MICRO-FINANCE AS A NATIONAL ECONOMIC GROWTH PROGRAMME FOR SMALL AND MEDIUM SCALE ENTERPRISES IN BIDA, NIGERIA.

Abstract

*Nigeria is a country with vast potential wealth but more than 70% live in abject poverty. Previous Government since 1972 attempted policies towards poverty alleviation and economic growth but failed. This paper looks at Micro-finance as a national economic growth programme for small and medium enterprises in Bida, Nigeria. Micro-finance is an instrument of socio-economic growth and rural transformation. Micro-finance institutions offer financial services to those poor without direct access to formal banking. Two indigenous and two contemporary industries were selected as samples using stratified sampling technique. Hypotheses were tested. Based on the findings, there is need for the awareness of the target population in order to be actual beneficiaries, sensitization of the people especially in the rural areas; strategic marketing and others were mentioned toward the way forwa*rd.

Introduction:

Poverty is dynamic and has many dimensions. The plan for prosperity must address a startling paradox: about two-third of the Nigerians is poor despite living in a country with vast potential wealth. In 1980, an estimated 27% of Nigerians lived in poverty. By 1999, 70% of the population had income less than $1 per day and the figure has risen since then. (NEEDS, 2004). According to Fayeun (2007) the recent Indices of Development Survey revealed the percentage of people living on less than a $1 per day between 1990-2000. For instance, Brazil 0.8%; Pakistan 13%; Bangladesh 36%; Ghana 45%; Nigeria 70% (57th out of 95 countries in Human Poverty Index); and Mali 73%.

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Poverty has many causes hence the strands intertwine can pull people into a downward spiral. One effective way of tackling poverty is through the establishment of pro-poor project of which the small and medium scale industry is predominant.

A small business varies from country to country or industry to industry. The Federal Ministry of Commerce and Industries (1989) defined a small business as that with a total cost not exceeding N500,000 (excluding the cost of land) with not more than 10 workers while the World Bank defined it as an on-going concern whose total project cost does not exceed N300,000. This definition is quite inappropriate today because of inflation and the fall in the local currency value. Nevertheless, Olokoyo (2000) stated precisely that a small business is a firm that is independently owned and operated but not dominant in its field of operation. Small businesses are generally characterised by limited capital investment, few staff members, low sales, local operations, lack of specialized staff, simple organization structure, generally owner-managed and so on.

Small and Medium Scale Enterprises (SME's) in both developed and developing countries play strategic roles in the process of economic development and industrialization. It has been used in changing the destiny of many nations such as Brazil, Kenya, Uganda, and so on. The Federal Government demonstrated her commitment towards the establishment and possibly restoration of SME's in Nigeria by inaugurating the Small and Medium Enterprise Development Agency (SMEDAN). This is to give a proper focus to poverty eradication as a nation as well as towards the achievement of the number one Millennium Development Goal.

The Problem:

In spite of the role of SME's its development is constrained by inadequate funding to acquire required fixed assets in form of purchase or lease; raise capital for raw materials procurement, settling utility bills (water, light etc), salaries and wages, local government levies, contingencies and so on; and poor management due to lack of managerial know-how; specialised or qualified employees and so on. The SME's could not obtain fund from the financial institutions due to poor financial base on both sides which hinges on the unfavourable macro -economic environment such as the high interest rate, unstable exchange rate and lack of basic infrastructure that could affect profitably.

Several attempts have been made by the previous government by presenting different policies aimed at poverty alleviation. In 1972, the National Accelerated Food Programme (NAFP) was introduced and the Nigeria Agricultural and Co-operative Bank (NACB) now Nigeria Agricultural Co-operative and Rural Development Bank (NACRDB). By 1976, the Operation Feed the Nation (OFN) came on board, later the Green Revolution, followed by Back to Land Programme which other states address as "School to Land Programme" or "Graduate Farming Scheme". By 1986,the Federal government established the Directorate of Foods, Roads and Rural Development (DFRRD) to accelerate rural development which gave rise to project like the People's Bank, Community Banks .

