Full Length Research Paper

The Impact of Microfinance Bank on Small and Medium Scale Enterprises in Nigeria Development

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The study investigated the relationship between microfinance and small and medium scale enterprises relate to affect Nigeria development. The study adopted survey design. The population of the study was 3508 small and medium scale entrepreneurs in Port Harcourt Local Government area of Rivers State, Nigeria with 346 determined sample size. Cluster sampling method was used because of the unavailability of comprehensive small and medium enterprises list. Pearson Product Moment Correlation and Partial Correlation were the statistical tools used in testing the four hypotheses. The findings revealed that there exist relationship between microfinance banks and small and medium scale enterprises and that with favourable relationship among them, there will be tremendous development in Nigeria. It was, therefore, recommended that management should help promote better relationship between the microfinance and small and medium scale entrepreneurs so as to improve the country development.

Key words: Entrepreneur; Small and Medium Scale Enterprises, Microfinance banks, Nigeria Development.

INTRODUCTION

The survival of any economy depends greatly on the development of the various sectors, the Federal Government of Nigeria put in place different measures in order to achieve this objective, for instance, the establishment of the Finance and Research Institution in 2001, provision of direct financial assistance to small business organisation, the Small and Medium Industries Equity Investment Scheme (SMIEIS) in 2001, establishment of Small Scale Industrial Credit Scheme, establishment of Government Intervention Strategies in 2002, provision of Credit Scheme, establishment of National Economic Reconstruction Fund (NERFUND) in 1989, establishment of Industrial Development Centre's and Industrial Estate Scheme, etc.

This is because the government realized that small and medium businesses are the brain behind the development of any nation. They make it easy for any nation to get out of consuming nations, that is, nation that produce what they consume and not a nation that import almost everything they consume. In other words, they assist in the growth of the nation’s Gross Domestic Product (GDP). This is why Ashamu, 2014 asserted that “Small and Medium Enterprises are believed to be the engine room for the development of any economy because they form the bulk of business activities in a growing economy like that of Nigeria.” Apart from assisting in preventing the nation not to be a dumping ground, they assist greatly in employment creation for the youth, reasonable local resources utilization and many other benefits.

Again, the movement away from mono-economy with over-dependence on crude oil as the only source of revenue is gradually being tackled by the emergence of small and medium enterprises. Let it be known that most Nigerians see wage employment as a forced labour or rather another way of colonizing them. In Sule and Ugoji (2013), it was concluded that “because the use of force was adopted by the colonial administrators; many Africans still see wage employment as forced labour and ‘white-man’s work’. This is what Ocho (1984:35) as cited in Sule and Ugoji (2013) referred to as ‘Olu Oyibo’ as against ‘Olu Obodo’ (community work).

However, the Federal Government of Nigeria effort at encouraging small and medium enterprises and reduce unemployment among the teeming youth had been introducing different measures at different time. This is just to create an enabling environment as well as the political will for the survival and sustenance of small and medium enterprises in Nigeria. These measures include the establishment of the Federal Institute of Industrial
Research, Oshodi (FIIRO), different investment scheme targeted at the small and medium enterprises, the microfinance banks as well as the recent programme-Trader Money anchored by the Nigeria Vice President Professor Yemi Osinbajo by directly given small loan without collateral to traders in popular markets across the nation to make fund available to small and medium enterprises without much stress.

It must be noted that “the initial efforts were government-led through the vehicle of large industries, but lately emphasis have shifted to Small and Medium Scale Enterprises (SMEs) as a result of the success of Small and Medium Enterprises in the economic growth in the Asian countries” (Ojo, 2003 as cited in Babajide, 2012). But all these efforts from the government to achieve great success in promoting small and medium enterprises, most of them still find it very difficult to assess credit facility as well as financial assistance. To this end, the Federal Government of Nigeria in 2005 adopted microfinance as the main financing window for SMEs. They started with Local Purchasing Order (LPO) financing and now, loan disbursement. The Microfinance Policy Regulatory and Supervisory Framework (MPRSF) was launched in 2005 with the core objective of making financial services accessible to a large segment of the potentially productive Nigerian population. It also addressed the problem of lack of access to credit by small business operators who do not have access to regular bank credit. It also created the framework for licensing, regulation and supervision of privately owned microfinance banks, provides for the participation of various institutions such as deposit money banks, non-governmental organisations, microfinance institutions and financial cooperatives in the provision of financial services. This framework was also extended to SMEs that have little or no access to financial services.

