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Microfinance and SME Growth in Nigeria: An Evaluation of the Impact of Microfinance Banks on Entrepreneurial Outcomes in Ilorin West Local Government, Kwara State

***Lawal, AzeezTunbosun**[1] **& Adebayo, Shola Kabir**[2]
[1,2]*Department of Business Administration, Faculty of Management Sciences, Al-Hikmah University, Ilorin,*

*Author correspondence: atlawal@alhikmah.edu.ng

ABSTRACT

Microfinance Banks (MFBs) were purposefully created in Nigeria to render financial assistance to small and medium scale enterprises (SMEs) in the country, even the lack of continuity of many small and medium-scale enterprises in Nigeria can be attributed to the shortage of finances. Therefore, this study investigated the impact of Microfinance Banks financing on Small and Medium Scale enterprises (SMEs) in Ilorin West Local Government Area of Kwara State. The population of the study included the thirty-one (31) Microfinance banks in Ilorin West Local Government and their SME customers, while only three (3) MFBs were chosen and 300 respondents using purposive sampling technique to determine the sample size. The descriptive survey research was employed for the study while a structured questionnaire was employed for data collection from respondents. Regression analysis was used to test the hypothesis formulated. The findings from the study showed that the number of SMEs that have secured loans from microfinance banks in Ilorin West Local Government of Kwara state is insignificant. Consequently, the study concluded that the contribution of Microfinance banks to Small and Medium-scale investors to set up their new ventures or expand, the existing ones is not enough. The study recommended that the requirements, procedures, and the period of loan repayment should be extended with low interest rate to enable more investors to benefit from MFBs in the study area.

Keywords: Banks, Lending, Microfinance, SMEs

1. INTRODUCTION

The early thrift-saving method is the historical foundation of the microfinance system, and its activities dominated before Nigeria gained its independence (Yunus, 2003). Because traditional financial institutions are unable to provide sufficient financing for development initiatives intended to address the requirements of rural inhabitants, the existence of traditional money lenders is harmed. To do this, the early days of banking in Nigeria demonstrated the inability of commercial banks to provide the funding required for development projects to raise the standard of living for those who reside in rural areas. In light of the aforementioned, the government decided to create community banks to suit the needs of rural settlers to overcome these financial banks' failure to serve them. Decree 46 of 1992 made it feasible for community banks to fill the void left by traditional commercial banks and serve as a stimulus for the rapid economic development of rural settlements for the country's food security.

Small and Medium-Sized Businesses (SMEs) have therefore been a key driver of economic development, poverty alleviation, and job creation. In addition to agriculture, SMEs also offer employment opportunities to a sizable portion of the nation's adolescent labour force, which stands at roughly 60% (Prah, 2016).

In the past ten years, SMEs have made a significant contribution to Nigeria's economic growth. Many academics think that SMEs can help countries transition from dependent to self-reliant states, turning economic sorrow into wealth. The Federal Government is perfectly in line with the claim that SMEs are benchmarks for the growth of a sovereign nation when looking at the essential functions that SMEs play in Nigeria. In 2014, Ashamu noted that SMEs function as a driving force for the expansion of any economic stability that elevates local goods in the eyes of global consumers, as shown by their importance to corporate operations. Furthermore, the benefits of SMEs are not only applicable to ending the constant waste of agricultural products, but they also significantly improve local resource utilization, create significant employment opportunities for unemployed young people, and increase value addition in the agricultural value chain at the global level.

Despite impressive government initiatives to support SMEs and the fact that the economy had significant growth between 2001 and 2014—an average of 7% to 6% turnover—it is widely believed that unemployment in the nation remains high. The high-to-low ratio of recorded unemployment in Nigeria is attributed to SME owners' inability to acquire financing. Bank loans to SMEs as a share of total credit to the private sector have been steadily declining for more than 20 years. The proportion of SME loans to total credit varied from 29.80% in 1992 to 24.85% in 2002 before further declining geometrically to 0.13 in 2012 and 0.14 in 2013. in 2014 (CBN, 2014). (CBN, 2014). In 2017, the ratio of SME loans to total credit grew to 0.50%, up from the 0.1% band that it had been in the years 2015 to 2016. Consequently, the ratio plummeted to 0.25% in 2018 and spiked to 0.54% in 2019. Additionally, a lack of funding to support SMEs in the nation has led to an increase in poverty and unemployment rates. Between 1980 and 1999, the rate of unemployment rose from 6.4% to 17.5%, respectively, and soared to 23.3% in 2013 as the prevalence of poverty reached its highest point. The poverty rate was as low as 27.1% in 1980, but it increased to 65.6% in 2001 and 71.5 percent in 2013. Social unrest in the nation may have impacted on government efforts to reduce the unemployment issue through SME development.

