

The Role of Microfinance Banks on Growth and Sustenance of SMEs in Nigeria

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Abstract

Creation and sustenance of small and medium enterprises (SMEs) is a function of many factors which include funding. The effort to transform innovations into economic goods certainly would require reasonable level of funding which appears elusive due to global economic recession. Accessing credit from conventional money deposit banks has proved irrational due to its attendant cost, hence the need for micro financing which is deliberate initiative to enhance the performance and sustenance of small and medium scale enterprises. This study therefore investigates the role of microfinance on growth and sustenance of small and medium scale enterprises in Nigeria. Primary data are used for this study and the data are sourced from the administration of questionnaire on 300 small and medium entrepreneurs in an annual general meeting. Data are analyzed using descriptive statistics and principal component analysis. The results of the findings show that microfinance is a veritable tool for delivery of financial services to those who are traditionally not served by conventional banks in Nigeria. The study concludes that small scale entrepreneurs hardly have access to credit particularly from the formal sector.

Keywords: Microfinance Banks, SMEs, Growth, Sustainability

1. Introduction

Small and Medium Enterprises (SMEs) have been considered as the engine of growth in any economy. SMEs have the tendency of increasing individual productive capacity and creating wealth. The evolution of SMEs helps industrial dispersal through the creation and sales of goods and services that help individuals to directly mobilise domestic savings which could be ploughed back into business to ensure growth and contribute to economic development (Asikhia, 2010). Various funding sources have been considered for SMEs, among which is microfinance. Microfinance is reputed for offering monetary loans to SMEs to enhance economic activities, business growth and sustainability. Microfinance has been variously described by different authors: it is the supply of financial services to low-income employees, which is closer to the retail finance model prevalent in mainstream banking. For some, microfinance is a movement whose object is a world in which as many poor and near-poor households as possible have permanent access to an appropriate range of high quality financial services, including not just credit but also savings, insurance, and fund transfers. Many of those who promote microfinance generally believe that such access will help poor people out of poverty (Bi and Pandey, 2011). For others, microfinance is a way to promote economic development, employment and growth through the support of micro-entrepreneurs and small businesses. Due to the broad range of microfinance services, it is difficult to assess impact, and very few studies have tried to assess its full impact (Elumilade, Asaolu and Adereti, 2006). Proponents often claim that microfinance lifts people out of poverty, but the evidence is mixed. What it does do, however, is to enhance financial inclusion. (Elumilade et al., 2006). It is the provision of financial services to the poor who are traditionally not served by the conventional banks. These financial services include credit, savings, micro-leasing and money transfer and payment services.

The features that distinguish microfinance from other forms of formal financial products are; smallness of loans advanced and savings collected, near absence of assets-based collateral and simplicity of operations. It can be deduced from the foregoing that microfinance is a poverty alleviation strategy which operates by providing credit and other financial services to economically active and low income households and their businesses. To achieve this poverty alleviation objective, microfinance helps the poor increase their income, build viable business, reduce vulnerability to shocks and create employment. In Nigeria, microfinance painfully adds to the inequitable distribution of income and wealth. This was brought about by the inconsistencies in the interest rates regime: interest on borrowing (between 30 and 100%) by far exceeds that on savings (between 3.5 and 6%). This development also saw borrowers go through pains – further aggravated poverty – in trying to repay loans; they resorted to added borrowing and selling of personal properties. In Nigeria, credit is largely granted for commerce related activity to the detriment of the agricultural sector. Those who do not have access to microfinance in Nigeria are estimated to be 40 million people, according to Irobi (2008). The implication is that microfinance, as practiced in Nigeria, has not been able to address credit, savings, and other related financial services gap required by micro entrepreneurs (CBN, 2008; Irobi, 2008). Nigerians have always tried to provide themselves with needed finances through informal microfinance approaches like self-help groups (SHGs), rotating savings and credit associations, (ROSCAs), accumulating credit and savings associations (ASCAs) and direct

borrowings from friends and relations. These approaches may have sufficed in the traditional society but the growth in the sophistication of the economy and the increasing incidence of poverty among citizens has revealed the shortcomings of this approach (Adebayo, 2012). In a bid to resolve the identified deficiency of the informal microfinance sector that the Central Bank of Nigeria (CBN) in 2005 introduced a microfinance policy as prelude to the licensing of microfinance banks in Nigeria. According to this policy document, its aim is to provide a microfinance framework that would enhance the provision of diversified microfinance services on a long-term sustainable basis for the poor and low income groups, create a platform for the establishment of microfinance banks and improve CBN's regulatory/supervisory performance in ensuring monetary stability and liquidity management (CBN, 2008).

