IMPACT OF ENDWELL MICROFINANCE BANK SERVICES ON FINANCIAL PERFORMANCE OF SMALL AND MEDIUM ENTREPRISES IN MINNA METROPOLIS, NIGER STATE, NIGERAIA

BY

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MTECH/ SEMT /2018/ 9149

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MINNA, NIGER STATE, NIGERIA.

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DECLARATION

I, **SANDA Aliyu** hereby declare that this thesis titled **'Impact of Endwell Microfinance Bank Services on Financial Performance of SMEs in Minna Metropolis, Niger State"** is my original research work under the supervision of Professor. Emmanuel.O. Oni and has not been partially or wholly presented for any other qualification anywhere. Information from other source (published or unpublished) have been duly acknowledged in the reference.

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CERTIFICATION

The thesis titled **"Impact of Endwell Microfinance Bank Services on Financial Performance of SMEs in Minna Metropolis, Niger State"** by SANDA Aliyu (MTech/SEMT/2018/9149) has met the requirements of award of the degree of MTech in Entrepreneurship and Business Studies, Federal University of Technology, Minna, Niger State.

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ABSTRACT

The study investigates the impact of Endwell Microfinance Bank Services on Financial Performance of SMEs in Minna Metropolis, Niger State. The research was conducted using the cross-sectional survey researched design. The target population of the study is 6420 SMEs in Minna as sourced from SMEDAN in the year 2020. A self-administered questionnaire was used to collect data from respondents. Simple random sampling technique was used to select 358 respondents. The data obtained for the study were analysed using descriptive and inferential statistical method. The result showed R^2 of 0.725, which implies that about 72.5% of variation that occur in financial performance were explained by the independent variables included in the model. The result revealed that micro finance loan has a positive and significant impact on financial performance of SMEs in the study area. The second hypotheses revealed that micro finance savings has a positive and significant impact on financial performance of SMEs in the study area. The third hypotheses revealed that micro finance insurance has a positive and significant impact on financial performance of SMEs in the study area. It is recommended that for SMEs to survive in today's dynamic and competitive business environment, it becomes imperative for microfinance banks to provide micro-entrepreneurs with financial resources for developing the socio-economic environment and improve the standard of living the of SMEs owners as well as promote rapid industrialization. Government should strengthen compliance and implementation of micro finance dimensions in developing local content policies by institutional bodies in order to ensure effective and efficient services of micro finance services as well as improved SMEs financial performance.

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LIST OF ABBREVIATIONS

SME	-	Small and Medium Enterprise
MFBs	-	Micro Finance Bank Services
CBN	-	Central Bank of Nigeria
NUT	-	Nigeria Union of Teachers
BPL	-	Below Poverty Line
NBS	-	National Bureau of Statistics

CHAPTER ONE

1.0 INTRODUCTION

1.1 Background to the Study

In today's rapidly evolving business world, it is not the big organizations that are powering the leading economies, but the small and medium enterprises (SMEs). Over the years, SMEs have gained increased attention all over the world. This is because of the role SMEs play in the economic growth and development of nations (Grubbauer, 2020). The concept of entrepreneurship has often been equated with the term ownership and management of small businesses (Olowe *et al*., 2013). Hence, its emergence as a vital element in the theory of economic development made it the largest business sector in most of the economies of the world (Mohammed, 2017). According to Musa and Aisha (2012) SMEs are firms having 10 to 300 employees and overall capital of N1.5 to 200 million including working capital.

Worldwide, small and medium enterprises (SMEs) are regarded as the lubricants for the engine of socioeconomic growth and development (Bagudu *et al*., 2016; Mohammed, 2017). SMEs play pivotal role in the economic transformation of both developed and developing countries because they stimulate business activities in both commercial and rural locations, reduce poverty by means of job creation, encourage even distribution of wealth, and increase the local value additions (Sivachithappa, 2013). Hence, SMEs promote indigenous industrial transformation through mobilization and utilization of local savings, local raw material, and human capital to engage in local production of goods and services. Also, SMEs serve as sources of inputs to large enterprises (Sivachithappa, 2013).

SMEs occupy a central position in policy issues and academic research as they constitute the largest number of enterprises. SMEs are considered as the highest employment generators, biggest contributors to export and responsible for most of the business activities in the

economy (Kolawole, 2013). On the average, in developed economies (high income countries), SMEs contribute 55% and 65% to Gross Domestic Product (GDP) and employment, respectively. In developing countries, SMEs on the average contribute 70% to GDP and 95% to total employment. Similarly, in low-income economies, SMEs contribute 60% to GDP and 70% to total employment (Ahmed and Khan, 2016).

In China, small and medium-sized enterprises have played an active role in economic growth 99.6% of enterprises in China are SMEs. These enterprises account for 59% of GDP 60% of total sales, 48.2% of taxes and about 75% of employment in urban areas (National Bureau of Statistics, 2020). In Tanzania, SMEs plays a significant role in job creation, poverty reduction and reducing inequality in the economy. The sector employs 33% of the labour force (Olowe *et al*., 2013). When taking the informal sector together with the formal sector, the total contribution of SMEs to GDP is about 63%. Moreover, about 700,000 job seekers are employed each year by SMEs in Tanzania while the formal sector absorbed only 40,000 annually. The implication is that the remaining excess annual labour supply of about 66,000 are absorbed by SMEs or left unemployed (Okoy, 2010).

Nigerian economy is dominated by small and medium enterprise in agriculture, manufacturing, commerce, industry and services. The historical of small and medium enterprise can be traced back to 1949, with a new doctrine of economic growth and development. Ever since, small and medium enterprises (SMEs) have gained prominence in employment generation. More so, SMEs have gained prominence in innovation and employment generation. SMEs in Nigeria are seen as the backbone of the economy and a key source of economic growth. A study conducted by the National Bureau of Statistics in 2020 shows that 97% of all businesses in Nigeria are small and medium businesses. The sector provides 50% of employment in Nigeria’s and 50% of its industrial output. Indeed, there

appears to be an agreement that the development of SMEs in Nigeria is a step towards vibrant and diversified economy (Kolawole, 2013). This explains why successive Nigerian governments have been spending huge amount of money on entrepreneurial and small business development programs (Guisse and Gilles, 2013). The Nigerian Government in the vision 2020 plan has identified the SMEs as important priority. There has been wide spread comment regarding the continued difficulty SMEs face (Okoy, 2010). Recognizing the importance of SMEs, government is undertaking varieties of measures to support SMEs in Nigeria.

Previous initiatives designed to assist SMEs in Nigerian include mandatory minimum credit allocation by banks to small scale enterprises, the World Bank SMEI and SMEII Loan programmes, Agricultural Credit Guarantee Scheme Fund programmes, the Agriculture Credit Guarantee Scheme Fund (ACGSF) and the Small and Medium Industries Equity Investment Scheme (SMIEIS). The most ambitious move ever made by the Government was the Small and medium Enterprises Development Agency of Nigeria (SMEDAN) to facilitate access to credit, technology and market for SMEs (Ahmed and Khan, 2016). Considering the fact that what largely sustains Nigerian economy is grassroots entrepreneurial activity, many believed that these efforts of government have generally yielded poor results (Huq *et al.*, 2017).

Waweru and Parkinson (2015) affirmed that most SMES in Nigeria cease to exist within the first years of existence due to its lack of focus, lack of succession plan, inexperience inadequate market research, insufficient capital, irregular power supply, lack of proper book keeping, lack of business strategy, infrastructural inadequacy, inability to distinguish between revenue and profits, inability to separate business, family or personal finances, inability to employ or engage the right caliber of staff ,inability to secure the right plant and machinery

and cut throat competition. Similarly, Bijli (2012) identified other factors such as high cost of doing business, unstable government policy, multiple taxes and levies, security and inability to access loans.

Assessment of microfinance bank in the growth of small medium enterprises (SMEs) become necessary to study in view of the fact that, the small and medium enterprises contributions to economic growth and development have been recognized globally.

Despite several efforts from the government to achieve great success in promoting small and medium enterprises, most of them still find it very difficult to assess credit facility and other financial assistance from big conventional banks. To this end, the Federal Government of Nigeria in 2005 adopted Microfinance Bank as a vehicle of financing SMEs in Nigeria.

Hence, the study attempts to assess the impact of Endwell Microfinance Bank services on financial performance of Small and Medium Scale Enterprise in Minna Metropolis.

1.2 Statement of the Research Problem

The effect of lockdown measure to contain coronavirus has plunged the world economy into a severe contract. According to World Bank report (2017) the global economy will dwindle by 5.2% in the year 2020, which represent the worst recession since the Second World War (Global Economic Prospects, 2020). The virus has brought a sharp decrease in small businesses owner's activities in both developing and developed countries, particularly the rural enterprisers who are unable to afford financial facilities from conventional bank.

According to the Central Bank of Nigeria (2014) Microfinance banks provide a broad range of financial services such as savings, loans payment services, money transfers and insurance to the poor and low-income persons, households and their micro enterprises. The Nigerian microfinance institutions have come a long way. The Central Bank of Nigeria identified as at 2014 that 160 registered microfinance institutions existed in Nigeria with aggregate savings

worth ₦99.4Million and outstanding credit of ₦649.6Million indicating huge business transactions in the business (Dausa and Zainal, 2020). However, the operation of microfinance banks in Niger State have not been able to enhance SMEs financial Performance in Minna Metropolis due to civil servant dominant nature of the economy of state capital. According to Guha and Chowdhury (2013) the role of microfinance banking in the growth and development of the Nigerian economy cannot be under-estimated in view of the astronomically growing population, coupled with the rising youth restiveness and unemployment rate.

Despite these challenges, the government is still facing a lot of problem in providing enough financial resources to micro- entrepreneurs with a view of eradicating poverty and unemployment problem. Nonetheless, several efforts from the government to achieve great success in promoting small and medium enterprises, most of them still find it very difficult to assess credit facility and other financial assistance from big conventional banks. More so, previous studies have focused on the growth of SMEs through conventional financing since finance is considered as the major impediment to SMEs growth (Jain and Tripathy, 2011; Huq *et al.*, 2017).

However, since the desired growth in SMEs is not attainable due to high interest rates from commercial banks, huge demands for collateral, tenor of loans (mostly short-terms) management fees and other miscellaneous charges and stringent conditions imposed by the commercial banks on SMEs owners. These identified problems justify the need to look for alternative financing arrangements that will be less cumbersome on the SMEs. One sure way to combat unemployment is to empower people with the necessary microfinance loans and services that will enable them start up or run business ventures of their choice successfully. When this is achieved, the rural dwellers live better lives with improved earnings. The

community becomes better and this translate to economic growth of Nigeria as a whole. Hence, the present study seeks to examine how Endwell microfinance banks services can transform SMEs performance in Minna metropolis. Also, the present study shall assess how microfinance loan disbursements, savings, and micro insurance influence SMEs performance in Niger state. Nigeria.

1.3 Aim and Objectives of the Study.

The aim of the study is to assess the impact of Endwell Microfinance bank services on performance of Small and Medium Enterprises in Minna Metropolis, Niger State. The aim was achieved through the following specific objectives.

i. Examine Microfinance banks loan as it impacts on SMEs performance in the study area.
ii. Ascertain Microfinance banks savings as it impacts on SMEs performance in the study area.
iii. Determine Microinsurance impact on SMEs performance in the study area.

1.4 Research Questions

The research questions include:

i. How does Microfinance banks loans impact on SMEs performance in the study area?
ii. How does Microfinance banks savings impact on SMEs performance in the study area?
iii. How does Microinsurance have impact on SMEs performance in the study area?

