



## Microfinance Bank's Loans and Micro, Small and Medium Enterprises Financial Performance in Ota Town Ogun State

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### ARTICLE INFO

*Keywords:* Microfinance, Loans, MSMEs, Lending Rate, Loan Size

*Received :* 22, October

*Revised :* 21, November

*Accepted:* 30, December

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### ABSTRACT

This study evaluated the effect of microfinance bank's loans on the micro, small and medium scale enterprises financial performance in Ota. The population of the study was five (5) micro, small and medium scale enterprises who were customers of Covenant Microfinance Bank. Regression analysis was used to analyze the two hypotheses. It was found out that microfinance bank's loans have positive and significant relationship with the financial performance of (MSMEs). It was recommended that microfinance banks should give more loans to (MSME) in order to improve their return on assets.

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## **INTRODUCTION**

The roles microfinance banks play in promoting micro, small and medium scale enterprises in Nigeria is essential and cannot be over-emphasized. Micro, small and medium scale enterprises are the strong force in economic growth and development in a country such as Nigeria, and the microfinance banks catalyze this growth and development (Adu, Onochie and Omolewa, 2023).

The government established microfinance banks to improve access to loans and savings by poor people. It is to promote critical development to enhance poverty eradication and economic growth. There is no doubt that micro, small-scale scale enterprises require assistance through microfinance banks in order to sustain competitiveness (Akingunola, Olowofela, and Yunusa, 2018). Access to finance and loan plays a significant role in providing livelihood and the development of micro, small and medium scale enterprises. Shortage of such loans continues to hinder their development (Akande and Yinus, 2015).

Micro, small, and medium enterprises are important agents of economic regeneration as they account for more than 50 percent of the gross domestic product (GDP) of the growing economy and are the primary sources of innovation and technological advancement, sources of supply of both human capital and such raw material to more significant business and primary sources of entrepreneurship and enterprises (Adu, 2013). The sector of the Nigerian economy is essential for achieving extensive development objectives such as poverty alleviation, widening employment opportunities, and increasing indigenous ownership of available resources in the economy (Moruf, 2013). In Nigeria, however, the inefficiency of the micro, small, and medium scale enterprises to adequately approach working capital loans to grow and expand the various businesses through conventional banks and deposit money banks stimulated the establishment of microfinance banks to fill the existing gap (Adu, 2016).

Microfinance banks provide avenues to credit for rural and urban low-income earners. Micro, small, and medium business entrepreneurs in Nigeria depend heavily on microfinance for funding their businesses. To boost the flow of financial services to micro, small, and medium businesses in the country, the federal government of Nigeria launched the microfinance policy regulatory and supervisory framework in December 2005 (Adu, Owualah and Babajide, 2019).

## **LITERATURE REVIEW**

### *Statement of the Problem*

Microfinance banks find it hard to release their loans for fear of recovering this money in the micro, small and medium scale business; this makes MSMEs less privileged to enjoy the benefits of microfinance banks because of the skepticism of failure to recover this money if the (MSME) micro small and medium enterprises could not meet their obligations (Babagana, 2010). Micro, small, and medium enterprises are constantly discouraged by the high interest granted to them by microfinance banks. Some of these MSMEs do not have financial records of their daily operations which could have been used for evaluation by MFBs in order to determine their profitability level. They are

majorly run by family members who do not have accounting knowledge about preparation of books of accounts because of cheap labour (Jegade, 2011).

#### *Objective of the Study*

The main objective of the study is to examine the effect of microfinance bank's loans on the micro small and medium enterprises financial performance while the specific objectives are to:

- Ascertain how the lending rate of microfinance banks has affected the profits of micro small and medium enterprises in Ogun State.
- Examine the extent to which (MSME) loan size has been affected by collateral demands by MFBs

#### *Research Questions*

- How has lending rate affected the profits of MSMEs?
- To what extent has loan size of MSMEs been affected by the collateral demands of MFBs?

