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Microfinance Bank Services and Performance of Micro, Small and Medium Scale Enterprises in South-West, Nigeria

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ABSTRACT

This study examined the relationship between the microfinance bank services (MFBs) and business performance of Micro, Small and Medium scale Enterprises (MSMEs) in South–West, Nigeria. The objectives was to find out the relationship between the microfinance bank services (micro-deposit/savings and micro credits/loans), and business performance of MSMEs. The area of study is South–West, Nigeria. Descriptive survey research design was used and a proportional stratified sampling technique was utilized in the study. A structured questionnaire with a 5- point Likert scale was adopted in the collection of data. Four hundred and twenty (420) copies of questionnaire were distributed but three hundred and ninety-Seven (397) copies were retrieved and analysed. SPSS 26 was used to analyse the data retrieved. The study tested two (2) hypotheses using regression analysis with the result of a correlation co–efficient between the services and performance of MSMEs showing – micro deposit/savings (0.564), micro–credit/ loan (0.563).The study found that all the Microfinance bank services have a significant positive relationship with the business performance of micro, small and medium enterprises (MSMEs) in South – West, Nigeria. Microfinance bank services (micro-deposit and micro-credit) therefore affect the business performance of micro, small and medium enterprises. The study recommends that microfinance banks should increase or improve the amount of loans/credits granted to MSMEs and that both state and local governments in their respective states should support microfinance banks to support MSMEs. The support can be in the form of giving the MFBs deposits or giving them a certain percentage of their budgets for disbursement as loans to the MSMEs located in their various states. By doing this, MSMEs will be vibrant and increase performance thereby generating more employment, which will eventually translate to economic growth of states in the South - West, Nigeria.

Keywords: Microfinance, Banks, Services, Small, Medium Scale Enterprises, Performance,

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1. INTRODUCTION

Every organisation worldwide is established to accomplish specific objectives. The role of micro-finance banking institutions in promoting micro, small and medium scale enterprises (MSMEs) by providing sufficient financial services to the rural and urban people in setting the right capacities for their organisation's performance and survival cannot be over-emphasised. If the operations of banking financial institutions created to ameliorate the plight of the masses in both rural and urban cities are in question, no organisation, including micro, small, and medium scale entrepreneurs can achieve their realistic performance targets (Abasilim, Gberevbie & Osibanjo, 2019).

Micro-finance institution has become a necessary tool for the purchase and acquisition of financial knowledge, wealth, and skill among others. Without adequate financial supply, business activities will be hindered. Adequate accessibility to finance and credit facilities is therefore an essential tool in promoting MSMEs, which represent the growth sector of any economy. The method of operation of conventional banking has imposed a market niche that must be explored if majority of the populace are to be bankable (Abebe, & Kegne, 2023). The players of this banking system are large enterprises which are judged to be credit worthy. These players exclude those who are assessed to be unbankable such as the small entrepreneurs and farmers especially women who lack collateral, steady employment and a verifiable credit history and therefore unable to gain access to traditional financial credit service (Aribaba, & Ahmodu, 2020).

Micro, Small and Medium Scale Enterprises (MSMEs) contribute significantly to the economy of the developed and developing countries of the world by increasing employment generation, revenue earnings and many others. In both developed and emerging economies of the world, MSMEs play a critical role in sustainable economic development and also act as a catalyst for economic growth and development (Normah, 2016; Obokoh, 2018). Thus, the need for apt development of the sector cannot be overemphasized as it has the ability to stimulate indigenous entrepreneurship, create more jobs, mobilize raw materials and semi-processed products as inputs for large- scale enterprises, and contributes to Gross Domestics Products (GDP) of many countries (Lawrence, James & Udechukwu, 2016). Despite these contributions, the financing of Micro, Small and Medium Scale Enterprises (MSMEs) is a major constraint in developing countries majorly among the deposit money banks due to the high risk of non-performing loans from the enterprises. This led to many deposit money banks denying the poor and MSMEs in both urban and rural areas in Nigeria access to financial services.