Several micro- credit schemes emerged such as Better Life for Rural Women, Family Support Programme (FSP), The Family Economic Advancement Programme (FEAP), National Directorate for Employment (NDE), National Agricultural and Land

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Development Authority (NALDA), Small and Medium Enterprise (SME), National Economic Reconstruction Fund (NERFUND), Small Scale Industry Scheme (SSIS), Agricultural Credit Guarantee Scheme Fund (ACGSF) and so on.

Moreover, growth and development are synonymously used in economic discussion though there is the thin line of demarcation. Economic growth implies more input, more efficiency and more output while development involves change in the structure of the economy. Udu and Agu (1999) stated that economic growth is the measurement for the rate of growth in the national income. However, it is almost impossible to contemplate development without growth because a change in function requires a change in size. Udu and Agu (1999) further enumerated these factors as affecting economic growth: (i) Quality and quantity of capital availability. (ii) The skills and efforts of working populations. (iii) Organizational factors such as specialization and technological improvement; etc. (iv) General economic climate involving trade relationship with other communities, the extent of monopoly and the impact of government policy.

In order to enhance economic growth, various policy measures were rigorously pursued to put the economy on a steady and balanced growth. Such policies include Austerity Measure, abolition of import licences, Structural Adjustement Programme (SAP),Second-Tier Foreign Exchange Market (SFEM), Nationalization, Commercialization, counter- trade and debt conversion among others. Unfortunately, the programme did not compromise the policy objectives of moderating inflation, reducing pressures on balance of payments, stabilising Naira exchange rate and inducing growth in the real economic sector.

Ilesanmi (2000) confirmed that the sluggish growth of the real sector was exacerbated by political instability. The magnitude of which was demonstrated by the fact that 1993 witnessed three successive government in power at the national level. The

entire economy is yet to recover from the resultant capital flight despite the immediate past government's effort in paying off the national debt in 2006. The carting away of the Nigerian's money by politicians is a bane to economic growth even though foreign investor's were initially attracted until the recent intensity of the Niger-Delta crisis. Charity begins at home, they say, the solution to SME will enhance internal and continual economic growth and the well being of citizens, consequently international advantage.

Small businesses play a great role in providing jobs thereby contributing positively to the Gross National Product (GNP). The micro- finance policy and supervisory frame work was thereby introduced as an aid to the poor through financing loan in an accessible way. According to Olajide (2007) most of the pro- poor projects of successive governments were colossal failures. No sooner had the regime got terminated that the programme cancelled. Lip services were only paid to the implementation of the programme while the regime was viable.

Caldwell (2007) supported this view, saying because the poor and the micro enterprise bear the fullest of poorly bruit conceived policies and inadequate governance hence the focus on the governance and institutional environment offers a powerful response to the poor's real needs. Furthermore, micro enterprise works best in countries where the political, economic and social environment allow small entrepreneurs to succeed beyond the' level of survival'.

In order for the SME's to actually achieve its aim, that is, address the poverty problem, there is need for this category of people to comprehend the purpose of the schemes and the processes of beneficiaries. In Nigeria, the community banks were established to provide basic financial services to the poor who could not be fulfilled adequately. Hence, the Central Bank of Nigeria came up with the reform of community banks by converting them to micro- finance banks to meet the financial needs of the poor.

The present study therefore is aimed at looking into micro-finance as a national economic growth strictly for small and medium scale enterprises. The research questions in focus include:

i) Are all the poor micro, small and medium scale entrepreneurs aware of this recent development?

ii) Is there any assurance that this programme will outlive its founding regime?

iii) Can the poor masses distinguish this programme from the previous programmes that just offered lip services to the recipients?

Conceptual framework

The place of micro- finance as an instrument of socio-economic growth and rural transformation cannot be exaggerated. The recent shift in term from micro-credit to micro- finance reflects the acknowledgement that saving services- not just loans- may help to improve the well-being of the poor in general (Zeller and Sharma 2000)

Olajide (2007) described a micro- finance institution as an organization that offers financial services to the poor who have no direct access to formal banking while micro-credit aimed at providing credit to the unserved micro and small enterprises that lack access to credit from conventional credit institution. Nduonofur (2007) in his submission expressed micro- credit as one of the scheme all over the world, particularly the third world countries, playing a significant role in the national economy. Moreover, Agboola (2007) defined micro-finance as the provision of financial services to the very poor, apart from loans; it includes savings, micro insurance and other financial innovations.

