AN EMPIRICAL REVIEW OF MICROFINANCE FACILITIES AND GROWTH OF SMALL SCALE ENTERPRISES IN GOMBE METROPOLIS

Nura Mohammed

Department of Accounting, Gombe State University, Nigeria

ABSTRACT

The study examines the impact of microfinance facilities on the growth of Small Scale Enterprises (SSEs) in Gombe metropolis by looking at the roles being played by MFIs to improve on the growth of SSEs and challenges faced by both MFIs and SSEs. Survey research was conducted; 78 respondents were drawn from the staff of MFIs and also 222 respondents were drawn from the clients of MFIs (the SSEs owners). Descriptive statistics and Chi-square Goodness-of-fit methods were used to analyse the primary data collected from the questionnaire (which was designed in Likert form). The study found that the MFIs played significant roles to improve the growth of SSEs. The study also, discovered that MFIs are faced with challenges by granting credit facilities to SSEs. These challenges include low level of literacy from the SSE owners, fund diversion and default in credit repayment. Furthermore, the study revealed that SSEs are also faced with challenges in accessing credit facilities from MFIs. These challenges include unnecessary procedures before obtaining the loan, not receiving the loan at the right time and high interest rate. It is therefore recommended that, there is need to place more emphases on non-financial services provided by MFIs which include technology related training, entrepreneurial training and pre-loan training to prepare clients for good management of the loan and proper management of their business activities.

Key Words: small scale, enterprise, microfinance, facilities

Introduction

The major challenge facing many developing countries, is devising appropriate development strategies in Small Scale Enterprises (SSEs) sector. SSEs are the sector of business that one can easily engage into with fewer formalities and less capital. About 70 per cent of Nigerian population were engaged in SSEs to earn a living (Ubom 2003). The federal and states government in Nigeria have recognised that for sustainable growth and development to be achieved, developments strategies in this sector are critical. SSEs not only contribute significantly in economic development but also bring about substantial local capital formation and achieved high levels of productivity and capability. SSEs in Nigeria and in most countries account for well over half of the total employment, sales and value added (Ubom 2003).

The practice of microfinance in Nigeria is culturally rooted and existed far back in history of Nigeria. Microfinance institutions are financial groups that exist in all parts of the country and

they are in form of traditional groups that work together for the mutual benefits of their members. Microfinance institutions provide access to credit for the rural and urban, low-income earners.

In order to enhance the flow of financial services to micro, small and medium enterprises in the country, the Federal Government of Nigeria (FGN) launched the new Microfinance Policy, Regulatory and Supervisory Framework (MPRSF) in December, 2004. The MPRSF aimed among other things to bring the existing informal institutions under supervisory purview of the Central Bank of Nigeria (CBN). By doing this, monetary stability in the country is enhanced and financial infrastructure of the country is expanded to meet the financial requirements of SSEs in the country (CBN, 2005). The policy is also meant to address the problem of lack of access to credit by small business operators.

While there has been many research on the general impact of MFIs on SSEs. Examples, Kudi et al 2009 assessed the impact of UNDP's micro credit scheme on the beneficiaries' farmers and found the average income of participating farmers rises after participating in the programme. Ojo 2009 investigates the impact of microfinance on entrepreneurial development of SMEs in Nigeria and discovered significant positive difference in the number of entrepreneurs who used the services of MFIs and those who do not. However, No mention has been made about the effect of SSE's failure on MFIs in these studies. Also, the government of Nigeria and the financial institutions have tried to address the financial problems of SMEs by creating subsidized credit schemes and providing loan guarantees such as the small scale industries credit guarantee scheme (SSICGS), World Bank Loan Scheme (SME I & II) Bank of Industries (BOI) loan schemes.

Besides the empirical evidences emerging from various studies about the effects of MFIs on SSE's growth and the various schemes and programmes by government and private organisation, the problems of SSEs in Nigeria cannot said to be completely solved.