The Microfinance Policy (MPRSF) provides for two categories of Microfinance Bank in Nigeria, namely: Microfinance licensed to operate as a unit bank otherwise known as community bank which can only operate branches or cash centres within a local government with the minimum paid-up capital of ₦20 million and the Microfinance Bank licensed to operate in a state or Federal Capital territory with the minimum paid-up of ₦1 billion.

There are so many important role played by the Small and Medium Scale Enterprises in the economic growth of both developing and developed nations: “Apart from increasing per capital income and output, they create employment opportunities, enhance basic standard of living of the populace, enabling entrepreneurs to be self-reliant, create wealth, alleviating the adverse effects of growing population and generally promoting effective resources utilization, considered critical to engineering economy development and growth” (Tijani, 2011). Ogujubia, Fadila and Stiegler, 2013 and Musa and Aisha, 2012 agreed that “Small and Medium Scale Enterprises account for well over half of the total share of employment sales and value added and they constitute the most viable and veritable vehicle for self-sustaining industrial development, as they possess the capability to grow an indigenous enterprises culture more than any other strategy”.

Statement of Problem

The microfinance banks (MFIs) promoted by the Federal Government of Nigeria was meant to be the back bone of the small and medium enterprises by providing credits facility to entrepreneurs who owned Small and Medium Scale Enterprises because of their limited access to sources of finance. Small and Medium Scale Enterprises face a lot of problems in obtaining finance from the conventional finance banks because of the cost of finance, collateral security and the bureaucracy involved in accessing loan as well as the high interest rate among other issues.

Again, most of these entrepreneurs are predominantly illiterates who cannot understand and even find it cumbersome, all the paperwork involved in applying for a loan. Also, the banks are not very excited because of the fact that their deposit rating is so little compared to what is deposited by customers in other big businesses. Thus, the concern of this research is to examine the impact of microfinance bank on the growth of Small and Medium Scale Enterprises and its resultant effects on the Nigerian development.

Aim and Objectives of the study

The aim of this study is to examine the impact of microfinance banks on small and medium enterprises on Nigerian development but the specific objectives include to:

- Examine the relationship between microfinance bank and small and medium enterprises.
- Find out the relationship between microfinance bank and Nigerian development.
- Evaluate the relationship between small and medium enterprises and Nigerian development.
- Investigate the role of microfinance banks' in the growth of SMEs as it relates to Nigerian development.

Research Questions

This study was guided with the following questions:

- What is the relationship between microfinance banks and small and medium enterprises?
- What is the relationship between microfinance bank and Nigerian development?
- What is the relationship between small and medium enterprises and Nigerian development?
• What is the role of microfinance banks’ in the growth of SMEs as it relates to Nigerian development?

Research Hypotheses

The following hypotheses were used in drawing inference and conclusion on this study:

H₀₁: There is no relationship between microfinance banks and SMEs.
H₀₂: There is no relationship between microfinance bank and Nigerian development.
H₀₃: There is no relationship between SMEs and Nigerian development.
H₀₄: There is no role microfinance banks is playing in the growth of SMEs as it relates to Nigerian development.

LITERATURE REVIEW

Concept of Microfinance

The modern microfinance institution can be trace to Professor Muhammed Yunus of Bangladesh in 1976 when he was addressing the rural but poor people around University of Chittagong, the college where he was teaching Economics, only to detect that the people does not lack the skill to be productive but lack the capital. He went further to discuss with one of them and how much it can cost to take off but to his greatest surprise it was a token and he put his hand into his pocket and give the money to be paid back to him in 52 weeks with little or nothing as interest far below what is obtainable anywhere and all the contract was done verbally. Therefore, one can easily conclude that microfinance is in existence to alleviate the suffering of the poor masses by providing initial fund for small business and alleviate poverty in the land.