The consequences of these scenarios from these groups have resulted in the damage of infrastructures and assets as well as the loss of life and significant economic losses for the country. To achieve this, these emphasized the SMEs' risk-averse tendencies, making it harder for them to acquire bank facilities and, as a result, lowering their performance and the nation's unemployment rate. Revision of the impact of microfinance bank loans on the financial performance of SMEs in Nigeria is increasingly important as conditions change. The impact of SME financing on economic growth in Nigeria has been the subject of important empirical studies. As a result, relatively few studies have looked at how microfinance bank loan affects SME performance at local government levels and other levels of the community. Based on this fact, this study investigates how credit from microfinance banks affects the performance of SMEs in Kwara State's Ilorin West LGA. The results of this study may likely help policymakers accomplish their plans; they may also be valuable for future academic study and may even add to the body of knowledge previously found in certain other studies.

2.1 LITERATURE REVIEW

2.1.1 Concept of Microfinance Banks

According to Ofoegbu, et al. (2013), microfinance banks are any financial institutions that provide small and medium-sized businesses, low-income individuals, and the underprivileged with financial services that are flexible in structure, interim of operation, and processes. Therefore, microfinance banks are viewed as a poverty reduction approach in Nigeria today that is implemented through the provision of loan facilities and other financial services to financially engaged low-income people and their enterprises (Acha, 2012). In Nigeria, the practice of microfinance banks has been around for a while. It has done this by supplying the necessary funds through unofficial microfinance methods like self-help groups, credit associations, accumulating credit, savings associations, and direct borrowing from friends and family as well as community banks (CBN2005; Akpara, 2009; Okpard, 2009).

2.1.2 Microfinance Banks Services

The provision of financial services to low-income clients in business is understood by the phrase "microfinance bank." Savings and credit explicitly are included in financial services. In addition, a lot of microfinance banks in Nigeria today offer social intermediation services including boosting members' self-confidence and educating them about money management and financial literacy. Services offered by microfinance banks are included below.

a. MicroLoans Services

The narrative of microcredit, according to Bauchet et al. (2011), depicts it as giving small loans to business owners who then make a high "return on the loans to be able to repay a relatively high interest rate and re-invest in their businesses to grow even more, leading to eventual abject poverty. Consequently, giving small loans to the impoverished, mostly in cash but occasionally in kind, is a good idea Lacalle et al. (2008). Although there are many different interest rates, most fall between 20 and 40 percent annually. According to Roodman (2011), as MFBs get older, strict terms tend to become more flexible, which, among other things, results in reduced interest rates. Relatedly, a handful of MFBs impose a flat fee on the complete amount borrowed. Interest will now be assessed on the declining balance rather than the original amount borrowed. Furthermore, charging variable interest has grown more commonplace, which means that the rate fluctuates depending on another interest rate, typically the prime rate, and is not fixed in nature over the loan period.

b. Microsaving Services

Recently, mobilizing savings has become a major microfinance initiative. Savings were the "lost half" of financial intermediation back when microfinance was nearly entirely credit-focused. The introduction of deposit services, occasionally purely standalone savings accounts, but generally linked to credit, either as a mandatory requirement attached to having a loan, or occasionally part of a combined intervention in which a group saves and then members are permitted to borrow from their shared savings resource. Micro savings services come in a variety of forms, are provided by a range of financial institutions, and serve two purposes: promotion (to increase an asset base) and protection (to lessen the impact of shocks) (Hulme et al., 2011).