In order to bridge this gap, the government of Nigeria established various institutions as well as programmes to enhance the standard of living of people, provide loans to MSMEs, and poor people to be self-reliance and turnout more entrepreneurs than job seekers in the country. Some of the programmes established in the past by the government of Nigeria are Directorate of Food, Roads and Rural Infrastructure (DFFRI), Better life/Family Support Programmes, The Family Economic Advanced Programme, Peoples Bank and many others (Ibitomi & Ijaiya, 2018). All these programmes failed to achieve their objectives due to poor implementation, corruption and host of many other factors. Despite the fact that government failed in the past, it did not relent in their effort to make financial services accessible to the poor and MSMEs, hence the birth of Microfinance Banks (MFBs) as an alternative credit financial institution for the poor and MSMEs in Nigeria.

This study is necessary because of current government's policy of reducing the rate of unemployment and to finance micro, small and medium enterprises in Nigeria. It will also be useful to policy makers, entrepreneurs, academia and consultants/practitioners and to the society.

1.2 Objectives of the study

The main objective of the study is to examine relationship between microfinance bank services and business performance of MSMEs in South-West, Nigeria. The specific objectives are to:

i. Examine the effect of micro deposits on business performance of MSMEs in South-West, Nigeria.
ii. Determine the relationship between loans/credit and business performance of MSMEs in South-West, Nigeria.

1.3 Hypothesis of the Study

H_{01}: Micro-deposit does not have significant effect on business performance of MSMEs in South – West, Nigeria.

H_{02}. Micro – credit does not have significant relationship with business performance of MSMEs in South – West, Nigeria

2. LITERATURE REVIEW

2.1 Concept of Microfinance Bank

There are several definitions to the concept of microfinance. Otero and Rhyne (2007) described microfinance as a revolution that involves the large scale provision of small loans and deposit services to low income people by secure, and conveniently located. Most people think of microfinance, if at all, as being about micro-credit i.e. lending small amounts of money to the poor. Microfinance is not only this, but it also has a broader perspective which also includes insurance, transactional services, and importantly, savings (Khan & Rahaman 2007). It includes a broader range of services mainly credit, savings opportunities, insurance, money transfers and other financial products targeted to the poor and entrepreneurs (Ojo, 2009).

Micro-finance is defined by Boateng in 2009 as the provision of a broad range of financial services such as deposits, loans, payment services, money transfers, and insurance to poor and low-income households and, their micro enterprises. Furthermore, Microfinance Information Exchange (MIX, 2010) defines microfinance as a variety of financial services that target low-income persons, particularly women. According to them because most of the clients of microfinance institutions (MFIs) have lower incomes and often have limited access to other financial services, microfinance products tend to be for smaller monetary amounts (such as loans, savings, insurance, and remittances) other than that of traditional financial services.

Ofoegbu, Akambi and Joseph (2013) stated that microfinance banks just like any other financial services provider deliver products in form of services to low income earners and the poor on a sustainable basis. In Nigeria,microfinance banks therefore is seen as poverty reduction organisation that provide credit and other financial services to active and low-income households and their businesses (Acha, 2012). The practice of microfinance banks is not new in Nigeria; it has been in existence providing the needed finances through informal microfinance approaches such as self-help groups, credit associations, accumulating credit, savings association and direct borrowing from friends and relations and community banks (CBN 2005; Akpan, 2009; Okpard, 2009).

The distinguishing features of microfinance banks and other financial services providers according to Olaifa (2017) are stated below:

i. Simple operations of their activities with no bottlenecks
ii. Giving out of small loans to MSMEs and collection of small deposits
iii. Removal of collateral security as a condition for loan advances.

2.1.1 There are four (4) categories of microfinance banks

Category 1: Unit Microfinance bank (Tier1)
A Unit Microfinance Bank with urban authorization (Tier 1) is to operate in banked and high-density areas, and is allowed to open not more than four (4) branches outside the head office within five (5) contiguous local governments areas, subject to the approval of the CBN. This category requires a capital of N200,000,000

Category 2: Unit Microfinance bank (Tier2)
A Unit Microfinance Bank with rural authorization (Tier 2) is to operate only in rural, unbanked, or under banked areas, and is allowed to open one branch outside the head office within the same local government area subject to the approval of the CBN. Capital requirement for establishment is N50,000,000.

Category 3: State Microfinance Bank
A State Microfinance Bank is authorized to operate in one State or the Federal Capital Territory (FCT). It shall be required to have a minimum paid-up capital of N1billion (One Billion Naira Only) and is allowed to open branches within the same State or the FCT, subject to prior written approval of the CBN for each new branch or cash centre.