#### *Research Hypotheses*

**Ho:** Microfinance banks' lending rate has no significant effect on the profits of MSMEs.

**Ho:** MSMEs loan size has no significant effect on the collateral demands of MFBs.

#### *Conceptual Review*

The definition of microfinance is providing a whole range of financial services to the population. Services include loans, deposits, money transfers, payment services, insurance to poor and low-income households, and the provision of loans to small and medium-sized enterprises. Microfinance offers small, medium, and short-term loans to entrepreneurs who otherwise would not have access to capital to begin a small business or other income-generating activities (Ailemen, Asaolu, and Areghna, 2016). Microfinance is defined as the provision of thrift, credit, and other financial services and products in a minimal amount to the poor to enable them to raise their income level and improve their standard of living (Adu, Owualah and Babajide, 2019).

- **Micro/Cottage Industry:** An industry with a labor size of not more than ten workers or a total cost of not more than N1.50 million, including working capital but excluding the cost of land. **Small-Scale Industry:** An industry with a labor size of 11-100 workers or a total cost of not more than N50 million, including working capital but excluding the cost of land.
- **Medium Scale Industry:** An industry with a labor size of 101-300 workers or a total cost of over N50 million but not more than N200 million, including working capital, excluding the cost of land. **SMEEIS:** A small and medium enterprise. It is defined as any enterprise for this scheme, with a maximum asset base of N500 million (excluding land and

working capital) and no lower or upper staff limit (Ayozie and Latinwo, 2015).

## METHODOLOGY

### 1. Population of the Study

The population of the study consisted of micro, small and medium enterprises that are customers of Covenant Microfinance Bank in Ota. There are over seven thousand micro, small and medium enterprises owners who are customers of Covenant Microfinance Bank.

### 2. Sample Size

The researcher selection comprised of five micro, small, and medium enterprises in the Winner's Chapel locality due to nearness of the researcher to the place.

### 3. Method of Data Collection

A primary source of data was employed through the administration of questionnaire.

## Data Presentation, Analysis and Interpretation

### 1. Presentation of Data from the Distributed Questionnaire

A total of one hundred (100) copies of questionnaire were distributed while 80 copies were filled and returned.

Tabel 1. Enterprises Profitability Before Loan

	Frequency	Percent	Valid Percent	Cumulative Percent
Less than 50,000	30	37.5	37.5	37.5
51,000-100,000	15	18.8	18.8	56.3
Valid 101,000-150,000	15	18.8	18.8	75.0
150,000 and above	20	25.0	25.0	100.0
Total	80	100.0	100.0	

Source: Field Survey, 2023

This table shows the MSMEs profitability before the loan, 37.5% of the correspondents have Less than 50,000 profit before the loan from MFB, 18.8% of the correspondents have 51,000-100,000 profits before the loan from MFB, 18.8% of the correspondents have 101,000-150,000. Profit before the loan from MFB while 25.0% of the correspondents have 150,000 and above profit before the loan from MFBs.

Tabel 2. Loan Size

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Less than 50,000	24	30.0	30.0	30.0
51,000-100,000	15	18.8	18.8	48.8
101,000-150,000	10	12.5	12.5	61.3
151,000 and 200,000	15	18.8	18.8	80.0
Above 200,000	16	20.0	20.0	100.0
Total	80	100.0	100.0	

Source: Field Survey, 2023

This table showed the loan size collected by MSME as loan from MFB, 30.0% of the correspondents collected Less than 50,000 as loan, 18.8% of the correspondents collected 51,000-100,000 as loan, 12.5% of the correspondents collected 101,000-150,000 as loan, 18.8% of the correspondents collected 151,000 and 200,000 as loan while 20.0% of the correspondents collected Above 200,000 as loan from MFB.

Tabel 3. Instalment Size

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Less than 50,000	20	25.0	25.0	25.0
51,000-100,000	15	18.8	18.8	43.8
101,000-150,000	20	25.0	25.0	68.8
151,000-200,000	10	12.5	12.5	81.3
Above 200,000	15	18.8	18.8	100.0
Total	80	100.0	100.0	

Source: Field Survey, 2023

This table shows the installment size for repayment of loan collected, 25.0% of the correspondents repay in Less than 50,000 installment, 18.8% of the correspondents repay in 51,000-100,000 installment, 25.0% of the correspondents repay in 101,000-150,000 installment, 12.5% of the correspondents repay in 151,000-200,000 installment while 18.8% of the correspondents repay in Above 200,000 installment.

