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Microfinance Banks and Entrepreneurship Development in Nigeria: A Case of Ogun State

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Abstract
The purpose of this study was to determine how microfinance impacts on entrepreneurship development in Nigeria with a special reference to Ogun State. The survey research design was adopted and data collected through questionnaires. The impact of microfinance on entrepreneurship development in Nigeria was analyzed using the Ordinary least squares (OLS) regression method. The study revealed the existence of positive relationship between microfinance and entrepreneurship development in Nigeria. It further revealed that microfinance contribute to entrepreneurial activities that can lead to sustainable development in Nigeria. The findings of this study show that microfinance institutions go a long way in the determination of the level of entrepreneurial productivity and development in the Nigerian economy. In order to enhance entrepreneurship which is a potent instrument of activating the economic growth in developing countries, job creation, wealth creation, poverty eradication, innovations, and its related welfare effects by microfinance, the study recommended that in order to enable the beneficiaries of micro finance schemes to fully appreciate the utility of the facility, the monetary authority (CBN) must continue to appraise the credit delivery channels and formulate policies that would facilitate the delivery of the facilities to the rural communities. Microfinance institutions need to put in more effort in financing entrepreneurial activities that can promote economic growth accessible to the poor, reform of the legal system to offer more protection to investors and creditors and also establishment of credit information exchange mechanism that would track all borrowings and repayments in the banking system no matter the size.
Key words: Entrepreneur, entrepreneurship, microfinance bank, microfinance, loan.

Introduction

Over 500 million of the world's populations live under very poor conditions but they are economically active. They lack access to basic necessities of life; food, shelter and primary health care. They earn their livelihoods by being self employed as micro entrepreneurs or by working in micro enterprises (very small businesses which may employ up to 5 people). These micro entrepreneurs make a wide range of goods in small workshops; engage in small trading and retail activities; make pots, pans and furniture, or sell fruits and vegetables. Yet, these poor households often fail to secure the capital they need and miss the opportunities for growth because they do not have access to financial resources, loans or safe places to hold savings (Egwuatu, 2008).

In most developing countries, Nigeria inclusive, financial services such as bank loans, insurance, and pension funds are inaccessible by the poor. When credit is available, it is often limited to either community savings groups or informal money-lenders who charge very high interest rates which most of our local entrepreneurs could not afford, and this reflects the lack of a formal market. The mobilization of savings at local level has been an important element for community development around the world for a long time. At the traditional schemes, individual have been utilizing loans through moneylenders, community savings, and the mobilization of local resources through concerted action(s) (Egwuatu, 2008).

Nigerians are enterprising and industrious but the question is where do they source fund to run their business? They involve in business activities such as small trading and retail activities, sales of food products, and manufacturing of local products especially, food stuff, production of sachet water, manufacturing of nylons, tourism, educational establishments and sales of communication items such as mobile phones, sales of recharge cards, phone accessories, among others. Also they engage in hotel services and agriculture for example, poultry farming, fish farming among others. One begins to wonder where they source funds to establish these businesses because, commercial banks traditionally lend to medium and large enterprises. These enterprises are judged to be creditworthy. Therefore, they avoid doing business with the poor and their micro-enterprises because of high cost and risk associated with credit granting. Nonetheless, many micro enterprises are springing into action without formal financial institution’s support to provide the basic needs of the population (society). The federal government of Nigeria therefore, took a good step by enacting legislation for the establishment of community banks in the year 1990. The government aimed at reducing the financial constraints of small scale entrepreneurship and to assist the poor who are talented in doing business not to be left out. The effort of the government however, have been geared towards narrowing the income gap between the urban and the rural areas by breaking the cycle of unemployment, economic stagnation, and poverty. In order to achieve these goals, whether collective or individual, the urban or rural need to be financed and this requires enormous of capital infusion (Akinboyo, 2007).

The practice of microfinance in Nigeria is culturally rooted and dates back to several centuries. The traditional microfinance institutions provide access to credit for the rural and urban low income earners. They are mainly the Self-Help Groups (SHGs) or Rotating Savings and Credit associations (ROSCAs) types. Other providers of microfinance services include saving collectors and co-operative societies. They generally have limited outreach due to paucity of loan able funds. Also, another evidence to support the existence of microfinance in Nigeria are the cultural economic activities such as “Esusu”, “Adashi”, “Otataje”, est, which were practiced to provide funds for producers in our rural communities (Akinboyo, 2007).