2.1.3 Concept of Small and Medium-Scale Enterprises (SMEs)

Due to the significance that many academics assign to it and its significance in an economy like ours in the nation, the notion of Small and Medium-Scale Enterprises (SMEs) is one of the most reviewed topics in management. SMEs are typically viewed as the backbone of economic development and growth Suberu et al. (2018). SME definitions change over time and between different institutions. Small and medium-sized enterprises (SMEs) are occasionally referred to as small-scale businesses, small and medium-scale industries, and small-scale entrepreneurship in the literature.

According to the National Directorate of Employment (1989), small and medium-sized firms are any business ventures with a capital outlay of less than N 5,000 and a minimum of three employees. This definition has been noted to have some flaws because, at the time, some SMEs, such as salon hairdressers, shoemakers, and Sea Street, required a capital investment of more than N 6,000 to launch a business. This was due to the price of purchasing equipment like machines, dryers, and other accessories. Small-medium size firms, according to Mohammed (2018), are any company organizations with a total value of less than N5,000,000.00, including fixed assets and the cost of investment projects (excluding land). Ibitayo (2017) noted that a small and medium sized enterprise is defined as a commercial entity with an annual revenue of no more than N 750,000 and no more than 50 full-time employees (including investment and working capital).

According to Ekpenyong et al. (1992), small-medium scale enterprises are companies with relatively low capital expenditures that produce in small quantities due to controlling a small portion of the market, employ no more than fifty people, and place the planning and entrepreneurial functions in the hands of the company owners. This definition is being attacked since it omits the amount needed to launch a small- to medium-sized business. The author justified this omission by arguing that the capital need is violable, which makes it challenging to accept the definition as written.

Watson and Everett (1993) asserted that the most functional definition of SMEs is one given by the United Nations Industrial Development Organisation (UNIDO) which states that small and medium-scale businesses should have the following characteristics variables thus:

i. The businesses are majorly owned and managed by individual or group of people and the management should be separated from the ownership.

ii. The business enterprises controls small share of the market and therefore contributes a little quota in the large size market.

iii. The owner of the business provides the capital for the business enterprises and policy decision with respect to the business enterprises are taken by the owners of the business.

iv. The base of the operation and workers are being sourced locally for variable patronages and supply.

According to numerous research, there is no universally accepted definition of small- to medium-sized

businesses Oleka, Naduagwu et al.(2014) Zhiri, 2017; Adeoti, et al, 2015; Obokoh, et al. 2016; Emmanuel and Ikenna, 2015; Okoh, et al.(2009). According to Anyanwu (2004), the classification of SMEs is heavily influenced by the economic sectors.

2.2 Theoretical Review

2.2.1 Linear Growth Theory

Harrold (1939) and Domar (1946) proposed the linear growth hypothesis, sometimes known as the Harrold Domar growth model. According to the underlying premise of this theory, aggregate demand must increase at a rate proportionate to the expansion of the economy's output capacity for business operations to have steady growth rates. The theory assumes that two key factors affect a business's rate of growth. First, there is a relationship between capital investments and their results known as the capital-output ratio. This assumption further stated that the more capital is invested in a business, the higher the output it will produce in return, and this will help in at least some small way to contribute to the expansion of the economy. Second, the subsequent impact is the relationship between savings and national income called the savings ratio; this states that the higher the savings for the business the higher the economy will grow.

The theory therefore suggests that for any business to grow, more capital involvement investment is required, and for more investment to occur, corresponding loans and savings must be adequately provided by financial institutions such as microfinance banks. This will enable more investment by Small Medium Scale Businesses to gain more profit and to expand their businesses in line with that profit. Despite numerous attempts, the country's and the world's economic performance has an impact on how quickly small- and medium-sized businesses are growing. Small firms generally do better as the country's economy improves because more business options become available.

According to this theory, the activities carried out by microfinance banks in carrying out their core functions—including credit availability, saving mobilization, insurance training, etc.—serve as a platform and tool for increasing the productive capacity of small- and medium-sized enterprises. As a result, the development of MFBs served as financial intermediaries that greatly contributed to the economic growth of rural dwellers by providing savings to high-productivity businesses. More investment is needed in small and medium-sized businesses for growth to occur, and the MFBs are responsible for facilitating that investment because DMBs are typically reluctant to finance SMEs due to their perceived risk.

