prosperity of the business. He stated also that one of the major characteristics of small scale enterprises in Nigeria is the difficulty they experience in raising adequate capital for their businesses. To him, external sources are difficult to be assessed from finance houses and banks. Even where the banks or other finance houses agree to provide funds for these businesses, the conditions or collateral for these loans are always difficult to meet by the business owners he remarked.

To Gubert and Ranbaut (2011), a small business is one which is independently owned and operated and which is not dominant in its field of operation. Researchers and other interested parties have used specified criteria to operationalize the small business, from the perspective of value-added, value of assets, annual sales and number of employees. Annual sales and number of employees are most often used to delimit the category of business in question. The problem of definition confronts all researchers as well as operators in the field. Hence there is no uniform or universally acceptable definition for small and medium scale enterprises (SMEs). However, in Nigeria, parameters such as asset base (excluding cost of land), the number of workers employed and the annual turnover are used for the classification of SMEs. Carpenter (2009) maintained that there is no one definition for SMEs rather, they are defined in Nigeria and other countries based on one or all of the following: the size or amount invested in assets excluding real estate; the annual turnover and the number of employees.

The importance and contributions of small scale businesses are enormous. Fadahunsi (2012), they, represent about 90% of the enterprises in developing countries. They also provide 70% of employment opportunities for the citizens and promote indigenous technology hence economic development. In the same line of argument. Kuratko and Hoogetts (2001) also noted that small businesses empty 53% of the private workforce and accounts for 47% of sales and 51% of private sector gross domestic product (GDP). This is an indication that small businesses predominate the economy in developing countries.

Theoretical Framework

Systems theory

This study was anchored on the systems theory. The theory was originally proposed by Biologist Ludwing Von Bertalanffy in 1928. The Theory which looks at an organization as a whole also believes that there are subsystems in every system, and that the subsystems interact constantly in such a way that failure in a subsystem negatively affects the entire system. Von Bertalanffy discarded the earlier assumption that a system could be broken down into its individual components so that each component could be analyzed as an independent entity and that the components could be added in a linear fashion to describe the totality of the system. Von proposed that both assumptions were wrong. On the contrary, a system is characterized by the interactions of its components and the non-linearity of those interactions. Von Bertalanffy (1954) extended systems theory to include biological systems and three years later, it was popularized by Loff Zadeh, an electrical engineer at Columbia University according to (McNeill and Freiberger, 1993). The choice of the theory was informed by the fact that the phenomenon under investigation can adequately be explained within the framework of the theory. The purpose of small business is to achieve growth and sustainability and by so doing add value to the system. This cannot be achieved without the support of micro-financing- Therefore, the interaction of small businesses and microfinance institutions through the rendering of financial and non-financial services to the operator of small business in form of credit advance and advice on how to make effective use of the funds is a complete system on its own. However, the system will breakdown if the small business operators are not able to access the credits due to high interest rate posed by the finance houses, short repayment period, huge demand for collateral, poor loan disbursement frequency and bad financial advice.

The relevance of this theory to our study is that it is suitable in analyzing the interactions that occurs between microfinance institutions and small businesses. The two can he understood as subsystems working to achieve economic prosperity. If microfinance institutions fail to render the necessary support in the areas of financial and non-financial services to small businesses, the system will not achieve the desired goals. Likewise, if the small business operators receive credit and the necessary financial advice and fail to utilize the funds for the purpose they were meant, the objectives will not be met. Therefore, there is the need for the two to work towards the realization of business growth and sustainability. Therefore, the relevance of Yunus social business framework to this study lies in its ability to explain/analyze the problem under investigation. What is important is to develop a model through which mass poverty could be reduced among the people. This study uses MSEs survival and growth as proxy for poverty reduction. As small businesses develop and expand, jobs are created and as people become empowered economically, poverty is alleviated and value is added in the economy.

Empirical Review

In a related development, Ojalabi, Jooda and Ademiran (2015) carried out a study on the influence of microfinance bank on SME growth in Osim State, Nigeria. Out of a large population of SME, 150 were purposively selected from Olorunda Local Government Area, Oshogbo. Major tools of analysis were Pearson correlation and multiple regressions. All texts were carried out at 0.05 level of significance. The result of the study revealed that MFBs financing services have significant influence on SMEs growth and expansion. It was recommended that MFBs should increase the size and the duration of their clients' asset loan and the repayment should be spread over a longer period from the acquisition of capital assets.