Microfinance banks can be described as banks set up to tackle banking services that the local populace cannot easily get from the full fledged money deposit banks in Nigeria. They are grassroots bank. In actual fact, distinguishing between microfinance bank and community bank is somehow cumbersome if not impossible. Abiola, et al (2012) as cited in Olowe, Moradeyo and Babalola (2013) concur with this definition in their submission that microfinance bank “is about providing financial services to the poor who are traditionally not served by the conventional financial institutions”. The Wikipedia define microfinance bank as the bank providing the poor entrepreneurs and small businesses microloans especially those that are lacking access to banking and related services. Essentially, such bank must be licensed by Central Bank of Nigeria (CBN) to carry on businesses of providing microfinance services.

Again, microfinance bank was described by Robinson (2003) as cited in Olowe, et al (2013) as “a development tool that grants or provides financial services and products such as very small loans, savings, micro-leasing, micro-insurance and money transfer to assist the very or exceptionally poor in expanding or establishing their business”. According to Central Bank of Nigeria bulletin (2005) “the establishment of microfinance banks is to provide diversified, affordable and dependable financial services to the active poor; mobilize savings for intermediation; create employment opportunities and increase the productivity of the active poor in the country; enhance organized, systematic and focused participation of the poor in socio-economic development and resource allocation process; provide veritable avenues for the administration of the micro credit programmes of government and high net worth individuals on the non-resource case basis”.

Concepts of Small and Medium Enterprises (SMEs)

According to Ashamu, 2014 “small scale business, small scale industries and small scale entrepreneurship are used interchangeably to mean a small scale industry firm. Its deliberation was to refer to the operational definition. In Nigeria and worldwide, there seems to be no specific definition of small business. Different authors, scholars, and schools have different ideas as to the differences in capital outlay, number of employees, sales turnover, fixed capital investment, available plant and machinery, market share and the level of development, these features equally vary from one country to the other.

1. In Nigeria, the Third National Development plan defined a small scale business as a manufacturing establishment employing less than ten people, or whose investment in machinery and equipment does not exceed six hundred thousand naira.
2. The Central Bank of Nigeria in its credit guidelines, classified small scale business as those businesses with an annual income/asset of less half a million naira (N500, 000).
3. The Federal Government Small Scale Industry Development Plan of 1980 defined a small scale business in Nigeria as any manufacturing process or service industry, with a capital not exceeding N150,000 in manufacturing and equipment alone.
4. The small scale industries association of Nigeria (1973) defined small scale business as those having investment (i.e. capital, land building and equipment of up to N60, 000 pre-SAP Value) and employing not more than fifty persons.
5. The Federal Ministry of Industries defined it as those enterprises that cost not more than N500, 000 (pre-SAP Value) including working capital to set up.
6. The Centre for Management Development (CMD) definition of small industry in the policy proposal
submitted to the federal government in 1982 defined small scale industry as, "a manufacturing processing, or servicing industry involved in a factory of production type of operation, employing to 50 full-time workers.

Lastly, in the United States, the small business administration defines a small business as one that is independently owned and operated, is not dominant in its field, and meets employment or sales standard develop by the agency. For most industries these standards are as follows. This also shows the same trend as in Nigeria, although the exchange value makes the financial criteria to be different.

However, Small and Medium Scale Using Japanese Experience, the size and importance of the role of medium- and small-scale industry in the whole of the Japanese manufacturing industry is not widely known in the third world, neither is it known that there is a structure linking these industries with the more internationally famous Japanese enterprises in business and technology.

Small and medium enterprises are business venture on a small and medium scale based on the volume of capital base and the number of employees of the organisation”. Ashamu, 2014 asserted that “the definition of medium and small scale industry has differed according to the period, varying in maximum complement from 10 to 20 to 100 employees”. Government classification according to Ashamu (2014) designates enterprises with less than 300 employees and capital of less than ₦100 million as medium and small scale”. Onugu (2005) in Bugudu, et al (2016) asserted that “the National Council of Industries in Nigeria defines SMEs as the business enterprises that has its total cost not exceeding two hundred million naira (₦200,000,000)”. According to Small and Medium-Sized Development Agency of Nigeria (SMEDAN) small and medium enterprises is "a business with less than ten employees and have an annual turnover of under five million naira as microenterprise; a business of ten to forty nine employees and have an annual turnover of five to forty nine million naira as small enterprises and a business with fifty to one hundred and ninety nine employees with turnover of fifty to four hundred and ninety nine million naira are medium enterprises”.