2.2.2 Micro Credit Theory

The early economist Adam Smith laid the foundation for microcredit in his philosophical masterpiece, "Theory of the Moral Sentiments," and this is where the emphasis was placed. Smith emphasized that the idea of sympathy is at the heart of moral judgment. Smith further stated that despite human beings' inherent tendency toward selfishness, they do have an undeniable interest in the well-being of their fellow humans. Smith believed that human nature, particularly aspects of human nature like compassion for the suffering of others, has an impact on how people act and carry out their daily tasks. An alternative and noteworthy viewpoint derived from Adam Smith's economic masterpiece, An Inquiry into the Nature and Causes of Wealth of Nations asserts that human nature is greedy and that material success in non-communist countries is largely dependent on this nature. The fact that charity organizations exist so supports the empirical finding that sympathy is a fundamental aspect of human nature. But through the lens of compassion, selfishness and the belief that people are inherently selfish will have an impact on the miserly class. Muhammad Yunus of Jobra, Bangladesh, is a more prominent and modern proponent of this viewpoint; Yunus established the microcredit theory emphasizing developing capitalism driven by social consciousness.

The impact that private companies have on their customers enhances the relationship between the firm's earnings, he continued. Yunus said that the exclusion of people who are more interested in the well-being of others through the exploitation idea renders the neo-classical theory of production flawed and unfit to serve as the general model of capitalism. He proposed a more widely recognized general model that made it clear that entrepreneurs are limited to organizations that either focus on financial return or social reward. The third group, which includes entrepreneurs who took into account both rates of return when making crucial and moral decisions to produce a good return on investment and reshape the economy, is sacred ground for this study. This group consists of microfinance business owners with a social conscience who want to improve the social and economic climate in their areas.

2.3 Empirical Review

In the Kenyan constituency of Mount Elgon, Abraham et al. (2014) conducted research on the relationship

between small business success and credit availability from microfinance institutions. The study used a primary source of data gathering and a descriptive survey design. There were 1200 participants in the study, and 120 randomly chosen Small Scale Enterprises (SSEs) made up the sample size. Chi-square and t-tests were utilized as inferential statistics in the descriptive and inferential parts of the data analysis process. The analysis of the data showed a substantial positive correlation between business performance as measured by an increase in average monthly profit, monthly business savings, the number of employees, and SSE access to capital. It also discloses from the study that the age of the business, business ownership, having other branches, and number of employees significantly affected access to credit in the SSEs.

In their study, Oleka et al. (2014) looked into how microfinance institutions in Nigeria affected the performance of small and medium-sized businesses. The research spans the years (2003–2013). Distributed questionnaires and the CBN's annual report on SMEs were utilized as the major and secondary sources of data for the data-gathering process. 300 SMEs made up the study's sample size, which was chosen using a straightforward random sampling technique. Regression analysis was used as the data analysis technique. The data obtained showed that microfinance banks' availability significantly accelerated the growth of SMEs in Nigeria. Other findings included the favorable effects of firm size, location, loan amount, and loan maturity.

Nwele et al. (2014) state that research on the effect of microfinance bank lending on third-world countries' economic growth has been done. For data collecting, both primary and secondary sources of information were used. Data analysis was carried out using program designs, numerical structure responses, and performance models. The findings showed that in Nigeria, microfinance loans have not penetrated deeply enough to guarantee a clear separation from community and commercial banking practices.

The effect of microfinance banks on financing small businesses in Nigeria was examined by Ashamu (2014). The study, which was descriptive in nature, was conducted in Lagos State. Survey techniques were utilized as the research design. Data collecting used primary data sources. 120 small businesses in Lagos State made up the study's sample. The sampling method was applied. Utilizing straightforward percentages and chi-square, descriptive statistics has become a popular technique for data processing. The study's conclusions demonstrated that MFBs have little effect on SSEs, which led to the significant difficulties MFBs in Nigeria are currently facing.

