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IMPACT OF MICROFINANCE BANK ON GROWTH OF SMALL AND MEDIUM SCALE ENTERPRISES.

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Abstract: *The broad objective of this study was to examine the impact of Microfinance Banks on Growth of Small and medium Scale in Nigeria. The study adopted the survey research design and data was gotten from owners and staff of SMEs operating in Edo state via structured questionnaire. A total of three hundred and twenty three (323) copies of the questionnaire was used to perform the analysis. The Chi-square statistical analysis was used to test the hypotheses of the study. The findings of the study revealed that microcredits granted by Microfinance banks has positive and significant impact on growth of SMEs in Nigeria. Secondly, the study found that Microfinance Payment Services has positive and significant effect on on growth of SMEs in Nigeria. Thirdly, the result of the study revealed that Savings mobilization role Microfinance Banks has positive and significant impact on growth of SMEs in Nigeria. The study recommended that Government should create an enabling environment for Microfinance Banks to perform its primary role of savings mobilization, payment services and granting of microcredits to Small and medium Scale Enterprises in Nigeria.*
Keywords: Microfinance Bank, Microcredit, Payment Services, Savings Mobilization, Small and Medium Scale Enterprises.

INTRODUCTION

In Nigeria credit has been recognized as an essential tool for promoting the growth of small and medium scale enterprises (Ajagba and Bolaji 2013). The introduction of microfinance bank in Nigeria is as a result of the inability of Nigerian deposit money bank (DMN) to provide sufficient financial service to the rural and urban poor people (central bank for Nigeria 2005). Microfinance banks' lending has proven to be a potent tool for poverty reduction by helping the poor to becoming entrepreneurs. As entrepreneurs increasing their income, smooth consumption, build assets and minimizing their vulnerabilities in time of contingencies and economic shock (Dauda 2007). Despite the abundant natural resources, the country still finds it very difficult to discover her developmental bearing since independence (CBN 2001). Most of the poor unemployed Nigerians in a bid to improve their standard of living have resorted to the establishment of their own businesses and making entrepreneurship fast becoming a household name in Nigeria (Ogunleye and Akanbi 2014).

The impact of microfinance bank on small and medium scale enterprises (SMES) have raised the bar of entrepreneurship in most sectors of the Nigeria economy (central bank of Nigeria,2005). Nigeria has the largest population in sub-Sahara Africa with estimated population of about over 200 million out of total of 1.5 million in African (Oluwuyii et al 2010). Based on data provided by the Nigerian bureau of statistics (NBS) the unemployment rate in Nigeria has increased from 7.4% in first quarter to 8.2% in second quarter and 9.90% in third quarter of 2015, while 6.4% in the last quarter of 2014 and a decline of 24.7% in 2013, compared to 27.4% in 2012, 23.9% in 2011, 21.4% in 2010 and a decline of 24.8% in 2003, decline of 12.6% in 2002, 13.6% increase in 2001 and 13.1% in 2000 respectively.

In order to boost employment in Nigeria, the government has focused on the area of delivery to the poor and small and medium enterprise (SMEs (Khandker 2013). Efforts in this respect include developing policies and creating institutions for mobilizing and deploying capital funds to SMES to encourage employment and productivity (Akinboyo 2007)

The population explosion in Nigeria and the inability of government and the conventional financial institution (bank) to handle the ever increased demand for finance of businesses, gave birth to the micro-finance banking system. These micro finance bank policies are such that they are geared towards eliminating poverty by committing to the empowerment of low income Nigerians through creation of access to responsive financial services on a suitable basis. This is transmitted to applicants in a cost effective and inventive way. The establishment micro finance banks, was created in the year 1987 to assist citizens of the country (Nigeria) break out of the problem of poverty (Okpara 2010). However, the extension for the creation of the institution is not being actualized due to some economic indices (inflation, eco-recession and depression) and the operation of the organization.

Generally micro finance banks require certain percentage of loan granted to be repaid monthly by borrowers in course of servicing their borrowings, e.g LAPO will require 5% of loan disbursed to be returned monthly. In this situation, except there is so much profit made within the staggered period their deposit liabilities is expected to shrink with in the period, in the presence of inflation, this procedure portends trouble for the entrepreneurs. As a result most microfinance institutions will not be able to extent credit facilities to small and medium entrepreneurs which can affect their operation adversely. Also, there are several cases of unserviced loans, while others totally default in their repayment. Overall consequence is that, all this hinder the activities of the microfinance banks. While the above are problems exists, another issue is that the process of accessing loan is tedious and require guarantors to access the loan as by way of policy they may not demand collateral. Experiences of the past (loan collectors absconding after accessing loans) has made guarantors be in short supplies these days. Inability to access loan and use them when required have serious effect on the SMEs and the economy in general.

All these has led to question being raised on whether Micro Finance banks has been supporting SMEs in their quest to grow. This study is carried out to find out if the objective of setting up microfinance bank is still being achieved.

Objective of the Study

The objective of this study is to evaluate how micro finance bank can strengthen micro enterprise and encourage best practice among operators of small and medium scale Enterprises (SMEs).