The informal microfinance arrangement operates under different names such as ‘ESUSU’ among the Yorubas in Southwest, Nigeria, ‘ETOTO’ for the Igbos in the Eastern part and ‘ADASHI’ in the Northern part of the country. However, the common features of these groups are savings and credit components, informality of operations and higher interest in relation to the commercial banking sector. Therefore, all these traditional groups that perform the activities of Microfinance Institutions (MFIs) are found in all the rural communities in Nigeria.

MFIs have become the main source of funding small scale enterprises in developing countries. It has created room for millions of households usually excluded from classical financial services to commence their own economic activities or to reinforce the existing efforts and become entrepreneurs in developing countries.

Entrepreneurship is a potent instrument of activating the economic growth in developing countries. It is associated with job creation, wealth creation, poverty eradication, innovations, and its related welfare effects. As a result, many developing countries including Nigeria embark upon promotion of entrepreneurship through microfinance so as to achieve this objective.

Iweala (2005) opines that the latent capacity of poor for entrepreneurship would be significantly enhanced through the provision of microfinance services to enable them engage in more economic activities and be more self-reliant, increase employment opportunities, enhance household income and create wealth. Fashola (2008a) asserted that with microfinance, graduates roaming the streets in search of jobs would have a new orientation to start their own business and become employers of labour and generate wealth for themselves, their families and the nation. Niekerk (2008) believed that robust economic growth could not be achieved without putting in place a well structured framework that could be meaningfully supported economic activities at the grassroots, such as the microfinance platform. He stressed that micro credit is an important liberating force in an economy and must be extended not only to poor but, to the active sector of the economy.

Thus, this research work attempts to give an overview of how Microfinance impacts on entrepreneurship development in Nigeria with a special reference to Ogun State.

Statement of Problem

Microfinance institutions are agents of economic development in developing countries. People from developing countries have innovative ideas for their business, even as a shop keeper or household products manufacturer but they lack financial resources to implement their ideas. This results to low economic activities in developing countries and it leads them to more poverty, unemployment, and poor life standards.

Therefore, there is need for establishment of MFIs so as to support the poor in order to proffer solution to their financial constraints, so that they can contribute a productive part of the society to make it sustainable (Oshitola, 2012).

Entrepreneurship development in Nigeria is basseted with a number of problems. These problems manifest differently in different countries. However, there are certain problems which are common to entrepreneurship in Nigeria. These include inadequacy of capital for production investment, problem of accessing financial assistance from the banking institutions, undeveloped infrastructural facilities for the development of entrepreneurship take–off, asymmetric information in regards to business climate, complex bureaucratic procedures in setting-up a business and high cost of doing business. Aderibigbe (2001) is of the view that microfinance recognizes the peculiar challenges of micro enterprises and of their owners. It recognizes the inability of the poor to provide tangible collateral and therefore, promotes collateral substitution; disbursement and repayment are structured to suit credit need and cash flow pattern of small business.

Thus, this research work attempts to give an overview of how microfinance impacts on entrepreneurship development in Nigeria with a special reference to Ogun State.

Objectives of the Study/Research

This study has as its main objective; to investigate how microfinance impacts on entrepreneurship development in Nigeria using Ogun State as case study. The specific objectives are: (a) to examine the role played by MFIs on entrepreneurship development in Nigeria, (b) to examine the problems faced by MFIs in promoting entrepreneurship in Nigeria, (c) to proffer necessary policies for possible implementation.

The hypothesis of this study is; there is no significant relationship between microfinance and entrepreneurship development in Nigeria. At the end of this study, it is expected this study will be a valuable addition to existing literature on entrepreneurship as impacted by microfinance. It will also give entrepreneurs in Nigerian some valuable insights into the effects of microfinance as means of sourcing for fund in promoting their businesses. The information obtained from the study will be of great significance to microfinance banks that will see the need to support entrepreneurship which is today a potent instrument of activating the economic growth in developing countries and which is associated with job creation, wealth creation, poverty eradication, innovations, and its related welfare effects. The study will also point out why microfinance institutions are potent force/agents of economic and entrepreneurship development in developing countries.