Microfinance banks were therefore established because of the failure of the existing banks to adequately address the financing needs of the poor and low income groups. The CBN further justified its licensing of microfinance banks on the lack of institutional capacity and weak capital base of existing community banks, existence of huge un-served market and need for increased savings opportunity. Taking the issue of lack of capacity by existing financial institutions further, the CBN pointed out that only 35% of Nigerians had access to financial services and that most of those without access to financial services dwell in the rural areas (CBN, 2008). Considering the foregoing, this study therefore assesses the role of microfinance banks in the growth and sustenance of microfinance banks in Nigeria.

The organisation of the paper is as follows: A selective review of the literature is presented in the following section. The methodology used is described in section 3, analysis of findings is contained in section 4, while section 5 sets out the conclusion.

2. Review of Literature

2.1 Conceptual Clarification of Small and Medium Enterprises and Microfinance

The history of micro financing can be traced back as far as the middle of the 1800s, when the theorist Lysander Spooner was writing about the benefits of small credits to entrepreneurs and farmers as a way of getting the people out of poverty. Independently of Spooner, Friedrich Wilhelm Raiffeisen founded the first cooperative lending banks to support farmers in rural Germany. The modern use of the expression "micro financing" has roots in the 1970s when organizations, such as Grameen Bank of Bangladesh with the microfinance pioneer Muhammad Yunus, were starting and shaping the modern industry of micro financing. While the success of the Grameen Bank (which now serves over 7 million poor Bangladeshi women) has inspired the world, it has proved difficult to replicate this success. In nations with lower population densities, meeting the operating costs of a retail branch by serving nearby customers has proven considerably more challenging (Irobi, 2008). Microfinance has helped Bangladesh in reducing poverty from 10% over the past years to 40%. This rate puts Bangladesh on track to meet its Millennium Development Goals of halving poverty by 2015. According to Muhammad Yunus, 2006 Nobel Peace Prize, "poverty is caused by our inadequate understanding of human capabilities and by our failure to create enabling theoretical frameworks, concepts, institutions and policies to support those capabilities and not a lack of human capital or labour; eradicating poverty can give you real peace" (Yunus, 1998). Microfinance is about providing financial services to the poor who are traditionally not served by the conventional financial institutions. Microfinance is mostly used in developing economies where SMEs do not have access to other sources of financial assistance (Adebayo, 2012). That is microfinance recognize poor and micro entrepreneurs who are excluded or denied access to financial services on account of their inability to provide tangible assets as collateral for credit facilities (Jamil, 2008).

According to Olaopa, Elumilade & Asaolu (2006) wealth creation which focused on empowerment contains the following;

- (a) Teaching the man how to fish (inculcating requisite income generating skills).
- (b) Showing the man the way to the river
- (c) Making available the necessary tools required for fishing
- (d) Ensuring that there is demand for his excess catch
- (e) Provide other ancillary services that will be required by the man to ensure that he can maximize his "catching" potentials

Standard practices of microfinance include receiving deposits and offering loans, payment services, money transfers, and insurance to the poor. However, microfinance Banks are constrained by high fixed and variable costs which translate to huge cost of doing business. Microfinance Banks are also faced with the challenge of incorporating economies of scale and the reduction of huge transaction costs due to the difficulty in recovering cost and accessing incentives for foreign donor agencies. High operational costs and poor retained earnings have prevented microfinance banks from setting up branches sufficient to cater to the needs of the growing poor population. More painful is loan recovery arising from the poor not having tangible collateral as security for credits sought (Bi & Pandey, 2011). Following this understanding, the researcher intends to measure microfinance practice in Nigeria against international best practices and models developed by researchers, as a

precondition for business sustainability.

