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MICROFINANCE BANKS AND DEVELOPMENT OF SMALL AND MEDIUM SCALE ENTERPRISES IN KWARA STATE: DEMAND SIDE'S PERCEPTION

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Abstract
Limited access to finance by SME operators has been a major hindrance to the development of SMEs in Nigeria. This necessitated frantic efforts by government at all levels to remove this blockade including Kwara State. Hence, this study investigates the impact of Microfinance Banks on the development of Small and Medium Scale Enterprises in Kwara State. Primary data were collected through a self-structured questionnaire that was developed and administered to 195 SMEs operators in Kwara State. The data were analysed using descriptive statistics, correlation, and multiple regression. The empirical analyses showed that, at 5% significance level, there is a strong positive relationship between timely access to finance and SMEs development, deposit mobilisation has a significant positive impact on SMEs development, and non-financial services of Microfinance Banks have a significant positive effect on SMEs development. The study, therefore, recommends that Microfinance Banks should ensure timely access to loans by SMEs operators to embark on profitable and value-added investment projects. The study also recommends that Microfinance Banks should improve their deposit mobilisation to enhance their liquidity and in-turn boost their capacity to grant loans to SMEs operators which will increase their profitability.

Keywords: *deposit mobilisation, development, microfinance banks, non-financial services, SMEs*

1. Introduction

Small and Medium Scale Enterprises (SMEs) are the locomotives for growth and development of any society or nation, specifically, developing nations. This is because of their roles in employment for the teaming unemployed youths, provision of varieties of goods and services, wealth creation, and improvement of Gross Domestic Product (GDP) of developing economies of the world as well as instruments for ensuring and sustaining tranquil coexistence among societies. Obokoh, Monday and Ojiako (2017) are of the opinion that small and medium-sized enterprises (SMEs) also play a critical role in the sustainable economic development of many nations because it has been identified as a catalyst for economic growth and development in all economies of the world (developed and emerging).

Throughout the process of financial deregulation and modernization, the government and Central Bank of Nigeria have developed a number of financial services programs targeted at small scale industries and local operators to encourage self-sufficiency and promote main-stream financial transactions such as the People's Banks in 1989, Community Banks in the 1990s, Family Economic Advancement Program (FEAP) etc. Despite all these SMEs assistance programs initiated by the government over the years, the desired goal of economic development through SMEs has not been achieved (Yumkella & Vinanchiarachi, 2003). The reason behind this failure is due to the countless of challenges faced by SMEs among which are lack of long term financing, inappropriate management skills, little market access, lopsided legislation, the dearth of adequate infrastructure, etc. It was however believed that the advancement of Microfinance Bank would break the blockade to access capitals by low-income individuals and SMEs operators for developmental purposes; correct the deficiencies of prior microcredit institutions that were in existence before the advent of Microfinance Banks and helps in achieving economic development.

Despite the potentials of rapid economic growth and development at all levels that Small and Medium Scale Enterprises (SMEs) portray, inadequate access to long term financing, lack of required skills and awareness, poor banking habit of petty traders and policy somersault by the regulators have always hindered Small and Medium Scale Enterprises (SMEs) to achieve these great potentials. Access to finance is the most paramount among these challenges as Musamali and Tarus (2013) emphasized that access to finance has four key dimensions: physical access, affordability, appropriate features (e.g. non-financial services) that meet the needs of SMEs and appropriate terms that ensure effective inclusion of all categories of potential SMEs. Inaccessibility to finance has truncated many business as reported by International Finance Corporation (IFC) in 2002 that only 2 out of 10 newly established businesses survive up to the fifth year in Nigeria and this was further substantiated by Small and Medium Enterprise Development Agency of Nigeria (SMEDAN, 2007) that only 15% of newly established businesses survive the first five years.

Furthermore, in April 2011, the Central Bank of Nigeria revised the Microfinance policy, Regularity and Supervisory Framework of 2005 with the objectives of easing the purvey of credit to the SMEs as well as rendering non-financial services that might influence the development of SMEs in Nigeria. However, the capacity of Microfinance Banks has been put on inquiry to achieve these objectives. Central Bank of Nigeria later reported in 2011 that Microfinance Banks' performance was poor and this was attributed to low capital base, poor deposit mobilisation which has limited their capacity to grant credit facilities, trend in the proportion of loan administration to SMEs, cost of credit as a component of total overhead costs, poor liquidity management, inconsistency in policy framework among others.