1.5 Statement of the Hypotheses

The following null hypotheses are to guide the present study:

i. Microfinance bank's loans does not have a significant impact on SMEs performance in the study area.

ii. Microfinance bank's savings has no significant impact on SMEs performance in the study area.

iii. Microinsurance has no significant impact on SMEs performance in the study area.

1.6 Significance of the study

On the completion of this study, it is hoped that the findings were found useful and profitable to the Microfinance banks' executives, students and future researchers in particular together with the rural people since Microfinance bank is seen as a poor man's bank. To the management of the Microfinance Banks, it will help them to know the areas of services they are performing, as well as those areas that need improvement in development of rural areas, with special emphasis on SMEs in Minna metropolis.

Furthermore, the findings of the present study were useful to policy makers especially the Central Bank of Nigeria, Ministries, and agencies that could utilize the findings to promote policies and bye laws that will enable more people to access microfinance and benefit from it. By so doing, economic activities in the rural areas can experience a boost. To the future students, the findings of the present study also served as a guide for literature review in carrying out more research work on related topics in the future. To the rural and semi-urban dwellers, the idea of micro-finance bank will enlighten them on the need to deposit their money in the bank know matter how small.

This study also encourages dwellers to cultivate banking habits. In other words, this study will encourage savings in the rural areas. Overall, SMEs owner/managers in Minna metropolis and other locations will find the results of the present study helpful in decision making.

Lastly, the regulatory institutions such as the Central Bank of Nigeria and the board for microfinance banks will find this study's results helpful when formulating policies and strategies for economic development.

1.7 Scope of the Study

The present study concentrated on the assessment of Microfinance banks operations in the growth of SMEs in Minna metropolis. Microfinance banks services was conceptualized in this study as microfinance banks loans, microfinance banks savings and microinsurance. Performance was conceptualized based on financial and Non- financial measure and this study adopts financial measure. Specifically, the study collect data from SMEs owners or managers who operate with Endwell Microfinance Bank in Minna environs. The reason for choosing Minna is because there are more SMEs in Minna than other towns in Niger state with total of 6420 SMEs according to SMEDAN in the year 2020. The study was carried out in the year 2018 – 2021.

1.8 Definitions of Terms

Microfinance Bank (MFBs): mean any company licensed to carry on the business of providing microfinance services such as savings, loans, domestic fund transfers and other financial services that economically active poor, micro-enterprises and small and medium enterprises need to conduct or expend their businesses.

Growth: Economic growth is the increase in the inflation-adjusted market value of the goods and services produced by an economy over time. It is conventionally measured as the percent rate of increase in real gross domestic product, or real GDP.

Performance: Is the overall outcome of SMEs.

Microcredit: Disbursement of small or soft loans meant for rural development.

Microfinance Policy: is a regulatory guideline on micro credits that help to promote monetary stability and sound financial system.

Entrepreneur: referred to a creative person who identifies business opportunities and organizes valuable resources to initiate successful business venture.

Small and Medium Enterprises: as an enterprise with an asset base of 200million excluding working capital and land as well as employees not lees than 10 or more than 300.

1.9 Limitation of the Study

In any human endeavor, there are always some constraints and this research work is not an exception. In the course of carrying out this study, the researcher confronted some challenges. Firstly, the negative effect of corona virus pandemic has forced the researcher to observe all the Covid 19 protocols before having access to SMEs business owners or managers. More so, most business owners or managers did not respond to the questionnaires in good time which eventually prolonged the duration of receiving the questionnaires and at the end the questionnaire could not be retrieved 100%. Secondly, the researcher simultaneously engaged in the study with other academic work. This consequently cut down the time devoted for the research work. However, the researcher overcome all the challenges.

CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Evolution of Microfinancing

The origin of small lending (micro-financing) can be likened to small villages usually in the developing world where family members and friends come together in money sharing group. This method of pulling money together among friends and relations is common among the people who do not have opportunity to access credit from conventional banks. Evidence have shown that this concept is in every region but called different descriptions. More so, the history of micro credit in Africa can be traced back to 17th century. Among those countries that have the early version of micro lending was the Irish during those times when loans could not run more than 10-20-week term, with weekly repayments. Unlike conventional banks, micro credit institutions interest rates were low, as low as 8% per annum much cover than those charged by commercial banks. As far back as 1960 in Nigeria, people from various regions have their own way of lending money in the western part of Nigeria. The Yorubas call it “owoele” which means interest in return. Also, in the eastern part of Nigeria, it is called “esusu”

The modern microfinance institution can be trace to Professor Muhammad Yunus of Bangladesh in 1976 when he was addressing the rural but poor people around university of Chitagong, the college where he was teaching economics, only to detect that they do not lack skills to be productive but lack the capital. He went further to discuss with one of them and how much it can cost to take-off a business venture but to his greatest surprise it was a token and he put his hand into his pocket and gave out the money to be paid back to him in 52 weeks with little interest far below what was obtainable anywhere and all the contract was done verbally. Hence, it can be concluded that microfinance is in existence to alleviate the

suffering of the poor masses by providing initial fund for small business and alleviate poverty in the land (Chummun, 2019; Ashta, 2020).

The pioneers of modern-day microfinancing having studied the method involved in micro lending at the early stage concluded that the methodology has changed over a period of time. Hence, most of the poor entrepreneurs do not have a better understanding about micro-financing in the modern-day business world (Chummun, 2019). According to the CBN's regulatory and supervisory guidelines (2014) for microfinance banks in Nigeria, a microfinance bank shall be construed to mean any company registered to provide microfinance services to entrepreneurs such as credit, savings, domestic fund transfer, insurance and other financial services that are needed by the poor household and micro-entrepreneurs to expand their business as defined by these guidelines. According to the CBN (2014) policy objectives of microfinance banks in Nigeria include:

i. Making micro finances services available to a larger segment of Nigeria population who could not have access to conventional banking services.
ii. To Promote and incorporate the informal sector into the country financial system
iii. Enhance microfinance service delivery to small and medium entrepreneur's, micro – entrepreneurs, and poor household.
iv. Promote economic development of rural dwellers.
v. Enhance linkage program between development banks / universal, microfinance banks and specialized institutions

2.2 Historical Background of Endwell Microfinance Bank

Endwell Microfinance Bank, Minna, is a product of the Niger State teachers' social security scheme (Endwell) which is an off-shout of the Niger State wing of the Nigerian Union of Teachers. In accordance with Article 2 (aims and objectives) of the regulations and bye laws

of the scheme which originated from article 2 (v) of the constitution of the Nigeria Union of Teachers (NUT). The Niger State wing of the NUT at its state delegates' conference in February, 2003 passed a resolution mandating its own welfare scheme i.e. the Endwell. The subscribers to the scheme are organized into self-help co-operative units spread over the 25 local government areas of Niger State and the scheme has over 25,000 members.

The bank is located at NUT Endwell Shopping Plaza, No. 3 Shiroro Total Road, Tudun Wada (Tunga) Minna, Niger State. The share capital of the bank is one hundred million (₦100, 000, 000. 00) naira divided into 100,000,000 ordinary shares of ₦1.00 each out of these twenty million (₦20,000,0000.00) naira was fully paid pre-commencement and at least fifty percent (50%) of the shares are issued to the self-help co-operative member units. the bank is a unit microfinance bank in compliance with the CBN license of 09/05/2011 and the bank commenced operations on 04/07/2011. The bank is a private company limited by shares and legal entity independent of the promoter. The board of directors of the bank consists of the Chairman, Managing Director, six members and company secretary or head, Human Resources. The bank also has 15 members of staff.

2.3 Conceptual Review

This section presents the conceptual review of the independent variable (microfinance) and its dimensions; microloan, microinsurance, savings and dependent variable (performance).

2.3.1 Concept of microfinance bank.

According to CBN Bulletin (2014) microfinance bank is a developmental tool to create financial access to the economically active poor at a sustainably affordable rate. Micro-finance entails providing financial services to the active poor who are not served by conventional financial institutions (Bananuka *et al.,* 2019). However, Nair *et al.* (2018) further described microfinance bank concept as a financial arrangement designed to provide

small loans to a group of poor people who are below the poverty line (BPL). These loans facilities are provided without any collateral, other than guarantor, which served as surety for each member. Similarly, Microfinance enables micro-entrepreneurs to obtain valuable resources to expand their businesses, enhanced their revenues, generate employment and improved the standard of living as well as rapid industrialization (Chowdhury *et al*., 2014). Microfinance bank provides micro-enterprises with resources for developing the socio-economic environment of the poor people and alleviate poverty among them (Hsu, 2014) This is because it offers entrepreneurs an easier way to enter the business world through the use of soft loans (Morgan and Olsen, 2011) while also enhancing business growth, experience, support and training for such entrepreneurs (Waweru and Parkinson, 2015; Bananuka *et al.,* 2019). Microfinance practitioner also defined microfinance bank as an alternative option to help micro-entrepreneurs and vulnerable groups get accessed to affordable financial and social services (Aggarwal *et al.,* 2020).

Microfinance bank refers to a financial institution that provide financial services to clients who are excluded from the traditional financial system on account of their lower economic status. This financial service is commonly in the form of loans and savings, through some microfinance institutions who also offer other services such as insurance and payment services (CBN, 2014). Owing to this, accessing financial services by the poor enables them to have control over factors of production, be more self-reliant, generate employment, enhance household income and create wealth (CBN, 2014). Microfinance bank is defined as an effective financial risk management tool that provide broad range of financial services such as loans, savings, money transfers, insurance and payment services to low-income households and microenterprises (Bijli, 2012). After clarifying different definitions of micro finance in this study. The current study adopts micro finance as institutions that provide

services such as small loans, savings and microinsurance (Bijli, 2012; Nair *et al.,* 2018) Therefore, Microfinance bank is about providing finance to small scale enterprises.

2.3.2 Microfinance loans

Microfinance loan entails providing financial services to the active poor who are not served by conventional financial institutions (Bananuka *et al.,* 2019). Similarly, Bongomin *et al*. (2018) the degree to which SMEs can have access to fund determine the extent to which SMEs can save and accumulate capital for future investment. Lack of sufficient liquidity is therefore one of the factors that contribute to small and medium enterprise failure. Access to loans enable micro -entrepreneurs to cover majority of the cost of capital, expansion, equipment or resuscitating the building. Choudhury *et al*. (2014) affirmed that SMEs in Kenya were able to acquire technologies and fixed assets using Microloan. Bagudu *et al.* (2016) revealed that insufficient capital hamper the performance of micro- entrepreneurs' businesses. The study further found that microloans enabled micro-entrepreneurs to graduate to small and medium enterprises. Microloans provide SMEs with resources for developing the socio-economic environment of the poor people and alleviate poverty among them (Hsu, 2014) This is because it offers entrepreneurs an easier way to enter the business world through the use of soft loans (Morgan and Olsen, 2011), while also enhancing business growth, experience, support and training for such entrepreneurs (Waweru and Parkinson, 2015; Bananuka *et al.,* 2019; Aggarwal *et al.,* 2020).

2.3.3 Microfinance savings

Micro savings can be define as a form of microfinance facilities that allow entrepreneurs to store fund for potential use (Hsu, 2014). Microfinance savings enable small and medium enterprises and very active poor to save small sum of money than conventional bank would not accept because of the costs associated with running the accounts for small amount of

money (Bananuka *et al.,* 2019). Microfinance savings is categorized into two form: Ordinary and Target savings with 2.5% and 4% interest respectively. Example are adashi daily and lien savings. (Guisse and Gilles, 2013; Aggarwal *et al.,* 2020). Microfinance saving is crucial for everyone irrespective of the size of disposable income but it is equally important to the poor as the returns from saving is sufficiently large to respond to changes in the environment and to avert incurring debt (Morgan and Olsen, 2011). Microfinance banks understanding micro-entrepreneurs need and demand as well as developed savings products to suit the poor (Nair *et al*., 2018).