Microfinance is reputed for offering monetary loans to small and medium scale enterprises to enhance economic activities and business growth and sustainability. Everyone needs a diverse range of financial instrument to grow his/her businesses, build asset, stabilize consumption, and shield self against risks. Financial services needed by the poor include working capital, loans, consumer credit, savings, and pension, insurance, and money transfer services. But are these instruments insuring business growth and sustainability? The majority of Nigeria's poor belong to the unbanked sector, despite Nigeria's robust financial system. Due to the extent of illiteracy among the poor, products and services offered by microfinance Banks are difficult to contemplate. Literacy level and unstructured financial services have combined to motivate the poor to seek help from money lenders who charge exorbitant fees but are very efficient. This cycle of debt entrapment adds to the cycle of poverty afflicting the poor (Yahaya et al, 2011; Bi & Pandey, 2011).

The main objective of micro credit according to Asikhia (2010) is to improve the welfare of the poor as a result of better access to small loans that are not offered by the formal financial institutions. Kolawole (2013) states that microfinance bank helps to generate savings in the economy, attract foreign donor agencies, encourage entrepreneurship and catalyze development in the economy. According to the Nigeria's National Council on Industry; an SME is defined in terms of employment i.e. as one with between 10 and 300 employees. Currently small and medium sized enterprises are defined by their size. In the European Union, SMEs are defined as small or medium sized if it has not more than 250 employees and not more than 50 Million Euros turnover respectively, a balance sheet total of less than 43 Million Euro and if not more than 25% of the shares of such an enterprise are in the ownership of another enterprise. The Small and Medium Industries Equity Investment Scheme (SMIEIS) in Nigeria, defines small and medium enterprises (SMEs) as "enterprises with a total capital employed of not less than N1.5 million, but not exceeding N200 million, including working capital, but excluding cost of land and/or with a staff strength of not less than 10 and not more than 300". According to Anyanwu (2005), SMEs and entrepreneurship are now recognized worldwide as key source of economic growth and development. Adebayo (2012) contends that small and medium scale enterprises play a very important role in developing economies. This view appears to be supported by Chijah and Forchu (2010) when they argue that the promotion of micro enterprises in developing countries is justified in their abilities to faster economic growth, alleviate poverty and generate employment.

2.2 The Challenges of Microfinance Banks in Nigeria

In Nigeria, one of the greatest obstacles that Small and Medium Enterprises (SMEs) have to grapple with is access to funds. This is further compounded by the fact that even where credit facilities are available, they may not be able to muster the required collateral to access such. This situation has led invariably to many of them closing shop, resulting in the loss of thousands of unskilled, semi and skilled jobs across the country (Izugbara and Ikwayi, 2002). Microfinance emerged as a noble substitute for informal credit and an effective and powerful instrument for poverty reduction among people, who are economically active, but financially constrained and vulnerable in various countries. Microfinance covers a broad range of financial services including loans, deposits and payment services and insurance to the poor and low-income households and their micro enterprises. Microfinance institutions have shown a significant contribution towards the poor in rural, semi urban or urban areas for enabling them to raise their income level and living standards in various countries (Saunders and Tsumori, 2010).

The strategies to make alternative microfinance institutions less vulnerable include: the reduction in the dependence on external resources, orchestrating a long term vision, designing appropriate economic policies and adhering to them to avoid undue deviation, applying stringent self-regulation by assigning responsibility, and setting standards. Other measures include: assessing the impact of the economic environment, adopting open, complete, and constant information inflow and outflow, to establish transparency in information management, valuing financial and social viability to avoid tension, and designing alternative institutions, differentiating between welfare and the market, to strike a balance between economic and social considerations, between economic sustainability and building social capital (Jamil, 2008). The microfinance practiced in Nigeria painfully adds to the inequitable distribution of income and wealth. This was brought about by the inconsistencies in the interest rates regime: interest on borrowing (between 30 and 100%) by far exceeds that on savings (between 3.5 and 6%). This development also saw borrowers go through pains in trying to repay loans; they resorted to added borrowing and selling of personal properties. In Nigeria, credit is largely granted for commerce related activity to the detriment of the agricultural sector. Those who do not have access to microfinance in Nigeria are estimated to be 40 million people, according to Maruthi, Smith and Laxmi (2011). The implication is that microfinance, as practiced in Nigeria, has not been able to address credit, savings, and other related financial services gap required by micro entrepreneurs (CBN, 2008; Maruthi et al, 2008).