Microfinance: A Developmental Tool

In developing countries, the poor have innovative idea for business, even as a local/simple product manufacturer, but they lack financial strength to fully implement their ideas. This results to low economic activity in developing countries. The situation makes the poverty level in these countries to be increasing at alarming rate. Generally, financial services cover savings and credit activities and this is the same concept about MFIs. But according Ledgerwood (1997), MFIs work for general financial services, they provide insurance and repayment services to their clients. However, the important aspect of MFIs is not only financial intermediation but also; they equally provide social intermediation and social services to their customers.

Social intermediation and social services comprises activities such as trainings, management development and financial literacy activities which will later lead to entrepreneurship development. Furthermore, many MFIs, organize workshops where the experienced people guide others, give useful suggestions, ups and other tactics or strategies for their business. Therefore, microfinance is combining financial services with social services. Although, the general banking system did not include social services in its operation; therefore, microfinance is not simply a banking system but a development tool. The following are the discussion about different services provide by MFIs.

Financial Intermediation

This is the primary objective of MFIs because without fund, social intermediation cannot be achieved. The poor face barriers to access financial institutions. MFIs, in this regard, become a larder to fund availability and essential poverty alleviation tool, health care and education literacy. MFIs are providing several financial services which include credits, savings, insurance, credit cards, and payment services; however, it is not necessary that every MFIs should facilitate their customers with all these services, but MFIs can perform any of these services or engage in all. This largely depends on the objectives of the microfinance bank, its demand as well as the institutional structure.

Social Intermediation

Social intermediation is the process by which human and social capitals are built by sustainable financial intermediation for the poor. It covers the issues of group formation, leadership training and cooperative learning. Social intermediation is the secondary role of MFIs for borrowers. Development of social capital however, forms the basic ingredient of sustainable development in the poor's life and society as a whole. According to Ismailov and Zahid (2008), social capital is actually linked between clients of a group and multiple groups, and between MFIs and borrowers. These links are established on the basis of strong foundation of trust and unity. The foundation will increase the ratio of social capital thereby increasing the business activities among members, and financial transactions between MFIs and borrowers. Social capital can primarily be developed through group activities. In group social intermediation, activities are carried out within the group combining external efforts, so as to develop institutional capital and human resources. Most of the members of the group reside in remote areas, with less education and idea about business and financial transaction. Therefore, MFIs harmonize the borrowers towards the development of solid networks. They train borrowers how to keep record, book keeping, and accounting, train their clients about business environment and bargaining skills.

Entrepreneurship Development Services

Microfinance is an emerging tool for economic development. It provides technical support to group or individual in start up of a business, development of manufacturing ideas and maturing the skills. It has gained a prominent role in some developed and developing countries. Although, most research on micro financing is based on the issue of poverty alleviation and empowering the poor, nonetheless, there is no way, this will not lead to entrepreneurship development. However, there are two types of microfinance borrowers: micro borrower and micro entrepreneur. Micro borrower possesses the characteristic of capitalist that is aimed to maximize profit in transaction. So micro borrower get loans from MFIs; after paying back, they will still get finances but with the motive of generating profit without any innovation (Oshitola, 2012). On the other hand, micro entrepreneur obtain loan to finance their business and brings innovation, creativity and doing different things from others.

Social Services

Poverty can be addressed by financing the poor for productive activities which give/results to life necessities. The poor need more than microfinance to address the problems of poverty and accessibility to other life needs like food, shelter, health, self-esteem, family planning, and education, social support network, etc. Therefore, MFIs play a productive role on the life of the poor by offering financial services with supportive services; creditably play an important role in sustainable human development and livelihood of the poor.

The Clients of Microfinance

Typical microfinance clients are low-income persons that do not have access to formal financial institutions. Microfinance clients are typically self-employed, often household-based entrepreneurs. In rural areas, they are usually small farmers and others who are engaged in small income-generating activities such as food processing and petty trade. In urban areas, microfinance activities are more diverse and include shopkeepers, service providers, artisans, street vendors, etc. Microfinance clients are poor and vulnerable non-poor who have a relatively stable source of income (Ehingiamuse, 2008).