2.3.4 Micro insurance

Insurance is used to a hedge against risk of uncertain, yet insurance that might specifically cater for SMEs is rear. It is against this backdrop that my micro insurance was developed to provide insurance cover to micro-entrepreneurs (Mersland, 2011). In the event that micro - entrepreneurs faces a catastrophe such as fire and theft. Micro insurance has become an alternative option to help micro –entrepreneurs mitigate their vulnerability to risk in business (Ben, 2019). Micro insurance is an insurance services rendered by micro finance bank with the ultimate aim of protecting poor group of people against financial risk related primarily to property, business, accident, health, agriculture, and death (Akaayar, 2016). Similarly, Yao *et al.* (2018) described the micro insurance scheme as a financial arrangement designed to insured small and medium enterprises against specific perils in exchange for premium.

Micro insurance provides small and medium enterprises with financial resources for enhancing the socio-economic environment of the poor and mitigate against uncertain losses (Kanyangale, 2018). This scheme provides social protection designed to enhanced income support to small and medium enterprises (Bongomin *et al.,* 2018) it also provides assurance to

micro- entrepreneurs to invest their resources without any fear of business failure or loss (Hussain, 2018).

2.4 Conceptualization of SMEs Performance in the Context of Microfinance

In this subsection, SMEs performance is conceptualized in the context of Microfinance by reviewing previous studies to reveal the specific indicators of SMEs performance within the microfinance industry and how the concept is defined.

2.4.1 Definitions of SMEs performance

Performance of SMEs has been discussed by various scholars based on their own perception and orientation (Ogujiuba, 2013; Bagudu *et al.*, 2016). Regardless of this, SMEs performance is defined as the assessment of how well an organization is doing in terms of its important parameters such as financial, non-financial, market and shareholders satisfactions (Chowdhury *et al*., 2014; Waweru and Parkinson, 2015; Bananuka *et al.*,2019). However, SMEs performance is being measured using any of the forms: financial measures and non-financial measures or a combination of both (Morgan and Olsen, 2011; Ogujiuba, 2013; Sivachithappa, 2013; Guisse, and Gilles, 2013; Aggarwal *et al.*, 2020).

Financial performance measures are based on the use of monetary instruments to assess the overall outcome of SMEs (Guha and Chowdhury, 2013; Huq *et al.*, 2017; Dausa and Zainal, 2020). Moreover, prior studies adopting this measure make use of objective means (secondary data from microfinance annual reports and other micro financial documents (Ogujiuba, 2013; Waweru and Parkinson, 2015; Bananuka *et al.*,2019) or subjective means which is based on the individual perception (self-report) of managers, clients and other stakeholders (Ahmed and Khan, 2016; Mohammed, 2017) with indicators such as return on sale, return on asset, fraction of net asset (from balance sheet), operating income, profit level, SMEs sales growth, return on investment, market share, number of employees , EBIT margin

(Jain and Tripathy,2011; Mersland, 2011;Guha and Chowdhury, 2013). For instance, prior studies that adopted the personal perception approach under the financial measure sought to elicit responses from SMEs owners and chief executive officers on a sales growth as an indicator of SMEs performance by asking *"how does microfinance services or product performs in the market relative to that of the competitors in terms of loans, savings and insurance"* (Jain and Tripathy, 2011; Musa and Aisha, 2012; Paul 2014).

On the other hand, non-financial measures use non-monetary instruments to provide explanations on the how well a firm is doing (Hsu, 2014; Nair *et al*, 2018; Bananuka *et al.*, 2019). Even though, this measure has no financial attribute but are regarded as main performance indicators affecting financial measures (Bijli, 2012; Akaayar, 2016). Prior studies adopting subjective measures (perception) of SMEs manager, customers' chief executive officers, and other stakeholders on the performance of the SMEs (Nair *et al*., 2018; Hussain, 2018; Kanyangale, 2018). The indicators used includes employee satisfaction, service quality, brand loyalty, and customer satisfaction (Chowdhury *et al*., 2014; Grubbauer, 2020).

The last categories of prior studies combined both the financial and non-financial measures (Hsu, 2014; Ogujiuba, 2013; Bagudu *et al.,* 2016; Nair *et al*, 2018). These categories of studies sought to have a holistic and comprehensive view of the SMEs by analyzing both non-financial measures and financial (Waweru and Parkinson 2015; Bananuka *et al.,* 2019). As earlier explained, this combined approach adopts the use of objective and subjective measures (Sales volume, Profit, return on investment cash flow, market share, Customer satisfaction, employee satisfaction, and service quality (Chowdhury *et al*., 2014; Akaayar, 2016; Ahmed and Khan, 2016). Generally, using this approach, self-reported questionnaires are developed to gain the perception of SMEs owners, employees, and managers, customers

on the performance of the SMEs (Ahmed and Khan, 2016; Hussain, 2018; Kanyangale, 2018).

However, the current study adopts the financial performance measure discussed earlier. The rationale for this is premised on the fact that studying micro finance based on financial performance gives an informed perspective on the value propositions whether SMEs do satisfy their business goal. This approach will enable the study to provide a detailed explanation and analysis regarding microfinance dimensions and it influences on SMEs performance in Minna Metropolis. The next subsection gives an overview of financial performance as the chosen measure adopted in the current study.

2.4.2 Financial performance

Financial performance refers to measuring a microfinance bank policies and operations in monetary terms, shareholder value measure performance based on how much a microfinance bank satisfy its shareholder need, and market performance look how well a microfinance products or service performs in the environment (Guha and Chowdhury, 2013; Huq *et al.*, 2017; Dausa and Zainal, 2020). Effective ways to measure organizational performance are; the management should have a clear vision and mission as well as set a smart -goals, determine what is vital to measure, measure outcomes and implement changes (Waweru and Parkinson, 2015; Bananuka *et al.*,2019).

In this study, Business turnover is used in measuring SMEs performance (dependent variable). Business turnover is being considered as performance indicator that is based on return on sales made by SMEs (Chowdhury *et al*., 2014; Waweru and Parkinson, 2015; Bananuka *et al.*, 2019). Previous micro finance studies on SMEs performance have adopted business turnover as a measure of performance of micro-entrepreneurs (Jain and Tripathy, 2011; Musa and

Aisha, 2012; Paul 2014). In line with prior studies, the current study also adopts business turnover as a measure of performance of SMEs in Minna, Niger State.

2.5 Concepts of Small and Medium Enterprises (SMEs)

According to Mahat and Zannah (2017) small scale business, small scale industries and entrepreneurship are used interchangeably to mean a small-scale firm. Different countries have different definitions of SME. According to Amsi *et al.* (2017) SMEs' classification is comprised of firms that have less than 250 full time employees and has either an annual balance-sheet total of not more than 43 million Euros or an annual-turnover not more than 50 million Euros. According to Worokinasih (2019) and Sani *et al.* (2018) the pitching on building up SMEs takes a top position in the economic development agenda of many developing nations in the world. Hence, the National Bureau of Statistics (2020) stated that for some developing nations, SMEs turns out to be fundamentally part of the entire economic development schemes.

In addition, Muossa (2020) were of the views that it is essential to make a distinction among SMEs. It is essential to distinguish between a micro enterprise and a small enterprise. Micro enterprise is outlined as an enterprise which has lesser than 10 full-time employees and whose annual turnover or annual balance sheet total is less than 2 million Euro. The small enterprise is taken as an enterprise which has less than 50 full-time employees and whose annual turnover or annual balance sheet total less than 10 million Euro. However, the definition of SMEs is still not free from obscurity. Based on their intentions, different nations employ different measurement methods to decide on the definitions of SMEs (Omondi and Jagongo 2018; Ukpong and Acha, 2019). Depending on the features, the qualitative as well as quantitative measurements could be employed to gauge SMEs (Musti and Mallum, 2020).

To evaluate small and informal business, Amsi *et al.* (2017) treated it as a family-owned having small-scale activity, labour-incentive and low skill labour. On the other hand, Sani *et al.* (2018) considered a small business as any business that employs one or two individuals to carry out all the key business operations with no experts. Nevertheless, the qualitative measurement of SMEs is still obscure for some practices among the experts. As such, according to Moussa (2020) majority of the nations in Asia and Europe decided to evaluate SMEs dependent on quantitative methods using either employments, capitalization/assets or annual turnover. The number of employees, capital sizes, and annual turnover, is the main instruments of SMEs measurement in many nations within Asia, North America and Europe.

For instance, the European Commission/European Union defined those enterprises that employ not more than 499 employees as SMEs (Chummun, 2019). However, micro-enterprises, are those that recruit not more than 10 employees. On the other hand, small-enterprises are those that recruit from 10 to 50 employees, while medium enterprises are those enterprises that recruit from 51 to 499 employees. Furthermore, Mahat and Zannah (2017) conducted a study on SMEs definitions among nations in European Union, UK, Canada and the United States. The scholars identified SMEs definitions in these nations as shown in Table 2.1.

Table 2.1: SMEs Definition in Western Countries

Countries	Number of Employees	Annual Turnover
United States	From 1-500 people	US$l-1 billion
Canada	From 1-500 people	C$ 1-20 million
European Union/United Kingdom	From 1-499 people	Euro 1-50 million

Source: Mahat and Zannah (2017)

Generally, Moussa (2020) were of the opinion that the literature gives no consensus on the definition of SMEs. In majority of the nations, different definitions are according to the number of employees, capital investment or the amount of sales. Hence, it is important that since SMEs are not homogenous, scholars can distinguish SMEs using size, number of employees, and/or annual turnover (Mahat and Zannah 2017; Moussa 2020).

Ukpong and Acha (2019) reported various definitions based on different African countries. In Botswana, SMEs having less than 25 employees and an annual turnover value of between 60,000 and 1, 500,000 Botswana Pula (P) are termed as small enterprises. Medium enterprises refer to SMEs with less than 100 employees and an annual turnover value of between P1, 500,000 and P5, 000,000. In Cameroon, an SME is defined as a firm that has turnover value of not less than 1 billion Cameroon Franc (CFA), and accrued investments are not more than 500 million CFA. The SME's short-term credit is not more than 200 CFA and it at least 5% owners of the capital and managers are Cameroonians.

Further, SMEs are defined based on the employee head count and machines in Ethiopia. Firms with more than ten employees and use power driven machines are defined as large-

scale manufacturing enterprises; while small-scale manufacturing enterprises have less than ten employees and use power driven machines. SMEs that do not use power driven machines are regarded as handicraft enterprises; while home-based or individual enterprises or business activities managed by the owner with a few or no employees, are regarded as informal sector.

In Nigeria, SMEs are defined based on the number of employees working in a particular business firm and total assets value, excluding land and building. According to the CBN (2014), small enterprises are firms with less than 50 employees; and medium enterprises are those with less than 100 employees. However, if there is a clash on classification between employment and assets criteria, the employment-based definition should take priority and the SMEs would be defined based on the number of employees (SMEDAN, 2020). Categorically, Table 2.2 indicates the distinction between the definitions of small and medium enterprises in Nigeria.

Table 2.2: Definitions of Small and Medium Enterprises in Nigeria

S/No.	Size category	Employment	Asset (excluding landed building)
1.	Small Enterprises	10-49 employees	N5m to less than N50m
2.	Medium Enterprises	50-199 employees	N50m to less than N500m

Source: SMEDAN (2020).

Consequently, for the sake of this study, SMEs are defined as business firms that employ fewer than 200 employees and whose total assets, excluding land and building, do not exceed 50 million Naira.

2.5.1 The role of microfinance banks in promoting small and medium enterprises

I. Economic Empowerment: Increasing SMEs owner's income also increases overall household income, allowing families to consume items and purchase services that they previously would not have been able to afford. Furthermore, increased income enables SMEs to secure greater levels of decision-making in business.