Emphatically, limited access by SMEs operators to various sources of finance has been the persistent hindrance to the development of SMEs in Kwara State. The ₦220 billion Micro Small and Medium Enterprises Development Fund established by the Central Bank of Nigeria in 2017 could not be accessed by the entrepreneurs in Kwara State due to the stringent conditions attached to the fund (National Pilot, 2017). This is because the fund was made available through the deposit money banks. The deposit money banks prefer to loan out their funds at a higher interest rate rather than making the CBN-SME development fund available to the entrepreneurs. Microfinance Banks in Kwara State, therefore, is usually the first point of contact for the entrepreneurs noting the fact of the limited capacity of these microfinance institutions.

It is against all these backdrops that this research, therefore, seeks to examine the impact of Microfinance Banks on the development of Small and Medium Scale Enterprises (SMEs) in Kwara State. In order to achieve this, the following hypotheses in their null forms are tested.

H_{01}: there is no significant relationship between timely access to Microfinance Banks loan facilities and SMEs development.

H_{02}: deposit mobilization of Microfinance Banks does not have impact on the development of SMEs.

Hₒ₂: Non-financial Services of Microfinance Banks do not have significant effect on the development of Small and Medium Scale Enterprises.

2. Literature Review

The definition of SMEs varies across nations and continents depending on several factors such as the number of employees, operational capital, rate of turnover, asset base among others (Egbuogu, 2003). The Central Bank of Nigeria (CBN, 2004) defines small-scale enterprises as an enterprise whose annual turnover ranges between ₦25,000 and ₦50,000. Chukwemeke (2004) defines small scale business as one whose total investment in capital, equipment, plant and working capital are less than ₦250,000 and engaging fewer than 50 full-time workers. Ogundele (2007) defines SMEs as one who has a minimum of 5 employees with a minimum capital outlay of not less than ₦5,000.00. The Central Bank of Nigeria examines the small scale business from its annual turnover perspective while the Federal Ministry of Commerce and Industry considers the total investment or working capital to categorize the size of business. The Small and Medium Industries Equity Investment Scheme (SMEIES) defines Small and Medium Enterprises as any Enterprises with a maximum asset base of ₦200,000 excluding land and working capital; and the number of employees from 100-300 (Hussain, 2009). Oladejo (2013) emphasized that the definition of SMEs is peculiar to countries. In Ghana, the widely used criterion in defining SMEs is the number of employees. Furthermore, there are divergence views with regard to the maximum number of employees used by the various official institutions. In countries such as the USA, Britain, and Canada, SME is defined by annual turnover and number of employees. In Britain for example, a business with an annual turnover of £2 million or less with fewer than 200 paid employees is considered to be small and medium scale.

According to Muktar (2009), finance is a precondition to the growth and development of any enterprise. The finance sources available to SMEs as enumerated by Ewiwile, Azu, and Owa (2011) include the finance from owners' savings and his or her associates including family and friends who may or may not be partners or shareholders in the venture; partners and shareholders in the venture; banks and lending institutions; the small business administration and financial assistance programme; members of the trade, including suppliers of materials such as manufacturers and wholesalers, and in some instances, customers who prepay their contracts and other businesses, local capitalist sales finance companies, factor and other sources. Among the sources mentioned above, personal savings are the most convenient source of financing to quite a number of people (Gulani & Usman, 2013).

Suberu, Aremu, and Popoola (2011) opined that a major barrier to the rapid development of the Small and Medium Scale Enterprises (SMEs) is a shortage of both debt and equity financing. Accessing finance has been identified as a prominent element for SMEs to excel in their efforts in contributing to poverty alleviation in developing countries, to build productive capacity, to compete, and to create jobs. Without adequate financing, small scale enterprises' ability to procure or absorb new technologies is limited. Over time, the banking sector has been the largest and major source of external financing for small scale enterprises, by and large, it is believed that SME sector's needs are being underserved. This has prompted Small scale enterprises to draw finances from alternative sources. Salta (2003) believes that small firms rely proportionally more on non-bank services such as internal funds (savings, reformed earning family network) and the informal sector (money lender) due to their inability to provide the collateral needed by the deposit money banks.