Therefore in order to investigate the impact, prospects and challenges of microfinance institutions (MFIs) on the growth of SSEs in Gombe, this study seek to answer the following questions:

1. What are the roles played by MFIs to improve the growth of SSEs in Gombe metropolis?
2. What are the challenges faced by MFIs in granting credit facilities to SSEs in Gombe metropolis?
3. What are the challenges faced by SSEs in accessing the credit facilities from MFIs in Gombe metropolis?

Literature Review

Theoretical and Conceptual Framework

The theoretical underpinning for research into the impact of microfinance facilities on the growth of small scale enterprises in developing countries is traceable to the Entrepreneurship Theory of Shane (2003). The theory consists of opportunity discovery, evaluation of the opportunity and the decision to exploit the opportunity. Other elements of the theory include self-employment, business operation and performance evaluation.

This research investigates the opportunity available to small scale enterprises, through microfinance institutions. Evaluation of the opportunity refers to the assessment of the challenges as faced by the small scale enterprises in order to discover and exploit the opportunity. Thus, entrepreneurship theory of Shane provides theoretical validity for the conduct of this study.

The Concept of Microfinance

Microfinance is defined 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 businesses. It is mostly used in developing economies where SSEs do not have access to other sources of financial assistance (Robinson, 2003). In addition to financial intermediation, some MFIs provide social intermediation services such as the formation of groups, development of self-confidence and the training of members in that group on financial literacy and management (Gaski and Stephene, 2007). There are different providers of microfinance (MF) services and some of them are; nongovernmental organisations (NGOs), savings and loans cooperatives, credit unions, government banks, commercial banks or non-bank financial institutions. The target group of MFIs are self-employed low income entrepreneurs who are; traders, seamstresses, street vendors, small farmers, hairdressers, rickshaw drivers, artisans blacksmith etc (Gaski and Stephene, 2007).

Microfinance Policy in Nigeria:

In 2000, a National Conference on Microfinance organized by the Federal Government of Nigeria and the World Bank recommended that the Central Bank of Nigeria should take up the responsibility of developing an appropriate policy, as well as regulatory and supervisory framework for the operation of MFIs. The workshop recognized that the development of appropriate Microfinance Policy (MFP) was critical to the development of sound microfinance practice, sustainable MFIs and by implication viable micro enterprises in Nigeria. In responding to this recommendation, the Central Bank conducted a baseline study of MFIs in 2001 CBN (2005). The objectives of the study were to:

1. Identify the role of MFIs in financial intermediation in Nigeria;
2. Determine the level of financial intermediation of MFIs with a view to developing a regulatory and supervisory framework to guide and enhance its operations in Nigeria; and
3. Recommend policies that would facilitate the linkage of informal, semi-formal and formal financial services providers to micro and small scale rural entrepreneurs.

Microfinance Products and Services for SSEs Growth

According to Idowu, (2010) MFIs can offer their clients who are mostly the men and women who could be below or slightly above the poverty line a variety of products and services. The most prominent of their services is financial, that they often render to their clients without tangible assets and these clients mostly live in the rural areas, a majority of whom may be illiterate. Formal financial institutions do not often provide these services to small informal businesses run by the poor as profitable investments. They usually ask for small loans and the financial institutions find it difficult to get information from them either because they are illiterates and cannot express themselves or because of the difficulties to meet the collateral needed. It is by this that the cost to lend a naira will be very high and also there is no tangible security for the loan.

The services provided to microfinance clients can be categorise into four broad different categories:

1. Financial intermediation or the provision of financial products and services such as savings, credit, insurance, credit cards, and payment systems should not require on-going subsidies.

2. Social intermediation is the process of building human and social capital needed by sustainable financial intermediation for the poor. Subsidies should be eliminated but social intermediation may require subsidies for a longer period than financial intermediation.

3. Enterprise development services or non-financial services that assist micro entrepreneurs include skills development, business training, marketing and technology services, and sub sector analysis. This may or may not require subsidies and this depends on the ability and willingness of the clients to pay for these services.