3. Methodology

3.1 Study Area and Data

The population of the study comprises about 350 small scale entrepreneurs in an annual general meeting. Data are obtained from the administration of a structured questionnaire on a sample of 300 small scale entrepreneurs through the aid of a random sampling technique. The sample size of 300 is considered adequate because Kaiser Criterion suggests a minimum sample size of not less than 250 (Field, 2005).

3.2 Research Instrument and Validation

The study adopts a structured questionnaire that is composed of two parts. Section A contains questions on demographic statistics of respondents while section B elicits information on respondents' perspectives of the impact of microfinance banks on the growth and sustenance of SMEs in Nigeria. The instrument was pilot-tested to determine the suitability of the questionnaire for the survey and corrections were effected in the questionnaire based on expert advice. The study adopts a 5-level Likert scale for the responses to the statements in the questionnaire. The respondents' level of understanding of the questionnaire during the pre-test confirmed its suitability for the survey. Furthermore, Cronbach Alpha, Bartlett test of Sphericity (BTS) and Kaiser-Meyer-Olkin (KMO) measure of sampling score are used to test for the reliability of the instrument.

4. Analysis of Findings

4.1 Data Analysis Techniques

The study adopts both descriptive and inferential statistics in the analysis of data. Specifically, the study adopts Principal Component Analysis (PCA) in explaining respondents' perspectives of the impact of microfinance banks on growth and sustenance of SMEs in Nigeria. PCA involves a mathematical procedure that transform a number of possibly correlated variables into a smaller number of uncorrelated variables called principal components. The first principal component accounts for as much of the variability in the data as possible, and each succeeding component accounts for as much of the remaining variability as possible. PCA is mostly used as a tool in exploratory data analysis and for making predictive

4.2 Pre-estimation Tests

Table 1: Demographic Statistics of Respondents

		Frequency (N)	Percent (%)	Valid Percent	Cumulative Percent
Age:	30-40	116	38.6	39	39
	41-50	132	44	44	83
	51-60	52	17.3	17	100.0
	Total	300	100.0	100.0	
Sex of Respondents	Female	68	22.6	23	23
	Male	232	77.3	77	100.0
	Total	300	100.0	100.0	
Marital Status:	Single	4	1.3	1	1.0
	Married	296	98.6	99	100.0
	Total	300	100.0	100.0	
Trading Experience:	1-5 years	52	17.3	17	17
	6-10 years	84	28	28	45
	11-15 years	88	29.3	29	74
	16 and above	76	25.3	26	100
	Total	300	100.0	100.0	

Source: Analysed Questionnaire, 2017.

Table 1 presents the descriptive statistics of the respondents. 34(68%) of the respondents in this study are female, while 116(32%) are male. This implies that the study is dominated by male gender. 58(39%) of the respondents are within the age range of 30-40 years, 66(52%) are within the range of 41-50 years, while 26(32%) are within the range of 51-60 years. 26(17%) of the respondents have traded for between 1-5 years, 42(28%)6-10 years, 44(29%) have traded for 11-15 years while the other 38(26%) have all traded for more than 16 years.

Table 2: Descriptive statistics of Variables (Question 10 to 40)

tabstat Q10-Q40, stats (n mean med sd var skewness min max) col(stats)