Category 4: National Microfinance Bank
A National Microfinance Bank is authorized to operate in more than one State including the FCT. It can open branches in ALL the states of the federation including Abuja, subject to prior written approval of the CBN for each new branch or cash centre. It shall be required to have a minimum paid-up capital of N5 billion (Five Billion Naira Only),

2.1.2 Microfinance Bank Services
The term microfinance bank service is seen as provision of financial services to low income clients including the self-employed. Financial services generally include savings and loan/credit. In addition to financial intermediation, many microfinance banks provide social intermediation services such as Insurance, Business Advisory, Leasing, development of self-confidence and training in financial literacy and management capabilities among members. In this study, microfinance banking services are deconstructed in terms of micro-savings and micro-finance.

(a) Micro Savings
According to Ashta, Couchoro, and Musa (2014), savings refer to amount of money kept by people with financial institutions. In this light therefore, micro savings stand for small fraction of the income of the poor that is safely kept by financial institutions mostly MFBs.

From microfinance point of view, savings refers to money kept with a microfinance institution in this case a microfinance bank, mostly by poor, with the aim of meeting family needs and build up capital for initiating or expanding an income-generating venture.This, points out the benefit of micro savings to both micro borrowers and microfinance institutions. According to Hulme, Moore, and Barrientos (2009) added that three points should be taken into account in defining micro-savings. These are the savers, the amount saved and the institution that collects the savings. With this focus in mind, micro-savings stand for small amount of money kept by the poor and low income earners with specialized institutions. Savings mobilization has recently been recognized as a major force in microfinance. In the past, microfinance focused almost exclusively on credit.

(b) Micro-Credit

Credit has been considered not only as one of the critical inputs in agriculture, but is also regarded as an effective means of economic transformation and poverty alleviation. The performance of the agricultural sector depends to a large extent on the availability of credit. Credit affects the performance of agriculture by providing resources for purchase of inputs and the adoption of new technology (Nwankwo, 2008). Accordingly, Kumar, Singh and Sinhac (2010) posit that credit is one of the critical inputs for agricultural development. It capitalizes farmers to undertake new investments and/or adopt new technologies.

Microloans are used for working capital in the purchase of raw materials and goods for the micro-enterprise, as capital for construction, or in the purchase of fixed assets that aid in production, among other things. Von-Pischke (1991) also noted that credit is not only needed for farming purpose, but also for family and consumption expenses especially during the off season period. Credit has also been discovered to be a major constraint on the intensification of both large and small scale farming. According to Micro-Credit Summit (2002), Micro-credit is the extension of small loans to entrepreneurs too poor to qualify for commercial bank credit. Micro-credit is the provision of cash and in kind loans in smaller amounts to micro, small entrepreneurs meant to improve their business operations.

2.1.3 Micro, Small and Medium Enterprises

Concept of small scale businesses, Small scale industries and small scale entrepreneurship in Nigeria are used interchangeably to mean a Micro, Small and Medium Enterprise. 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. In Nigeria, for example, 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 (Kayode, 2010).

Similarly, Central Bank of Nigeria (CBN) in its credit guidelines, classified small scale business as these business with an annual income/asset of less half a million naira (N500,000). Also, 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. The Federal Ministry of Industries defined it as those enterprises that cost no more than N500, 000 (pre-SAP Value) including working capital to set up.

In addition, 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 up to 50 full-time workers". In the United States, the Small Business Administration (SBA) defines a small business as one that is independently owned and operated and is not dominant in its field, and meets employment or sales standard develop by the agency (White & Chacaltana, 2002).

2.2 Theoretical Review

2.2.1 Linear Growth Theory (1939)

This study is underpinned by growth theory propounded by Harold (1939) and Dolmar (1946), known as the Harold Dolmar growth model. The assumption behind this model is that, for steady state of growth, aggregate demand must grow at the same rate as an economy's output capacity grows. The model has the following implication to this study, first we see the need for investment, if an entrepreneur has to grow, and this idea corresponds to the loans and savings given by MFIs to enable more investment by small entrepreneurs. The implication is that, despite the effort made to lend to entrepreneurs, their business prosperity is limited by the country and the global economic performance.