Women constitute greater proportion of client base of most microfinance providers. There are number of explanations and opinions for this disproportionate representation of women in client base of most microfinance institutions. Many practitioners are of the opinion that female clients exhibits better credit discipline than their male counterparts therefore microfinance institution seek them, and also it is believed women could be easily intimated to comply with repayment undertaking (Ehingiamuse, 2008).

Experience shows that microfinance can help the poor to increase income, build viable businesses, and reduce their vulnerability to external shocks. It can also be a powerful instrument for self-empowerment by enabling the poor, especially women, to become economic agents of change (Adeyemi, 2008). By providing access to financial services, microfinance plays an important role in the fight against the many aspects of poverty (Adeyemi, 2008). For instance, income generation from a business helps not only the expansion of the business activity but also contributes to household income and its attendant benefits on food security, children's education, etc. Moreover, for women, who in many contexts are secluded from public space, transacting with formal institutions can also build confidence and empowerment.

Recent research has revealed the extent to which individuals around the poverty line are vulnerable to shocks such as illness of a wage earner, weather, theft, or other such events. These shocks produce a huge claim on the limited financial .resources of the family unit, and absent effective financial services can drive a family so much deeper into poverty that it can take years to recover. Microfinance increasingly refers to a host of financial services savings, loans, insurance, remittances from abroad, and other products. It is hard to imagine that there would be any family in the world today for which some type of formal financial service could not be designed and made useful.

Microfinance serves best those who have identified an economic opportunity and who are in a position to capitalize on that opportunity if they are provided with a small amount of ready cash. Thus, those poor who work in stable or growing economies, who have demonstrated an ability to undertake the proposed activities in an entrepreneurial manner, and who have demonstrated a commitment to repay their debts (instead of feeling that the credit represents some form of social re-vindication), are the best candidates for microcredit.

The Objectives of Microfinance Institutions in Nigeria

Microfinance institutions are established with the following objectives:

(a) To improve the socio-economic conditions of women, especially those in the rural areas through the provision of loan assistance, skills acquisition, reproductive health care services, adult literacy and girl/child education.

(b) To build community capacity for wealth creation among enterprising poor people and to promote sustainable livelihood by strengthening rural responsive banking methodology.

(c) To eradicate poverty through the provision of microfinance and skill acquisition for income generation.

However, Iganiga (2008) sums up the objectives of microfinance policy in the following ways:

1. Make financial service accessible to a large segment of the potentially productive Nigerian population which

otherwise would have little or no access to financial services.
2. Promote synergy and mainstreaming of the informal sub sector into the national financial system.
3. Enhance service delivery by microfinance institutions to micro, small, and medium entrepreneurs.
4. Contribute to rural transformation.
5. Promote linkage programmes between universal/development banks: specialized institution and microfinance banks.

Importance of Microfinance Institution in Nigeria

Microfinance is very important in poverty alleviation. It helps to place resources in the hand of the poor who are economically active in the society. It can be depended upon in order to achieve the millennium development goals (MDGs). Ogho and Nwachukwu (2008) share the view that microfinance can be a powerful tool in initiating a cyclical process of growth and development. Microfinance activity can improve the access of rural poor to finance services. They further stressed that microfinance interventions help in inculcating necessary habits for economic independence and self-reliance.
Appropriate and participatory credit plans by the members of a group can help in social and economic empowerment. Increased access signifies the overcoming of isolation of rural women in terms of their access to financial services and denial of credit due to absence of collateral security. It could also help in strengthening poor families' resistance to external shocks and reducing dependence on money lenders. Severino (2008) opines that microfinance allows people who have been traditionally excluded from the financial system to have access to credit. It allows people to escape from the vicious circle of exclusive interest rates, promote equal rights for women, helps to overcome some of the failings in the traditional banking system and provides a financial safety net for responds to a real need.

The Problems of Microfinance Institutions in Nigeria

Microfinance institution is faced by several challenges in Nigeria. Olaitan (2006) highlighted the constraints and limitation to successful micro financing in Nigeria as follows:

(1) Inadequate staff training to handle lending to small and medium enterprises.
(2) Policy conflicts resulting from numerous alternative sources of credit with different interest rate.
(3) Inability of borrowers to offer acceptable collateral for large loans which places a limit on their probable scale of operation.
(4) Problems of illiteracy which affects record keeping and decision making ability of borrowers.