The specific objectives are;

- To investigate how micro credit extended to SMEs has impacted on SMEs growth.
- To examine how micro finance banks assist SMEs in payment services.
- To find out how micro finance banks assist SMEs in saving their surplus funds.

LITERATUURE REVIEW

Conceptual of Microfinance

Microfinance is majorly envisioned to provide financial services for poor and low income enterprises offered by different types of service provided. Microfinance Institutions (MFIs) commonly tend to use methods developed over the last 30 years to deliver very small loans to unsalaried borrowers, taking little or no collateral. These methods include group lending and liability, pre-loan savings requirements, gradually increasing loan sizes, and an implicit guarantee of ready access to future loans if present loans are repaid fully and promptly.

From a global perspective, microfinance organizations envision a world in which low income households have permanent access to a range of high quality and affordable financial services offered by a range of retail providers to finance income producing activities, build assets , stabilize consumption, and protects against risks.

Microfinance is the provision of financial services adapted to the needs of low income people especially the provision of small loans, acceptance of small savings deposits, and simple payments services needed by micro and small entrepreneurs and other poor people (USAID, 2000). Oluwuyi, *et. al.* (2010) noted that microfinance is about providing financial services to the active poor who are traditionally not served by the conventional financial institutions. The concept of microfinance was perceived as the provision of financial and non-financial services by MFBs/MFIs to low income groups without tangible collateral but whose activities are linked to income-generating ventures (Ogunrinola 2007). Furthermore, Ogunrinola (2007) viewed microfinance as an economic development approach intended to benefit low income women and men. It means that the purpose of microfinance is to reach the low income entrepreneurs with financial services that will enable them creates wealth without any discrepancy as to sex of such person (Oguleye and Akanbi, 2014). Uche (2008) cited in Babajide (2011) describes microfinance as banking the "unbankables", bringing credit, savings and other essential financial services within the reach of people who are poor to be served by regular banks, due to lack of sufficient collateral. Therefore, microfinance is the practice of offering small and short term loans to entrepreneurs who otherwise would not have access to capital to begin small business or other income generating activities. Microfinance idea became popular in the development discourse of the early 1980s . In general, microfinance has five features that distinguish it from credit supplied by the conventional financial institutions. First, the loan size is small; however, this general feature differs from one country to another and depends upon the differences in the levels of the country's socio-economic development. Secondly, the primary customers of these loans are the people who have little access to conventional banking facilities. Thirdly, the purpose of these loans is to create income-generating activities. Fourthly, tangible collateral is not necessarily required for taking this kind of loan.

Finally, this is another aspect of micro credit program that distinguishes itself from conventional banking. But the microfinance ventures have integrated loaning and savings mobilization functions, in order words, regular savings are a pre-condition for granting loans (Eke and Idogun 2022).

Microfinance, with regard to this study, is the practice of offering financial and non-financial services, to entrepreneurs who hitherto cannot access the conventional financial institutions, at a fee that is affordable and economic to the users of such services. This will enable them to start or build up their own enterprises. The Microfinance Policy defined the framework for the delivery of these financial services on sustainable basis to the Micro, Small and Medium Enterprises (MSMEs) through Microfinance Banks (CBN, 2005).

Microfinance Bank, according to the Central Bank of Nigeria (CBN, 2009 & 2012), is a company licensed to carry out the business of providing microfinance services such as savings,
Loans, insurance, money transfer and other financial services that are needed by the economically poor, micro, small and medium enterprises.

The Concept of Small and Medium Scale Enterprises

The concept and definition of small and medium scale enterprise is dynamic in nature and varies with time and also varies among institutions and countries. However, the basic definitional parameters are not the same. They include numbers of employees, Assets and turnover.

Siebel (2011) stated that, it is evidence around the world that small and medium scale enterprise provide an effective means of stimulating indigenous entrepreneurship, enhancing greater employment opportunities per unit capital invested and aiding the developing of local technology. Small scale enterprise: An enterprises with a labour size of 11-100 workers or a total capital of not more than 50 million including working capital but excluding cost of land while medium scale enterprises is an industry with a labour size of between 101-300 workers or a total cost of over 50 million, but not more than 200 million including working capital but excluding cost of land (Berger, 2012).

SMEs and NERFUND (2004) define SMEs as an enterprise with an asset base not exceeding N200,000,000.00 excluding land and working capital with staff strength of not less than 10 and not

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more than 300. A cursory glance a the structure of SMEs in Nigeria reveals that 50% are engage in distributive trade, 10% in manufacturing, 30% in agriculture and the rest 10% in services. A special feature of Nigeria SMEs is that distributive trade component is generally considered more commercially viable than the manufacturing component hence they attract more funding from bank and other financial institutions (Ibru, 2004). In summary SMEs can therefore be said to be conducted in the following terms:

i. As a proprietorship: Single ownership.
ii. As a partnership: Where (2-20) two to twenty people polled their resources together
iii. As a legally, incorporated Entity: having the characteristics of a legal person and this could be a private limited sole company.

However, in Nigeria more than 83% of the SMEs operate under the first two businesses type, while the third one operate mainly as family business (Ibru, 2004).