Asor, Essien, and Ndiyo (2016) posited that the primary purpose of establishing microfinance banks in Nigeria was poverty alleviation through the provision of financial services to the poor. By providing these services, the microfinance banks contribute to the growth and wellbeing of the economy through the enhancement of savings and investment opportunities, improve income distribution of the Nigerian population, and encourage rural industrialization thereby reducing rural-urban migration. They further encourage entrepreneurship behavior among the youth by providing them with financial services that would allow them to engage in economic activities and become self-reliant. By doing this, microfinance banks help tackle the problem of poverty and unemployment through Small and Medium Scale Enterprises. In addition, access to finance and financial institutions is an essential tool for SMEs growth and development globally, Nigeria inclusive. Inability to access finance has truncated the effort of entrepreneurs to engage in new business ventures, limiting economic growth and often, the entrepreneurial activities are neither financially nor environmentally sustained (Awoyemi, Osunyikanmi & Akomolafe, 2014; Idowu 2008: Diagne and Zeller 2001). Noting this fact was why Microfinance Banks were opted for as a model to boost entrepreneurs. With the Nigerian population of about 150 million and GDP of $405.10 in 2016, Small and Medium Scale Enterprise (SMEs) have contributed about 48% from 2011 to 2016. This is because, apart from the numerous goods produced by SMEs, they provide veritable means of large scale employment as they are usually labour intensive (The Nation, 2017).

The expanding microfinance industry in Nigeria faces enormous challenges that inhibit their ability to function and contribute optimally to the economic development of Nigeria. According to Adeyemi (2008), some of the problems faced by microfinance banks comprise undercapitalization, inefficient management, which has impinged on their ability to perform. Also, Nwanyanwu (2011) listed diversion of funds, inadequate finance, the inconsistency of government policies and huge loan losses as hindrances to the growth of this subsector. Kanu, Clementina, Isu and Gabriel (2015) cited the following as constraints faced by microfinance banks: low capital base, insiders abuse, inadequate business opportunity in Nigeria, change in government policies, and focusing on the wrong group of customers. Afolabi and Oni (2013) observed that contrary to much expectation of improved performances of the microfinance banks in strengthening the operations of the SMEs in Nigeria, Microfinance Banks have not been able to fulfil optimally, the objectives for which they were established. This may be due to any or a combination of factors such as high operational costs, lack of public confidence, lack of skilled human capital, misplaced philosophy, ethics and culture, regulatory challenges and corruption, embezzlement and frauds. Alalade, Amusa, and Adekunle (2013) opined that to achieve sustainability, microfinance must devise strategies to effectively address the 6 challenges of high operating cost, repayment problem, inadequately experienced credit staff, lack of re-financing facilities, client apathy and drop-out, internal control challenge.

This study is anchored on two theories which are Transaction Cost Theory and Theory of Stage Development. The transaction cost approach to the theory of the firm was propounded by Ronald Coase (1937) in his article "The Problem of Social Cost". The theory postulates that "in order to carry out a market transaction, it is necessary to discover who it is that one wishes to deal with, to conduct negotiations leading up to a bargain, to draw up the contract, to undertake the inspection needed to make sure that the terms of the contract are being observed, and so on". More succinctly transaction costs comprise search and information costs, bargaining and decision costs, and policing and enforcement costs. The transaction cost can be conceptualized as a non-financial cost incurred in credit delivery by the borrower and the lender before,

during and after the disbursement of the loan. The cost incurred by the lender (Microfinance Banks) include: cost of searching for funds to loan out, cost of designing credit contracts, cost of screening borrowers, assessing project feasibility, cost of scrutinizing loan application, cost of providing credit training to staff and borrowers, and the cost of monitoring and putting into effect loan contracts. On the other hand, the borrowers that is SMEs for this case may incur cost ranging from cost associated in screening group members (group borrowing), cost of forming a group, cost of negotiating with the lender, cost of filling paperwork, transportation to and from the financial institution, cost of time spent on project appraisal and cost of attending meetings.

According to the influential theory of stage development propounded by Churchill and Lewis (1983), growth is part of the natural evolution of a firm and small businesses vary widely in size and capacity for growth, also characterized by independence of action, differing organizational structures, and varied management styles. The theory assumes that for owners and managers of small businesses, the understanding of nature, characteristics, and problems of business can aid in assessing current challenges thereby proffering solutions to maintain planned growth and development. The authors identify five stages of growth: existence, survival, success, take-off and resource maturity. In every stage of development, a diverse set of factors is important to the firm's going concern and success. Growth thresholds may exist as stumbling blocks to the transition from one stage to the next.