As national economic performance grows the MSMEs and members also perform well because there will be more business opportunities. The theory believes that the activities of the microfinance banks in form of credit provision, savings mobilization, insurance, training etc serves as a useful tool for increasing the productive capacity of the users. The importance of microfinance banks in generating growth has been widely discussed in literature. In addition, Bencivenga and Smith (1991) explained that development of microfinance banks and efficient financial intermediation contributes to economic growth of rural area by channeling savings to high productive activities and reduction of risks that may endangered their productive capacity.

2.3 Empirical Review

Babajide (2012) investigated how microfinance impacted the expansion of micro and small businesses in Nigeria. 500 MSMEs made up the sample, and panel data and regression analysiswere used. The study discovered that the expansion of MSMEs' businesses in Nigeria is impacted by microfinance services. The study's sole performance metric was annual sales growth. Not taken into consideration were other financial performance metrics like profitabilityand sales revenues. Olowe, Moradeyo, and Babalola (2013) looked into how microfinance affected the expansion of SMEs in Oyo state, Nigeria's Ibadan metropolis. A sample of eighty-two SMEs was employed in this investigation. Multiple regression analysis and the Pearson correlation coefficient were used to analyze the data. The findings demonstrated that microfinancesignificantly influences the expansion of SMEs in Nigeria.

The study concentrated on one state(Oyo) and did not extend its investigation to other western states. Amsi, Ngare, Imo, and Gachie (2017) examined the effect of microfinance bank crediton the financial performance of SMEs in Kenya. The sample size used was 210 SMEs with structured questionnaire used to generate data. The regression model and Pearson co-efficient correlation statistical tools were used to analyse the collected data. The study observed that interest rate, collateral requirement, and repayment period had a negative effect on SMEs performance while entrepreneur orientation had a positive relationship with the financial performance of SMEs in Kenya.

Consequently, the study considered only credits and did not include deposits and other services. Jalil, Ali, and Ahmed (2022) study on the relationship between microfinance services and the expansion of MSMEs in Pakistan: the role of social and psychological capital as mediators. 64% of the 770 respondents he contacted for the poll were from Pakistan's largest cities. AMOS 21 was used to do structural equation modeling (SEM) in order to test the obtained assumptions. The findings indicated that SMEs' ability to grow is significantly aidedby microfinance services. Microfinance institutions offer a range of services that are crucial tothe growth of small and medium-sized businesses.

These services include microcredit, micro-savings, micro-insurance, and training. It is concluded that social capital and psychological capital are important factors that partially mediate the relationship between microfinance services and SME growth in Pakistan. This study only concentrated on micro-loans and not considering micro-deposits. It only considered the loans that were given to individuals.

3. METHODOLOGY

The study area is South-West, Nigeria (Lagos, Ogun, Oyo, Ondo, Osun and Ekiti States).The research design used for this study was descriptive survey research method. Stratified sampling technique was used to select twenty- four (24) MFBs across thesix (6) States. Well structured copies of questionnaire were distributed to 420 MSMEs cutting across the 24 MFBs customers with three hundred and ninety seven (397) returned for analysis. The data collected were analyzed using Percentage and regression analysis with the support of Statistical Package for Social Sciences (SPSS) 26.

3.1 Analysis of Data

This section presents the results of the data collected from respondents in respect of Microfinance bank services and performance of Micro, Small and Medium Enterprises in South- West, Nigeria.”.

Table 1: Background information of the Respondents

Sex	Number	Frequency Percentage (%)
Male	178	44.8
Female	219	55.2
Total	397	100
Marital Status		
Single	174	43.8
Married	161	40.6
Others	62	15.6
Total	397	100
Educational Qualifications		
Masters	6	1.5
HND/Bsc	119	30
OND	111	28
Waec	91	22.9
Others	70	17.6
Total	397	100

Sex	Number	Frequency Percentage (%)
Years of Experience		
5years and below	194	48.9
6 – 10	143	36.0
Above 10 years	60	15.1
Total	397	100
Nature of Business		
Sole Proprietorship	95	23.9
Limited Liability	41	10.4
Others	261	65.7

Source: Field Survey 2024

The above table indicated that female gender constitutes 55.2% of those that responded to the questionnaire while the remainder of 44.8% was males. Based on the above response it can be seen that 40.6% of the respondents were married men and women with 43.8% single whilst the remaining 15.6% belong to other categories – widow, widowers etc. It means that singles are more involved in MSMEs than the married. 17.6% of the respondents acquired primary school leaving certificate or are illiterates. SSCE holders with 22.9%. The highest numbers of respondents have HND/B.Sc. with 30%. It shows clearly that more and more educated people are into MSMEs and patronize MFBs. Unstructured micro businesses accounted for 65.7% of those enjoying various finance from the MFBs whilst the registered businesses were 34.3%