Tabel 4. Duration of Loan Repayment

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Less than 6 months	10	12.5	12.5	12.5
6 months	24	30.0	30.0	42.5
12 months	5	6.3	6.3	48.8
18 months	5	6.3	6.3	55.0
24 months	36	45.0	45.0	100.0
Total	80	100.0	100.0	

Source: Field Survey, 2023

This table shows the duration of the loan gotten from MF, 12.5% of the loan have less than 6-month duration, 30.0% of the loan have 6 months duration, 6.3% of the loan have 12 months Duration, 6.3% of the loan have 18 months duration while 45.0% of the loan have 24 months duration, there is a fair duration for the repayment of loan gotten from MFB.

Tabel 5. Repayment Schedule

	Frequency	Percent	Valid Percent	Cumulative Percent
Daily	5	6.3	6.3	6.3
Weekly	20	25.0	25.0	31.3
Valid Monthly	30	37.5	37.5	68.8
Bi-Monthly	25	31.3	31.3	100.0
Total	80	100.0	100.0	

Source: Field Survey, 2023

This table shows the repayment schedule of the loan gotten from MF, 6.3% of the loan have daily repayment schedule, 25.0% of the loan have weekly repayment schedule, 37.5% of the loan have monthly repayment schedule while 31.3% of the loan have bi-Monthly repayment schedule. Majority of the loan have a monthly repayment schedule.

Tabel 6. Lending Rate

	Frequency	Percent	Valid Percent	Cumulative Percent
Less than 30%	25	31.3	31.3	31.3
31%-35%	15	18.8	18.8	50.0
Valid 36%-40%	10	12.5	12.5	62.5
41%-45%	10	12.5	12.5	75.0
45% and above	20	25.0	25.0	100.0
Total	80	100.0	100.0	

Source: Field Survey, 2023

This table showed the lending rate of microfinance loan, 31.3% of the loans provided by microfinance have less than 30% lending rate, 18.8% of the loans provided by microfinance have 31%-35% lending rate, and 12.5% of the loans provided by microfinance have 36%-40% lending rate, 12.5% of the loan provided by microfinance have 41%-45% lending rate, while 25.0% of the loan provided by microfinance have 45% and above lending rate. The high rate is due to the high risk of loan to MSME.

Tabel 7. Payment Status

	Frequency	Percent	Valid Percent	Cumulative Percent
Default	5	6.3	6.3	6.3
Non-Default	60	75.0	75.0	81.3
Not Applicable	15	18.8	18.8	100.0
Total	80	100.0	100.0	

Source: Field Survey, 2023

This table showed that 6.3% of the loan provided by MF have default payment status, 75.0% of the loan provided by MF have non-default payment status while 18.8% of the loan provided by MFB have not applicable payment status.

Tabel 8. Period of First Default

	Frequency	Percent	Valid Percent	Cumulative Percent
Day	5	6.3	6.3	6.3
Week	10	12.5	12.5	18.8
Months	30	37.5	37.5	56.3
Years	35	43.8	43.8	100.0
Total	80	100.0	100.0	

Source: Field Survey, 2023

This table showed the period of first default of the loan provided to MSMEs, 6.3% of the correspondents have their first default of the loan after a day, 12.5% of the correspondents have their first default of the loan after a Week, 37.5% of the correspondents have their first default of the loan after Months while 43.8% of the correspondents have their first default of the loan after years.

Tabel 9. Enterprises Profitability After Loans

	Frequency	Percent	Valid Percent	Cumulative Percent
Less than 50,000	0	0	0	0
51,000-100,000	10	12.5	12.5	12.5
101,000-150,000	25	31.3	31.3	43.8
150,000 and above	45	56.3	56.3	100.0
Total	80	100.0	100.0	

Source: Field Survey, 2023

This table showed enterprises profitability after loan gotten from microfinance. None of the correspondent's profitability increased by less than 50,000, 12.5% of the correspondent's profitability increased by 51,000-100,000, 31.3% of the correspondent's profitability increased by 101,000-150,000 while 56.3% of the correspondent's profitability increased by 150,000 and above.

Analysis shows that majority of enterprises profitability increased by 150,000 and above, that shows a good return on the loan.

Tabel 10. Total Default Period

	Frequency	Percent	Valid Percent	Cumulative Percent
One time	20	25.0	25.0	25.0
Two times	15	18.8	18.8	43.8
Valid Three times	10	12.5	12.5	56.3
More than three times	35	43.8	43.8	100.0
Total	80	100.0	100.0	

Source: Field Survey, 2023

This table showed the total default period of the loan gotten from microfinance. 25.0% of the loan have one time default period, 18.8% of the loan have two times default period, 12.5% of the loan have three times default period while 43.8% of the loan have more than three times default period.