Abulkpanm Wosa and Aguda (2014) did an empirical work on the challenges and way forward of microfinance institutions in Nigeria. The study found that microfinance provides credible platform for the eradication of poverty and economic development of the nation. However, certain challenges such as inadequate funding and lack of requisite skills from both the beneficiaries and the workers are serious hindrances to the realization of the potentials for economic upliftment through micro-financing. It further found that due to increase in the number of microfinance banks relative of the number of officers available for regulatory and monitoring exercise, so many unwholesome activities have continued to exist in the sub-sector thereby limiting the contributions of the sub-sector to the economy.

Wanambisi and Bwisa (2013) carried out a survey of micro and small enterprises in Kitale municipality, Kenya with sole aim of determining the effects of microfinance lending on business performance. The study adopted a descriptive survey research design and the target population was 1,200 MSEs which were registered within Kitale municipality and had operated for at least three years. The target population was stratified into homogeneous categories as wholesalers, retailers, restaurants and services delivery. A sample of 120 MSEs was drawn proportionately and randomly from the strata. The association between microfinance building and MSE performance variable was established. The application of chi-square (X2) and correlation tests at 5% significance level. A multivariate logistic regression was used for significant bivariate variables at 5 percent significance level. It was found that the amount of loans is significantly and positively related with performance of MSEs in Kitale municipality, Kenya. It was therefore concluded that microfinance institutions should reduce the period required for MSEs to participate in training and group formation to facilitate speedy access MFI loan. Also, the amount of loan given by MFIs to MSEs should be increased to enable the MSEs grow to medium scale enterprises.

In a study done to determine the impact of micro-financing on SMEs in Lagos State, Nigeria by Olusanya, Sufian and Temi (2014), descriptive survey design was adopted. Fifty (50) staff of AB Micro finance Bank, Ikeja Branch and fifty (50) selected SME operators in Ikeja Metropolis, Lagos State Nigeria were studied. Primary data was collected through the administration of structured questionnaire. Spearman's rank order correlation coefficient was adopted as the main estimation technique. The results show that microfinance banks have significant effect on the growth of SMEs in Nigeria and that microfinance policy has significant effect on employment generation. Therefore, it was concluded that the government should focus more on promoting small and medium scale enterprises (SMEs) in Nigeria by giving more microfinance opportunity to operate freely and give loan to SMEs in Nigeria. Effective implementation of microfinance policy in Nigeria is therefore seen as the way forward for the development of the economy.

Ngugi and Kerongo (2014) studied the effects of micro-financing on growth of small and micro enterprises in Mombasa country, Kenya. The problem is that despite access to credit by SMEs, growth remains a major problem in the sector. Ordinarily, access to credit should enable a business to achieve their growth objective. Despite this, it is interesting to note that most of the SMEs could not survive third year of incubation period. Descriptive survey method was employed in the study. Stratified and systematic sampling techniques were adopted in selecting the units of observation. Semi-structured instrument was used to elicit information from the respondents. Out of the 157 SMEs administered with the instrument, 102 completed and returned their questionnaire thus showing a response rate of 65 percent. Sales, income and competitiveness of business were used as the independent variables (predictors) while growth of SMEs as dependent variables. The result indicated that microfinance has positive effects on growth of SMEs. Majority of the owners indicated that microfinance has enabled them to expand businesses, build their business assets and the ability of the business to compete was enhanced.

Njoora and Kyalo (2014) worked on effects of microfinance credits on SMEs in Ngong of Kajiado country in Kenya. Descriptive survey design was used for the study. The study considered thirty-three (33) respondents who were selected by stratified sampling technique based on the type of microfinance institution. The data collected used statistical package for social sciences (SPSS) for the analysis. Findings were presented using charts and tables. The study revealed that the amount granted was adequate and necessary for SMEs. It further revealed that loans advanced contributed to the growth of the businesses and also led to employment creation. Since credit was found to influence growth among the SMEs, the MFIs should provide more formal credit facilities under favourable conditions along with training on financial management.