Ogho and Nwachukwu (2008) found the main problems of microfinance institutions as follows:

(a) Non productive loans and procedural delays for productive loans: Since most of the poor and needy are illiterate and prefer loans for consumption rather than productive purpose, majority of the poor find it hard to get loans sanctioned for taking up economic activities, even, if they want to. Sometimes, the borrowers are asked to furnish some documents and collateral security against the loan sanctioned, contrary to the directives of the government.
(b) Inflexibility and delay: The rigid systems and procedures for sanctioning loans and disbursing them to the beneficiaries result in a lot of delay in time for the borrowers, which de-motivate them.
(c) Social obligation, not a business opportunity: They believed that microfinance has been seen as a social obligation rather than a potential business opportunity.
(d) Lack of training: In most of the cases, it has been found that members of a group take up a certain economic activities for their sustenance which are not preceded by relevant training. After the pioneering efforts of the last few years by the government, banks, NGOs, and so on, the microfinance scene is reaching the take-off point.

However, Iganiga (2008) identified the problems of microfinance as follows:

(a) Repayment problem: Loan delinquency is a major threat to institutional sustainability; it is the deadly "virus" which afflicts MFIs. Delinquency is a symptom of poor leadership. This has accounts for the failure of most MFIs and schemes in Nigeria.
(b) Inadequate experience credit staff: He believed that for microfinance institutions to be viable, it requires experienced and skilled personnel. He stressed that, as a young and growing industry, there is a dearth of experienced staff in planning, product development and effective engagement with clients. Most credit staff of

MFIs in Nigeria are on their first jobs and majority are school leavers.
(c) Internal control challenge: This is as a result of large transaction and informal operational procedures that could be breached at disbursement and collection points; high cash transaction which as a feature of micro financing is a source of temptation for fraudulent practices.

Activities of Microfinance Institutions (MFI)

Microfinance institution covers various activities both directly and indirectly in an economy. Zahid and Ismailov (2008) opined that MFIs are dedicated only to poor and explicitly for business activities. They further stressed that MFIs usually do not invest in consumer finance, but give finance only for micro enterprises. Their belief is that microfinance institutions have indirect impacts on the micro borrower.
Microfinance institution encourages people to lift up their standards by doing business and also earning from these businesses. Ledgerwood (1999) found the activities and characteristics of MFIs in the following ways:

(a) Supply of small and short term loans.
(b) Social collateral rather than financial collateral.
(c) Access to larger amount of loan if repayment performance is positive.
(d) Continuous monitoring of business.
(e) Loan on higher interest rate due to expensive financial and risk factor.
(f) Easy way to access finance; therefore, not too much proper work, easy and short procedure.
(g) Offering saving services to borrowers even for smallest amount.
(h) Offer training services to borrower's business development.
(i) Literacy training to borrowers so that they can come up with competent daily business problems and its solutions.
(j) Health care, social services and other skill training services to provide borrower, a sustainable base for their business.

Microfinance Models

The Grameen model

Grameen Bank of Bangladesh was established in 1983 as an independent specialized bank after an experimental period of six years starting from 1976 under the supervision of Professor Muhammad Yunus and financed by the Janata Bank, to provide credit to the rural poor, particularly women in Bangladesh. The Grameen Bank experience started with the group concept-informal lending to the poor. It was started to assist landless people in Bangladesh to obtain credit, which could not be obtained through the formal commercial banks credit facilities. The bank was established in order to improve the economic condition of the rural poor through the creation of opportunities for their self employment. Grameen Bank loans are not secured by physical collateral like the other commercial banks, instead, they are secured by group collateral complemented with peer monitoring and pressure to enforce repayment. Loans are disbursed through banking units of separate groups of five members for men and women that apply for loan.
Individual members of each group receive loans but the entire group is held liable for repayment. In first round, loan is granted to two members to invest in their business. If these members repay their loans successfully, then four to six weeks later, next two members also will be granted loan. The last one member will be eligible for loan if the previous two members are able to repay their loans. Repayment of each member give room for next loan and continue like that if all members are able to repay their loans. Invariably, if a member defaults, no other member of the group is legible to receive further loan.
Six to eight groups are organized into a community referred to as the "centre" and this constitutes the second tier level of participation by which a bank official deals with these all eight groups. This centre of eight groups has its own centre chief and centre group leader (Khan and Rahman, 2007).
Small amount of loan (US $100) are granted to a single borrower for a year and bank require a repayment of 10% rate per week. This repayment encourages them to save more income. The loans are granted for income generating activities identified and selected by each member with the assistance of group members (Owualah, 1999). However, this model operates using the modality of collective guarantees, close supervision and peer pressure from other members of the group. Therefore, the model had been quite successful as a bank for the poor and as a social movement based on principles of awareness and training, which has facilitated active participation of poor.