Table 2: Descriptive Analysis of Micro Savings/Deposit

S/N	Micro Savings/Deposit	N	Mean
1	Micro savings/deposit is an effective way for individuals with limited income to save money.	397	4.34
2	Micro savings/deposits help promote a saving culture among low-income individuals.	397	4.37
3	Micro savings/deposits encourage financial discipline and responsible money management	397	4.38
4	Micro savings/deposits provide a secure and reliable option for storing small amounts of money	397	4.30
5	Micro savings/deposits contribute to the overall financial stability of individuals and families	397	4.26
6	Micro saving /deposit empower individuals to achieve their long term financial goals.	397	4.26
7	Micro savings/deposits should be accompanied by financial literacy	397	4.50
Overall Mean = 4.35			

Source: Author's Computation Result (SPSS, 26)

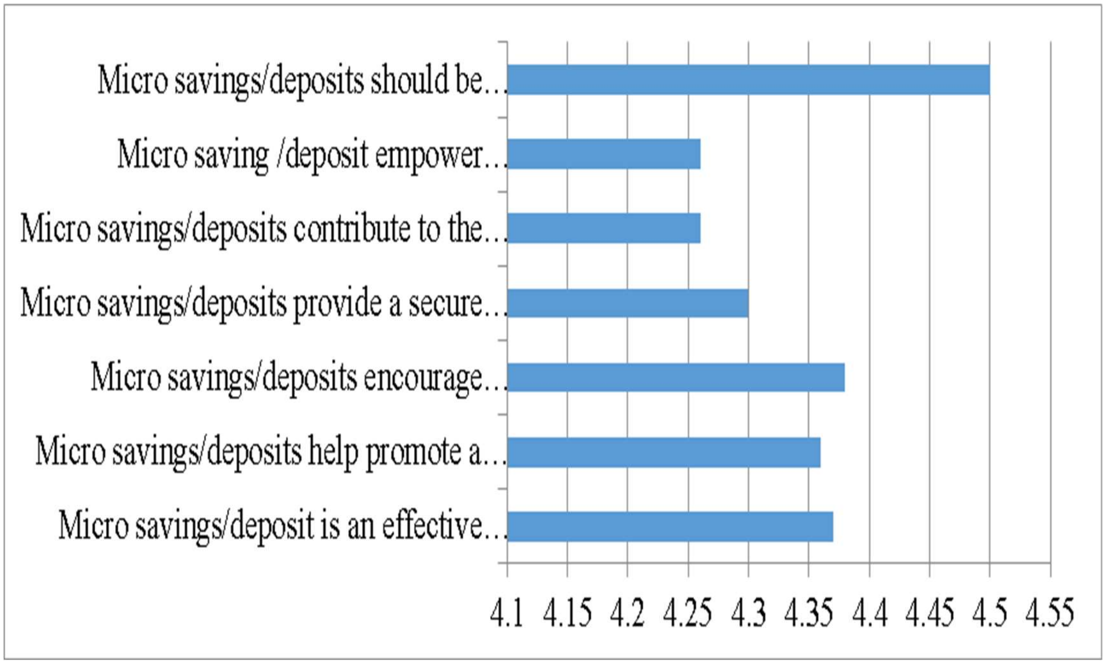

Figure 2: Mean Plot of respondents perception on Micro Savings/Deposit

Table 2 presents the descriptive analysis of perceptions regarding micro savings/deposit among the respondents, with each statement rated on a scale from 1 to 5. Micro savings/deposit is an effective way for individuals with limited income to save money (Mean = 4.34): The respondents,on average, strongly agree that micro savings/deposit is an effective method for individuals with limited income to save money.

Micro savings/deposits help promote a saving culture among low-income individuals (Mean = 4.37): The mean value suggests that, on average, respondents believe micro savings/deposits play a significant role in promoting a saving culture among low-income individuals. Micro savings/deposits encourage financial discipline and responsible money management (Mean = 4.38): Respondents, on average, express a high level of agreement that microsavings/deposits contribute to fostering financial discipline and responsible money management.

