

Relevance of Microfinance Banks in Financing of Small and Medium Entrepreneurs in Nigeria

SANI IBRAHIM

Ahmadu Bello University, Zaria, Nigeria

Abstract. This study investigated the relevance of microfinance banks in the financing of small and medium entrepreneurs in Sabon Gari Local Government Area of Kaduna State, Nigeria. Survey research design was used in conducting the study. The study had two null hypotheses. Questionnaire was used to obtain data from twenty four small and medium entrepreneurs. Pearson Product Moment Correlation statistic was used to test the null hypotheses at 0.05 level of significance. The findings revealed that microfinance banks had no significant relevance in the financing of both small and medium entrepreneurs in Sabon Gari Local Government Area of Kaduna State, Nigeria. The study concluded that microfinance banks had not impacted on the finances of small and medium entrepreneurs in Sabon Gari Local Government Area of Kaduna State, Nigeria. Based on the findings, two recommendations were made; microfinance banks should be more involved in the financing of small entrepreneurs in Sabon Gari Local Government Area of Kaduna State; microfinance banks should be more involved in the financing of medium entrepreneurs in Sabon Gari Local Government Area of Kaduna State, Nigeria.

Keywords: Microfinance Banks, Entrepreneurs, Financing

1. Introduction

One of the objectives of establishing microfinance banks in Nigeria is to help finance small and medium scale entrepreneurs, especially those who cannot meet the very stringent conditions set by conventional commercial banks for granting of facilities. Other objectives of establishing microfinance banks include offering routing banking services, such as opening and operating various accounts, for customers. Microfinance banks have been in existence in Nigeria since the early 1990s.

Small and medium entrepreneurs are the main stay of the economies of most developing countries. Their main characteristics are the small size of their businesses and labour-intensive nature. Small and medium entrepreneurs are also responsible for driving innovation and competition in many economic sectors. Because of the importance that the Nigerian government attached to the development of Small and Medium Enterprises (SMEs), it established an agency called the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) to oversee their development.

Entrepreneurship has to do with the ability to recognize opportunities, organise the resources (human and financial) needed and explore opportunities in anticipation of a future reward. According to Kurya (2002), the entrepreneur is someone who recognises an opportunity when

he sees it, seizes it, and looks for the necessary ingredients (land, labour, capital) to actualise the opportunity.

The term entrepreneurship education refers to a specialized educational programme that impacts in learners entrepreneurship skills and develop in them the passion to start-up a new business and carry it out successfully (James, 2002). It therefore follows that entrepreneurship education is designed to inculcate competencies, skills and values needed to identify business opportunities, organize and start new business enterprises. Entrepreneurship has become topical in most countries.

The increasing level of awareness and intense pressure of unemployment has made countries all over the globe to increase their investment in entrepreneurship programmes. Entrepreneurs typically manage staff, customers, physical resources, and financial resources, among others. Managing staff, customers, physical resources, and financial resources optimally requires peak performance on the job. A good performance on the job should translate into achievement of organisational goals. Sani (2011) argued that a key variable in business success is finance.

As earlier stated, microfinance banks have been in existence in Nigeria since the early 1990s. There is need to investigate whether they are having the desired influence on the growth and development of small and medium entrepreneurs in Nigeria. Researchers, such as Kashim (2007), concluded that microfinance bank policy guidelines needed to be more flexible to accommodate entrepreneurs for effective services by the microfinance banks.

The major objective of this study was to find out the relevance of microfinance banks in the financing of small and medium entrepreneurs in Nigeria. The study had two specific objectives. The first was to determine the relevance of microfinance banks in the financing of small entrepreneurs in Nigeria, and the second was to investigate the relevance of microfinance banks in the financing of medium entrepreneurs in Nigeria. The study tested two hypotheses – microfinance banks have no significant

relevance in the financing of small entrepreneurs in Nigeria; microfinance banks have no significant relevance in the financing of medium entrepreneurs in Nigeria. The study was delimited to twenty four small and medium entrepreneurs in Sabon Gari Local Government Area of Kaduna State, Nigeria

2. Methodology

Survey research design was used for this study. The population was twenty four, made up of thirteen small and eleven medium entrepreneurs in Sabon Gari Local Government Area of Kaduna State. Due to the small size of the population, the whole of it was used as sample.

The instrument used for data collection was a 20-item questionnaire. Hypothesis one was tested using information sought through items 1 to 10. Hypothesis two was tested using information sought through items 11 – 20. The ratings of the scale were Strongly Agree – 4 points, Agree – 3 points, Disagree – 2 points, Strongly Disagree – 1. Four research experts in the Faculty of Education, Ahmadu Bello University Zaria, Nigeria, validated the instrument. The observations and corrections of the experts were incorporated into the final copy of the instrument. The instrument was pilot-tested using five small and five medium entrepreneurs in Kano metropolis, Nigeria. The data collected from the pilot study were analysed using Spearman Brown Coefficient statistic. A Coefficiene of 0.80 was obtained. The researcher and one research assistant administered the instrument. The exercise lasted six weeks.

3. Analyses and Results

Pearson Product Moment Correlation statistic was used to test the hypotheses at 0.05 level of significance.

Null Hypothesis One: Microfinance banks have no significant relevance in the financing of small entrepreneurs in Sabon Gari Local Government Area of Kaduna State, Nigeria.

Data sought using items 1 to 10 on the questionnaire were used to test hypothesis one.

The result is presented in Table 1.

Table 1: Test of Relevance of Microfinance Banks in the Financing of Small Entrepreneurs in Sabon Gari Local Government Area of Kaduna State, Nigeria

Variables	X	r-cal	P- value
Contribution of Microfinance Banks to finances of small entrepreneurs	23	1.87	0.065
Finances of small Entrepreneurs	54		

Source: Field work, 2016

Table 1 showed r-calculated value of 1.87, which is not significant at 0.05 level. The null hypothesis was thus retained, meaning that microfinance banks have no significant relevance in the financing of small entrepreneurs in Sabon Gari Local Government Area of Kaduna State, Nigeria.

Null Hypothesis Two: Microfinance banks have no significant relevance in the financing of medium entrepreneurs in Sabon Gari Local Government Area of Kaduna State, Nigeria.

Data sought using items 11 to 20 on the questionnaire were used to test hypothesis two. The result is presented in Table 2.

Table 2: Test of Relevance of Microfinance Banks in the Financing of Medium Entrepreneurs in Sabon Gari Local Government Area of Kaduna State, Nigeria

Variables	X	r-cal	P- value
Contribution of Microfinance Banks to finances of small entrepreneurs	27	1.68	0.076
Finances of small Entrepreneurs	73		

Source: Field work, 2016

From Table 2, r-calculated value is 1.68, which is not significant at 0.05 level. The null hypothesis was thus retained, meaning that microfinance banks have no significant relevance in the financing of small entrepreneurs in Sabon Gari Local Government Area of Kaduna State, Nigeria.

Based on the findings, the following recommendations are made:

Microfinance banks should be more involved in the financing of small entrepreneurs in Sabon Gari Local Government Area of Kaduna State, Nigeria.

Microfinance banks should be more involved in the financing of medium entrepreneurs in Sabon Gari Local Government Area of Kaduna State, Nigeria.

4. Conclusion

The conclusion drawn from the findings of the study was that microfinance banks had not impacted on the finances of small and medium entrepreneurs in Sabon Gari Local Government Area of Kaduna State, Nigeria.

5. Recommendations

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