The Progressive Lending-Banco Sol model

This model was adopted by Bancosol in Bolivia when populist regime left government and there were high rate of unemployment in urban areas. Bancosol, a pioneering microfinance institution in the region, was developed to address the problem of urban unemployment and provide credit to the cash-strapped informal sector. In this model, the amount of loan increases after completion of every repayment schedule. The progressive lending is an extension of Grameen model because it incorporates other characteristics of the Grameen model such as targeting the poor women, group formation and public payment. In the progressive lending, micro lenders are flexible about collateral and lend loan to group with individuals. Many MFIs are now adopting this approach because it is very helpful in areas with low population densities or highly diverse population where group forming is not easy due to different ratio of safe and risky borrowers.

Non government organization (NGO) model

This is also grouped as informal model as it tends to adapt the Grammen principles and usually are gender specific and sectorally motivated. There are women groups, farmers union, trader union, etc in this organization. The NGOs with the features of Grameen bank are formed in different countries in the world with different names, for example, Left Above Poverty (LAPO) can be viewed as a typical example of NGO that emulate the method of Grameen Bank by channeling credit facilities to the poor who are members in Nigeria. While in Ghana and Gambia, the most successful micro credit programs with these features are women finance association. The programs were reported to have had high rate of repayment.

The Esusu model

Esusu is a revolving loan scheme in Nigeria and entrenched in most West African countries operating as an informal micro-credit programme. The group was formed to operate the revolving schemes which are voluntary. In this model of microfinance, members make fixed contributions of money at regular intervals. This is quite different from Grameen model because at each interval, one member collects the entire contributions from all. Every member takes a turn until the cycle is completed, and then it starts again. One perfect function of Esusu is that it serves as a saving mechanism for the last person to take his or her turn. The Esusu are very strong program that have assisted in promoting entrepreneurship in most of West African countries, particularly among market women in rural/urban markets. Each Esusu's group has a recognized leader and Esusus are often used as model by NGOs trying to establish micro-finance programme in urban setting (Akanji, 2008).

The Linkage model

The framework for linking informal savings collectors to the formal institutions formed the basis of the breakthrough discussed earlier. In view of the banks' readiness to acquire more information about the informal sector, making serious efforts at strengthening group schemes encouraged the successful turnaround of micro-credit programs; an example is the recent merger of the Nigerian Agricultural and Cooperative Bank (NACB), peoples Bank of Nigeria and Family Economic Advancement Program (FEAP) to form Nigerian Agricultural Cooperative and Rural Development Bank (NACRDB). Also the current Bankers Committee initiative which is supported by the CBN, for banks to set aside 10% of their profit before tax for equity investment in small scale industries will be tangential to alleviating poverty through the lending window or through joint ventures.

Donors model

Donors have played a very important role in the micro-credit program, particularly international donors such as UNDP, through the NGOs. The alternative micro-credit delivery model proposed by Gabriel and Ibanga (1997) called "The Ekpuk (family) model" worked perfectly well within an extended family structure, particularly proven successful in some villages in Akwa Ibom State.

Microfinance, Entrepreneurship Financing and Poverty Alleviation

Economic development essentially means a process of upward change whereby the real per capita income of a country increases over a period of time. Entrepreneurship has an important role to play in the development of a country. It is one of the most important inputs in economic development. The number and competence of entrepreneurs affect the economic growth of the country. The economic history of the presently advanced countries like USA, Russia and Japan supports the fact that economic development is the outcome for which entrepreneurship is an inevitable cause. The crucial and significant role played by the entrepreneurs in the economic development of advanced countries has made the people of developing and under developed countries conscious of the importance of entrepreneurship for economic development. It is now a widely accepted fact that active and enthusiastic entrepreneurs can only explore the potentials of the countries availability of resources such as labour, capital and technology. The role of entrepreneurs is not identical in the various economies.