In Osun state, Nigeria, Yusuf et al. (2014) investigated the effects of microfinance banks' credit on small-scale businesses. Irewole local government in the state of Osun served as the study's focus region. Data collecting employed the main data source. The sample size of 120 small-scale entrepreneurs was chosen using stratified and systematic random sampling from the study's 77,309 total population. For data analysis, the Ordinary Least Square (OLS) regression method was employed. The analysis of the data showed that the length of the loan repayment period, the size of the family, and the number of years the business had been operating were the main factors influencing business turnover and that the length of the loan repayment period and the number of credit sources have an impact on the amount of credit available to respondents.

Additionally, microfinance institutions and the expansion of SMEs in Rwanda were investigated by Musomandera et al. (2015). Both primary and secondary data sources were used in the investigation. The study had an 884-person population and a 275-person sample size. Regression analysis was used as a data analysis technique. The investigation's findings showed that MFBs offer a wide range of services to women-owned small businesses in Kicukro, including loans, advice on saving and investing, and business training. MFBs aid in the support of a variety of industries, including agriculture, trade, crafts, agro-processing, construction, and manufacturing.

Adeoti et al. (2015) also looked into how microfinance banks' credit affected the survival of small and medium-sized businesses in Nigeria's Irepodun Local Government Area (L.G.A). This study made use of primary data. The population of the study consisted of the two structural MFBs in Irepodun L.G.A., and the sample size for MFBs was also used for the 320 SMEs that were chosen from the MFBs' clients. ANOVA was utilized as the data analysis technique. The findings showed that microfinance banks play a key role in ensuring the survival of SMEs in Kwara State's Irepodun LGA.

In the Ghanaian municipality of Sunyani et al. (2016) studied interactions between microfinance institutions and small and medium-sized enterprises. A sample size of 150 SMES was used, and the primary source of data was used. According to the survey, the top difficulties faced by SMEs in Ghana are requirements for collateral security, high interest rates, and short loan repayment terms. The study also proved that MFIs have a beneficial impact on SMEs.

Tan et al. (2016) conducted research into how Malaysian small- and medium-sized businesses fared when using microfinance bank facilities. The research design for the study was a survey. The distribution of structured questionnaires was used as the method of data collecting for primary data. Consequently, the sample size used for the study was 125 SMEs. Business income, the total amount of loans issued, the length of the loans, educational attainment, and business training were included as independent factors in the study. The analysis of the data gathered employed logic regression. The results of this study showed that business income has a significant impact on microfinance banks' loans, the total amount of loans given to SMEs is based on their savings, the educational level of the business owners has a significant impact on the services provided by microfinance banks, the loan term has a greater impact on the owners' businesses, and business training helps owners become more knowledgeable about their enterprises. The study concluded that microfinance banks had a beneficial influence on SMEs in Malaysia based on its findings.

Taiwo et al. (2016) looked at how microfinance banks in Nigeria financed small enterprises. The study used a descriptive research design. The original data was used. 150 small enterprises from all around Lagos State made up the study's sample size, which was determined by stratified random sampling. Descriptive and inferential statistics were employed in the data analysis process. The recapitalization of MFBS has aided in the growth and extension of small business finance throughout Lagos State, according to an examination of the results. As a result, microfinance organizations assisted Lagos State in financing small companies.

In the Cross Rivers State capital of Calabar et al. (2016) conducted research on the effect of microfinance banks on financing small companies. The study used a survey design method and was descriptive in nature. Primary data was collected through the distribution of questionnaires. Simple random sampling procedures were employed to pick the sample, which consisted of 40 employees from microfinance institutions and 60 employees from small businesses. Data analysis was done using straightforward percentages. The data analysis results showed that microfinance banks have a positive, significant impact on the development of small and medium-sized businesses. They also showed that there has been an increase in public awareness of the activities of microfinance banks, which have a positive impact on the establishment of SSEs in Calabar.