II. Microfinance Increases Well-Being: When entrepreneurs have greater access to financial resources and services, they obtain greater decision-making power regarding money and their households.

III. Social and Political Empowerment: Microfinance banks increase the social and political empowerment of the entrepreneurs. More so, social and political empowerment provides the most indirect benefit to SMEs owners. Increased economic opportunity and control over finances in turn provides business owners with new skills, information and capacity building (i.e. an expanded network of people). As a result of social and political empowerment, businesses are able to improve their status within the community (Moussa, 2020).

IV. Investment: According to Musa and Aisha (2013), a review of microfinance efforts from various parts of the world suggest that access to microfinance has a positive economic impact as members are empowered to invest in assets rather than consumption. The improvement involves improving asset base and diversification into higher return occupation, promoting the adoption of new agricultural practices, increasing ownership of livestock and levels of savings and reducing reliance on money lenders.

V. Poverty Reduction: According to Bijli (2012) over eight million very poor people especially women are benefiting from different microfinance Programs. Experiences of these Programs show that provision of micro-credit and savings facilities when

efficiently utilized, enables the poor to build strong microenterprises, increase their incomes and participate in economic growth. It also contributes greatly to the empowerment of the poor, especially women and helps raise awareness and aspirations for education, health care and other social services. In light of these achievements, microfinance is increasingly being considered as an important tool for poverty reduction.

VI. Acquiring House Assets: According to a study of microfinance in the Africa, it was found that the borrowers of microfinance tend to make more money over time through profitable investments that eventually lift them out of poverty (Mersland, 2011). This Particular study mentions that the members of the Bangladesh Rural Advancement Committee (BRAC) witnessed a decline in poverty by an average of fifteen percent after three years of participation and for Grameen Bank participants, there was a reduction of poverty by five percent after four years of participation.

2.5.2 Challenges facing microfinance banks in financing SMEs activities

The CBN (2014) observed that microfinance sub-sector in Nigeria is faced with many challenges.

Prominent among these are:

i. Poor Repayment Culture**:** An average borrower has a tendency to regard loans from microfinance institutions as his share of "the national cake" and thus renege on repayment. Also, insider dealing whereby Directors and their associates extend credit facilities to themselves and their conies can pose a challenge and affect loan repayment.

ii. Absence of Adequate Infrastructure: Inadequate power and other basic infrastructure increase operating costs and limit Microfinance banks' ability to support SMEs.

iii. Inadequate Capital: Due to huge costs of providing infrastructure, several microfinance banks have had to invest large portions of their capital in fixed assets and prepayments, thus leaving little resource for financial intermediation.

iv. Anxiety for Growth and Income: The pressure to meet up with shareholders' expectation on return on investment within a short time creates anxiety for managers of microfinance banks, and this has made some of them to compromise on appropriate credit principles.

v. Inadequate Supervision by Regulatory Authorities: Due to the very large number of MFBs, it has been a challenge for regulators to provide strict and close supervision of their activities.

vi. Lack of Knowledge and Skills in Practical Microfinance Banking**:** The microfinance policy realized the dearth of capacity in practical microfinance banking in Nigeria and provided for the institutionalization of a microfinance programme for the operators. This was to ensure that Executive Directors of the banks acquire basic knowledge on governance, product development, marketing, management and administration, savings mobilization, credit delivery, loan monitoring and recovery as they relate to micro financing.

vii. Lack of Funds for Intermediation**:** Despite their increased capital base, the banks did not possess adequate funds for effective intermediation. The savings mobilization drive was not adequate to generate sufficient resources for intermediation. Also, the banks did not take advantage of commercial capital from the market either due to lack of knowledge and attractive financial indices or absence of appropriate collateral. The Microfinance Development Fund that is supposed to provide the banks with refinancing facilities, guarantees, wholesales funds and technical assistance

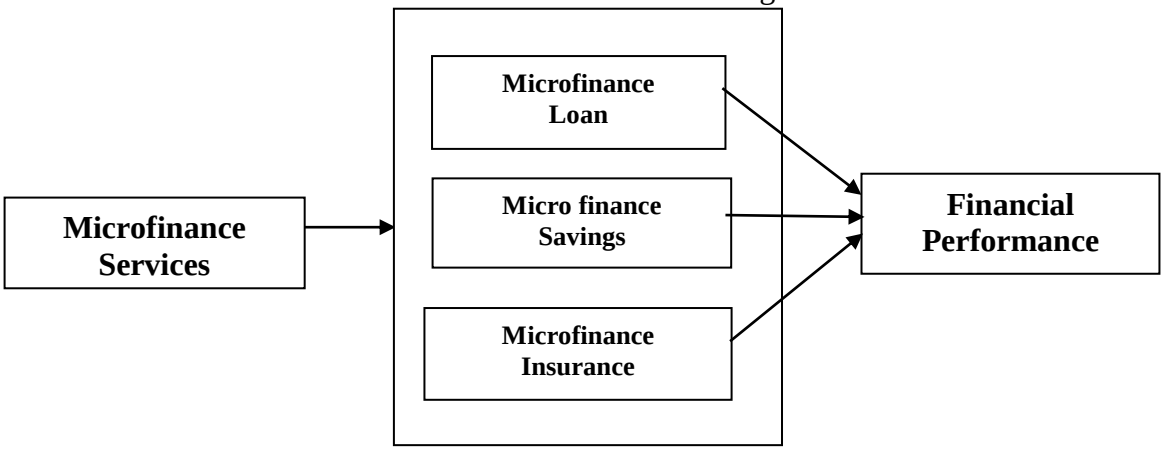
Programmes is yet to be set up and this worsens the fund shortage problem of the banks.

viii. Weak Internal Control System: Right from the days of community banking, the issue of weak internal control has always manifested. In some banks, such control systems are inexistent, thereby giving the Board and management staff a free day to operate at will. Accounts are opened with incomplete documentation, loans disbursed when conditions precedent to drawdown are not met, expenses incurred without approval, Directors obtain loans indiscriminately and use the Banks' properties as security.

ix. High Operating Cost: Small units of services pose the challenges of high operating cost, several loan applications to be processed, numerous accounts to be managed and monitored, and repayment collections to be made from several locations especially in rural communities.

2.6 Conceptual Framework

This study aimed at investigating the impact of Microfinance Bank Services on financial performance of SMEs. The identified Microfinance Bank Services are microfinance loan, microfinance savings and microfinance insurance. Therefore, the conceptual framework was designed as a model to explain the interconnectivity between the dependent and independent variables as discussed from literatures and is elaborated in Figure 2.1.



Source: Author (2021)

Figure 2.1: Conceptual Framework

The framework depicts the inter-connection of independent and dependent variable. The initiative identified included: microfinance loan, microfinance savings and microfinance insurance. Financial performance is the dependent variable that is greatly influenced by three independent variables as shown in Figure 2.1.

2.7 Theoretical Review

A theoretical review of microfinance bank and financial performance of small and medium enterprises is conducted with the objective of identifying theories linking the two main variables in this study: Microfinance and financial performance. After identifying and discussing extant theories, the specific theory that best fits the current study is chosen for the study.

2.7.1 Contract theory

This theory was first treated by Kenneth Arrow. It studies how economic actors construct contractual arrangements in the presence of asymmetric information. Information asymmetry arises when one of two parties engaged in a business transaction happens to have more or different information than the other (Sivachithappa, 2013). In such a situation, one party does not have adequate information about the other party resulting in inaccurate decision making. This circumstance leads to a potential adverse selection and moral hazard problems in the credit market. Adverse selection is a problem arising from asymmetric information which occurs prior to the transaction actually occurring (Chowdhury, 2013; Ogujiuba, 2013; Badugu *et al.*, 2016)

Here, a lender may decide not to lend money even though the borrower has the ability to make loan repayments as expected, just because he does not have enough information about the borrower to aid his decision making. On the other hand, moral hazard is a problem of

asymmetric information that occurs post-transaction. The borrower might engage in activities that are unknown yet undesirable from the lenders' point of view, and thus makes it probable for the loan repayment. Based on these reasons, conventional financial institutions insist on collaterals as a condition for providing loan to micro- entrepreneurs. This is because disbursement of loan without adequate collateral is considered highly risky.

However, development of microfinance bank as a bank to serve the poor and micro-entrepreneurs is really helpful today's competitive environment (Waweru and Parkinson, 2015; Bananuka *et al.*,2019), owing to this, contract theory affirmed contract agreement between the parties without the use of collateral.

2.7.2 Games theory of microfinance

The games theory of microfinance state the idea of group – based lending by microfinance institutions**.** The theory advocate that micro-entrepreneurs rely on the concept of groups borrowers to enforced contracts amongst parties as well as realized their economic growth potential (Chowdhury *et al.*, 2014) It is based on this theory that microfinance bank allows peer group loan to four or eight group members. Group members jointly guarantees confidence in loan repayment, which trigger access to subsequent loans to the group. Payment is made periodically such as daily or weekly thus, shorter than conventional bank payment period. From the perspective of social scientists, games theory makes greater contribution to social benefits because of their mutual trust amongst group members as well as guarantees system of building block of social network (Bijli, 2012; Nair *et al.,* 2018). Since this theory is based on group lending, microfinance institutions served as a vehicle of achieving corporate sustainability through offering of small amount of loans to small and medium enterprises without collateral in both developing and developed countries (Morgan and Olsen, 2011).

2.7.3 Resource based theory

The Resource based theory (RBT) was developed by Wernerfelt in the middle of the 20th century (1984). Classical economist and management theorist in the 1980s focus on financial resources as a critical tool for achieving superior performance of the SMEs (Guha and Chowdhury, 2013; Huq *et al.*, 2017; Dausa and Zainal, 2020). Although, Barney (1991) a professor in America proposed "Firm Resources and Sustained Competitive Advantage" in his article's strategic management (Sivachithappa, 2013). A sustained competitive advantage is based on the ability of micro- entrepreneurs to earn abnormal profit as a result of sufficient financial resources needed to finance the operation of SMEs (Ogujiuba, 2013; Paul, 2014; Ahmed and Khan, 2016). The major underpinnings of this theory emphasised that opportunities are easier to exploit using a microfinance bank resources than making attempts to acquire or develop necessary resources for exploiting each different opportunity by SMEs (Guha and Chowdhury, 2013; Huq *et al.*, 2017; Hussain, 2018; Kanyangale, 2018; Dausa and Zainal, 2020).

Within the context of microfinance bank, RBT focuses on financial resources and invisible capabilities that can be a source of achieving sustainable competitive advantage (Waweru and Parkinson, 2015; Bananuka *et al.*, 2019). However prior studies that adopted this theory, sought to examine how microfinance specific resources would improve financial performance (Guha and Chowdhury, 2013; Bagudu *et al.*, 2016; Grubbauer, 2020). RBT was employed to study how dimensions of exploitation, exploration, and technology scouting which are representative of microfinance services and resources of SMEs facilitates or improves financial performance in terms of, sales growth, market share growth, profit levels and return on investment relative to their competitors (Chowdhury *et al*., 2014; Grubbauer, 2020).