The Central Bank of Nigeria (CBN) came up with the reform of the community banks by converting them to Micro-Finance Bank (MFB). It fixed the capital requirement of MFB at N20, 000,000, which is to take up the regulatory function of Community Banks from Community Banks' Board. These banks are of two categories: the first sets

are licensed to operate as unit banks. That is, being community based and operate branches or cash centres within local government areas. The second are licensed to States or Federal Capital Territory with the paid- up capital of N1, 000,000,000. They could possess a national coverage subject to meeting up the conditionality.

The micro finance policy was established to achieve some objectives of making financial service accessible to the poor who had no access to financial services; to enhance the capacity of the poor for entrepreneurship through the provision of micro finance services, thereby increasing employment opportunities and distributing wealth; to emphasise service delivery by micro finance institution to micro, small, and entrepreneur contributing to rural transformation and promoting linkages programmes between Universal Development Banks, specialised institution and micro finance banks.

The main thrust of micro- finance policy according to Olajide (2007) is the establishment of MFB to serve the purpose of providing diversified affordable and dependable financial services to the active poor in a timely and competitive manner that

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would enable them undertake a profitable and long-term sustainable entrepreneurial activities, mobilise savings for inter-mediation and facilitates organised and focused participation of the poor in the socio-economic development and resource allocation processes. Furthermore creation of employment opportunities and increasing the productivity of the active poor consequently increasing their household income and uplifting their standard of living.

The peculiarity of micro- finance as a productivity enhancement programme unlike the conventional banks lending is first, the micro-finance seeker is a customer without a determined income source and no collateral security. Hence, lending to such is a very great risk of liquidation by the micro- finance operator. Some admixture methods of domestic and conventional attributes addressing customers' background and the possible security were developed, though somehow harsh and uncompromising. These factors addressed are making the programme difficult in Nigeria without the micro-finance institution being government guarantee institution.

Research methodology

The population of the study comprises all the staff of the selected small and medium scale enterprises in Bida Local Government in Niger state, Nigeria. Bida is an ancient city geographically situated in the Southern part of Niger state. Bida is renowned as business centre right from ages. Small and medium scale industries are so many as the indigenous bronze carving industries are prolific till now; the *donkwa* (roasted maize and groundnut with sugar paste) and *kulikuli* (groundnut cake with sugar or salt) industries, 'local rice' as well as groundnut oil and specially tasty groundnut. The modern days micro, small and medium scale industries have their settlements there too viz., – photo palace, poly industries, computer firms, cocoa beverages, pure water factory and so on.

The data used were obtained from both primary and secondary sources. The primary source includes questionnaire survey of selected firms. The questionnaire was drawn to elicit information of micro-finance. The sample organizations taken into consideration include two indigenous and two contemporary industries were selected using stratified sampling technique. The selected organisations are – Mallam Tsado Carving factory and Mama Jiya Donkwa and Kulikuli factory for indigenous while Kazmed Investment Nigeria Limited and Omo-owo poly Industry constitute the contemporary. Out of 60 questionnaires given out only 50 were duly returned. Personal interaction and interview were used as a back-up in addition to the quantitative data.

The following null hypotheses were tested at 1 df. at 0.05 significant level.

Ho_1: The small and medium scale entrepreneurs are not aware of the micro-finance policy.

Ho_2: There is no significant assurance that the program will outlive the founding regime.

Ho_3: There is no significant distinction between this programme and the previous ones so the poor masses will benefit from it.

Results

Table 1 gives the percentage of entrepreneurs that are not aware of micro finance policy

Table 1: Computation of chi-square (x^2) on Ho_1

Respondents	Aware of policy	Unaware of policy	Total
Indigenous	3	22	25
Contemporary	9	16	25
Total	12 (24%)	38(76%)	50

cal. 6.76; tab 3.841

Since, the computed value is higher than the table value the null hypothesis is accepted and concludes that the poor small and medium entrepreneurs are not aware of the micro-finance policy.