Lawal, Omoluabi, Ahmed and Babalola (2014) did an enquiry into the contributions of microfinance institutions towards the development of small scale business in Nigeria for the period 2005 to 2012. Nine (9) microfinance institutions and one hundred and fifty-five (155) of their clients were interviewed. Records from shows that there is an increase in the number of savings and loans made by the microfinance institutions which indeed signifies a rise in the need for microfinance institution's services in the economy. The study adopted the use of multiple regression analysis in trying to determine the relationship between the dependent and independent variables. They also employed the use of analysis of variance to determine the strength of the regression analysis. The relationship between both the dependent and independent relationship. The findings suggested that micro-economic policy should be designed in a way that will encourage the survival of microfinance institutions and attracts low income- informal sector which in turn leads to increase in productivity and employment generation.

Otieno, Lumumba, Nyabwanga, Ojera and Odondo (2015) used youth's micro enterprise under Kenya Rural Enterprise Programme (K-REP). In Kisii Cournn. Kenya to study the effect of provision of microfinance on the performance of micro enterprises. The study employed a cross-sectional survey design. A sample of 86 youth micro enterprises were selected from a population of 110 youth micro enterprises using simple random sampling technique. Primary and quantitative data were collected by means of structured questionnaire and analyzed by use of descriptive statistics, multiple regression analysis and Pearson correlation coefficient. The empirical results revealed that loan had the largest significant effect on performance of micro enterprises with a beta coefficient of 0.385 followed by training in micro enterprise investment with a beta coefficient of 0.281 and savings mobilization had least but significant effect with a beta coefficient of 0.272. Based on these findings, the study concluded that provision of microfinance has a significant effect on the performance of youth micro enterprises in Kenya. Therefore, provision of microfinance to the youth to engage in micro enterprise activities will help spur economic development and alleviate youth unemployment, in line with Kenya's Vision 2030.

Ashamu (2014) examined the impact of microfinance on small scale business in Nigeria. The study look place in Lagos area simple random sampling technique was as employed in selecting 110 SMEs which constituted the sample size for the study structured questionnaire was used in collecting dab which was used for the analysis. Descriptive statistics which involved simple summary statistics and chi-square (X^2) (contingency test) were adopted. The findings indicate that the operations of MFIs have grown phenomenally in the last three years, driven largely by the expanding informal sector activities, the conversion of the community banks to microfinance banks and the reluctance of banks to fund the emerging micro enterprises. The study also revealed that the sub-sector faces a number of challenges, which have been addressed in this research work. They include: the urgent need to approve and implement a policy framework that would regulate and standardize the MFI operations: accessing medium to long term sustainable commercial sources of funds, such as SMIEIEs. Commercial banks traditionally lend to medium and large enterprise which are judged to be credit worthy. They avoid doing business with small and medium scale industries because of associated cost and risk which are considered to be relatively high. Microfinance institutions MFIs have therefore become the main source of funding for small and medium scale enterprises in developing economies having bridged the gap that hitherto exist.

Abdulsalam and Takur (2014) assessed the impact of access to microfinance by small enterprises in Sokoto State, Nigeria. The study investigated the effects of microfinance on growth of small enterprises in Sokoto State, Nigeria. Using stratified sampling method, the survey selected a sample of one hundred and twenty (120) firms. Two hypotheses were tested and linear regression results show that positive and significant relationships exist between access to micro credit and value of physical assets of the firms. Finding from the second hypothesis also showed a positive statistical relationship between access to micro credit and employment generation. It concludes business that access micro credits have grown in term of both physical assets acquired and employment generation.

Yusuf, Amao and Olawole (2014) carried a study on the effects of micro credit on small scale enterprises in Osun State, Nigeria. The study was designed into descriptive survey. It used 120 respondents as the sample size. Multiple linear repression analysis was applied to the data and the results showed that significant and positive relationship exist between the two variables. It further revealed that loan repayments period, family size and years in business were key determinants of business turnover. On the other hand, volume of credit available to respondents is affected by repayment period, number of sources and interest rate on loan. It was concluded that micro credit is capable of stimulating small business growth if properly harnessed. Studies in the first stream attempt to assess the impact of microfinance on its clients, their household, their enterprises and the communities in which they are situated. The methodologies of the studies in this stream and their findings are diverse and divergent. Therefore, their results are mixed. Majority of the studies reported positive impact.