2.7.4 Financial sustainability theory

The financial sustainability theory was developed by Berge and Udells in 1998. Although, the theory affirmed that micro business must rely on initial insider finance, angel finance or trade credit in order to survive and compete favorable in today's dynamic business environment (Guha and Chowdhury, 2013; Bagudu *et al.*, 2016; Grubbauer, 2020). Sustainability and long -term survival is indispensable for microfinance to be able to reach its target customers need and other administrative costs. The theory further postulate that sustainability for microfinance bank has two perspectives: internal and external perspective. Internal in terms of savings mobilization and deposit, staff motivation, financial performance and loan administrative costs. Whilst external is in terms of availability of financial resources for loan disbursement and grant for community development (Jain and Tripathy, 2011). For small and medium enterprises to sustain it Operation, they need to rely on savings and loans which are microfinance credit products. Sustainability is measured based on incessant financial performance of micro-entrepreneurs (Guha and Chowdhury, 2013; Huq *et al.*, 2017; Hussain, 2018; Kanyangale, 2018; Dausa and Zainal, 2020). Financial sustainability theory served as the theoretical framework for this study. The rational for the selection is based on the fact that the theory postulate that SMEs rely on insider and outsider source of finance such as microfinance bank services to provide the poor with access to social and financial services in form of loan opportunities, ease savings and insurance services (Mersland, 2011).

2.8 Empirical Review

This section of the study provides a review of the findings of previous studies on microfinance bank and its impact on financial performance of SMEs.

Morgan and Olsen (2011) examined the effect of microfinance training on the performance of micro- entrepreneurs in India. They identified technical efficiency of micro- entrepreneurs

to be influenced by human capital variables such as business experience, age, level of education and socio-economic/institutional variables (characterized by saving size, saving interest, training programme, training experience and contact with lender). This they estimated using stochastic production function frontier also called the composed error model of Aigner and ordinary least square. The study focused on determining the nexus between training and technical efficiency, access to microfinance facilities and other significant factors that are enhancing the level of performance in the baking, furniture making, and burn brick making micro-enterprises. The result revealed that man hour output and microsaving to be the most substantial factors enhancing value of output for bakers, while capital outlay, man hour worked and expenditure on equipment are key factors enhancing value of output for furniture makers.

Atieno (2011) survey a sample of 36 respondents out 120 micro- entrepreneurs in Mosocho division, kisii district while investigating the influence of microcredit on growth of small and medium enterprises in Kenya. A descriptive statistics and multiple regression method of data analysis employed. Empirical evidence revealed that microfinance constructs, micro loans, savings and insurance, all positively influence the financial performance of SMEs in Kenya. The study recommended that SMEs should not only utilized microfinance services influences financial performance of SMEs Kenya.

Muthengi (2012) conducted a quantitative study to examine the effect of microcredit on the performance microenterprises in Kitui District of New Zealand. A descriptive statistics and hierarchical moderated regression was used as confirmatory analysis to test the research hypotheses. The result of the findings revealed that microcredit has positive effect on financial performance of SMEs in the District in New Zealand. The study recommended that federal, state and local government should enhance the existing facilities of micro finance

bank in order to have a conducive working atmosphere and thus enhance financial performance of SMEs in the district in New Zealand.

As for, Anane *et al.* (2013) examines the effects of microfinance loan on the growth of micro-entrepreneurs in rural Ghana. The study employed quantitative research design. Structural equation model (SEM) and partial least-square (PLS) were employed used in analyzing the data collected. The findings indicated that microloan has a significant positive effect on SMEs financial performance. It also indicates that micro saving has a positive but insignificant effect on SMEs performance. They then concluded by stating that adopting microfinance facilities provide a gateway for SMEs to enhance their operations as well as enhanced their financial performance.

Chowdhury *et al.* (2014) conducted an empirical inquiry of microfinance credit and performance in India. The study employed 240 self-administered questionnaires to SMEs in India. A descriptive statistics and regression method of data analysis employed. The findings gotten from the empirical test of four hypotheses showed that micro finance credit policy positively influences SMEs performance. However, micro finance services are significantly associated with micro -entrepreneurs' services and services improvement, pointing that micro services facilitate SMEs. The study concluded that microfinance services influences financial performance of SMEs India.

Paul (2014) evaluate creditworthiness of microfinance borrowers on performance of SMEs in India. Survey was used to collect data from non- governmental organizations in four communities in north Mumbai in India. The data collected from the field were analyzed using descriptive and multiple regression. The result revealed that the probability of selecting a micro-credit is higher for applicant living a rented room. MFIs is more concerned with repayment of loans and at the same time maximizing social welfare through reaching the

micro- entrepreneurs. The study concludes that MFIs operating in urbans area should extent loan to an individual occupying rooms in a particular location which indicate the reliability of borrower since borrowers are not trustworthy.

Huq *et al.* (2017) Conducted a cross sectional survey using a sample of 127 microfinances in Asian, while evaluating the trade -off between social outreach and microfinance institutions performance. The study further examined the controlling role of microfinance firm age and size. Structural equation model and partial least -square were used in analyzing the data collected. The findings indicated that MFI neutral trade -off accomplishing social outreach and financial performance. It also revealed in case of social outreach and financial performance of MFI is based on size, MFI age, operation capability and group lending processes.

Interestingly, Nair *et al.* (2018) examine the impact of microfinance on socio-economic activities of rural women Karnataka in India. The study adopts qualitative research design, focusing on eight localities with structure interview as the instrument. Simple sample random was used to select 190 households for the study. Descriptive and conceptual analysis was employed. The findings revealed that ten households with mental disorder were identified in the community. The following themes were revealed, microfinance needs, social support, Community resources, burn out, informational needs, and interview were used to elicit responses for stigma which are depicted as a form of conceptual framework connecting the various themes. The study concludes that care givers of persons with mental disorder should take advantage of microfinance self-group activities in order to understand the financial need of the community as well as boost the socio-economic activities of the community

Sainz-Fernández *et al.* (2018) investigate the relationship between moderating economic growth and development of micro finance industry in china. The study employed panel data

and the hypotheses tested reveal the influence of financial institutions development on micro finance industry will be depend on the level of economic growth. The result revealed that economic growth positively affects the relationship between the financial institutions development and microfinance bank. While financial institutions have negative impact on microfinance industry, but if economic growth is high, financial sector development positively influences the activity of microfinance industry.

Sussan and Obamuyi (2018) assessed the impact of microfinance bank on entrepreneurship development in Anambra State. To achieve the stated objective of the study, three research questions were formulated. The descriptive research design was adopted for the study. The population of the study was 734 staff of ten (10) selected entrepreneurial firms in Anambra State. It was impracticable to study the whole population therefore 259 staff was sampled using stratified sampling technique. Out of the 259 copies of the structured questionnaire administered to the respondents, 192 were completed and returned. The data obtained were analyzed using Pearson correlation for hypothesis one and ANOVA for hypotheses 2, and 3 respectively. The findings revealed that microfinance bank impact significantly on the development of entrepreneurship in Nigeria; that there are problems that militate against the effective financing of entrepreneurial businesses in Anambra State. Based on the findings, it was recommended that microfinance bank in Anambra State should be strengthened to embrace entrepreneurship devoid of imitation and vocational inclinations. Also adequate financial, physical and human resources should be provided by various stakeholders not only for potential but also for existing, start-ups and aspiring SMEs.

Ringo *et al*. (2022) investigated the effects of deposits through agency banking on profitability of the National Microfinance Bank (NMB) in Moshi Municipality. Three National Microfinance (NMB) bank branches were used for the study. The theory of the firm

was used to inform the study. A concurrent research design was used with a mixed research approach involving quantitative and qualitative data collection. Secondary data on the volume of deposits by the bank agents was obtained from the bank branches and key informant interviews using an interview guide was done to branch managers and agency banking section of each branch officers where in total 7 interviews were conducted. Data was processed and analyzed based on information collected. Quantitative data were analyzed using descriptive statistics where means were obtained. Later Analysis of Variance was conducted before a regression analysis being done. Qualitative data was analyses using content analysis where themes were generated. Findings indicated that there is a significant effect of deposits by agency banking with $p>0.05$ (0.002). This implies that, as deposits through agency banking increases, then profitability of the bank increases by 0.002 units. The study concludes that an increase in the number of agents increases the profitability of the National Microfinance Bank in Moshi Municipality since a large a big volume of deposits has effects on profitability. Also, a decrease in volume of deposits negatively affects the profitability of the bank since deposits provides banks with adequate funds to lend and to earn interest income. It is recommended that NMB should invest more resources towards increasing their number of agents to increase their profitability. NMB should also develop deposit mobilization strategies through agency banking to ensure that their clients use agency-banking services so that deposit levels are kept high all the time.

More so, Sule (2018) investigated the relationship between microfinance and small and medium scale enterprises relate to affect Nigeria development. The study adopted survey design. The population of the study was 3508 small and medium scale entrepreneurs in Port Harcourt Local Government area of Rivers State, Nigeria with 346 determined sample size. Cluster sampling method was used because of the unavailability of comprehensive small and medium enterprises list. Pearson Product Moment Correlation and Partial Correlation were

the statistical tools used in testing the four hypotheses. The findings revealed that there exists relationship between microfinance banks and small and medium scale enterprises and that with favorable relationship among them, there will be tremendous development in Nigeria. It was, therefore, recommended that management should help promote better relationship between the microfinance and small and medium scale entrepreneurs so as to improve the country development.

Mustapha *et al*. (2019) examined the impact of Rima Microfinance Bank on beneficiaries' income and poverty in Goronyo Local Government Area of Sokoto State, Nigeria. A multistage-sampling technique was used to draw the sample and a structured questionnaire was used for data collection. The data was analysed using descriptive statistics (means, frequency, and percentages) and Foster, Greer and Thorbecke (FGT) poverty index. The result revealed that the beneficiaries had a mean per capita income of N47, 489.19 before and N115, 678 after using the Rima Microfinance credit facility. The result of the FGT poverty incidence reduces by 6%. This is reflected by the reduction in poverty depth and severity significantly after the Rima microfinance intervention in the form of agricultural input credit facilities. The study recommends a microfinance policy that will ease more access to credit as well as ensuring efficient utilization of acquired inputs through effective monitoring for better productivity, income and poverty reduction among rural dwellers.

Similarly, Aggarwal *et al.* (2020) in a field experiment where neither group nor individual liability loans are backed by any form of physical collateral, so that the same borrowers can be subjected to liability, used randomized control trial to evaluate the impact of group liability on the performance of clients and the profitability for a lending institution in Philippines. Descriptive and inferential statistic was employed. The result showed that, individual liability compared to group liability leads to no change in repayment but is better

at attracting new clients and keeping existing ones. Also, there is a statistically significant evidence of some of the mechanisms discussed in the group liability literature such as screening and monitoring but they did not find that it adds up in an economically meaningful way to higher (or lower) default.

Mwikya and Khamah (2020) investigated effect of turnaround strategies on service delivery of microfinance institutions: A case of Rafiki microfinance Bank in Mombasa County, Kenya. The study's geographical setting was in Mombasa County**.** The study was guided by the following specific objectives: To establish the effects of strategic repositioning on service delivery of MFIs in Kenya; to determine the effect of reorganizing on service delivery of MFIs in Kenya and to analyze the effect of strategic expansion on service delivery of Rafiki Microfinance b ank in Kenya. The study provides information for all the micro financial institutions (MFIs). The study used survey research design and was anchored on the following theories; Dynamic Capability Theory, Organizational Theory and Resource Based Theory. The target population was Rafiki microfinance bank branches found in Mombasa County, and the respondents were three levels of management staff which included top level management, middle level and lower level management from each branch of Rafiki Microfinance Bank Limited in Mombasa County. Data analysis was through Linear Regression Model. Overall, the study findings revealed a strong correlation between the independent and independent variables with a P value of 0.0028 and R2 as 0.763, which is the depicted a significant effect on service delivery. The independent variables under study showed a mixed relationship against the dependent variable whereby Strategic Repositioning had a P value of 0.151, whereas Strategic Reorganization scored a P value of 0.809 and Strategic Expansion had a P value of 0.000. This suggests a very strong relationship between turnaround strategies and service delivery of Rafiki Microfinance Bank in Mombasa County, Kenya. Microfinance institutions must therefore incorporate turnaround strategies in their

long term strategic objectives if they were to enhance service delivery. The study further recommends the need for a strong governance system that would enhance successful implementation of turnaround strategies.