Depending on the material resources, industry climate and responsiveness of the political system, it varies from economy to economy. The contribution of entrepreneurs may be more in favourable opportunity conditions than in economies with relatively less favourable opportunity conditions.
Entrepreneurship and economic development are intimately related. Schumpeter opines that entrepreneurial process is a major factor in economic development and the entrepreneur is the key to economic growth. Whatever be the form of economic and political set-up of the country, entrepreneurship is indispensable for economic development. Entrepreneurship is an approach to management that can be applied in start-up situations as well as within more established businesses. The growing interest, in the area of entrepreneurship has developed alongside interest in the changing role of small businesses. Small entrepreneurship has a fabulous potential in a developing country like Nigeria. The entrepreneur who is a business leader looks for ideas and puts them into effect in fostering economic growth and development. Entrepreneurship is one of the most important inputs in the economic development of a country. The entrepreneur acts as a trigger head to give spark to economic activities by his entrepreneurial decisions. He plays a pivotal role not only in the development of industrial sector of a country but also in the development of farm and service sector.
The entrepreneurs need funds to bring together various factors of production such as land, labour and capital for production to take place. The take-off and efficient performance of any enterprises, be it small or large will require the provision of funds for the creation of new investment. Therefore, various forms of assistance have been designed in many microfinance institutions to promote the development of entrepreneurship. These include finance, extension and advisory services, training and the provision of basic infrastructure. In the past, the poor and micro enterprises have been discriminated against by formal financial institution because of the high risk associated with financing them. As a result, access to economic source of finance for the low income earners to establish their own business has been a major issue in the literature of economic and entrepreneurship development.
Poverty reduction is not an impossible task in a country. Empirical evidence has shown in Indonesia that significant poverty reduction is possible and had occurred in developing countries. For example, studies have revealed that the absolute number of people living in poverty has dropped in all developing countries that have experienced sustained rapid economic growth over the past few decades (Aderibigbe, 2001). The approaches adopted by these countries are collectively known as microfinance. It is designed to raise the level of investment infrastructure and people in order to enhance income generation capacities. According to Fashola (2008b), setting up microfinance institutions was a strong commitment to alleviate poverty, raise the standard of living of the people and help to generate job opportunity. He stressed that when people are empowered and loans are made easily available to especially poor people to start small scale business, our society would be better off.

Research Methodology
Descriptive survey method was adopted in carrying out this study. Data were obtained through the use of questionnaires. The questions were done in simple and clear language to remove ambiguity. The response to each of the statements was on a 5 point Likert ordinal scale. The questionnaires (see appendix) were intended to generate responses that will assist the researcher to address the research problem, objectives, questions and hypothesis. The questionnaire used was self-administered and 300 respondents were selected for the purpose of analysis. The population of this study comprises of selected entrepreneurs in Ogun State.

Sample size and sampling technique
A sample size of 300 was selected using stratified and simple random sampling given the heterogeneous nature of the entrepreneur population. The sample size chosen is presumed to be fairly large enough for meaningful analysis.

Data analysis method/model specification
Ordinary least square regression method of analysis was adopted to show the causal/significant relationship between microfinance and entrepreneurship development in Nigeria. In this study, entrepreneurship development in Nigeria was made the dependent variable while microfinance institution was the explanatory variable. The model for analysis is

$$ENT = f\,(MFI) \quad (1)$$
$$ENT = \beta_0 + \beta_1\,MFI + e_i \quad (2)$$

Where, ENT is entrepreneurship; MFI is microfinance institutions; β_0 and β_1 are the regression coefficients to be determined; e_i is the error term.