variable	N	mean	p50	sd	variance	skewness	min	max
Q10	162	4.277778	4	.8579189	.7360248	-1.985436	1	5
Q11	162	4.37037	4	.6391851	.4085576	-1.65378	1	5
Q12	162	4.08642	4	1.094282	1.197454	-1.369791	1	5
Q13	162	4.123457	4	1.044152	1.090254	-1.561542	1	5
Q14	162	3.216049	4	1.46478	2.145579	-.2825561	1	5
Q15	162	3.209877	3	1.380576	1.905989	-.1248011	1	5
Q16	162	3.191358	3	1.35836	1.845142	-.2154584	1	5
Q17	162	3.358025	4	1.344957	1.80891	-.5332876	1	5
Q18	162	3.148148	3	1.148708	1.319531	-.0943205	1	5
Q19	162	2.962963	3	1.157685	1.340235	.0240273	1	5
Q20	162	3	3	1.14208	1.304348	.1254729	1	5
Q21	162	2.975309	3	1.215585	1.477647	.0472597	1	5
Q22	162	4.197531	4	1.0266	1.053907	-1.7149	1	5
Q23	162	4.030864	4	1.053965	1.110843	-1.466436	1	5
Q24	162	4.160494	4	.9838041	.9678706	-1.856301	1	5
Q25	162	3.234568	3	1.420975	2.01917	-.2363791	1	5
Q26	162	4.277778	4	.9140042	.8354037	-1.946541	1	5
Q27	162	4.179012	4	.9116521	.8311096	-1.840225	1	5
Q28	162	4.333333	4	.7959525	.6335404	-1.853312	1	5
Q29	162	4.104938	4	1.043215	1.088298	-1.692145	1	5
Q30	162	4.12963	4	1.069852	1.144582	-1.755448	1	5
Q31	162	4.351852	4	.8226017	.6766736	-2.07132	1	5
Q32	162	4.104938	4	1.11794	1.249789	-1.62555	1	5
Q33	162	2.771605	3	.914172	.8357105	.0743863	1	5
Q34	162	2.771605	3	1.010963	1.022046	.2513092	1	5
Q35	162	2.666667	3	.9190868	.8447205	.2728526	1	5
Q36	162	2.895062	3	1.037244	1.075876	.1770858	1	5
Q37	162	2.771605	3	1.07064	1.146269	.4943801	1	5
Q38	162	4.487654	5	.7328804	.5371137	-1.998997	1	5
Q39	162	3.907407	4	1.264938	1.600069	-1.247673	1	5
Q40	162	2.969136	3	.915178	.8375508	.3047354	1	5

Source: Analysed Questionnaire, 2017

Table 2 presents the descriptive statistics of variables as evidenced in question 10 to question 40 of the questionnaire. A preliminary investigation of the summary statistics reveals that the mean score for many of the variables is greater than the median. This is an indication of the possibility of a positive outlier in the data while the other variables had their mean scores less than the median scores. Reliability of a measure is the degree to which the measurement supplies consistent results. It assesses the internal consistency or homogeneity among the test items. An alpha value in excess of 0.6 indicates an acceptable internal level of consistency. The reliability test of the measuring scales of the instrument gives a value of 0.8348 (Table 3).

Table 3: Analysis of Cronbach Alpha (Question 10 to 40)

alpha Q10-Q40, std item

Test scale = mean(standardized items)

Item	Obs	Sign	average			alpha
			item-test correlation	item-rest correlation	interitem correlation	
Q10	162	+	0.5389	0.4794	0.1364	0.8257
Q11	162	+	0.4560	0.3903	0.1388	0.8286
Q12	162	+	0.5549	0.4968	0.1359	0.8251
Q13	162	+	0.5467	0.4879	0.1361	0.8254
Q14	162	+	0.3628	0.2916	0.1415	0.8318
Q15	162	+	0.4572	0.3915	0.1387	0.8286
Q16	162	+	0.4808	0.4168	0.1381	0.8277
Q17	162	+	0.4911	0.4279	0.1378	0.8274
Q18	162	+	0.3905	0.3208	0.1407	0.8308
Q19	162	+	0.3305	0.2577	0.1424	0.8329
Q20	162	+	0.2175	0.1407	0.1457	0.8366
Q21	162	+	0.1634	0.0855	0.1473	0.8383
Q22	162	+	0.5534	0.4951	0.1359	0.8252
Q23	162	+	0.5597	0.5020	0.1358	0.8249
Q24	162	+	0.3736	0.3029	0.1412	0.8314
Q25	162	+	0.4868	0.4233	0.1379	0.8275
Q26	162	+	0.6859	0.6407	0.1321	0.8203
Q27	162	+	0.6256	0.5740	0.1338	0.8225
Q28	162	+	0.4959	0.4331	0.1376	0.8272
Q29	162	+	0.5031	0.4408	0.1374	0.8270
Q30	162	+	0.5699	0.5131	0.1355	0.8246
Q31	162	+	0.4122	0.3437	0.1401	0.8301
Q32	162	+	0.5255	0.4649	0.1368	0.8262
Q33	162	+	0.3351	0.2626	0.1423	0.8327
Q34	162	+	0.3031	0.2292	0.1432	0.8338
Q35	162	+	0.2075	0.1306	0.1460	0.8369
Q36	162	-	0.1232	0.0448	0.1485	0.8395
Q37	162	+	0.1792	0.1016	0.1469	0.8378
Q38	162	+	0.1824	0.1048	0.1468	0.8377
Q39	162	+	0.4195	0.3515	0.1398	0.8299
Q40	162	+	0.1691	0.0913	0.1472	0.8381
Test scale				0.1401	0.8348	