Numerous researches have been conducted in this area of study with various findings, conclusions, and recommendations across the globe. Thus, the available works of literature present divergent views on how and to what extent Microfinance Banks impact on the development of Small and Medium Scale Enterprises (SMEs). Wang (2013) studied the impact of microfinance on the development of Small and Medium Enterprises (SMEs) in Taizhou, China. The study used survey data collected from SMEs in Taizhou, Zhejiang and the result showed that microfinance plays a crucial role in the revenue and profit growth of SMEs. The study then revealed that SMEs with higher financial risk and lower levels of productivity are more likely the firms to seek microfinance services. Similar research was conducted in Somalia, Abdinor (2013) established the effect of microfinance institutions lending on the growth of Small and Medium Enterprise in Somalia. The descriptive design was selected in the study probability sampling techniques was used to create a sampling frame for Small and Medium Enterprises. Findings show that MFIs lending effect on the growth of small and medium enterprise in Somalia and have a positive relationship. In Ghana, Ahiabor (2013) worked on the impact of microfinance on the development of SMEs in Accra, Ghana. Descriptive statistics which involves simple percentage graphical charts and illustrations were tactically applied in data presentations and analysis. The findings of the study revealed that a significant number of.SMEs have the knowledge of the existence of MFIs and some acknowledge positive contributions of MFIs loans towards promoting their growth.

Quaye, *et al* (2014) assessed the role of the stakeholders, microfinance institutions (MFIs) in helping to bridge the financing gap faced by SMEs in Ghana. The study revealed that the operations of microfinance institutions (MFIs) are having a positive impact on SMEs and some risk mitigation tools adopted by MFIs in granting loans to SMEs among which are the provision of collateral security(land or any other valuable asset), business records, credit history among others should be less restrictive. In a similar study conducted in Rwanda, Musomandera, Jaya, and Anthony (2015) examined microfinance and business growth of women Small and Medium Enterprises in Rwanda. The researchers used a descriptive method of study based on qualitative and quantitative approaches in order to get better analysis of the study. In the findings, it was established that Microfinance institutions provide many different services like loans, advice on investment, savings and training on investment to women SMEs in Kicukiro district. In Kenya, Kibet, Kenneth and Omwono (2015) studied the effects of Microfinance credit on the performance of Small and Medium enterprises in Kisii Gishu County, Kenya. The study employs an ex-post facto design. In the final analysis, the research clearly found that MFC has a positive effect on the performance of SMEs. The study recommended that in order to enhance a sustained and accelerated growth in the operations of SMEs credits should be client-oriented and not product-oriented. Pei-Wen, Zariwayati, Diana-Rose, and Annuar (2016) examined the impact of microfinance facilities on the performance of Small and Medium Enterprises in Malaysia. Primary data was used for the study and questionnaires were administered to the owners of SMEs which fall into a microenterprise category in the Klang Valley. Results of regression analysis demonstrated that microfinance has a significant effect on SMEs' incomes. Hence, to enhance SMEs development, the study suggested that more microfinance institutions (MFIs) will assist in providing more microfinance facilities to SMEs.

Coming down to Nigeria, Idowu (2008) carried out a study on the effect of microfinance banks on the Piggery business in Osun state. They found among others, that level of education, years of experience in piggery farming and the number of pigs had significant positive effects on funds sourced from financial institutions. In the same vein, Ekpe (2010) investigated the effect of Microfinance factors on women Entrepreneurs' performance in Nigeria. The study revealed that women entrepreneurs, mostly in developing countries, have difficulty in accessing microfinance factors for their entrepreneurial activity and as such have low business performance compared to their men counterparts, whereas the rate of their participation in the informal sector of the economy is higher than males, and microfinance factors could have positive effect on enterprise performance. Also, on a study of the effectiveness of microfinance banks on poverty alleviation in Kwara state of Nigeria done by Yahaya, Osemene, and Abdulraheem (2011). They found that their loans to SMEs reduced poverty, improved employment opportunities, and performance of SMEs in Kwara state. Suberu, *et al* (2011) assessed the impact of microfinance institutions on small scale enterprises in Nigeria. The simple random technique was employed in selecting the small scale enterprises used in the research. The findings reveal that a significant number of small scale enterprises benefited from the microfinance institution loan even though only a few of them were suitable to secure the required amount needed. Babajide (2012) investigated the effect of microfinance on micro and small enterprises' growth in Nigeria. The study used panel data and multiple regression analysis to analyze a survey of 502 randomly selected enterprises financed by microfinance banks and found out that business size and location have a positive effect on enterprise growth. The study, thus, recommended a recapitalization of microfinance banks to enhance their capacity to support small and business growth expansion. Oni and Daniya (2012) carried out their research on the role of government and financial institutions in the development of SMEs in Nigeria and found that financial institutions provide the necessary financial lubricant that facilitates the development of SMEs, but that government needs to step up its policy implementation to complement their efforts.