Tabel 11. Defaulted Amount

	Frequency	Percent	Valid Percent	Cumulative Percent
Less than 5,000	0	0	0	0
5,000-10,000	30	37.5	37.5	37.5
Valid 10,000-15,000	15	18.8	18.8	56.3
15,000 and above	35	43.8	43.8	100.0
Total	80	100.0	100.0	

Source: Field Survey, 2023

This table showed the default amount of the loan provided by microfinance. None of the loan had less than 5,000 default amounts, 37.5% of the loan have 5,000-10,000 default amounts, 18.8% of the loan have 10,000-15,000 default amounts while 43.8% of the loan have 15,000 and above default amount. Majority of the loan have 15,000 and above default amount.

Tabel 12. Analysis for Section C

S/N	ITEMs	SA %	A %	N %	D %	SD %	mean	Stddev
1.	Small and medium enterprises are a strong force in economic growth and development in a country such as Nigeria	12.5	25.0	43.8	12.5	6.3	2.75	1.04
2.	Micro, small, and medium enterprises are important agents of economic regeneration as they account for more than 50 percent of the gross domestic product (GDP) of the growing economy	43.8	12.5	18.8	12.5	12.5	2.38	1.46
3.	Micro, small, and medium business entrepreneurs in Nigeria depend heavily on microfinance for funding their businesses	37.5	18.8	25.0	12.5	6.3	2.31	1.27
4.	The development of microfinance, banks was to ease the financial incapability of micro, small, and medium enterprises	40.0	25.0	13.8	11.3	10.0	2.26	1.36
5.	The role of microfinance banks in the promotion of national economic development is entrenched in the objectives of the microfinance banking scheme in Nigeria that was formulated in line with the objectives of the Millennium Development Goals (MDGs)	25.0	31.3	12.5	18.8	12.5	2.62	1.37
6.	The microfinance banks are therefore the cornerstone in the promotion of rural development through financial inclusion and financial literacy.	43.8	25.0	12.5	12.5	6.3	2.13	1.28

7.	The credit delivery system in microfinance banks exclusively focuses on the poorest of the poor organizing borrowers into small homogenous groups and giving loans to meet the diverse development needs of the poor without emphasis on tangible collaterals.	31.3	31.3	11.3	17.5	8.8	2.41	1.33
8.	Microfinance banks (MFBs) are therefore strategically positioned to expand the financial frontier and stimulate the exploitation and development of economic opportunities in the informal sector through the provision of traditional and even non-traditional banking services	22.5	12.5	32.5	21.3	11.3	2.86	1.30

Source: Author's Computation (2023) using IBM SPSS 20 Statistical Software

Table 12 above presents information or opinion of respondents as regards: small and medium enterprises are a strong force in economic growth and development in a country such as Nigeria, 12.5% of respondents strongly agree, 25.0% agree that small and medium enterprises are a strong force in economic growth and development in a country such as Nigeria, 43.8% of respondents are neutral about this while 12.5% disagree and 6.3% strongly disagree to this.

Table 4.4.1 also indicates that 43.8% of respondents strongly agree, 12.5% of respondents agree, 18.8% of them are neutral while 12.5% disagree and 12.5% strongly disagree that Micro, small, and medium enterprises are important agents of economic regeneration as they account for more than 50 percent of the gross domestic product (GDP) of the growing economy. 37.5% of respondents strongly agree, 18.8% of respondents agree, 25.0% of them are neutral while 12.5% disagree and 6.3% strongly disagree that Micro, small, and medium business entrepreneurs in Nigeria depend heavily on microfinance for funding their businesses. 40.0% of respondents strongly agree, 25.0% of respondents agree, 13.8% of them are neutral while 11.3% disagree and 10.0% strongly disagree that the development of microfinance, banks was to ease the financial incapability of micro, small, and medium enterprises. 25.0% of respondents strongly agree, 31.3% of respondents agree, 12.5% of them are neutral while 18.8% disagree and 12.5% strongly disagree that the role of microfinance banks

in the promotion of national economic development is entrenched in the objectives of the microfinance banking scheme in Nigeria that was formulated in line with the objectives of the Millennium Development Goals (MDGs). 43.8% of respondents strongly agree, 25.0% of respondents agree, 12.5% of them are neutral while 12.5% disagree and 6.3% strongly disagree that microfinance banks are therefore the cornerstone in the promotion of rural development through financial inclusion and financial literacy.