Micro savings/deposits provide a secure and reliable option for storing small amounts of money (Mean = 4.30): The mean value indicates that, on average, respondents agree that micro savings/deposits offer a secure and reliable option for storing small amounts of money. Micro savings/deposits contribute to the overall financial stability of individuals and families (Mean = 4.26): On average, respondents believe that micro savings/deposits contribute to the overall financial stability of individuals and families. Micro savings/deposit empowers individuals to achieve their long-term financial goals (Mean = 4.26): The mean value suggests that, on average,respondents agree that micro savings/deposit empowers individuals to achieve their long-term financial goals.

Table 3: Descriptive Analysis of Micro Credit/Loan

S/N	Micro Credit/Loan	N	Mean
1	Micro credit/loan provide an effective means for small businesses to access capital	397	4.28
2	Micro credit/loans reduce the financial barriers faced by entrepreneurs	397	4.37
3	Micro credit/loans are more flexible alternative to traditional loan products.	397	4.26
4	Micro credit/loan help stimulate economic growth in underserved communities	397	4.16
5	Micro credit/loans have the potential to address income inequality by empowering disadvantages individuals	397	4.20
6	Micro credit/loan programs require more regulatory oversight to protect borrowers' interest	397	4.42
7	Micro credit/loan programs require an effective means for small businesses to access capital.	397	4.42
Overall Mean 4.35			

Source: Author's Computation Result (SPSS, 26)

Micro savings/deposits should be accompanied by financial literacy (Mean = 4.50): Respondents, on average, strongly agree that micro savings/deposits should be accompaniedby financial literacy. The overall mean serves as an aggregate measure, indicating that, on average,the respondents have a positive perception of micro savings/deposit across all the statements evaluated.

The mean values imply a generally positive view of micro savings/deposit among the respondents, with strong agreement on its effectiveness for individuals with limited income, its role in promoting a saving culture, fostering financial discipline, and contributing to overall financial stability. The higher overall mean reinforces the positive sentiment towards micro savings/deposit in the context of financial management among low-income individuals.

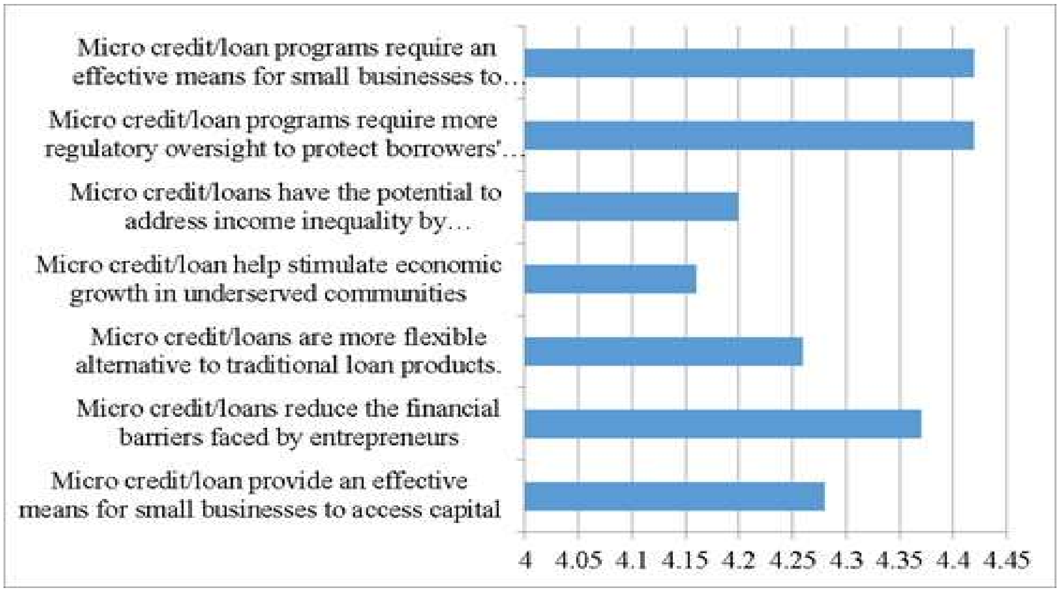

Figure 3: Mean Plot of respondents perception on Micro Credit/Loan

Table 3 provides a descriptive analysis of perceptions regarding micro credit/loan among the respondents, with each statement rated on a Likert scale from 1 to 5. The mean values are providedto indicate the average level of agreement or disagreement with each statement. Micro credit/loan provides an effective means for small businesses to access capital (Mean = 4.28): On average, respondents agree that micro credit/loan is an effective means for small businesses to access capital. Micro credit/loans reduce the financial barriers faced by entrepreneurs (Mean = 4.37): Themean value suggests that, on average, respondents strongly agree that micro credit/loans play a significant role in reducing financial barriers faced by entrepreneurs.