Jehan *et al*. (2020) examined the relationship between microfinance and women empowerment. In recent years, no notable work has been done on microfinance in relation to women empowerment. So we undertook this research using primary data. For the analysis of data, t-test, and chi-square tests has been used. We collect data from 60 respondents through interview and questionnaires. There were 30 creditor woman and 30 non creditor woman. The main creditor list was obtained from Khushali microfinance bank and first 30 women were selected for data collection. The result shows that microfinance has positive effects on a woman decision making abilities, her status in the eyes of her children and parents but it did not show that a creditor woman receives more respect from her husband. It also shows that credit does not give a woman the f freedom to exercise family control measures. However, she (creditor) has good status among peers and has more social participation. The study recommends that credit taking conditions may be relaxed for increasing the scope of the financing.

Mbuya and Tegambwage (2021) assessed the influence of market risk on the profitability of microfinance institutions (MFIs) in Tanzania. Market risk is divided into interest rate risk and foreign exchange rate risk whose indicators were net interest margin and foreign exchange gains or losses respectively while having Gross Domestic Product (GDP), inflation, and money supply as control variables. The profitability of microfinance institutions (MFIs) was measured by ROAA. The study employed a quantitative research approach and time-series research design. Secondary data was used in the course of this study, which was generated from the quarterly audited financial statements of FINCA microfinance bank from 2010 to

2020. In the analysis of data, the study employed descriptive statistics, pairwise correlation matrix, unit root and Johansen test for co-integration. Autoregressive Distributed Lag (ARDL) model and Error Correction Model (ECM) were used to determine both short-run and long-run effect of interest rate and foreign exchange rate on profitability respectively. The results of the co-integration test indicated that there is no long-run relationship between interest rate, foreign exchange rate and profitability. Interest rate and lag of GDP have a statistically significant positive short-run effect on profitability. Lastly, foreign exchange risk has a negative significant association with profitability in the long run while it has no statistically significant influence on profitability in the short run. Macroeconomic variables have no significant influence on the profitability of MFIs both in the short run and in the long run. It is recommended that the MFIs in Tanzania especially the locally owned need to find ways to mitigate the effect caused by market risk factors on their profits including the use of financial derivatives and asset securitization.

2.8.1 Empirical literature gaps

The empirical review of the studies that are related to impact of microfinance bank services on performance of SMEs revealed the following literature gaps. Firstly, the geographical settings of the majority of the studies are foreign. For instance, Nair *et al.* (2018), and Paul (2014) and Morgan and Olsen (2011) were from India; Aggarawal *et al.* (2010) and Hsu (2014) were from Philippines and China; Ashamu (2015) and Atieno (2011) were from Kenya and Ghana respectively. Hence, the need for this study to be carried out in Nigeria.

Secondly, from the literature on exploring the impact of Endwell microfinance bank on SMEs financial performance. A vast majority of previous studies reviewed microfinance bank services based loan or microcredit, repayment mode (Anane *et al*., 2013; Chowdhury *et al.,* 2014; Paul, 2014; Aggarwal *et al.*, 2020) while this study adopts microinsurance,

microsaving and microloans dimensions of microfinance bank services which were neglected by others studies (Morgan and Olsen 2011; Paul, 2014; Huq *et al*., 2017; Sainz-Fernández *et al.,* 2018). Thirdly, most of the studies reviewed were on microfinance bank own by private institutions (Morgan and Olsen 2011; Muthengi 2012; Paul, 2014; Huq *et al*., 2017; Sainz-Fernández *et al.,* 2018). While neglecting microfinance bank own by government institution. Thus, this present study examines the impact of Endwell micro finance bank on SMEs financial performance.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Description of the Study Area

The population of Minna city is estimated to be 304,113 in 2007. Minna falls within latitude 9^0 35' 0.7980" N and longitude 6^0 32' 46.7376" E. Minna is also the capital of Niger State. A state in middle belt of Nigeria's. The state has 3 major ethnic groups. The Gbagyi Hausa and Nupe. Cotton, guinea corn and ginger are the main agricultural products of the city. Maize, Soyabeans, Yam, Rice and shea nut are the crop mostly cultivated the city. Industry wise, are crafts in Minna include metalworking and leather work.

Minna city has major connection to Abuja, the capital of Nigeria, which is 150 km away from Minna. The city has rail line connection and road to both Ibadan and Lagos in the south and Kano in the north. The city is having only one Airport. Minna has many institutions among them are: The Federal University of Technology, Niger State School of Health Technology, and National Examination council of Nigeria. Niger State School of Nursing and Midwifery, Niger State College of Education among others.

3.2 Research Design

The present study employed cross-sectional survey research design to examine the impact between operations of Microfinance banks services and SMEs financial Performance. Such a design is utilized because quantitative research reliably helps to find out whether a concept or idea is better than the alternatives and able to answer questions about relationships amongst measured variables with the purpose of explaining, predicting and controlling phenomena.

Also, the present study examined causal relationships among the variables under investigation. Closely linked with the type of investigation is the extent of interference of a researcher with the normal flow of events. In this regard, the researcher's interference with

the natural flow of events was limited to the distribution of questionnaires without any conscious attempt to manipulate or modify the responses and behaviors of the participants. In other words, the present study involves an unobtrusive measure as the study was conducted in the natural environment of the SMEs office locations where the researcher's interference was minimal. Lastly, the unit of analysis is SMEs owners or managers.

3.3 Population of the Study

According to Small and Medium Enterprises Development Agency of Nigeria (SMEDAN, 2020), the population of SMEs in Minna Metropolis is 6,420.

3.4 Sample Size

A sample size is a part of the population chosen for a survey. The sample size helps to determine the fraction of subjects, members acquired from a population through quantitative approach.

Sample size was taking from SMEs in Minna Metropolis. In determining the sample size, the study utilized the Taro Yamane formula. This is stated as:

$$n = \frac{N}{1 + N(e)2}$$

Where:

n = sample size

N= population

e = error limit given as 5%

1 = constant

The total number of 6,420 participants will served as the population of the study

$$n = \frac{6{,}420}{1 + 6{,}420\ (0.05)^2}$$

$$n = \frac{6{,}420}{1 + 6{,}420\ (0.0025)}$$

$$n = \frac{6{,}420}{1 + 16.05}$$

$$n = \frac{6{,}420}{17.5}$$

$$n = 367$$

Therefore, n= 367 served as the sample of the study.

3.5 Sampling Technique

The present study adopted simple random sampling technique method to select respondents based on the sample size. In this method respondents are numbered and selected from target population based on lottery method in order to determine the SMEs owners or managers to sample (Bhanot and Bapat, 2015).

3.6 Research Instrument

The research instrument that was used for this study is structured questionnaire which is meant to be administered to SMEs owners or managers in Minna metropolis. The statements in the instrument are structured to elicit relevant information that will provide answers to the research questions raised and eventually aid in achieving the research objectives.

The questionnaire was being divided into two Sections, A and B. Section A focuses on the respondents' demographic data, while section B contain statements on the impact of Microfinance banks operations on SMEs growth. The study adopted a 5-point Likert scale rating. A 5-point Likert scale is a widely used choice because it minimizes the hassle of answering questions which usually occur when six or seven-point scales are used. Hence, to avoid complexity and ensure consistency in the responses, a 5-point scale was used.

Participants indicate the level of agreement on a 5-point scale ranging from ‘1’ “Strongly disagree” to ‘5’ “Strongly agree.”

3.7 Validity of Research Instrument

The instrument was subjected to content validity and face validity. This was done by presenting the draft instrument to two experts in the department of Entrepreneurship and Business Studies, Federal University of Technology, Minna and research supervisor for their observations, contributions and suggestions. Based on their observations, constructive criticisms and contributions, some of the items in the instrument are discarded while some are recasted before the final draft of the questionnaire was produced the instrument will also be subjected to language editing.

3.8 Reliability of the Instrument

The instrument employed for this study is considered reliable as it will be able to gather the required data. Further, ambiguity of words had no place in this research as instruments used was well framed and unnecessary ambiguities avoided in the draft of the questionnaire. The contents and questions asked in the questionnaire was simple, straight-forward and well explained to participants who may have difficulty understanding the questionnaire items. The information generated is reliable and consistent as well as yield similar results even when tested repeatedly in other settings.

3.9 Pilot Test

A pilot test is a small scale of initial research process conducted to evaluate the practicality, cost, time, and size of the statistical variability (Mohammed, 2017) Also, a pilot test makes provision for a sufficient time to check the reliability, validity and viability of the instruments as well as to determine the time needed by the participants to fill the questionnaires. Pilot

study enables the researcher to receive feedback, comments and suggestions from the participants about the length, structure and wording of the instruments.

According to Mersland (2011) the appropriate size of the pilot study is from 30 to 100 cases. Based on this recommendation, the pilot test for the present study was conducted using a convenient sample of 100 SMEs in Kontagora. However, 70 out of 100 questionnaire copies were returned and valid for pilot study analysis. Further, the SMEs owner or managers who participated in the pilot study was not considered in the actual study to avoid possible contamination. The researcher employed the Statistical packages for social sciences (SPSS version 24) to analyze the pilot study data. Statistically, the Cronbach's alpha and composite reliability index values were analyzed and presented in Table 3.1

Table 3.1: Result of the Pilot Study (N=60)

Variables	Cronbach's Alpha	Composite Reliability
Financial Performance	0.781	0.821
Micro Loans	0.701	0.702
Micro Saving	0.719	0.711
Micro Insurance	0.895	0.878

Source: SPSSS output (2020)

As shown in Table 3.1, both the composite reliability and Cronbach's Alpha values were used to assess the reliability of the scales in the pilot study. Mostly, reliability is achieved when the composite reliability and Cronbach's Alpha coefficients of each variable and/or dimensions of variable is at least 0.70 (Niar *et al.,* 2017). From Table 3.1, the Cronbach's

Alpha coefficient of each variable ranged from 0.701 to 0.895, while composite reliability values ranged from 0.702 to 0.878. Hence, values of all variables exceeded the minimum acceptable level of 0.70. Therefore, there is a satisfactory reliability for the measures used in the pilot study (Nair *et al*., 2017).

3.10 Data collection

The present study utilized self-administered questionnaire. Self-administered questionnaire is a form of questionnaire in which the researcher takes responsibility to personally distribute the survey (Bagudu *et al*., 2016). The self-administered questionnaire offers the researcher a chance to collect adequate data for the study in a short period of time (Amsi *et al*., 2017). Together with the aid of research assistants, the researcher distributed a total of 367 questionnaires. In all 358 were found useful for the research. Thereafter, the researcher embarked on follow-up to remind the respondents. It is important to follow-up to ensure adequate responses.

3.11 Data Analysis Technique

The technique of data analysis entails statistical instrument and process through which data can be analyzed and research hypotheses tested to explain some relationships between constructs, and perhaps draw a valid conclusion and recommendations based on the findings. This study employ both descriptive and inferential statistical approaches to analyze the data generated from the survey and test the formulated research hypotheses.

Although descriptive statistics do not create room for generalization, it was employed to basically describe the characteristics (demographic information) of the respondents. On the other hand, inferential statistics was employed because it provides room for generalization of findings or results obtained from a segment of a population (sample) to the entire population. Inferential statistical technique is utilized when the study is interested in determining causal-

effect relationships among constructs or interested in predicting the existence of a relationship between constructs. Therefore, this study was adopts the Statistical Package for Social Science (SPSS vision 24) to analyze the data.