31.3% of respondents strongly agree, 31.3% of respondents agree, 11.3% of them are neutral while 17.5% disagree and 8.8% strongly disagree that the credit delivery system in microfinance banks exclusively focuses on the poorest of the poor organizing borrowers into small homogenous groups and giving loans to meet the diverse development needs of the poor without emphasis on tangible collaterals. 22.5% of respondents strongly agree, 12.5% of respondents agree, 32.5% of them are neutral while 21.3% disagree and 11.3% strongly disagree that Microfinance banks (MFBs) are therefore strategically positioned to expand the financial frontier and stimulate the exploitation and development of economic opportunities in the informal sector through the provision of traditional and even non-traditional banking services.

**Research Question: To What Extent have MSME Profit been Increased Through MFB Credits?**

In reference to table 12, the mean scores of the items were 2.75, 2.38, 2.31, 2.26, 2.62, 2.13, 2.41, 2.86 respectively, since none of the mean scores were more than 3.0( $\bar{x} \geq 3.0 \Rightarrow$ agreed), this implies that majority of respondents agreed with the items answering the research question. The extent as which the MSME profit have been increased through MFB credits. However, the standard deviation of items shows that respondents answers varied most in item 2, ‘Micro, small, and medium enterprises are important agents of economic regeneration as they account for more than 50 percent of the gross domestic product (GDP) of the growing economy’ with a standard deviation value of 1.46.

1. *Restatement of Hypothesis One*

**Hypothesis 1**

**H0:** Microfinance bank lending rate has no significant effect on micro, small and medium enterprises profits.

**Regression Result Showing in Ascertaining Microfinance Bank Loan’s Lending Rate Effect on the Number of Micro Small and Medium Enterprises Financial Performance**

Table 13. Model Summary of Microfinance Bank Loan

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.793 <sup>a</sup>	.628	.624	.74716

- a. Predictors: (Constant), microfinance bank loan
- b. Source: Author’s Computation (2022) using IBM SPSS 20 Statistical Software

Table 13 above, showed R square= 0.63 (P<0.05) indicating that microfinance bank loan had a 63% effect on micro small and medium enterprises financial performance. This shows a great effect of microfinance bank loan on micro small and medium enterprises financial performance. Therefore, the null hypothesis is rejected and alternate hypothesis is accepted that the perceived microfinance bank loan has a significant effect on micro small and medium enterprises financial performances. The Regression analysis done in Hypothesis 1 to ascertain the significant effect microfinance bank loan have on the number of micro small and medium enterprises owners, we discover that there was a positive relation between the independent variable of microfinance bank and the dependent variable of the performance of micro and small and medium enterprise, the null hypothesis is rejected and alternate hypothesis is accepted that the perceived microfinance bank loan has a significant effect on micro small and medium enterprises financial performances.

Tabel 14. ANOVA Table of Micro Small and Medium Enterprises Financial Performance

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	73.644	1	73.644	131.920	.000 <sup>b</sup>
	Residual	43.543	78	.558		
	Total	117.188	79			

- a. Dependent Variable: micro small and medium enterprises financial performance
  - b. Predictors: (Constant), microfinance bank loan
- Source: Author’s Computation (2022) using IBM SPSS 20 Statistical Software

Tabel 15. Coefficients of the Model<sup>a</sup> of ERP Micro Small and Medium Enterprises Financial Performance

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-2.370	.416		-5.695	.000
	microfinance bank loan	1.362	.119	.793	11.486	.000

Dependent Variable: micro small and medium enterprises financial performance

Source: Author’s Computation (2023) using IBM SPSS 20 Statistical Software

Results of the regression result summarized on the table above shows that microfinance bank loan has proportionate positive impact on micro small and medium enterprises financial performance as the coefficient of the independent variable (1.362) is positive. This implies that an increase of the microfinance bank loan will bring about more achievement of micro, small and medium enterprises financial performance.