They perform certain roles according to Kolawole (2013) in Olowe, et al (2013) as follows:

- **Role of entrepreneurship.** In many developing countries, “necessity entrepreneurship” prevails, versus greater levels of “opportunity entrepreneurship” in industrialized countries, which tend to be led by higher skilled and better-capitalized entrepreneurs.

- **Firm growth and upgrading.** In many developing countries, only a small proportion of micro and small firms grow beyond a certain threshold, due mainly to lack of specific management and/or marketing skills.

- **The lack of trust in society is another impediment, limiting many small firms to what their families and immediate communities can control or supervise. The result is a lack of more specialist and sophisticated medium-sized companies, often called the ‘missing middle.’**

- **Technological capabilities.** Small enterprises in developing countries mostly focus on low-tech routine operations and use mature technologies as blue prints. On average, compared to their industrialised economy counterparts they are less capable of creating knowledge, applying new technologies and rarely performing R&D, often due to the lack of human capital, business competencies and skills.

- **Export competitiveness.** In developing countries, the export share of small enterprises tends to be much lower than in industrialised countries, with a few remarkable exceptions in Asia such as China, Taiwan and increasingly, Vietnam.

- **This situation reflects the technology gap, and in turn, results in small enterprises being excluded from international best practices and sources of knowledge.**

### Microfinance Bank and Small and Medium Enterprises (SMEs)

Based on the description of microfinance bank, they are to alleviate poverty in the land by providing soft loan to people that cannot provide collateral and other stringent conditions for taking loan from the money deposit banks. Their efforts are directed towards the small and medium enterprises either in group or individually, by providing basic education on running a business and managing money, provide access to ideas, technology and new business ventures. All these are to the small and medium enterprises. Robinson, 1998 as cited by Olowe, et al (2013) asserted that microfinance bank “is mostly used in developing economies where SMEs do not have access to other sources of financial assistance”. But Kolawole (2013) in Olowe, et al (2013) states that microfinance bank helps to generate savings in the economy attract

<table>
<thead>
<tr>
<th>Size of enterprise</th>
<th>Number of Employees</th>
<th>Assets (₦) excluding land and building</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro Enterprise</td>
<td>Less than 10</td>
<td>Less than 5 million Naira</td>
</tr>
<tr>
<td>Small Enterprises</td>
<td>Between 10 – 49</td>
<td>5- less than 50 million Naira</td>
</tr>
<tr>
<td>Medium Enterprises</td>
<td>50-199</td>
<td>50- Less Than 500 Million Naira</td>
</tr>
</tbody>
</table>
foreign donor agencies, encourage entrepreneurship and catalyze development in the economy’. The only sector that steer the economy of every nation rapidly is SMEs as such catalyzing development of the economy is catalyzing development of the SMEs.

**Microfinance Bank and Nigerian Development**

Olowe, et al (2013) asserted that “access to finance is only key to SMEs growth globally, Nigeria inclusive. In Nigeria, financial inclusion has been recognized as an essential tool for SMEs development. Lack of access to financial institutions also hinders the ability for entrepreneurs in Nigeria to engage in new business ventures, inhibiting economic growth and often the sources and consequences of entrepreneurial activities are neither financially nor environmentally sustained”. Idowu, (2008) as cited in Olowe, et al (2013) agreed that “access to loans is one of the major problems facing SMEs in Nigeria”. Diagne and Zeller (2001) also argue that “insufficient access to credit by the poor may have negative consequences for SMEs and overall welfare”. Access to credit further increases SMEs risk-bearing abilities; improve risk-copying strategies and enables consumption smoothing overtime.

The idea of creating Micro Finance Institutions (MFIs) is to provide an easy accessibility of SMEs to finance/fund particularly those which cannot access formal bank loans. Microfinance banks serve as a means to empower the poor and provide valuable tool to assist the economic development process. Kolawole (2013) in Olowe, et al (2013) was of opinion that “the promotion of micro enterprises in developing countries is justified because of their abilities to foster economic development”. The main objective of micro credit according to Sunitha, (2010) as cited in Olowe, et al (2013) 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.