Oladejo (2013) evaluated the Nigerian Microfinance Banks' credit administration on SMEs operation. Data were collected through a questionnaire administered on SMEs as well as the annual reports and accounts of the selected MFBs. Analysis of the data and hypotheses conducted revealed a positive and significant relationship between microcredit delivery service of selected MFBs and SMEs performance. Gulani, *et al* (2013) evaluated the challenges SMEs face in financing new or existing business

in Gombe State. The study adopted a purposive and simple random sampling technique to draw samples and data were analyzed using the chi-square method. The study revealed that there is no significant difference in the difficulties SMEs face when accessing finance from various sources.

In similar research. Alalade. *et al* (2013) examines microfinance bank as a catalyst for entrepreneurship development in Nigeria: a case study of Ogun State. The survey research design was adopted and data collected through the financial statements of some selected microfinance banks. The study revealed that there is no significant impact of microfinance bank operations on entrepreneurial development in Ogun State and the capitals of these banks are not adequate and there are high incidences of non-performing loans. Afolabi. *et al* (2013) examines the impact of microfinance banks on Micro. Small and Medium Scale Enterprises (MSMEs) in Nigeria. A survey questionnaire was used to collect data from the respondents. Findings show that there are challenges of access credit facilities. the micro-credit programs have increased self-employment. create jobs and enhance economic growth. It was recommended that the supervisory agency (CBN) should ensure that Microfinance banks operate in line with the microfinance policy objectives of increased credit access to Micro. Small and Medium Scale Enterprises (MSMEs) for sustainable development.

Duru and Ogbe (2013) worked on the relationship between microfinance banks and financing of SMEs in Kogi state of Nigeria. They found that beneficiaries of microfinance banks' loans improved in their income-generating abilities, equipment acquisition. employment generation and improved standard of living. but with a high default rate in loan repayment. Olowe. *et al* (2013) investigated the impact of microfinance on SMEs growth in Oyo State. Nigeria. A simple random sampling technique was used to select a total of 82 SME operators that constituted our sample size. Pearson correlation coefficient and multiple regression analysis were used to analyze the data. The results from this study showed that financial services obtained from MFBs have a positive significant impact on SMEs growth in Nigeria. The results also revealed that the duration of loans has a positive impact on SMEs growth but not statistically significant. Ashamu (2014) examined the impact of microfinance on small scale business in Lagos State. A simple random sampling technique was employed in selecting 110 SMEs. The study revealed that the subsector faces a number of challenges despite the phenomenal growth of microfinance institutions in Lagos State. The study recommended that urgent need and implementation of a policy framework that would regulate and standardize the MFI's operations. Awoyemi. *et al* (2014) examined the impact of microfinance banks on the small scale enterprises in Abuja. Nigeria. Descriptive analysis and the chi-square method were used to achieve this stated objective. The findings of the study revealed that Microfinance banks do not have a significant impact on the growth of small scale enterprises. In addition. factors such as MFBs loans are not easily accessible. high-interest rate charge: unsatisfactory repayment period among others reduces the impact and contribution of MFBs to the growth of SMEs at large.

Adeoti. Gbadeyan. and Olawale (2015) worked on the impact of microfinance credit on the survival of small- and medium-scale businesses in Irepodun Local Government Area (LGA) of Kwara State. Nigeria. The two functional microfinance banks in the Irepodun LGA were the population/sample for the study. ANOVA was used to test the hypothesis. The findings showed that microfinance banks contribute immensely to the survival of small- and medium-scale enterprises in the study area. Akpan. *et al* (2015) investigated the contribution of microfinance banks to the development of small and medium scale enterprises in Nigeria. The ordinary least square analysis was used and based on the results gotten. both hypotheses were rejected. Ekpudu. *et al* (2015) examined the effect of microfinance banks' loans on Small and Medium Enterprises (SMEs) performance in south-west Nigeria. The hypothesis of "no effect" was tested using multiple linear regression. The results of the test revealed- that microfinance banks' loans to SMEs have an effect on SMEs performance in south-west Nigeria.