The coefficient in Table above, showed that the impact of the microfinance bank loan on micro small and medium enterprises financial performance was very significant with beta  $\beta= 1.362$  reinforced by a P-value of 0.79 ( $<0.05$ ). Hence, the Model or linear equation becomes:

$$Y=A+(X1)$$

$$Y= (-2.370) + (1.362*X1)$$

$$Y=-2.370+ 1.362*X1$$

Therefore, a rejection of the null hypothesis; and acceptance of the alternate, that, there is a significant effect of microfinance bank loan on micro small and medium enterprises financial performance.

## 2. Restatement of Hypothesis Two

### Hypothesis 2

**H0:** MSMEs loan size has no significant contribution to the collaterals demanded by MFB

Model Specification

Dependent Variable: Micro small and medium enterprise financial performance (MSMEFP)

Independent Variable: Microfinance bank (MB)

$$MSMEFP=a+f(MB)+e \quad \text{OR} \quad Y=a+f(X_1) + e$$

Where a=Constant, AI= [ X ] \_1, e=error term and f=beta (B) value

### Regression Result Showing Microfinance Credits Contribution to the Profit of Micro Small and Medium Enterprises.

Table 16. Model Summary of Microfinance Credits

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.936 <sup>a</sup>	.877	.875	.44793

a. Predictors: (Constant), Microfinance Credits

Source: Author's Computation (2022) using IBM SPSS 20 Statistical Software

Table 16 above, showed R square= 0.88 ( $P<0.05$ ) indicating the Microfinance credits, had an 88% impact on the profit of micro small and medium enterprises. This shows a great contribution of Microfinance credits to the profit of micro small and medium enterprise. Therefore, the null hypothesis is rejected and alternate hypothesis is accepted that the degree of Microfinance credits has a significant contribution on the profit of micro small and medium

enterprises. The Regression analysis done on Hypothesis 2 to ascertain the significant contribution of microfinance credits to the profit of micro small and medium enterprises. to ascertain the significant contribution of microfinance credits have on the profit of micro small and medium enterprises, we discover that there was a positive relation between the independent variable of microfinance credits and the dependent variable of the profit of micro small and medium enterprises, the null hypothesis is rejected and alternate hypothesis is accepted that the perceived microfinance credits has a significant contribution on the profit of micro small and medium enterprises.

Tabel 17. ANOVA Tablea of Microfinance Credits on Profit of Micro Small and Medium Enterprises.

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	111.538	1	111.538	555.917	.000 <sup>b</sup>
	Residual	15.650	78	.201		
	Total	127.187	79			

a. Dependent Variable: Profit of Micro Small and Medium Enterprises

b. Predictors: (Constant), Microfinance Credits

Source: Author’s Computation (2021) using IBM SPSS 20 Statistical Software

Tabel 18. Coefficients of the Modela of Microfinance Credits on Profit of Micro Small and Medium Enterprises

Model		Un standardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.154	.104		1.480	.143
	Microfinance credits	.895	.038	.936	23.578	.000

a. Dependent Variable: Profit of Micro Small and Medium Enterprises

Source: Author’s Computation (2022) using IBM SPSS 20 Statistical Software

Results of the regression result summarized on the table above shows that the Microfinance credits has less than proportionate positive impact on the profit of micro small and medium enterprises, as the coefficient of the independent variable (0.895) is positive. This implies that an increase in the Microfinance credits will bring about more contribution to the profit of micro small and medium enterprises. The coefficient in Table above, showed that the contribution of Microfinance credits on the profit of micro small and medium enterprises was significant with beta  $\beta = 0.895$  reinforced by a P-value of 0.94 (<0.05). Therefore, a rejection of the null hypothesis; and acceptance of the alternate, that, there is a significant contribution of Microfinance credits on the profit of micro small and medium enterprises.