Source: Analysed Questionnaire, 2017

The Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy tests whether the partial correlations among the variables are small while Bartlett's test of sphericity (BTS) tests whether the correlation matrix is an identity matrix. Another condition for assessing the appropriateness of running PCA is to ensure that BTS is significant (i.e., $p < 0.05$). These two tests present the appropriateness of running PCA on the data. Values above 0.5 are considered adequate. Table 4 presents the results of both KMO and BTS and the results confirm the appropriateness of the use of PCA.

Table 4: BTS and KMO Tests (Question 10 to 40)

factor test Q10-Q40

Determinant of the correlation matrix

prob = 0.000

Bartlett test of sphericity

Chi-square = 2024.633

Degrees of freedom = 465

p-value = 0.000

H0: variables are not intercorrelated

Kaiser-Meyer-Olkin Measure of Sampling Adequacy

KMO = 0.725

Source: Analysed Questionnaire, 2017

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Table 5: Principal Component Analysis

pca Q10-Q40

(obs=162)

(principal components; 31 components retained)

Component Eigenvalue Difference Proportion Cumulative

Component	Eigenvalue	Difference	Proportion	Cumulative
1	6.20348	2.96378	0.2001	0.2001
2	3.23971	0.82377	0.1045	0.3046
3	2.41593	0.48291	0.0779	0.3826
4	1.93302	0.21934	0.0624	0.4449
5	1.71369	0.20018	0.0553	0.5002
6	1.51350	0.31142	0.0488	0.5490
7	1.20209	0.05251	0.0388	0.5878
8	1.14957	0.07628	0.0371	0.6249
9	1.07329	0.07433	0.0346	0.6595
10	0.99896	0.03431	0.0322	0.6917
11	0.96465	0.12286	0.0311	0.7228
12	0.84179	0.07746	0.0272	0.7500
13	0.76433	0.09697	0.0247	0.7746
14	0.66736	0.00738	0.0215	0.7962
15	0.65998	0.02737	0.0213	0.8175
16	0.63261	0.04461	0.0204	0.8379
17	0.58800	0.07743	0.0190	0.8568
18	0.51057	0.00486	0.0165	0.8733
19	0.50572	0.06765	0.0163	0.8896
20	0.43806	0.04232	0.0141	0.9038
21	0.39575	0.01543	0.0128	0.9165
22	0.38031	0.03535	0.0123	0.9288
23	0.34496	0.01352	0.0111	0.9399
24	0.33144	0.02057	0.0107	0.9506
25	0.31087	0.05457	0.0100	0.9606
26	0.25630	0.01926	0.0083	0.9689
27	0.23704	0.02809	0.0076	0.9765
28	0.20895	0.00297	0.0067	0.9833
29	0.20598	0.01807	0.0066	0.9899
30	0.18790	0.06374	0.0061	0.9960
31	0.12417	0.0040	1.0000	

The Kaiser eigenvalue > 1 rule suggests extracting 9 principal components

Source: Analysed Questionnaire, 2017

Table 5 presents the respondents' perspectives of the role of Microfinance Banks on growth and sustenance of SMEs in Nigeria. The principal component analysis result shows nine most important factors considered as the impact of microfinance banks on the growth and sustenance of SMEs in Nigeria. By Kaiser Criterion, it is

recommended that factors with Eigen value > 1 be retained. By using this criterion, all nine variables > 1 were retained. This position is further validated by the construction of a screeplot which gave a useful insight to the relative importance of each factor and this was accounted for in a descending order (Figure 1).