Results and Discussion

A total of three hundred (300) questionnaires were distributed, while 275 were returned giving a return rate of 91.66%. The responses were coded and transformed into data points for microfinance and entrepreneurship development in Nigeria. The regression analysis indicates that the model relating microfinance and entrepreneurship development in Nigeria is significant at 5% confidence level with F-value of 615.046. The coefficient of determination was found to be 0.693 indicating that the explanatory variable, microfinance, accounts for about 69.30% variations in the values of the dependent variable; entrepreneurship development. Microfinance as explanatory variable in the model was found to exhibit positive relationship with entrepreneurship development in Nigeria and significant with t value of 24.80 at 5% confidence level.

It is however important to note that the transformation rate of microfinance to entrepreneurship development in Nigeria is inelastic meaning that to achieve a unit increase in entrepreneurship development via microfinance, microfinance has to double their contributions towards entrepreneurship

$$ENT= 0.455 + 0.832MFI \quad (3)$$

$$(5.330)\ (24.800)^*$$

This result affirmed the submission of Ogho and Nwachukwu (2008), who share the view that microfinance can be a powerful tool in initiating a cyclical process of growth and development. Microfinance activity can improve the access of rural poor to finance services. They further stressed that microfinance interventions help in inculcating necessary habits for economic independence and self-reliance.

Aderibigbe (2001) is of the view that microfinance recognizes the peculiar challenges of micro enterprises and of their owners. It recognizes the inability of the poor to provide tangible collateral and therefore, promotes collateral substitution; disbursement and repayment are structure to suit credit need and cash flow pattern of small business. Iweala (2005) opines that the latent capacity of poor for entrepreneurship would be significantly enhanced through the provision of microfinance services to enable them engage in more economic activities and be more self-reliant, increase employment opportunities, enhance household income and create wealth. Fashola (2008) asserted that with microfinance, graduates roaming the streets in search of jobs would have a new orientation to start their own business and become employers of labour and generate wealth for themselves, their families and the nation. Niekerk (2008) believed that robust economic growth could not be achieved without putting in place a well structured framework that could meaningfully support economic activities at the grassroots, such as the microfinance platform. He stressed that micro credit is an important liberating force in an economy and must be extended not only to poor but, to the active sector of the economy.

Summary, Conclusion and Recommendations

This research work investigates the impact of microfinance on entrepreneurship development in Nigeria. The analysis of data indicates that the financial institutions are adequately financing entrepreneurship development in Nigeria. Other findings revealed that there is significant difference in the number of entrepreneurs who used microfinance institutions and those who do not. There is a significant effect of microfinance institutions in predicting entrepreneurial productivity. Microfinance is the key to development of entrepreneurship in Nigeria. People secure loan from microfinance banks with their savings account as collateral rather than financial collateral. Entrepreneurship is vital to the industrialization process of the country. The study revealed that microfinance contributes to entrepreneurial activities that can lead to sustainable development in Nigeria.

Conclusion

The review of literature shows that the microfinance institutions are evident tools for entrepreneurship development due to the roles they perform in the Nigerian economy. Despite the various challenges surrounding microfinance in Nigeria, the institution serves as a key player in the financial sector that has positively impacted the life of individuals, business organization, other financial institutions, the government and the economy at large through the services it offers. The findings of this study show that microfinance institutions go a long way in the determination of the level of entrepreneurial productivity and development in the Nigerian economy.

In order to enable the beneficiaries of micro finance schemes to fully appreciate the utility of the facility, the monetary authority (CBN) must continue to appraise the credit delivery channels and formulate policies that would facilitate the delivery of the facilities to the rural communities.

Policy Recommendation

Having summarized what this paper contains and sequel to the finding thereon, the following are hereby recommended:

1. Microfinance institutions need to put more effort in financing entrepreneurial activities that can promote

economic growth accessible to the poor.

2. In order to enable the beneficiaries of micro finance schemes to fully appreciate the utility of the facility, the monetary authority (CBN) must continue to appraise the credit delivery channels and formulate policies that would facilitate the delivery of the facilities to the rural communities.

3. Reform of the legal system to offer more protection to investors and creditors. As it is now, people would borrow from banks and refuse to pay and even go to court to obtain injunctions against realizing the security, which they have willingly pledged as collateral.

4. Establish a credit information exchange mechanism that would track all borrowings and repayments in the banking system no matter the size.

5. Though microfinance institution has impacted positively on the growth of entrepreneurship development in Nigeria yet more are expected in order to grow the economy.

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