**SMES AND NIGERIAN DEVELOPMENT**

Studies around the world had it that SMEs as the foundation of every developing economy particularly in the private sector (SMEs) and most occupations in Nigeria to a great extent concentrates on small and medium enterprises (SMEs), perhaps due to unavailability of wage employment or the notion of “olu Oyibo”. Thus, the commitments the sector makes to the growth of the economy and improvement through employment creation cannot be overemphasized. The employment situation in Nigeria is worth noting due to the positive phenomenon of the contribution made by SMEs. According to Steel and Webster (1990) cited in Ashamu (2014) during the early 1990s, SMEs employment developed by 2.9% every annum (ten times what is created in the large scale enterprise). 75% of the workforce in Nigeria employment is provided by the SMEs. In Canada, SMEs provide 55% employment (http://www.cfib.ca/research/reports). In Ghana, SMEs provide 60% employment to the workforce in Ghana (Salomey, et al. 2013 cited in Ashamu, 2014), and in South Korea, it is not less than 70% of the private sector in the South Korea workforce. Besides job creation, SMEs help in fair distribution of assets and resources redistribution particularly among groups with low income. SMEs help reduces income gap that exists among urban and rural areas because they tend to be broadly dispersed by reaching relegated and remote areas.

In Ashamu (2014), Abor and Quartey (2010) argued that there is a general agreement that the execution of small and medium enterprises is significant for both social and economic development of a developing country. From the viewpoint of an economic, Aduani (1997) as cited in Ashamu (2014) think that SMEs provides various advantages. Consequently, small and medium enterprises have been noted to be one of the main areas of concern to several policymakers as they attempt to increase the rate of development in low-income nations. These enterprises (SMEs) have been perceived as the instrument by which the growth of the developing nations can be accomplished. They are consequently the potential source of income and employment in most of the developing countries.

**Microfinance Bank, Small and Medium Enterprises and Nigerian Development**

According to Ashamu (2014) study findings, it were revealed that “microfinance plays a great impact in the development of small and medium scale in Lagos State; that there are various sources of funds available for the development of small and medium scale industry with the establishment of microfinance bank. Again, there are various government policies that affect the development of SME especially with regards to Microfinance bank; small and Medium Scale Industry improve Economic Development in Nigeria”.

Furthermore, Ashamu (2014) said “the introduction of microfinance will improve the strategy of small-scale development in Nigeria and that the introduction of microfinance will improve accessibility to loan for small-scale industry in Nigeria. That microfinance fair in granting loan to small-scale industries especially in Lagos state; that the role of Microfinance with respect to small-scale industries is positive; that the establishment of Microfinance has contributed to the success of small-scale industries in Lagos state; that it can be concluded that effective performance of small-scale industries in Lagos state has in the past been affected by source of finance from microfinance bank”. 
Table 2: Sample Size of Respondents determination.

<table>
<thead>
<tr>
<th>S/NO</th>
<th>Name of wards</th>
<th>Population</th>
<th>Sample size determination</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Abuloma/Amadi-Ama</td>
<td>98</td>
<td>2.79%</td>
</tr>
<tr>
<td>2.</td>
<td>Diobu</td>
<td>250</td>
<td>7.13%</td>
</tr>
<tr>
<td>3.</td>
<td>Elekahia</td>
<td>198</td>
<td>5.64%</td>
</tr>
<tr>
<td>4.</td>
<td>Mgbundukwu (One)</td>
<td>57</td>
<td>1.63%</td>
</tr>
<tr>
<td>5.</td>
<td>Mgbundukwu (Two)</td>
<td>48</td>
<td>1.37%</td>
</tr>
<tr>
<td>6.</td>
<td>Nkpolu Oroworukwo</td>
<td>250</td>
<td>7.13%</td>
</tr>
<tr>
<td>7.</td>
<td>Nkpolu Oroworukwo (Two)</td>
<td>206</td>
<td>5.87%</td>
</tr>
<tr>
<td>8.</td>
<td>Ochiri/Rumukalagbor</td>
<td>84</td>
<td>2.40%</td>
</tr>
<tr>
<td>9.</td>
<td>Ogbunabali</td>
<td>409</td>
<td>11.66%</td>
</tr>
<tr>
<td>10.</td>
<td>Oroabali</td>
<td>101</td>
<td>2.88%</td>
</tr>
<tr>
<td>11.</td>
<td>Orogbun</td>
<td>98</td>
<td>2.79%</td>
</tr>
<tr>
<td>12.</td>
<td>Oromineke/Ezimbu</td>
<td>180</td>
<td>5.13%</td>
</tr>
<tr>
<td>13.</td>
<td>Oroworukwo</td>
<td>45</td>
<td>1.28%</td>
</tr>
<tr>
<td>14.</td>
<td>Port Harcourt Township</td>
<td>302</td>
<td>8.61%</td>
</tr>
<tr>
<td>15.</td>
<td>Port Harcourt Township (VI)</td>
<td>275</td>
<td>7.84%</td>
</tr>
<tr>
<td>16.</td>
<td>Port Harcourt (VII)</td>
<td>189</td>
<td>5.39%</td>
</tr>
<tr>
<td>17.</td>
<td>Rumuabiakwa</td>
<td>59</td>
<td>1.68%</td>
</tr>
<tr>
<td>18.</td>
<td>Rumuwoji (One)</td>
<td>215</td>
<td>6.13%</td>
</tr>
<tr>
<td>19.</td>
<td>Rumuwoji (Three)</td>
<td>245</td>
<td>6.98%</td>
</tr>
<tr>
<td>20.</td>
<td>Rumuwoji (Two)</td>
<td>199</td>
<td>5.67%</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>3508</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