Micro credit/loans are a more flexible alternative to traditional loan products (Mean = 4.26): Respondents, on average, agree that micro credit/loans are a more flexible alternative to traditional loan products. Micro credit/loan helps stimulate economic growth in underserved communities (Mean = 4.16): The mean value indicates that, on average, respondents agree that micro credit/loanhelps stimulate economic growth in underserved communities. Micro credit/loans have thepotential to address income inequality by empowering disadvantaged individuals (Mean = 4.20): On average, respondents believe that micro credit/loans have the potential to address income inequality by empowering disadvantaged individuals. Micro credit/loan programs require more regulatory oversight to protect borrowers' interest (Mean = 4.42):

The mean value suggests that, on average, respondents strongly agree that micro credit/loan programs need more regulatory oversight to protect borrowers' interests. Micro credit/loan programs require an effective means for small businesses to access capital (Mean = 4.42): Respondents, on average, strongly agree that micro credit/loan programs require an effective means for small businesses to access capital. Theoverall mean serves as an aggregate measure, indicating that, on average, the respondents have a positive perception of micro credit/loan across all the statements evaluated.

4.3 Test of Hypothesis:

H_{01}: Micro-deposit does not significantly affect business performance of MSMEs in South–West, Nigeria.

I.

Table 1: Regression analysis for objective one

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate R
1	0.564	0.319	0.317	0.37180

ANOVA

Model		Sum of Squares	Df	MeanSquare	F	Sig.
Regression		25.523	1	25.523	184.635	0.000
Residual		54.602	395	0.138		
Total		80.125	396			
Coefficient						
Model		Unstandardized Coefficients B	Standardized Coefficients	t	Sig.	
1	(Constant)	1.190		4.992	0.000	
	Micro-Deposit/Savings	0.743	0.564	13.588	0.000	

Source: Author’s Computation Result (SPSS, 26)

Interpretation: The analysis aimed to explore the relationship between micro-deposits/savings and the business performance of Micro, Small and Medium Enterprises (MSMEs) in South–West, Nigeria. The moderate positive correlation coefficient (R = 0.564) suggests a discernible relationship between micro-deposits/savings and business performance.

This indicates that, on average, as micro-deposits/savings increase, there is a tendency for improved business performance among MSMEs in the South–West, Nigeria.Approximately31.9%ofthevariability in business performance is explained by micro-deposits/savings, as indicated by the R Square value (0.319). While this is a substantial proportion, it also implies that other factors not considered in the model contribute to the overall business performance of MSMEs.

The statistical significance of the regression model is reinforced by the ANOVA results, where the F-Statistic (184.635) is highly significant (p-value = 0.000). This implies that the model, incorporating micro- deposits/savings as a predictor, provides a significantly better fit than a model without it. The coefficients further emphasize the importance of micro-deposits/savings in influencing business performance.

The positive coefficient (0.743) signifies that, for each unit increase in micro-deposits/savings, there is an estimated increase in business performance. The standardized coefficient (Beta = 0.564) provides a standardized measure of this relationship, emphasizing the relative importance of micro-deposits/savings in explaining variability in business performance. Hence, the model is given as;

$$BP = 1.190 + 0.743X_1$$

Ho2. Micro – credit does not have a significant relationship with business performance of MSMEs in South – West, Nigeria.