4. Social services or non-financial services that focus on advancing the welfare of micro entrepreneurs and this include education, health, nutrition, and literacy training. These social services are like to require on-going subsidies and are always provided by donor supporting NGOs or the state Idowu, (2010).

Understanding the concept of SSEs

SSEs have no universally accepted definition. But academics, practitioners, institutions and policy makers have classified enterprises according to their productive capacities, capital, employment etc (CBN 2005). Small and medium scale enterprises as defined by the CBN guidelines (2005) on SMEs, it is any enterprise with the maximum assets base of N500 million (excluding land and working capital). Akinyande (2004) viewed small and medium scale enterprises as enterprises with fixed assets plus cost of investment (excluding land) of up to N2 million i.e. for small enterprise; while medium scale not exceeding N10 millions. Adelaja 2007 provided more clear-cut definition that explained small and medium scale enterprises. According to him, a small scale is one in which the total cost including working capital but excluding cost of land is between N1 million and N40 millions and N100 millions and employing between 36 and 100 person.

A lot has been said and written about SMEs and MFIs the world over. It has also formed the subject of discussions in so many seminars and workshops both locally and internationally. In the same token, governments at various levels (local, state and Federal levels) have in one way or the other focused on the Small and Medium Enterprises. While some governments had formulated policies aimed at facilitating and empowering the growth and development and performance of the SSEs, others had focused on assisting the SSEs to grow through soft loans and other fiscal incentives.

The interest in microfinance and SSEs attracted a number of scholars that looked in to that area and made significant contributions. Most notably was a study conducted by Oke, et al (2007) to provide empirical analysis of micro credit repayment in south western Nigeria. Multi-stage stratified random sampling procedure was used to collect data from 200 members of MFIs in the study area. Linear multiple regression was used to determine the variable that affected micro credit repayment. Poverty was found to hamper repayment. Never less, the study support findings that members of microfinance groups are credit worthy. The study also concluded that belonging to microfinance institutions will improve the status of members.

Also, a study was carried out by Anyawu (2004) to examine the outreach performance of MFIs in Nigeria. Based on the survey of 10 MFIs and all of them respond positively. The focus of the study was to gather and analyse the data that would provide a basis for developing appropriate policy, regulatory and supervisory framework for the operations of MFIs in Nigeria. The data were analysed with the help of statistical package SPSS. The major findings indicate that the operations of MFIs have grown in the last 10 years.

Yahaya et al (2011) conducted a study to examine the effectiveness of microfinance banks in alleviating poverty in Kwara State Nigeria. The data were obtained through secondary sources and analysed the data with the help of T-test and ANOVA. The study discovered that MFB has significant role to play in an economy especially in alleviating poverty.

A study conducted by Gumel (2011) examine the outreach performance and sustainability of MFIs in Nigeria. The designed and technique employed in data collection were survey method and data collection through the use of self-developed Likert Scale questionnaire. The result of the study indicated no significant difference was found among genders, geographical location and occupation in terms of outreach performance and sustainability of MFIs in Nigeria.

Also notably, Hassan (2011) conducted a study to determine the contribution of assistant institutions to the development of SMEs in Nigeria. The researcher used survey research through Likert Scale method of obtaining primary data. The data were analysed with the help of statistical package SPSS. Results indicated that assistant institutions contributed immensely to the promotion of SMEs in Nigeria.

In a different study by Patricia (2007) a research project to evaluate alternatives funding arrangement available for SMEs Nigeria. The study use survey research method of obtaining data and the data obtained were analysed using Chi-square. Findings revealed that cooperative societies and MFIs played a major role in financing the activities of SMEs.

Research Methodology

Research Design

The research adopts use of a survey design. Survey design is a research technique in which information is gathered from a sample of people using a questionnaire. This method is usually adopted when the researcher does not intend to control any of the samples used for the study (Asika, 2006). Data were collected from a sample of enterprises who are clients of MFIs and the sample of MFIs to determine the relationship between SSE's growth the dependent variables (increased in capital, profits, sales, productions, etc.) and the roles of MFIs the independent variables (credit facilities and other business development services).