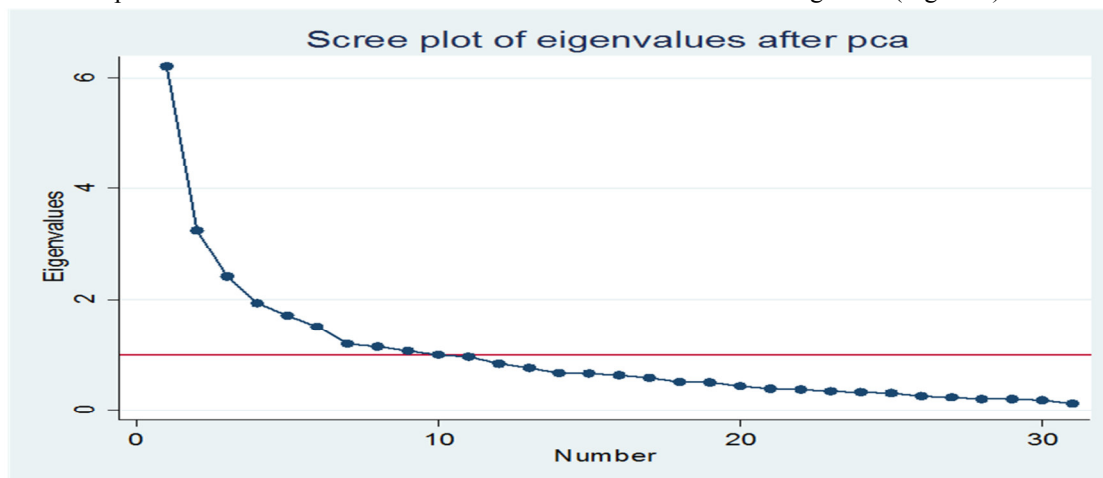


Figure 1: Scree Plot

The clearest point of inflexion from the figure is at component 9 and subsequently, the graph started to dovetail sharply. Explorative factor analysis was carried out to identify how much weight is assigned to each component and the ranking of the most important variables: table 6 thus present the most important factors according to their order of importance.

Table 6: Principal Component Analysis: Order of Importance of Variables Based on Eigenvalue

Principal Component	Question Number	Eigenvalue	Ranking
1	26	0.30332	1 st
2	34	0.35473	2 nd
3	20	0.34526	3 rd
4	16	0.33337	4 th
5	36	0.42472	5 th
6	29	0.36337	6 th
7	24	0.50328	7 th
8	17	0.35999	8 th
9	39	0.38015	9 th

Source: Analysed Questionnaire, 2017

The nine variables and their meaning are as shown below:

Q26: Microfinance provide financial services to the poor.

Q34: Microfinance is a veritable tool for delivery of financial services to those who are traditionally not served by conventional banks.

Q20: Microfinance requires near absence of assets-based collateral.

Q16: Microfinance is the easiest funding window for SMEs in Nigeria.

Q36: SMEs actually benefit greatly from microfinance.

Q29: SMEs are driver of the economy.

Q24: Microfinance is a poverty alleviation strategy.

Q17: Majority of industrial employment are by SMEs.

Q39: SMEs provide the best opportunity for job creation and rural development.

The results of the analysis above validate the high relevance of microfinance banks on the growth and sustenance of SMEs in Nigeria. The results show that microfinance arrangement makes it possible for SMEs to secure credit from microfinance banks on more easy terms.

5. Conclusion

This study empirically investigated the role of microfinance on small scale businesses in Nigeria. The study attempted to highlight the perception of small scale entrepreneurs who have been involved in businesses and have benefited from microfinance.

The results of our studies validate the high relevance of microfinance banks on the growth and sustenance of SMEs in Nigeria. The results show that microfinance arrangement makes it possible for SMEs to secure credit from microfinance banks on more easy terms.

The expected financial services would enable the active poor to undertake and develop long time, sustainable entrepreneur activities, mobilizing savings for financial intermediation, create employment opportunities and also to increase their productivity. There is no doubt about the fact that microfinance arrangement was established to make it possible for SMEs to secure credit from Microfinance Banks (MFBs) and other Microfinance Institutions (MFIs) on more easy terms but this study revealed that more still need to be done to facilitate easy access. The study however concludes that small scale entrepreneurs hardly have access to credit particularly from the formal sector. There is also the need to strengthen microfinance institutions for optimal performance so as to solve the problem of small capital base, high interest rate and granting of small loans below customer's needs.

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