Source: Survey Data (2018)

METHODOLOGY

Survey research design was adopted. The rationale for adopting the research design was to determine, expose and show how microfinance banks and small and medium enterprises in Nigerian relates to affect the development in Nigeria. In addition, cluster sampling was used and it have to do with the groupings or aggregations of the population. The researcher then considers each political ward as being used for political election to choose those businesses to study. To reduce sampling error as it relates to generalization, consideration was made of a relative large size of sample. The Krejcie and Morgan (1970) sample size determination table was, therefore, used to have the sample size of the study. Table shows total population of 3508 small and medium enterprise entrepreneurs from 20 political wards of Port Harcourt Local Government Area (PHALGA) and percentage of the chosen entrepreneurs from each wards. Data was collected with the use of questionnaire based on the structure of the research questions and hypotheses. The questionnaire was administered on the chosen (sample) participants in each political wards of Port Harcourt Local Government Area (PHALGA). Certain information was inferred from the interpretation of the hypotheses testing using Pearson Product Moment Correlation (PPMC) and Multiple Regression.

HYPOTHESES TESTING

Hypothesis One (H01) Testing

H01: There is no relationship between microfinance banks and SMEs.

Microfinance Bank and SMEs: The result of the data analysis shows a significant level $p < 0.05$ ($0.005 < 0.05$). The $r = 0.678$, showing a positive correlation between the variables. The findings reveal a strong significant relationship between the variables. Hence, the null hypothesis is hereby rejected and the alternate hypothesis accepted.

Hypothesis Two (H02) Testing

H02: There is no relationship between microfinance bank and Nigerian development.

Microfinance Bank and Nigerian Development: The result of the data analysis shows a significant level $p < 0.05$ ($0.000 < 0.05$). The $r = 0.678$, showing a positive correlation between the variables. The findings reveal a
strong significant relationship between the variables. Hence, the null hypothesis is hereby rejected and the alternate hypothesis accepted.

**Hypothesis Three (H₀³) Testing**

**H₀³:** There is no relationship between SMEs and Nigerian development.

SMEs and Nigerian Development: The result of the data analysis shows a significant level $p < 0.05$ ($0.004 < 0.05$). The $r = 0.466$, showing moderate correlation between the variables. The findings show moderate relationship between the variables. Hence, the alternative hypothesis is hereby accepted and null hypothesis rejected.

**Multivariate Analysis**

**Hypothesis Four (H₀⁴) Testing**

**H₀⁴:** There is no role microfinance banks is playing in the growth of SMEs as it relates to Nigerian development.

Table 6 shows the multiple correlation coefficient ($R = .848^{*}$) which connotes the existence of strong positive correlation between the SMEs, Nigerian development and microfinance; the adjusted R square (.717) implies...
### Table 6: Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.848a</td>
<td>.719</td>
<td>.717</td>
<td>4.350</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), SMEs, Nigerian Development