From information elicited from respondents, it could be noted that Microfinance banks have impact on micro small and medium enterprises financial performance. This was shown in the study as majority of respondents agreed that small and medium enterprises are a strong forces in the economic

growth and development of Nigeria, Micro, small, and medium enterprises are important agents of economic regeneration as they account for more than 50 percent of the gross domestic product (GDP) of the growing economy, the development of microfinance, banks was to ease the financial incapability of micro, small, and medium enterprises, the role of microfinance banks in the promotion of national economic development is entrenched in the objectives of the microfinance banking scheme in Nigeria that was formulated in line with the objectives of the Millennium Development Goals (MDGs), the microfinance banks are therefore the cornerstone in the promotion of rural development through financial inclusion and financial literacy , the credit delivery system in microfinance banks exclusively focuses on the poorest of the poor organizing borrowers into small homogenous groups and giving loans to meet the diverse development needs of the poor without emphasis on tangible collaterals and Microfinance banks (MFBs) are therefore strategically positioned to expand the financial frontier and stimulate the exploitation and development of economic opportunities in the informal sector through the provision of traditional and even non-traditional banking services .

The regression results showed that the microfinance credit and loan have positive and significant impact on micro small and medium enterprises financial performance and the profit of micro small and medium enterprises. The two null hypotheses tested in the study were rejected while the two alternate hypotheses were accepted. It was found and concluded that there is a significant contribution of microfinance bank on micro small and medium enterprises. From the Regression analysis done in Hypothesis 1 to ascertain the significant effect microfinance bank loan have on the number of micro small and medium enterprises owners, we discover that there was a positive relation between the independent variable of microfinance bank and the dependent variable of the performance of micro and small and medium enterprise, the null hypothesis is rejected and alternate hypothesis is accepted that the perceived microfinance bank loan has a significant effect on micro small and medium enterprises financial performances. The coefficient of the independent variable (1.362) is positive. This implies that an increase of the microfinance bank loan will bring about more achievement of micro small and medium enterprises financial performance. That signifies that the volume of microfinance loan available to the micro small and medium enterprises has a variable impact on their profitability.

From the Regression analysis done on Hypothesis 2 to ascertain the significant contribution of microfinance credits to the profit of micro small and medium enterprises. to ascertain the significant contribution of microfinance credits have on the profit of micro small and medium enterprises, we discover that there was a positive relation between the independent variable of microfinance credits and the dependent variable of the profit of micro small and medium enterprises, the null hypothesis is rejected and alternate hypothesis is accepted that the perceived microfinance credits has a significant contribution on the profit of micro small and medium enterprises. The coefficient of the independent variable (0.895) is positive. This implies that an increase of the

microfinance credits gotten will bring about more achievement of profit by micro small and medium enterprises. That signifies that the volume of microfinance credit available to the micro small and medium enterprises has a variable impact on their profit.

It was found out that there is a positive relationship between microfinance bank and the financial performance of micro, small and medium enterprises. The findings indicated a strong and positive relationship between microfinance bank and the financial position of micro, small and medium enterprises. From the testing of the hypothesis 1 it was showed that microfinance bank loan had a 63% effect on micro small and medium enterprises financial performance. This shows a great effect of microfinance bank loan on micro small and medium enterprises financial performance. The Regression analysis done in Hypotheses 1 to ascertain the significant effect that microfinance bank loan have on the number of micro small and medium enterprises owners, It was discovered that there was a significant positive relationship between the independent variable of microfinance bank and the dependent variable of the performance of micro and small and medium enterprise.

From the testing of the hypotheses 2 it was showed that Microfinance credits had an 88% impact on the profit of micro small and medium enterprises. This shows a great contribution of Microfinance credits to the profit of micro small and medium enterprise. From the Regression analysis done on Hypotheses 2 to ascertain the significant contribution of microfinance credits to the profit of micro small and medium enterprises to ascertain the significant contribution of microfinance credits have on the profit of micro small and medium enterprises, we discover that there was a positive relation between the independent variable of microfinance credits and the dependent variable of the profit of micro small and medium enterprises.

## CONCLUSIONS AND RECOMMENDATIONS

The study therefore concluded that credit facilities provided by microfinance bank had significant effect on the financial performance of micro, small and medium enterprises. The study further concluded that microfinance banks funding contributed to micro, small and medium enterprises' return of capital invested.

The study recommended from its findings that microfinance banks should give more credits to micro, small and medium enterprise in order for them to improve their financial performance. Micro, small and medium enterprises should appropriately utilize the credits obtained from microfinance bank in order for them to be able to pay back the interest loan and other charges to the microfinance bank, so that the microfinance bank will be able to provide adequate credits to the micro, small and medium enterprise in the future.

## FURTHER RESEARCH

Each study has limitations; thus, you can describe it here and briefly provide suggestions for further research.

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