3.12 Model Specification

The study adopted Linear Regression Model by Chen, (2006) for the analysis of data. This model is a statistical tool widely used for analyzing quantitative data. The regression analysis was conducted to provide evidence on the multiple effect between Endwell microfinance bank services and financial performance of SMEs in Minna, Niger State. This model has the following assumptions:

i. Linearity: the relationship between the independent and dependent variables must be linear

ii. Normality: Errors should be normally distributed.

iii. Multicollinearity: it assumes that there is no perfect linear relationship among the explanatory variable.

iv. Homoscedasticity: it assumes that, given the value of explanatory variable, variance of error term is the same for all observation.

v. Independence: Errors associated with one objective are not correlated with the errors of any other observation.

vi. Model specification: The model should be appropriately stated in the initial analyses carried out to make sure there is no violation of the above stated assumptions.

. This Model is stated as follows:

$$Y = f(X_1, X_2 \ldots\ldots\ldots\ldots\ldots\ldots X_n) \quad (1)$$

$$Y = \beta_\circ + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3$$

$$Y = \beta_{\circ} + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \acute{\varepsilon}$$

Where Y = Dependent Variable of the study

$X_1 \ldots X_n$ = Independent variable of the study

έ =Error term

Substituting the variable of this current study into equation 1.

$$FP = F(ML, MS, MI) \quad (2)$$

Where, FP = financial performance

ML =Microloan

MS = Microsaving

MI= Microinsurance

Transform into linear equation as:

$$Y = \beta_{\circ} + \beta_1 ML + \beta_2 MS + \beta_3 MI \quad (3)$$

Econometrically, the above model is further modified by introducing the error term. This is done to capture errors of miss-specification in the Model. Thus, the model can then be expressed econometrically as:

$$FP = \beta_{\circ} + \beta_1 ML + \beta_2 MS + \beta_3 MI + \acute{\varepsilon} \quad (4)$$

β_0= the intercept

$\beta_{1 \ldots} \beta_3$ = Parameters estimate of coefficient associated with the influence Microfinance bank services and performance of SMEs.

3.13 A Priori Expectation

The *apriori* expectation of the relationship between the financial performance and each of the Endwell microfinance bank services is given as follows: the intercept (βo) is expected to be positive. This indicates that the value of the financial performance is positive if all the microfinance dimensions remained unchanged; microloan, microsaving and micro insurance are expected to be positively signed. That is βo, β1, β_2, β_3 >0.

CHAPTER FOUR

4.0 RESULTS AND DISCUSSION

4.1 Results

4.1.1 Descriptive statistics

This section presents the summary of results for the independent and dependent variables as shown in Tables 4.1. The small and medium enterprises descriptive and demographic profile of survey respondents are presented respectively. The demographic characteristics considered for this study were business type, age, SMEs sector, gender, operating years of SMEs and educational status. Multiple regression is presented to show the summary of result depicting the impact of microfinance loan, microfinance savings and microfinance insurance dimensions on performance of small and medium enterprises in Minna, Niger State.

4.1.2 Gender distribution

Table 4.1 presents the gender distribution of Small and medium enterprises respondents in Minna Metropolis.

Table 4.1 Gender Distribution of Respondents

Gender	Frequency	Percent
Male	242	67.6
Female	116	32.4
Total	358	100.0

Source: Author's Field Survey (2021)

Table 4.1 revealed that 67.6%, representing 242 respondents were male, and 32.4%, representing 116 respondents were female indicating that, there are more male than female. The reason might be due to culture and religion inclination of northern part of this country, as

women are not encouraged to engage in open trade that will make them interact with different people freely and thus discourage their participation in SMEs activities.

4.1.3 Age distribution

Table 4.2 presents the demographic feature of survey respondents according to their various age groups.

Table 4.2 Age Distribution of Respondent

	Age	Frequency	Percent
Valid	22-25	9	2.5
	26- 30	35	9.8
	31-35	27	7.5
	36-40	126	35.2
	41 above	161	45.0
	Total	358	100.0

Source: Author's Field Survey (2021)

The Table 4.2 revealed the followings, that 2.5%, representing 9 survey respondents had their age between 22 and 25 years respectively. More so, 9.8 %, representing 35 respondent had their age between 26 and 30 respectively. Furthermore, 7.5%, representing 27 respondents had their age between 31 and 35 years. 35.2%, representing 126 respondent had their age between 36 and 40. Finally, 45% which represents 161 respondents had their age above 41years. The findings depict majority of respondents age is largely 40 years and above. This result indicates that the respondents are still young, active and in their productive years where they could actively participate in SMEs activities. Their young age enables respondents to be alert at any business opportunity as well as leverage on that in order to open new businesses and managed it effectively with the support of various microfinancial services.

4.1.4 Educational qualifications

Table 4.3 presents the educational qualifications of survey respondents and accompanying percentages for clarity.

Table 4. 3 Educational Qualifications of Respondents

	Qualification	Frequency	Percent
Valid	SSCE	8	2.2
	Diploma	44	12.3
	Hihger Diploma	198	55.3
	BSC	36	10.1
	Mastes	54	15.1
	PhD	18	5.0
	Total	358	100.0

Source: Author's Field Survey (2021)

Table 4.3 unveil respondents' educational qualifications as follows, 2.2%, representing 8 survey respondents had Secondary School Certificate Examination (SSCE) as their qualification or education level, 12.3% representing 44 survey respondents had their education level as National Diploma. 55.3%, representing 198 survey respondents had their education level as Higher National Diploma (HND). 10.1%, representing 36 survey respondents had Bachelor Degree as their educational qualification. 15.1%, representing 54 respondent had their education level as Master Degree. Finally, 5%, representing 18 survey respondent had PhD as their educational qualification. From the results, majority of the survey respondents had Higher National Diploma (HND) with a 53.3% rating. It can be observed that the average educational qualifications of respondents are Higher National Diploma (HND). This indicate that most of the business owners or managers possessed

Higher National Diploma (HND) as their qualifications which afford them the opportunity to be better equipped to exploit various business opportunity successfully as well microfinance bank services easier.

4.1.5 SMEs years of operations

Table 4.4 presents the SMEs years of operations respondents and accompanying percentages for clarity.

Table 4.4 SMEs Years of Operations

	Years	**Frequency**	**Percent**
Valid	1-9	97	27.1
	10-19	162	45.3
	More than 20 years	99	27.7
	Total	358	100.0

Source: Author's Field Survey (2021)

In regard to the years of operations of SMEs in this study, it can be observed that 27.1%, representing 97 survey respondents had their operation between 1-9 years. More so, 45.3%, representing 162 survey respondents had their operation between 10-19 years, furthermore, 27.7%, representing 99 survey respondent also fall between 20 years and above. In view of this, it evidently showed that majority of SMEs respondents had being in operations for 10-19 years. This results indicates that most of the respondents have been operating their business for a very long period of time due to their perseverance and affordable financial support they get from microfinance bank.

4.1.6 Business type

Table 4.5 present the business type of survey respondents and accompanying percentages for clarity.

Table 4.5: Business Type

	Business	Frequency	Percent
Valid	Small	277	77.4
	Medium	81	22.6
	Total	358	100.0

Source: Author's Field Survey (2021)

The Table 4.5 revealed that 77.4 %, representing 277 survey respondents had small type of business. Furthermore, 22.6%, representing 81 survey respondents had Medium type of business. The findings depict that a larger portion of SMEs business are small in nature. The reason might be due to the fact that most businesses in developing countries like Nigeria are of small nature due to lack of conducive environment and entrepreneurial ability to grow their business.

4.1.7 SMEs sector

Table 4.6 presents the SMEs sector of survey respondents according to their various sectors.

Table 4.6: SMEs Sector

	Sector	Frequency	Percent
Valid	Manufacturing	99	27.7
	Trading	187	52.2
	Services	72	20.1
	Total	358	100.0

Source: Author's Field Survey (2021).

The Table 4.6 revealed that 27.7 %, presenting 99 survey respondents had their business of manufacturing nature. More so, 52.2 %, representing 187 survey respondents had their business of trading nature. Finally, 20.1%, representing 72 survey respondents had their business of services nature. The result depict that a vast majority of SMEs business are of trading in nature. The reason might due to the fact that Nigeria is dumping ground for developed nations to sell their product.

4.2 Discussion of Regression Analysis Results

This study employed multiple regression analysis to determine the impact of microfinance bank services on financial performance of SMEs in the study area. The result from Table 4.7 showed R^2 of 0.725 which implies that about 72.5% of variations that occur in financial performance were explained by the independent variables included in the model. While the remaining 27.5% were due to other extraneous variables not included in the model and error

in measurement of some variables. The F- value of 311.842 was significant at $p < 0.05$ across the SMEs, respectively. Thus, indicating that the model for the study has a good fit.

Table 4.7: Presents summary of Regression Analysis Model

Model	R	R Square	Adjusted R Square	R Square Change	F Change	Sig. F Change
1	.852[a]	.725	.723	.725	311.842	.000

a. Predictors: (Constant), Micro Insurance, Micro savings, Micro loans

In order to achieve the objective of this study, quantitative means of collecting data was employed. Based on this, the hypotheses raised in chapter one of the current study was tested in order to fulfil the objectives.

Table 4.8: Result of Regression Analysis

Independent Variable	**Coefficients B**	**Std. Error**	**Sig.**
(Constant)	.733	.184	.000
Micro loans	.419	.042	.000
Micro savings	.239	.043	.000
Micro Insurance	.258	.039	.000

a. Dependent Variable: Financial Performance

4.2.1 Microfinance loan and financial performance of smes

H_1: Microfinance loan has no significant impact on financial performance of SMEs in the study area.

Table 4.8 indicates that, at 0.05 level of significance, microfinance loan has a positive and significant impact on financial performance of SMEs. The regression coefficient of 0.419, which implies that a unit increase in microfinance loan, holding other predictors fixed, will

produce a 41.9% increase in financial performance of SMEs. This result is shown to be statistically significant with a p-value of 0.000 at < 0.05. Based on this statistical proof between microfinance loan and financial performance of SMEs, the null hypothesis is rejected while the alternate hypothesis which that states that *"Microfinance loan has significant impact on financial performance of SMEs"* is accepted at 0.05 significance level since the p-value is less than the 0.05 significance level. The result of these studies, is in line with the submission of Muthengi (2012) that microcredit has a positive and significant effect on financial performance of SMEs in Kitui District of New Zealand. This implies that the more SMEs have access to microcredit, the more capital they have to turnaround which in turn enhanced their financial performance. Anane *et al.* (2013) also established that micro loan has a significant and positive effect on SMEs financial performance. This implies that microloans served as a gateway for SMEs to improve their operations as well as enhanced their financial performance.

4.2.2 Microfinance savings and financial performance of smes

Ho_2: Microfinance Savings has no significant impact on financial performance of SMEs in the study area.

Table 4.8 revealed a regression coefficient of 0. 239 which shows that microfinance savings has a positive and significant impact on financial performance of SMEs. Therefore, a unit increase in microfinance savings yield 23.9% increase in financial performance of SMEs. The result is statistically significant with a p- value of 0.000 at < 0.05. For this reason, this study rejects the null hypothesis which states that *microfinance savings has no significant impact on financial performance of SMEs in the study*. Therefore, the alternative hypothesis which states that *"microfinance savings has significant impact on financial performance of SMEs"* is accepted at 0.05 significance level since the p-value is less than the 0.05 significance level. The result is in agreement with the findings of Atieno (2011) who

revealed that micro savings has a positive and significant influence on the financial performance of SMEs in Kenya. This infer that the growth of micro business is strongly influence by the ability of entrepreneurs to saved money to start or boost the business. Morgan and Olsen (2011) found that micro saving is to be the most substantial factors enhancing value of output for bakers in India.

4.2.3 Microfinance insurance and financial performance of smes

Ho_3: Microfinance insurance has no significant impact on financial performance of SMEs in the study area.