Table 2: gives the percentage of respondents without assurance on sustainability of MFP.

Ho_2: There is no significant assurance that the programme will outlive its founding regime.

Table 2: Computation of Chi-square on Ho_2

Respondents	Yes	No	Total
Indigenous	18	7	25
Contemporary	15	10	25
Total	33 (66%)	17 (34%)	50

X^2cal. 2.56; Tab. 3.841

Hence, the X^2 calculated value is less than the X^2 table value. The null hypothesis is rejected and concludes that there is a significant assurance that the programme will outlive its founding regime.

Table 3: shows the percentages of the respondents' distinction between this programme and the previous ones.

Ho_3: There is no significant distinction between this programme and the previous ones so the poor masses may not benefit from it.

Table 3: Computation of Chi-square on Ho_3

Respondents	Yes	No	Total
Indigenous	5	20	25
Contemporary	5	20	25
Total	10	40	50

X^2 Cal. 4.00 is greater than X^2 tab. hence, the null hypothesis is accepted and concludes that there is no significant distinction between this programmes and the old ones.

Discussion

In view of the results and findings the following elucidations can be drawn. Many poor small and medium entrepreneurs in Bida, Niger State, Nigeria are unaware of the micro-finance policy since about 76% of the sample indicated ignorance. The micro-finance policy is mainly for the benefit of these poor entrepreneurs, no matter, where there domicile. They obviously cannot benefit from what they are ignorant of. The null hypothesis 2 that this programme will not outlive its founding regime was rejected with 66% assenting to it. They assume that this research coming up after the exit of the founding regime gave them a feeling of its continuity and also the official involvement of the government through the monetary policy of the Central Bank of Nigeria. The null hypothesis 3 was accepted by 80% of the sample. It was then concluded that there is no significant distinction between this programme and the previous ones that paid lip service to the supposed beneficiaries. Actually, most programmes for the poor are captured by the rich with an insignificant few poor people for display. The respondents further argued that if not a repetition of the past, why were they not well informed till date? What method has the government adopted to overcome the previous pitfalls? Several Countries like Kenya, Latin America and Caribbean, Uganda, Bangladesh and so on dropped their cloak of poverty and achieved stable economic growth through the micro-finance initiatives. Fayeun (2007) reported that one of the Bangladesh major weapons in the fight against poverty since the 1980's is micro-finance and micro-credit targeted at the poor and vulnerable household. Much noise about the Abuja Enterprise Agency (AEA), National Agency for Food Drugs and Administration Control (NAFDAC), Corporate Affairs Commission (CAC) and Social Development Secretariat in giving loans etc to micro enterprises as well as many vocational training heralded in State Capitals. Are the poor small and medium scale entrepreneurs' high percentages in the urban cities or in the rural areas? If the country will actually rise above poverty level and attain actual growth the people at the grassroots must be genuinely included in the programme. If the Immunization programme (EPI) could be successful in Nigeria then other programmes if pursued with all commitment will surely succeed.

The way forward

- Sensitization of the poor micro, small, and medium enterprise on the micro-finance policy should be fully embarked on especially the rural areas.
- Government should create an enabling policy environment for the micro-finance banks.
- There should be statutory budgetary allocation to support micro-finance banks.
- Strategic marketing and information of the modus operandi of the micro-finance through understanding and appreciation by banks and the general public.
- Micro-finance banks and business clinics should be established in every local government or groups of villages for training, counselling and monitoring of the micro, small and medium enterprises.

Conclusion

Micro-finance initiative is portrayed as the key to poverty eradication and economic growth in Nigeria. Nigeria is the 57th out of 95 countries in Poverty Index Level.

Many administrations had tried to alleviate this terrible national blemish and predicament with colossal failure. The micro-finance policy was initiated along with the Central Bank of Nigeria (CBN) reform policy of 2005 in order to assist the micro, small and medium enterprises financially. It is hoped that the micro-finance policy, if properly managed, learning from previous mistakes that inhibited the success and continuity of such programmes. The resultant effect will be reduction of poverty to the minimal and national economic growth. Some suggestions were made as a way forward.

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