Asor *et al* (2016) examine the impact of Microfinance Banks on Small Scale Businesses in Calabar Metropolis of Cross River State. The nature of the research was descriptive and the research design was survey design which covered both the Small Scale Businesses and the Microfinance Banks in Calabar Metropolis. Structured questionnaires were designed to enhance the collection of related data used for the analysis involving simple percentages. The study reveals the increase of Microfinance Bank operations in recent years and the challenges faced by both the Small Scale Businesses and Microfinance Banks. Gbolagade and Ka'oje (2016) investigated the contribution of Microfinance Banks (MFBs) to the performance of Small and Medium Enterprises (SMEs) in the North-West zone of Nigeria between 2006 and 2010. A survey approach was adopted while data was collected using two sets of questionnaire schedules. It was found that a large percentage of the beneficiaries of microfinance banks reported a high positive impact of microfinance bank loans on their performances. In the same vein. Obokoh. *et al* (2017) assessed the extent to which current microfinance lending impacts on indigenous SME's access to finance and how the intermediation services of the microfinance banks (MFBs) affected the development of SMEs. Questionnaire was administered to 300 identified indigenous SMEs in four states (provinces) within Nigeria that make up the Niger Delta region. The result shows a positive contribution of microfinance lending to the development of such enterprises. However. indigenous SMEs access to credit is still limited due to a number of factors among which are the cumbersome processes. poorly packaged business plans and perceived high cost of credit.

From the review of available literature especially those conducted in Nigeria. the focus has always been on poverty alleviation. survival and growth of SMEs. challenges facing SMEs. the contribution of microfinance facilities to SME growth. challenges in accessing finance from Microfinance Banks. and the performance of SMEs among others. It is. however. pertinent to further examine other factors that contribute to the development of SMEs in Nigeria such as non-financial services of Microfinance Banks. deposit mobilization by Microfinance Banks and timely access to Microfinance Banks' loan facilities. It is against this gap identified in literature that the study examines the impact of Microfinance Banks on the development of Small and Medium Scale Enterprises in Kwara State.

3. Methodology

For this study. a survey research design was used. Self-administered questionnaire was used to collect data from literate respondents (SMEs owners in Kwara State). A total number of 382 SMEs owners were obtained from the records of Kwara State Chamber of Commerce (KWACCIMA) as the population for this study. Out of this population. 195 SMEs owners were selected as determined by Krejcie and Morgan (1970) table. This number was selected using a stratified sampling technique to achieve fairly representative of the population. This sampling method was informed by the relative homogeneity of SMEs characteristics of the enterprise under the study. To achieve this. the researcher categorized all the SMEs owners in Kwara State that make up the sample size into homogeneous strata based on the nature of their business such as (i.e. Manufacturing/agro-allied. Trading. Service and Others). Descriptive statistics of the variables as well as multiple regression analysis was carried out to assess the relative predictive power of the independent variable timely access to deposit and non-financial services on the dependent variable that is SMEs development in Kwara

State. The economic model used in this study was adapted from Rotich. *et al* (2015) where the study examined the effect of Microfinance Banks services on the performance of Small and Medium Enterprise growth in Kenya. The model used access to credit, savings mobilization. and managerial training as proxy for Microfinance Banks services and SME growth in ROA as dependent variable. Therefore. the model is modified as follow:

SMEd = f (MFBS).....1

MFBS = TAL. DM. NFS.

Whereas: SMEd = Small and Medium Scale Enterprise Development; MFBS = Microfinance Banks Services: Therefore:

SMEd = f (TAL; DM: NFS).....2

Substituting equation 2 into 1. the linear equation. therefore. looks thus:

$SMEd = \beta_0 + \beta_1 TAL_i + \beta_2 DM_i + \beta_3 NFS_i + \mu$.....3

Whereas: SMEd = Small and Medium Scale Enterprise Development: TAL = Timely Access to Loan; DM = Deposit Mobilization; NFS = Non-financial Services; β_0 = Intercept of the model: β_1. β_2 and β_3 = Coefficient of the independent variables in the model: μ = Error term; The a-priori expectation of the model is that positive relationship exists between the dependent variable and independent variables i.e. TAL > 0; DM > 0; NFS > 0.