Table 4.8 revealed a regression coefficient of 0. 258 which shows that microfinance insurance has a positive and significant impact on financial performance of SMEs. This implies that a unit increase in microfinance insurance will bring about 25.8% increase in financial performance of SMEs. The result is statistically significant with a p- value of 0.000 at < 0.05. Based on this result, the study rejects the null hypothesis which states that *microfinance insurance has no significant impact on financial performance of SMEs in the study*. Therefore, the alternative hypothesis which states that *"microfinance insurance has significant impact on financial performance of SMEs"* is accepted at 0.05 significance level since the p-value is less than the 0.05 significance level. The result of this studies is in consonance with the findings of Atieno (2011) who revealed that micro insurance has a positive and significant influence on the financial performance of SMEs in Kenya. This infer that micro insurance provide social protection that allow entrepreneurs to invest their resources without debilitating fear of loss and business failure.

CHAPTER FIVE

5.0 CONCLUSSION AND RECOMMENDATIONS

5.1 Conclusion

The study examines the impact of Endwell microfinance bank services on financial performance of SMEs in Minna Metropolis, Niger State, Nigeria. The study contributed to the literature on microfinance and SMEs performance in Nigeria. To achieve the overall aim of this study, the outcome of microfinance dimensions was developed through quantitative means in order to elicit responses from SMEs business owners or managers in Minna Metropolis. Descriptive characteristics of respondents such as gender, age, educational qualifications, business type, SMEs sector and SMEs operating years were stated in the study. Considering the objectives of the study; examine the impact of Microfinance bank's loans on performance of SMEs in the study area, evaluate the impact of microfinance savings on performance of SMEs in the study area, and ascertain the impact of Microfinance insurance on performance of SMEs in the study area. The findings have shown that microfinance loan, microfinance saving and microfinance insurance have much impact on SMEs financial performance. Three research questions were developed to achieve the research aims.

1. How does Microfinance bank loans impact on SMEs performance in the study area?" the answer to this research question based on findings of the study revealed that microfinance loan has a positive and significant impact on performance of SMEs in the study area.
2. How does Microfinance bank savings impact on SMEs performance in the study area?" The answer to this question shows that microfinance savings has positive and significant impact on SMEs performance.

3. How does Microfinance insurance have impact on SMEs performance in the study area?" The result reveal that micro finance insurance has a positive and significant impact on SMEs performance in the study.

The findings proof statistical evidence that microfinance bank services dimensions have positive and significant impact on SMEs financial performance in Minna Metropolis. This is consistent with the study of Atieno (2011) who studied the effect of microfinance bank services on SMEs' performance in Nigeria and found that micro saving, microloan and micro insurance positively and significantly affects SMEs financial performance.

5.2 Recommendations

The significance of the microfinance bank cannot be overstated due to their contribution to the economy at large. In line with the research findings, the following recommendations were made to SMEs.

5.2.1 Recommendations to SMEs

1. SMEs owners or managers should patronize Microfinance as an alternative means of obtain soft loan without any collateral in order to expand their businesses, enhanced their revenues, generate employment and improved the standard of living of people as well as rapid industrialization.
2. It recommends that SMEs should also imbibe the culture of microinsurance which provide social protection covers designed to provide income support to small and medium enterprises business owners as well as assurance to entrepreneurs to invest their resources without debilitating fear of loss and business failure. These cover has become a valuable financial risk management tool that allows the SMEs to mitigate their vulnerability to risk and poverty.
3. In order to achieve a sustainable growth of SMEs in Nigeria. Microfinance bank saving are indispensable to micro- entrepreneurs who could not have access to

conventional financial services to meet up with their financial demand as well as improve the standard of living of the poor and help reduce poverty.

The study recommended that for SMEs to survive in today's dynamic and competitive business environment, it becomes imperative for microfinance to provide SMEs with resources for developing the socio-economic environment of the micro-entrepreneurs and enable them to get accessed to affordable financial services.

5.3 Contribution to Knowledge.

The study contributed to knowledge by been the first to examine the impact of Endwell microfinance bank services on financial performance of SMEs in Minna Metropolis, Niger State, Nigeria with the used of microfinance loan, microfinance saving and microfinance insurance as dimensions of Microfinance bank services. Thus, served as the driver that was used to eliminate the lacuna of socio- economic development and also micro-entrepreneurs who could not have access to conventional financial services to meet up with financial demand which is contrast with other studies of (Anane *et al*., 2013; Chowdhury *et al.,* 2014; Paul, 2014; Aggarwal *et al.,* 2020) who conceptualized microfinance bank services based on interest rate, loan repayment mode and microcredit as the dimensions. The output of the study has formed a strong base for developing sustainable community development and as well improve the standard of living of the poor people.

5.4 Suggestions for Further Research

The findings of this research, suggest the following areas for further study.

i. Since the study was based on the Endwell microfinance bank services, further studies should be carried out on all the microfinance banks in Minna Metropolis and its effect on performance.

ii. The study is based on financial performance, further studies should combine both financial and non-financial performance dimensions.

iii. Further studies should combine a mixed researched method in order to overcome the shortcomings of structured questionnaires.

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APPENDIX A
QUESTIONNAIRE

Dear Research Respondents,

In fulfilment of the requirements for the award of Masters of Technology (M. TECH) in Entrepreneurship and Business Studies, Federal University of Technology (FUT), Minna. I am currently conducting a research study titled: Assessing the Impact of Micro Finance Bank services on financial Performance of Small and Medium Enterprises in Minna, Niger State. The research is being conducted to examine the relationship between specific Endwell micro finance bank dimensions and financial performance of SMEs in Minna. In line with this aim, you are kindly requested to respond to a 28-item survey which will take about 6 minutes to complete. Your anonymity is guaranteed. I therefore seek your sincere response in answering the questions provided in the questionnaire.

Thanks for your anticipated co-operation.

.....
Sanda Aliyu

SECTION A: DEMOGRAPHIC PROFILE OF RESPONDENTS: Instruction: Please tick in the appropriate box. You are requested to kindly complete this questionnaire as objectively as possible.

a. Gender: Male [ ] Female [ ]

b. Age : Less than 21 [ ] 22-25 [ ] 26-30 [ ] 31-35 [ ] 36-40[ ] 41 and above [ ]

c. Education Level: SSCE [ ] National Diploma [ ] Higher National Diploma [ ] Bachelor Degree[ ] Master's Degree [ ] Ph.D [ ]

d. For how long has the SMES been in operation? 1-9 years [ ] 10-19 years [ ] More than 20 years [ ]?

e. Business type: Small [ ] Medium [ ]

f. SMEs Sector: Manufacturing [ ] Trading [ ] Service [ ]

SECTION B: Microfinance Loans: In a scale of 1-7, where 1= Strongly Disagree (S D), 2=Disagree (D), 3= Somewhat Disagree (SWD), 4= Neither Agree nor Disagree (NAND),5=Somewhat Agree (SWA), 6=Agree (A), 7=Strongly Agree (SA).

/N	Statements	SD	D	SWD	NAND	SWA	A	SA
1	Micro finance bank loans are easily accessible and available							
2	Loan repayment terms from microfinance are very friendly to us							
3	Microfinance banks are available to give loans to SMEs							
4	Total credit finance is accessed through semi-informal sectors							
5	Most financial institutions are reluctant to provide SMEs with long-term credit facilities							
6	Loans disbursement by microfinance bank has positive impact on acquisition of more stock by SMEs.							

SECTION C: Microfinance Savings: In a scale of 1-7, where 1= Strongly Disagree (SD), 2=Disagree (D), 3= Somewhat Disagree (SWD), 4= Neither Agree nor Disagree (NAND), 5=Somewhat Agree (SWA), 6=Agree (A), 7=Strongly Agree (SA).

S/N	Statements	SD	D	SWD	NAND	SWA	A	SA
1	My savings enable me to get loans for business expansion							
2	It's simple and easy to open a saving account							
3	MFIs allow us to open saving accounts with minimum or no cost							
4	My savings earns interest which help me expand my business							
5	The MFIs has no minimum and maximum saving hence can save any amount of money							

SECTION C: Microfinance Insurance: In a scale of 1-7, where 1= Strongly Disagree (SD), 2=Disagree (D), 3= Somewhat Disagree (SWD), 4= Neither Agree nor Disagree (NAND), 5=Somewhat Agree (SWA), 6=Agree (A), 7=Strongly Agree (SA).

S/N	Statements	SD	D	SWD	NAND	SWA	A	SA
1	Insurances services for SMEs are accessible and available							
2	Microfinance offers us with favourable collateral insurance							
3	Microfinance offers various insurance covers which are favourable to SMEs							
4	The SMEs savings acts as insurance for our business							
5	Insurance cover has enabled business continuity in the event of any risk							

SECTION D: Financial Performance of SMEs

ON: In a scale of 1-7, where 1= Strongly Disagree (SD), 2=Disagree (D), 3= Somewhat Disagree (SWD), 4=Neither Agree nor Disagree (ND), 5=Somewhat Agree (SWA), 6=Agree (A), 7=Strongly Agree (SA).

S/N	Statements	SD	D	SWD	NAND	SWA	A	SA
1	There has been a growth in business turnover over the past years facilitated by microfinance loans							
2	Microfinance insurance enables SMEs reduce business risks and hence profitability increase							
3	Microfinance institutions offers us a varieties of credits facilities which results to increase in profitability							
4	My savings with MFIs enables SMEs acquire more stocks and fixed asset.							
5	Microfinance savings over the years has enable SMEs to accumulate more capital.							
6	MFIs insurance cover has boosted SMEs business turn over the years							

Thank you so much for your time in filling this questionnaire. Once again, your anonymity is guaranteed. `

APPENDIX B

Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	242	67.6	67.6	67.6
	Female	116	32.4	32.4	100.0
	Total	358	100.0	100.0	

Age

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	22-25	9	2.5	2.5	2.5
	26- 30	35	9.8	9.8	12.3
	31-35	27	7.5	7.5	19.8
	36-40	126	35.2	35.2	55.0
	41 above	161	45.0	45.0	100.0
	Total	358	100.0	100.0	

Business type

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Small	277	77.4	77.4	77.4
	Medium	81	22.6	22.6	100.0
	Total	358	100.0	100.0	

Education

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	SSCE	8	2.2	2.2	2.2
	Diploma	44	12.3	12.3	14.5
	Hihger Diploma	198	55.3	55.3	69.8
	BSC	36	10.1	10.1	79.9
	Masters	54	15.1	15.1	95.0
	PhD	18	5.0	5.0	100.0
	Total	358	100.0	100.0	

Education

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	SSCE	8	2.2	2.2	2.2
	Diploma	44	12.3	12.3	14.5
	Higher Diploma	198	55.3	55.3	69.8
	BSC	36	10.1	10.1	79.9
	Masters	54	15.1	15.1	95.0
	PhD	18	5.0	5.0	100.0
	Total	358	100.0	100.0	

SMEs operation

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1-9	97	27.1	27.1	27.1
	10-19	162	45.3	45.3	72.3
	More than 20 years	99	27.7	27.7	100.0
	Total	358	100.0	100.0	

SMEs sector

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Manufacturing	99	27.7	27.7	27.7
	Trading	187	52.2	52.2	79.9
	Services	72	20.1	20.1	100.0
	Total	358	100.0	100.0	

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.852[a]	.725	.723	.60793	.725	311.842	3	354	.000

a. Predictors: (Constant), MInsurance, Msavings, Mloans

coefficients [a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.733	.184		3.975	.000		
	Mloans	.419	.042	.464	10.014	.000	.360	2.774
	Msavings	.239	.043	.222	5.613	.000	.495	2.018
	MInsurance	.258	.039	.265	6.558	.000	.474	2.111

a. Dependent Variable: F performance