Obokoh et al. (2016) conducted an independent study on the relationship between access to financing for small and medium-sized businesses and microfinance institutions. The situation in Nigeria. The study was conducted in the Niger Delta region, which included nine states including Akwa Ibom, Bayelsa, Delta, and Rivers State. 800 SMEs made up the study's population, and a sample size of 300 SMEs was used. Data were gathered through primary sources. The respondents were chosen using stratified random sampling methods. Frequency, percentage, and multiple regression analysis were the methods used for data analysis. The findings showed that microfinance banks had a favourable impact on the growth of SMEs in Niger Delta region. Despite the contribution, the results also showed that several issues, such as lengthy procedures, poorly written business plans, and perceptions of high credit costs, continue to limit the access of Indigenous SMEs to credit facilities.

Odetayo (2016), conducted an empirical investigation of the difficulties microfinance banks in Nigeria face while financing small businesses. The state of Osun served as the study area. This study used a descriptive survey research approach. All MFBs and small businesses in the state of Osun make up the study's population. The study's sample size was 90 microfinance bank employees chosen at random from 30 microfinance banks, and 450 small-scale businesses were collected through the use of purposeful random sampling. The data analysis for this study followed the descriptive statistics approach. The analysis of the findings showed that the difficulties microfinance banks in Nigeria face while financing small-scale businesses are: loan repayment, loan agreement deviation, loan diversion, non-compliance with advice, and non-repayment of loans granted.

Zhiri (2017) researched on the effects of microfinance bank services on the productivity of SMEs in the city of Zaria. Descriptive and cross-sectional research methods were employed. Using a stratified random sampling technique, 300 SMEs located in the metropolis of Zaria made up the study's sample size. Regression analysis was the data analysis technique used. The study of the data showed that the existence of microfinance institutions has a positive correlation with the performance of SMEs in Zaria and that their services have a substantial impact on the level of entrepreneurial activities of SMEs in the Zaria metropolitan.

3. METHODOLOGY

The study adopted a survey research design, where data is collected from a sample of respondents. The Primary source of data was used for the study and the primary data were sourced through the use of a structured questionnaire. The population of the study was all microfinance banks in Ilorin West local government, however, using the purposive sampling technique, three functional micro-finance banks inIlorin West LGA (i.e. Global Heritage Microfinance Bank, Ilorin Microfinance Bank, Ajikobi Microfinance Bank) were chosen based on their high patronage and a total of 330 customers from the three micro-finance banks we reserved the questionnaires. Owners of 300 small-and medium-scale businesses returned and completed while responding to the questionnaire as shown in Table1. 17 returned but not duly completed and 13 were not returned. This is in line with Krejcie and Morgan's (1970) table for sample size determination for an unknown population. Research assistants were stationed at the three micro-finance banks at the end of the month which coincided with the repayment date, to assist the respondents in interpreting the questions because some of them were illiterate.

This study selected five business categories namely farming, trading, construction, service providers and manufacturing sectors. A total of 330 questionnaires were distributed to the respondents while 300 questionnaires were returned**.** The distribution of the questionnaire goes along the following: 110 for Global Heritage Microfinance Bank Ltd at No.156, Ibrahim Taiwo Road, Ilorin, 110 for Ilorin Microfinance Bank Ltd located at the Exit gate of Baboko market along Kuntu Street, Opp. Hihwanu LGEA School, in Ilorin, and 110 for Ajikobi Microfinance Bank Ltd. At No: 13, Ajikobi Street, Ilorin Kwara State. A 5 Likert scale was used to measurethe level of agreement and disagreement by the respondents. Frequency distribution and Linear Regression were used to analyze the data.

4. RESULTS AND DISCUSSIONS

The table below shows the respondents captured in the survey.

Table1: Respondents captured in the Research Questionnaire

OCCUPATION	GLOBAL HERITAGEMICROFINANCEBANK	ILORIN MICROFINANCE BANK	AJIKOBI MICROFINANCE BANK	TOTAL
TRADERS	25	19	20	64
CONTRACTORS	20	20	16	56
SERVICE PROVIDERS	26	20	19	65
MANUFACTURERS	20	22	21	63
FARMERS	19	18	15	52
TOTAL	**110**	**99**	**91**	**300**

Test Hypothesis

Hypothesis 1:

Ho_1: Microfinance banks do not contribute to the survival of small and medium-scale enterprises.