Population of the Study

The population of his study shall be the entire microfinance institutions that are dealing with SSEs and operating within Gombe metropolis on one hand and the entire SSEs who are clients of the MFIs on the other hand.

Sample size and sampling Techniques:

The study employed sampling technique in selecting samples to be studied. Stratified sampling technique was used to draw samples from the two classes of population, which are the MFIs and their client (SSEs). The participating MFIs were selected purposively. They include Gombe Microfinance bank and Hududullah Micro Credit Co. Ltd. The choice of these institutions happened out of the need to consider size of the MFIs that are operating within Gombe metropolis and for effective coverage and lower cost. The purposive choice of these MFIs stems

from the fact that they have the highest number of clients than their counter parts and they are the most renowned MFIs in Gombe metropolis. For the SSEs, after setting One Hundred Thousand Naira (N100, 000) as the minimum credit loan for the participating SSEs in the study (this is to consider SSEs that are in reasonable business activities). Applying simple random sampling technique by taking 50% of the clients without approximation (because it was impossible for the researcher to take the whole population of the study), from each microfinance institution, a sample of 138 and 91 SSEs to be administered with questionnaire was obtained from Gombe Microfinance Bank and Hududullah Micro Credit Company respectively.

Data Collection

Data can be either primary or secondary. Primary data are first hand data sourced through questionnaire. While secondary data are data sourced through publications journals, textbooks, etc. thus primary data was used in this study. The primary data used consists of a number of items in well-structured non-disguised questionnaire that were administered to and completed by the respondents.

Data Analysis

The data generated for this research work were analysed using Descriptive Statistics to ascertain the level of agreement or disagreement with the statement in the questions. This method was adopted from the studies conducted by Anand, et al (2005) and Al-Matarneh (2011), where the following criterion for analysing, percentages mean, median, mode, and standard deviations was used:

Percentage (%) = f/N×100

1. Mean value = 3.50 is benchmarked as minimum
2. Minimum acceptable values for median and mode stand at 3.50

In addition, Chi-Square Goodness-of-fit Test was used to test hypotheses one, two, and three in answering research questions raised in chapter one. The Chi-Square Goodness-of-fit Test was utilized because the study variables were not amenable to quantifiable measurements. Thus, this justifies the use of the Chi-Square Test for analysis.

The Chi-Square can be expressed as:

$$X^2 = \frac{\Sigma\left(f_o - f_e\right)^2}{n}$$

$$i = 1 \quad f_e$$

Where:

$\sum$ = Summation or addition

n = Number of cells in the contingency table

F_o = Observed frequency or value

F_e = Expected frequency or value which is calculated thus:

F_e =Row total x Column total

Grand total

X^2 = Chi-Square

The decision rule in this study is to reject the null hypotheseswhere calculated P-Values of computed Chi-Square is less than the 5% level of significance and accept the null hypothesis where calculated P-Values of the computed Chi-Square is greater than the 5% level of significance. The degree of freedom (df) is given by (r-1) (c-1).

Research Results

The roles played by MFIs to improve the growth of SSEs. This sub-section presents the analyses and interpretation of the responses obtained from the staff of MFIs on the roles they are playing to improve on the growth of their clients the SSEs owners. In testing these roles, seven items (questions) were developed and are labelled roles1 – 7. Descriptive statistics as well as chi-square test were carried out. Data related to these variables as presented in table 1 were used to answer the first question raised for the study.

Table 1: labels of items on the roles of MFIs played to improve the growth of SSEs (Staff Responses)

S/N	Questionnaire Items	Label
1	The organisation has been helping its clients with positive advices.	Roles1
2	The organisation used to organise training and workshops for its clients before giving credit facilities.	Roles2
3	The organisation has been helping business entrepreneurs to form groups	Roles3
4	The facilities has improve the working capital of the clients	Roles4
5	The facilities has been very helpful in increasing the sales level of the clients	Roles5
6	The facilities has been very helpful in increasing the profit level of the clients	Roles6
7	There is general improvement in the production/business activities of the organisation's clients	Roles7

Table 2 presents the seven items under the construct to assess the responses of MFIs staff on the roles they are playing to improve the growth of SSEs. Equally the items are label appropriately from roles 1 – 7 for convenience and are used with those labels throughout.