METHODOLOGY

Descriptive survey design was adopt for this study. The area covered by the study was South-East geopolitical zone of Nigeria. The micro and small business enterprises as well as the microfinance banks located within the states of the region were studied. For the avoidance of doubt, the states include Abia, Anambra, Ebonyi, Enugu and Imo States. The data for the study comes from both primary and secondary sources. The population for this study consists of small business enterprises located within the South-East States of Nigeria, who have in operation for upward of at 10years and have also been a client of registered microfinance institution for at least 5years. It is believed that these categories of participant would produce the type of respondents that can effectively discuss the issues relating to microfinancing and growth of small business enterprises (SBEs) in Nigeria. Altogether a total of 7319 of these categories of business enterprises was identified across the five states of the South-East geo-political zone of Nigeria being studied. More specifically however, a total of 1101 was identified in Abia State, 1989 from Anambra State, 1711 from Ebonyi State, 1201 from Enugu State and 1317 from Imo State. Thus, making a total of 7319 participants. The sample size for the study is 1406 participants. The sample size was determined through the application of a formula developed by Borg and Gall in 1973. The researcher used questionnaire distribution approach in collecting the data. The instrument was validated by both face and content.

The reliability of the instrument was ascertained through a method known as test re-test. and Spearman rank order correlation coefficient. The analysis showed coefficients of 0.88, 0,95, and 0.90. Thus, showing that the instrument is 92 percent consistent and so it was considered very reliable.Being in a Likert scale format, summary statistics of percentages was applied to determine the extent that respondents agreed or disagreed with all the statements of the items. This was done to respond effectively to the research questions. Also, Pearson correlation coefficient and multiple regression analysis were used to verify the claims of the null hypotheses at 0.05 level of significance.

PRESENTAION, ANALYSIS AND INTERPRETATION OF DATA

This chapter presents the data obtained from the respondents through the administered questionnaires. One thousand four hundred and six (1406) were administered, among the small business growth in South East of Nigeria**.** However, one thousand and thirty--six (1036) questionnaires were retrieved. Therefore the analysis and interpretation of data were only based on the returned questionnaires. The validity and reliability of this study is highly ensured, despite the number of questionnaires not returned.

Test of Hypotheses

The need to examine the relationship between the collected data and the stated hypothesis has called for this section. These results were compared with the statistical criteria to see if the preconceived notion in this research work holds or not.

Hypothesis One

Ho_1: Interest rate charged by MFBs has no positive significant effect on small businesses in South-East, Nigeria

ANOVA

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	3242.5981	3	1794.190	4.742	.015
Within Groups	6734.279	1033	378.389		
Total	77436.800	1036			

Source: SPSS Version 21, 2021

The test table reveal that wide significance value (F. sig<.05) indicate group differences. Since the F-value of 4.742 which has a significance of .015 is less than .05 (i.e .001<.05), there exist no group difference among the variables. Therefore, Interest rate charged by MFBs has no positive significant effect on small businesses in South-East, Nigeria

Hypotheses Two

Ho2: Loan duration/ repayment period and performance has no positive significant effect on small businesses in South-East, Nigeria

ANOVA

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	4838.324	3	2419.162	9.233	.009
Within Groups	6598.476	1033	388.146		
Total	11436.800	1036			

Source: SPSS Version 21 **2021**

We discover that in the F-statistics column the value for colleagues stress is 9.233, while its probability is 0.009 since its probability is less than 0.05% desired level of significance, we reject the null hypothesis and accept alternative hypothesis, which states that Loan duration/ repayment period and performance has positive significant effect on small businesses in South-East, Nigeria

Hypotheses Three

Ho3: A non-financial service rendered by MFBs has no positive significant impact on small businesses in South-East, Nigeria.

ANOVA

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	2839.200	3	1419.600	19.807	.088
Within Groups	8597.600	1033	505.741		
Total	11436.800	1036			

Source: SPSS, Version, ***2021***

From the regression result, we discover that in the F-statistics column the value for Management Stress is 19.807, while its probability is 0.88 since its probability is greater than 0.05% desired level of significance, we reject the null hypothesis and accept alternative hypothesis, which states A non-financial service rendered by MFBs has positive significant impact on small businesses in South-East, Nigeria

DISCUSSION OF FINDINGS

This research examined the effect of micro-financing and small business growth in South East of Nigeria. Data were sourced from the employee of the selected Small and Medium Scale Enterprises in South East. The data generated were subjected to statistical analysis and the following output was ascertained.