4. Results and Discussion

The final questionnaires sent to a stratified sample of 195 SMEs owners. 177 copies were returned which represent 90.8% response rate. Out of these 177 questionnaires returned. a total of 167 were usable for data analysis. The remaining 10 questionnaires were excluded due to the issue of unproductive responses and outliers.

Table 1

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
SMED	167	1	□	3.17	.796
TAL	167	1	□	2.62	1.123
DM	167	1	□	2.□7	1.085
NFS	167	1	□	2.8□	.69□
Valid N (listwise)	167				

Source: Authors' computation 2018

Table 1 presents descriptive statistics for the independent and dependent variables (timely access to loan, deposit mobilisation and non-financial services). The mean score for each variable indicates a general agreement by the respondents in relation to their opinion or perception since the standard deviation score shows a moderate variability of each individual response from the mean scores.

Table 2

Correlations

		SMED	TAL	DM	NFS
SMED	□earson Correlation	1	.819**	.850**	.745**
	Sig. (2-tailed)		.000	.000	.000
	N	167	167	167	167
TAL	Pearson Correlation	.819**	1	.882**	.651**
	Sig. (2-tailed)	.000		.000	.000
	N	167	167	167	167
DM	Pearson Correlation	.850**	.882**	1	.689**
	Sig. (2-tailed)	.000	.000		.000
	N	167	167	167	167
NFS	Pearson Correlation	.745**	.651**	.689**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	167	167	167	167

**. Correlation is significant at the 0.05 level (2-tailed).

Source: Authors' computation 2018

Table 3
Model Summary

Model	□	□Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.886[a]	.785	.781	.373	.203

a. Predictors: (Constant), NFS, TAL, DM

b. Dependent Variable: SMED

Source: Authors' computation 2018

Table 3 shows the model summary describing the goodness of fit of the model. Multiple correlation coefficients (R) of 0.886 indicated a strong relationship between the dependent variable and the set of predictors as a whole. The coefficient of determination (R^2) is 0.785 which means that 78.5% of variation in the dependent variable can be explained by the independent variables while the remaining 21.5% can be explained by the error term.

Table 4
ANOVA[b]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	82.657	3	27.552	198.290	.000[a]
	Residual	22.649	163	.139		
	Total	105.305	166			

a. Predictors: (Constant), NFS, TAL, DM

b. Dependent Variable: SMED

Source: Authors' Computation, 2018.

The above result in Table 5 shows a general p-value of 0.000 which is less than the level of significance at 0.05. This implies that all the variables are statistically significant and predict the outcome variable. The F-Statistics (198.290) is equally significant at 5% implying that the overall regression model is fit.

Table 5
Coefficients[a]

Model		□nstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.991	.124		7.979	.000		
	TAL	.183	.055	.258	3.323	.001	.218	4.578
	DM	.313	.060	.427	5.246	.000	.199	5.021
	NFS	.324	.058	.283	5.596	.000	.517	1.934

a. Dependent Variable: SMED

Source: Authors' Computation, 2018.

Table 4 shows the regression result of the model. The constant is 0.991 which implies that irrespective of other independent variables, SMEs development is constantly affected by 0.991. Timely and easy access has a standardised coefficient of 0.183. This means that for every 1% increase in timely access, SMEs development increase by 0.183. Furthermore, deposit mobilisation has a standardised coefficient of 0.313 which implies that for every 1% increase in deposit mobilisation, SMEs development increase by 0.313. Finally, non-financial services have a standardized coefficient of 0.324. By implication, for every 1% increase in non-financial service, SMEs development increase by 0.324.

Moreso, the standard errors of all the variables are very low (0.124, 0.53, 0.60 and 0.58 respectively). The general rule is that the lower the standard error, the more precise the estimates. This, therefore, means that all the independent variables are precise in estimating the parameters. A multi-collinearity test was performed in regards to three independent variables i.e timely access to loan, deposit mobilisation and non-financial services. The result of the test reveal that Variance Inflation Factors (VIFs) for the three independent variables were both below the threshold of 5 (Craney & Surles, 2002), indicating the absence of any Multicollinearity.