Table 10: Regression analysis for objective two

Model Summary					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate R	
1	0.563	0.317	0.316	0.37215	
ANOVA					
	Sum of Squares	Df	Mean Square	F	Sig.
Regression	25.421	1	25.421	183.553	0.000
Residual	54.705	395	0.138		
Total	80.125	396			

Coefficient

Model		Unstandardized Coefficients B	Standardized Coefficients	t	Sig.
1	(Constant)	1.588		7.573	0.000
	Micro-Credit/Loan	0.658	0.563	13.548	0.000

Source: Author's Computation Result (SPSS, 26)

Interpretation: The objective of this study was to investigate the relationship between the utilization of Micro-Credit/Loans and the Business Performance of Micro, Small, and Medium Enterprises (MSMEs) in South - west Nigeria. The findings from the analysis showed that the correlation coefficient (Pearson's r) of 0.563 indicates a moderate positive correlation between Micro-Credit/Loan utilization and Business Performance. This suggests that there is a tendency for businesses to perform better when they make use of micro-credit/loan facilities. The highly significant p-value (0.000) adds robustness to this observation, indicating that this correlation is not likely due to random chance. The model explains about 31.7% of the variability in Business Performance, as indicated by the R^2 value (0.317). The adjusted R^2 value (0.316) suggests that the model's complexity is justified, considering the number of variables included.

The standard error of the estimate (0.37215) provides an average measure of how well the model predicts the actual values. The highly significant F-Statistic (183.553), p-value=0.000) indicates that the overall model is statistically significant. This implies that the inclusion of Micro-Credit/Loan as a predictor significantly improves the model's ability to explain the variance in Business Performance. The constant (intercept) of 1.588 represents the estimated Business Performance when Micro-Credit/Loan utilization is zero. The coefficient for Micro-Credit/Loan is 0.658, suggesting that, on average; a unit increase in Micro-Credit/Loan utilization is associated with a 0.658 increase in business performance. The standardized coefficient (Beta) of 0.563 provides a standardized measure of the strength and direction of the relationship. The t-statistic of 13.548 for Micro-Credit/Loan is highly significant (p-value = 0.000), indicating the statistical significance of the variable. The result provides valuable evidence supporting the positive impact of Micro-Credit/Loan utilization on the Business Performance of MSMEs in South-west Nigeria. Hence, the objective model is given as;

$$BP = 1.588 + 0.658X_1$$

4.4 Discussion of Findings

The study found that microfinance bank services –micro-savings/deposits enhance the business performance of MSMEs in South–West, Nigeria. The positive co-efficient of 0.743 signifies that, for each increase in unit of deposit/savings there will be an estimated increase in business performance. The standardised co-efficient of 0.564 shows a positive relationship between micro deposit/savings and business performance. This study affirms the position of Zhiri (2017); Abebe & Kegne (2023). The study also shows a strong relationship between micro–credit/loans and business performance of MSMEs. The findings showed a moderate correlation coefficient of 0.563 indicating a positive linear relationship between credit/loans and business performance of MSMEs. This study affirms the position of Zhiri, (2017), Anadekur & Faajir (2020) and agrees with Someyo et. al., (2011) that loans and savings have significant positive relationship with performance.

5. CONCLUSION AND RECOMMENDATIONS

5.1 Conclusion

The study evaluated the microfinance bank services and business performance of micro, small and medium enterprises in south – west, Nigeria. Furthermore, it examined the variables under the microfinance bank services, which include micro-deposits and micro-credit/loan. The review of literature indicates that microfinance bank services have an impact on the development and growth of businesses and contribute significantly to the growth of Nigerian economy. The study further showed that microfinance bank services - micro – deposits/savings and micro – credits /loans, have a significant positive relationship with the business performance of micro, small and medium enterprises in south – west, Nigeria. Microfinance banks should improve their services in order to increase the performance of the micro, small and medium scale enterprises.

5.2 Recommendations

Both states and local governments of the irrespective states should encourage microfinance banks to support MSMEs. The support or encouragement can be in the form of giving the MFBs deposits or allocating to them certain percentage of their budgets for disbursement as loans to the MSMEs located in their various states. By doing this, MSMEs will be more vibrant and will increase in performance. This will generate more employment, which will eventually translate to the economic growth of the various states and Nigeria. Microfinance banks should put up a proper marketing team to encourage micro – savings by the micro, small and medium scale enterprises. This will serve as a deposit that can be lent to other MSMEs for growth and will also serve as a buffer or fall – back fund in case of need by the concerned MSMEs (depositors).

Microfinance banks should improve or increase on the amount of loans/credits granted to MSMEs while making sure that the lending are not put aside. This will improve the performance of the existing MSMES whilst creating new ones. The loans should be disbursed at very low interest rates to enable the businesses to survive.

End Note
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