Interest rate and performance small businesses: The study found that interest rate has a significant positive effect on performance small businesses in the selected small scale business in south East. The implication of these findings is that, for small businesses to be functional to achieve their aim and purposes, the Interest rate need to reviewed and reduced to the barest minimum and must be seen to be fair or equitably satisfying to the business. This further agreed with the findings of Abulkpanm Wosa and Aguda (2014) microfinance has the capacity to enhance entrepreneurial performance in the economy if the policy is well implemented by religiously. Wanambisi and Bwisa (2013) microfinance institutions should reduce the period required for MSEs to participate in training and group formation to facilitate speedy access MFI loan. Also, the amount of loan given by MFIs to MSEs should be increased to enable the MSEs grow to medium scale enterprises.

Loan duration/ repayment period and performance of small businesses: The study found that Loan duration/ repayment period has a significant positive effect on performance of small businesses in South East. The implication is that the longer the repayment period the high performance of small business In South East. For the financial institutions operating in the informal sector, loan duration or repayment period is usually part of the negotiation process between the lender and borrower. Yunus (2018) has this to say regarding the time frame in loan repayment: "inadequate time frame in loan repayment or loan duration hampers the growth and development of small business because it constitutes an interruption which does not permit proper and effective utilization of the loan by the borrower.

Non-financial service rendered and performance small businesses: The study found that Non-financial service rendered has significant positive effect on employee performance in selected small business in South East. This implies that improved Non-financial service rendered would translate to increased business performance, reduced cost of maintenance and equipment breakdown and lower complaints. Goldmark (2016) argues that MFBs have the capacity to advice prospective investors on appropriate leadership style, investment policy, capital structure and size of personnel. They noted that non-financial services obligation of MFBs are as crucial as the financial services because for credit to yield the expected results, it must be efficiently and effectively utilized. According to them, investment decisions must be properly guided because wrong decisions are usually accompanied by unbearable consequences.

Summary of the Findings

The data collected through questionnaire were analyzed. The following findings emerged.

- Interest rate charged by MFBs has no positive significant effect on small businesses in South-East, Nigeria.
- Loan duration/ repayment period and performance has positive significant effect on small businesses in South-East, Nigeria.
- A non-financial service rendered by MFBs has positive significant impact on small businesses in South-East, Nigeria.
- Loan/credit disbursement of MFBs has positive significant impact on small businesses in South-East, Nigeria**.**

CONCLUSION

The main findings of this research revealed that micro-financing as practiced in Nigeria microfinance banks do enhance growth such as the SMEs' capacity to create jobs and increase their expansion capacity. Lack of access to finance has been identified as one of the major constraints to small business growth. The reason is that provision of financial services has been identified as an important means for mobilizing resources for more productive use. The extent to which small enterprises could access fund is the extents to which small firms can save and accumulate own capital for further investment. However, it has been identified that small business enterprises in Nigeria find it difficult to access formal financial institutions such as commercial banks for funds. The inability of the SMEs to meet the standard of the formal financial institutions for loan consideration provides a platform for informal institutions to attempt to fill the gap usually based on informal social networks, and this is what gave birth to micro-financing.

RECOMMENDATIONS

The following recommendations are made based on the findings of this study. They are as follow:

1. To access more credit for business expansion enterprise supported by MFBs should be linked up with larger financing window like the Small and Medium Enterprise Equity Investment Scheme (SMEEIS) fund or Strategic Partners for expansion and growth fund for business growth and survival. The entrepreneurs could also be linked up with other commercial banks who will service the entrepreneurs through the MFBs based on social capital.
2. This study suggests that policies aimed at promoting the growth of micro and small enterprises should adopt a sectoral approach and, within that, address specific issues that affect enterprises at the lower and upper ends of the spectrum of growth and expansion.
3. It is recommended that the microfinance bank should adopt similar strategies adopted by

deposit money banks in deposit mobilization because it is by so doing that they will be able to grant quality loans to entrepreneurs which will lead to job creation in the economy.

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