This hypothesis was tested to measure the contribution of services rendered by microfinance banks to the survival of small and medium-scale enterprises using linear regression analysis and the result obtained is as shown in the Tables below:

Table 2: Regression Model Summary of Microfinance Bank on Small and Medium Scale Enterprise

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.552	0.304	0.282	0.761

Predictor: Microfinance Bank

Source: Author's Compilation

As shown in the table, the independent variable (Microfinance Bank) yielded a coefficient of linear correlation (R) of 0.552. This shows a 55.2% linear correlation in Small and Medium enterprises in Ilorin West Local Government area of Kwara State. This implies that microfinance banks explained 30.4% of the total variance on Small and Medium Scale enterprises in Ilorin West LGA of Kwara State in Nigeria.

Table 3: Regression Model Summary of Microfinance bank on Small and Medium-Scale enterprise

Model	Sum of Squares	Df	Mean squares	F	Sig.
Regression	73.680	10	7.363	12.725	.000[b]
Residual	167.281	289	.579		
Total	230.971	299			

Dependent Variable: Small and Medium Scale enterprise
Predictor: (constant) Microfinance bank contributes significantly to the profitability to Small and Medium Scale enterprises in Ilorin West LGA of Kwara State.
Source: Researcher's Fieldwork 2022.

The Regression model in Table 3 indicates that the predictor variable (Microfinance bank). The F-value is 12.725 with 10 and 289 degrees of freedom at 0.1 level of significance, the null hypothesis is rejected, therefore, the independent variable profitability of SMEs significantly predicted the dependent variable i.e MFB significantly predicted profitability of SMEs in Ilorin West LGA of Kwara State. (F=12.725, P<0.1)

Table 4: Coefficient: Relative Contributions of independent variable (Microfinance Bank (MFB) to Small & Medium Scale Enterprises (SMEs) in Ilorin West LGA of Kwara State

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	T	Sig.
(Constant)	189	435		434	.665
Microfinance has contributed significantly to my business	204	045	237	4.517	.000

Dependent Variable: Microfinance contributes immensely to the survival of small and medium enterprises
Source: Authors compilation

Table 4: shows that MFB is significant, therefore, microfinance banks significantly predicted the survival of SMEs. In term of relative contribution, microfinance banks have contributed 23.7% to the profitability of SMEs in Ilorin West LGA, of Kwara State. However, the "constant" with a t-value of 0.434 at 0<0.1 indicates that there are other variables that also contribute i.e. micro loans and micro savings contribute to the survival of SMEs in Ilorin West Local Government of Kwara State.

4.1 Discussion of Findings

i. The result of Table 2 reveals that microfinance banks yielded a coefficient of linear correlation (R) of 0.552 which shows 55.2% linear correlation in small and medium enterprises in Ilorin West LGA, of Kwara State. This means that MFB has a relationship with SMEs in Ilorin West LGA

ii. The result of Table 3 shows that Microfinance banks significantly predicted the profitability of SMEs in Ilorin West LGA of Kwara State with (F=12.725, P<0.1). This shows that Microfinance banks contribute significantly to the profitability of Small and Medium enterprises in Ilorin West LGA of Kwara State

iii. The result of Table 4 also reveals that Microfinance banks significantly predicted the survival of SMEs in term of their relative contribution to the profitability of SMEs in Ilorin West LGA which shows a contribution of (B= 237)

5.1 CONCLUSION

It can be concluded from the study that, the contribution of Microfinance banks to Small and Medium scale investors to set up their new ventures or expand the existing ones is not enough. It is believed that the more funds are available in microfinance banks, the greater economic development will be in Ilorin West LGA of Kwara State because the new investors will be able to set up their business and the existing ones will be expanded.

5.2 Recommendation

The study recommended that the requirements, procedures and the period of loan repayment should be extended with low interest rate to enable more investors to benefit from MFBs in the study area.

The study also recommended that government should support the MFBs with liquity at very low interest rates for onward lending to meet the demands of the SMEs. This will also guarantee the MFBs sustainability.

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