After doing the analysis of data gathered through the use of a self-structured and administered questionnaire, the empirical findings of the research showed that to a very large extent, Microfinance Banks impact on the development of Small and Medium Scale Enterprises. The findings indicated that Microfinance Banks provide financial and non-financial services to low-income individuals and SMEs operators traditionally not served by conventional financial institutions. The implication of this is that considering the large population of Nigeria, individuals, and SMEs operators who find it difficult in meeting the conditions of deposit money banks result to Microfinance

Banks. This poses more pressure on Microfinance Banks to have their demands met taking cognisance of the low capacity of Microfinance Banks. Also, the study revealed that cheaper interest rate and relaxation of stringent conditions can attract SMEs operators to Microfinance Banks. The implication of this is that more SMEs operators will want to access loans to boost their entrepreneurship activities in order to create more employment opportunities and contribute to the Gross Domestic Product (GDP) of Nigeria. This finding is similar to Awoyemi, *et al* (2014); Abdinor (2013); Kibet, *et al* (2015) who asserted that MFIs are concerned with provision of financial services to people who are economically poor and therefore experience financial exclusion in that they do not have ready access to mainstream, commercial financial services.

In addition, the findings revealed that the chances of Microfinance Banks being liquid and profitable depend on how efficiently and effectively they can mobilise deposit. This is in-turn used to grant credit facilities to SMEs operators after assessing their deposit trend to ensure that repayment is guaranteed and credit risk is reduced. The implication of this is that if enough deposits were not mobilised by the Microfinance Banks, it may create a cash crunch and hinder the lending capacity of the Microfinance Banks. This could result in low profitability of Microfinance Banks as well as the stagnancy in SMEs growth and development.

Finally, the empirical analysis of the study revealed that a strong relationship exists between timely access to Microfinance Banks loan and SMEs development. This is because of the direct impact financial services of Microfinance Bank have on SMEs. This finding is consistent with Abdinor (2013); Quaye, *et al* (2014); Oladejo (2013); Musomandera, *et al* (2015); Pei-Wen, *et al* (2016) who assert that SMEs can improve their income and performance when get funded by Microfinance Banks. Also, the finding indicated that deposit mobilisation has a direct impact on SMEs developments. This is due to the awareness creation by Microfinance Banks to improve the banking culture of SMEs operators especially the unregistered ones. The deposit mobilisation, in turn, improves the liquidity of Microfinance Banks and enhances their lending capacity to SMEs operators. The implication of this is that efforts made in deposit mobilisation and timely access to Microfinance Banks will have a direct consequence on SMEs development. However, the study revealed that non-financial services of Microfinance Banks have significant impact on SMEs development, taking cognisance of the relationship between non-financial services of Microfinance Banks and other factors that influence the development of SMEs.

5. Conclusion and Recommendations

Based on the findings of the study, it is evident that Microfinance Banks play a major role in the development of Small and Medium Scale Enterprises in Kwara state. The role they play includes the rendering of both financial and non-financial services to the low-income earners who are not primarily served by conventional financial institutions. Financial services include mobilising and accepting deposits and lending to customers while the non-financial services include advisory, consultancy, training, awareness creation, monitoring among others. Moreso, it can be concluded based on the findings that in developing SMEs, timely access to Microfinance Banks' loan at a cheaper interest rate is very crucial as well as deposit mobilisation. This will attract SMEs to Microfinance Banks as well as assist the SMEs in huge measures in carrying out all profitable and value-added investments at their disposal. Eventually, this will have a great influence on employment generation and boost the production capacity of the nation as a whole. Non-financial services are also important despite the fact that the finding indicated their insignificance on SMEs development, but they have a link with other factors that have direct impact on SMEs development.

In view of the finding of this research work, Microfinance Banks impact positively on the development of SMEs in Kwara State. The study therefore recommends the following:

i. Microfinance Banks should ensure that there is ease in accessing loans by SMEs operators as this will boost SMEs capital base and ensures execution of profitable and value-added investment projects which will in long run contribute to the nation's gross domestic product (GDP).
ii. In accessing loans, Microfinance Banks should ensure that the conditions are less stringent so that the loan can be timely and serve as an opportunity for fresh entrepreneurs who do not have existing assets to serve as collateral.
iii. Microfinance Banks should further improve on the deposit mobilisation as this will help the Microfinance Banks in terms of liquidity, discourage the patronage of the informal financial sector, improve the banking culture of SMEs operators and also boost the Microfinance Banks' capacity to grant loans to SMEs operators.
iv. Microfinance Banks should not stop the non-financial services they render as they correlate with other factors that directly have positive impact on SMEs development. Awareness creation will open the eyes of the entrepreneurs to other services rendered by Microfinance Banks that will be beneficial to them.

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