Table 2: Descriptive Statistics on the roles of MFIs to improve the growth of SSEs (views of the MFIs Staff)

	Roles1	Roles2	Roles3	Roles4	Roles5	Roles6	Roles7
Valid	51	51	51	51	51	51	51
Missing	0	0	0	0	0	0	0
Mean	4.4314	4.3137	4.4706	4.4314	4.4314	4.5294	4.5098
Median	5.0000	4.0000	5.0000	4.0000	4.0000	5.0000	5.0000
Mode	5.00	5.00	5.00	4.00	4.00	5.00	5.00

Source: Generated by the Researcher using SPSS 19.0 from Questionnaire Response, 2014.

From the Table above, the Mode and the Mean are all above 4. This implies the skewness of the responses towards total agreement with the statement in the questionnaire. In other words most of the responses are above the undecided level. As a whole, majority of the responses by the staff of MFIs agree that MFIs played significant roles in improving the growth of SSEs. In addition, it could be deduced from the table that mean scores of all the seven items stand above the cut-off value mean of 3.5000 and this indicate a high roles played by MFIs to improve the growth of SSEs.

Table 3: Chi-square Test Results on the Roles Played by MFIs to Improve the Growth of SSEs

	Roles 1	Roles 2	Roles 3	Roles 4	Roles 5	Roles 6	Roles7
Chi-quare	37.235	33.627	23.059	22.706	22.706	23.647	23.059
df	3	3	2	2	2	2	2
P values	.000	.000	.000	.000	.000	.000	.000

Source: Generated by the Researcher using SPSS 19.0 from Questionnaire Response, 2012.

It could be inferred from the table that the P-Values of all computed Chi-square values are far lower than the convenient level of significance of 0.05. Applying the decision rule therefore, these results provide an empirical answer for the first question of the study, that microfinance facilities played vital roles to improve the growth of Small Scale Enterprises. Furthermore, it is a further validation of the descriptive statistics in table 3. This finding is in line with the findings of Patricia, (2007), who found that Cooperative Societies and MFIs played a major roles in financing the activities of SMEs.

Challenges faced by MFIs in Granting Credit Facilities to SSEs

This sub-section presents analyses and interpretations of the responses obtained from the staff of MFIs on the challenges they are facing in granting credit facilities to SSEs. The tools employed for the analysis is descriptive statistics. Data relating to these variables are as presented in table 4 below:

Table 4: labels of Items on the Challenges Faced by MFIs in Granting Credit Facilities to SSEs

S/N	Questionnaire Items	Label
1	Most of the clients have low educational background.	Challenges1
2	In general, it is mostly very difficult dealing with the client.	Challenges2
3	The MFI faced with competition from other microfinance institutions.	Challenges3
4	Most of the clients have a problem in meeting the minimum credit requirement.	Challenges4
5	The clients are mostly not happy when their activities are been monitored.	Challenges5
6	The organisation faced a lot of cases where, clients failed to pay back loan facilities as agreed.	Challenges6
7	The MFI faced many cases where clients divert funds intended for their business to different purpose.	Challenges7

Source: compiled by the Author from Questionnaire Response, 2014

Table 5: Results of Descriptive Statistics on the Challenges Faced by MFIs in Granting Credit Facilities to SSEs

	Challenge1	Challenge2	Challenge3	Challenge4	Challenge5	Challenge6	Challenge7
Valid	51	51	51	51	51	51	51
Missing	0	0	0	0	0	0	0
Mean	4.4902	4.2745	3.1176	2.9020	4.2941	4.2157	4.3922
Median	5.0000	4.0000	3.0000	3.0000	4.0000	4.0000	5.0000
Mode	5.00	4.00	4.00	3.00	4.00	4.00	5.00

Source: Generated by the Researcher using SPSS 19.0 from Questionnaire Response, 2014.