SPSS output, Version 20 – Survey Data, 2018

### Table 7: ANOVA Output

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>14247.086</td>
<td>2</td>
<td>7123.543</td>
<td>376.427</td>
<td>.000a</td>
</tr>
<tr>
<td>1</td>
<td>Residual</td>
<td>344</td>
<td>18.924</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>19810.774</td>
<td>345</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Microfinance bank

b. Predictors: (Constant), SMEs, Nigerian development

SPSS output, Version 20 – Survey Data, 2018

### Table 8: Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>6.240</td>
<td>1.498</td>
<td></td>
<td>4.167</td>
</tr>
<tr>
<td>SMEs</td>
<td>1.039</td>
<td>.133</td>
<td>1.013</td>
<td>1.293</td>
</tr>
<tr>
<td>Nigerian Development</td>
<td>1.781</td>
<td>.093</td>
<td>.857</td>
<td>19.163</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Microfinance

SPSS output, Version 20 – Survey Data, 2018

The coefficient of determination which is variability seen in motivation as a result of the SMEs and Nigerian development; thus 71.7% of the change in SMEs and Nigerian development was accounted for by the microfinance; indicative of a strong predictive ability of these dimensions on the measure.

Table 7 shows the multiple regression run to predict progress to SMEs and Nigerian development from the microfinance bank; these variables significantly predict progress to SMEs and Nigerian development as the model shows F (2, 294) = 376.427, p < 0.05. Table 8 indicates that microfinance bank added significantly to the prediction of progress of SMEs and Nigerian development; the significance values reported are all less than 0.05 (p = .007 < 0.05 and p = .000 < 0.05); suggestive of the existence of a significant contribution from the SMEs and Nigerian development by the microfinance bank. Thus we accept the alternate hypothesis.

### CONCLUSION

This section deals with the submission on each hypotheses testing. The conclusion will, therefore, be based on the findings of the research.

**Microfinance Bank and SMEs**

The result of microfinance bank and SMEs (Hypothesis One) analysis shows that there is a significant positive relationship between the variables. This shows a strong correlation between the variables. However, the coefficient of determination ($r^2$) shows that $r^2 = 46%$. This implies that microfinance bank accounted for 46% of SMEs. This findings is in line with that of Robinson, 1998 as cited by Olowe, et al (2013) asserted that microfinance bank “is mostly used in developing economies where SMEs do not have access to other sources of financial assistance”.

**Microfinance Bank and Nigerian Development**

The analysis of microfinance bank and Nigerian development (Hypothesis Two) revealed that there is 41% level of positive relationship between microfinance bank and Nigerian development with $r^2 = 41%$. The result was indicated that 41% increase in the Nigerian development level was accounted for by microfinance bank. The analysis of the bivariate relationship between microfinance bank and Nigerian development reveals a
positive medium relationship. This findings align with the words of Kolawole (2013) which is of the opinion that "the promotion of micro enterprises in developing countries is justified because of their abilities to foster economic development".

**SMEs and Nigerian Development**

The result of SMEs and Nigerian development (Hypothesis Three) analysis shows that there exist a noteworthy (medium) relationship between SMEs and Nigerian development. This evidence, given that $r^2 = 40\%$. The analysis revealed that 40% total variation in SMEs accounted for Nigerian development. This signify that for every increase in the level of SMEs, there is a corresponding 40% increase in the level of Nigerian development. This means that there is medium relationship between SMEs and Nigerian development. This findings concur with that of Abor and Quartey (2010) in Ashamu (2014) that there is a general agreement that the execution of small and medium enterprises is significant for both social and economic development of a developing country.

**Microfinance Bank, SMEs and Nigerian Development**

Based on the multivariate analysis of Hypothesis Four, the result reveals that microfinance bank influence the relationship between SMEs and Nigerian development by 74% correlation of coefficient. This further implies that microfinance bank will help improve and accounted for 74% of SMEs and Nigerian development. This study align with the assertion of Ashamu (2014) that there are various government policies that affect the development of SME especially with regards to Microfinance bank; small and Medium Scale Industry help improve economic development in Nigeria.

**RECOMMENDATIONS**

Based on the study findings, the following are hereby recommended:

1. That microfinance bank should be enhanced to improve the level of SMEs in Nigeria.
2. That microfinance bank should be improved upon in order for the Nigerians to achieve higher development.
3. That Nigerian development level can be enhanced with genuine SMEs.
4. That the management of the microfinance bank institutions should enhance the SMEs so as to have higher Nigerian development.

**REFERENCES**


Salomey, (2013). The impact of microfinance on small and medium scale enterprises in Ghana.