From the table above, it can be seen that the median responses are high with the exception of challenges 3 and 4. This implies that the organisation does not face the challenges of competition and problems of clients meeting the minimum credit requirements. Furthermore, it could be deduced that the respondents placed major weight on challenges1 (4.4902) and challenges7

(4.3922). This implies that they faced with high challenges of low educational background of the clients and more cases of fund diversions.

Table 6: Chi-square Results on the Challenges Faced by MFIs in Granting Credit Facilities to SSEs

	Chalngs1	Chalngs2	Chllngs3	Chalng4	Chalges5	Chalges6	Chalgs7
Chi-Square	43.667	30.804	8.529	13.608	13.765	56.941	37.392
df	3	3	3	4	2	4	3
P values	.000	.000	.036	.009	.001	.000	.000

Source: Generated by the Researcher using SPSS 19.0 from Questionnaire Response, 2012.

The table above indicates the computed Chi-square values with the corresponding degree of freedom and with P-Values. It could be deduced from the table that the P-Values of all the computed Chi-square values are lower than the convenient level of significance of 0.05. Even though, the P-Values of challenges3 (competition) and challenges4 (credit requirement) are 0.03 and 0.009, it is still below the significance level of 0.05, Thus, there is empirical evidence that answered the question 2. This means that MFIs faced with challenges in granting credit facilities to SSEs.

Challenges Faced by SSEs in collecting credit facilities from MFIs

This sub-section present analyses and interpretations of the responses obtained from SSEs owners who are clients of MFIs on the challenges they are facing in collecting credit facilities from MFIs. The tools employed for the analysis are descriptive statistics. Data relating to these variables are as presented in table 6 below:

Table 7: labels of Items on the Challenges Faced by SSEs in Collecting Credit Facilities from MFIs

S/N	Questionnaire Items	Label
1	It takes a lot of unnecessary procedures before obtaining loan.	Challenges of 1
2	It takes longer than necessary after meeting the procedures, before obtaining the loan	Challenges of 2
3	I have a problem of proximity of Microfinance office with my business location.	Challenges of 3

4	The amount of loan given is too small and the maturity period is also very short.	Challenges of 4
5	The interest rate charged by Microfinance Institution is higher than it should be.	Challenges of 5
6	The Microfinance Institution is not lenient in the event of not been able to pay back loan as agreed due to unforeseen circumstances.	Challenges of 6

Source: Compiled by the Author from Questionnaire Response, 2014.

Table 7: Results of Descriptive Statistics on the Challenges Faced by SSEs in accessing Credit Facilities from MFIs

	Challenges of SSE1	Challenges of SSEs2	Challenges of SSEs3	Challenges of SSEs4	Challenges of SSEs5	Challenges of SSEs6
Valid	192	192	192	192	192	192
Missing	0	0	0	0	0	0
Mean	4.1823	4.0625	4.2240	4.0990	4.1667	3.8333
Median	4.0000	4.0000	4.0000	4.0000	4.0000	4.0000
Mode	5.00	4.00	5.00	5.000	5.00	4.00

Source: Generated by the Researcher using SPSS 19.0 from Questionnaire Response, 2014.

The table above shows the median and the modal scores of all the items as 4 and five respectively with the exception of items 2 and 6 (challenges of 2 and challenges of 6) which both have modal of 4. This means that the greater percentage of respondents stand above the undecided level that they are facing challenges or difficulties in collecting credit facilities from MFIs.

Table 8: Chi-square Test Results on the Challenges Faced by SSEs in collecting credit facilities from MFIs

	Challenges of SSEs1	Challenges of SSEs2	Challenges of SSEs3	Challenges of SSEs4	Challenges of SSEs5	Challenges of SSEs6
Chi-Square	169.354	157.531	181.802	140.552	156.958	85.396
df	4	4	4	4	4	4
P values	.000	.000	.000	.000	.000	.000

Source: Generated by the Researcher using SPSS 19.0 from Questionnaire Response, 2012.

It can be seen from the table that the P-Values of all the computed Chi-square values are lower than the convenient level of significance of 0.05. Applying the decision rule therefore, these results provided an empirical evidence for the positive answer to the third question of the study. Furthermore, it is a further validation of the descriptive statistics in table 6.1.

The above test implies that SSEs face with a lot of challenges in collecting credit facilities from MFIs.

Discussion of Results

The findings in the overall analysis above are not strange. Many studies in the literature support these findings. Some researchers have found strong relationship between MFIs and SSEs. For example, our findings in the analysis of the first objective of the study which revealed significant roles been played by MFIs to improve on the growth of SSEs concurs with the findings of Anyawu (2004), who examined the outreach performance of MFIs in Nigeria using the survey of 10 MFIs. The study discovered positive improvement on the clients of the selected MFIs. Likewise, the findings of Patricia (2007), and Gumel (2011), concurs with our findings on significant roles been played by MFIs to improve on the growth of SSEs. Also, the second and third objectives revealed significant challenges faced by both MFIs and SSEs by disbursing credit facilities and accessing credit facilities respectively. This concurs with the findings of Isaac and Abimbola (2005), in which they analysed sample of 879 SMEs in rural areas of Ile-Ife Nigeria using Chi-square and discovered that there are great challenges faced by financiers of SMEs as well as difficulties faced by the SMEs in accessing credits facilities.

Summary

Based on the presentations, analysis and discussion of results generated from the sampled population of the study, the summary of the major findings are outline below:

1. The MFIs played major roles to improve on the growth of SSEs in Gombe metropolis.
2. The MFIs are not facing the greater challenges of competition and are not facing many challenges of clients not been able to meet the minimum credit requirement.
3. The study revealed that the size of the loan given by MFIs to their client was small.
4. The study revealed that MFIs faced with the cases of defaults.
5. The study revealed that the interest rate charged by MFIs to their clients is relatively high.
6. Also, the study revealed that the period of repayment was not favourable to the beneficiaries.

Conclusions

In conclusion, based on the reviewed of several literatures and data analyses conducted, the study shows that the microfinance institutions are tools for entrepreneurship growth and development due to the various services they offer and the role they performs towards the development of the economy. It is expected that with the current reforms put in place by the Federal Government through its regulatory authorities, microfinance institutions in Nigeria will be able to compete favourably in the global market and gainfully increase entrepreneurship development in Nigeria.

Not overlooking the various challenges that affects microfinance operations, in Nigeria we still need more of such MFIs as the one we have do not faced the challenges of competition. The study observed that the MFIs are faced with challenges of low educational background of the clients, the clients are not happy when their activities are been monitored, cases of credit defaults and fund diversion, but it is expected that MFIs will follow the recommendations as given in the study in order to curtail such challenges.

Recommendations

1. In order to overcome the challenges faced by SSEs
   a. The interest rate charged by MFIs should be moderate so that beneficiaries would not use the loan to service the interest and the principal.
   b. The loan should be given at an appropriate time so that it can be used for the intended purpose.
   c. The MFIs should expand their activities through establishment of more branches.
   d. The procedures of obtaining loan should also be further simplified as well as the increase in the amount of loan given to the clients.
   e. The repayment periods should be spread over a long period of time.
   f. The MFIs need to be lenient in the event of defaults due to circumstances beyond the clients' controls.
2. To overcome the problems of challenges faced by MFIs, there is a need to place more emphases on non-financial services provided by MFIs. The non-financial services such as technology related training, entrepreneurial training, pre-loan training and group membership. These will prepare the clients for the good management of the loan and proper management of their business activities.
3. The government should urgently tackle the problem of infrastructure development and maintenance. These include electricity, water and efficient transportation system which impact greatly on the SSEs operations.
4. CBN should undertake periodic review of the activities of MFIs in line with the microfinance policy, objectives and target so that modifications and corrective action could be taken where necessary.

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