According to Babajide (2012) SMEs and entrepreneurship are now recognized worldwide as key source of economic growth and development. Okpara (2010) opined that small and medium scale enterprises play a very important role in developing economies. This view was also supported by Ajagba and Bolaji (2013) when they upheld that the promotion of micro enterprises in developing countries is justified in their abilities to faster economic growth, alleviate poverty and generate employment. According to the Nigeria's national Council on Industry; an SME is define in terms of employment i.e. as one with between 10 and 300 employees.

The benefits of SMEs cannot be overemphasized as they include; contributions to the economy in terms of output of goods and services, and creation of jobs at relatively low capital cost.. It is a medium for the reduction of income disparities thus developing a pool of skilled or semi-skilled workers as a basis for the future industrial expansion; improve forward and backward linkages between economically, Socially and geographically diverse sectors of the economy provide opportunities for developing and adapting appropriate technological approaches and also offer an excellent breeding ground for entrepreneurial and managerial talent.

2.2 Theoretical Underpinning

This study in anchored on financial growth theory. The theory was developed by Berger and Udell (1998). According to them, as a business matures over the years, its financial obligations and financing options metamorphose having more information available to the public.

According to them, firms that are smaller, younger and possess more ambiguous information must depend on initial internal funding, trade credit, or a type of financing called angel finance. (Angel finance is one that occurs when an individual or organization provides a limited amount of financial backing for a startup business with more favourable repayment plan). As the firm grows, it qualifies for acquiring both venture capital and midterm loans as sources of both intermediate equity and intermediate debt respectively. Further aging of the firm makes it to become bigger and less information ally murky. This thus qualifies the firm to have access to both public equity and long term loans as sources of both long term equity and long term debt respectively.

The capital structure of SMEs is thus very different from that of bigger firms because SMEs rely more on informal financial market which limits the type of financing they are able to secure. The SMEs initial use of internal financing leads to a peculiar state of affairs whereby capital structure decisions are heavily dependent on the limited financing options. Therefore, SMEs possess varying capital structures and are financed by various sources at different stages of their development (Berger and Udell, 1998).

Empirical Review

Eke and Idogun (2022) examined the Impact of Microcredit availability on the growth of Small and Medium Scale enterprise in Nigeria. The study adopted survey research design and a sample of 325 questionnaire was distributed. Data collected was analyzed using both inferential and descriptive statistics. The findings confirmed a significant contribution of microcredit to SMEs in the area of asset acquisition, raw material acquisition and provision of working capital. The study recommended that Central bank of Nigeria should create enabling environment for Microfinance banks to perform its primary role of providing microcredit to SMEs in Nigeria.

Ajagba and Bolaji (2013), access the impact of Microfinance bank loans on the socioeconomic standard of living of commercial motorcycle riders in Ilorin-west Local Government Area of Kwara State, Nigeria. From the results obtained, the study concludes that there is a significant relationship between the microfinance bank loans and economic growth by improving the standard of living of commercial motorcycle riders in Ilorin west local government area of Kwara State, Nigeria.

Oluyombo (2010) attempt to investigate the contributions of microfinance banks credit to Nigeria's economic growth and employs credits disbursed by the microfinance institutions as a proxy for their operational activities. The study employs the Ordinary Least Squares (OLS) regression technique and finds a weak, though positive relationship between Nigeria's microfinance banking operations and the nation's economic growth. Consequently, it recommends that microfinance institutions should channel very high proportion of their credits to the productive and real sectors of the economy for valuable impact of their operations on Nigeria's economic growth.

Babajide (2012) studied the effects of micro financing on micro and small enterprises (SMEs) in South West Nigeria using Diagnostic Test Kaplan-Meier Estimate, Hazard Model and Multiple Regression Analysis. The study indicates that microfinance enhances survival of small business in South West Nigeria; that microfinance does not enhance growth and expansion capacity of MSEs in Nigeria; that microfinance impacts significantly on the level of productivity of MSEs operators in South West Nigeria and that the provision of non-financial service by microfinance institutions enhances the performance of micro and small enterprises (MSEs) in South West Nigeria.

Okpara (2010) examines the critical factors that induce poverty among the enterprising poor in Nigeria and the extent to which micro credits have assisted in alleviating poverty. The study's selected causative factors for poverty include low profit, high cost of start-up or expansion funds for business and low rate of business growth. Employing two-stage regression technique within a quadratic equation framework, the study finds that in the first or take-off stage of microfinance banking, poverty was observed to have increased, though at a declining rate with increase in micro credits. In the second stage of the study which started from the year 2001, persistent increases in disbursed micro credit facilities are observed to have significantly lowered the poverty index in Nigeria. Consequently, the study calls for policy measures to establish microfinance institutions in every community in Nigeria.

Microfinance Bank Investment and Economic Growth

Olakojo and Olanipekun (2011) empirically examined the impact of microfinance bank investment on the Nigerian economy. They employed pooled regression and ordinary least square econometric technique on annual time series data for the period 1992-2008. The empirical findings show that the current level of sectoral output is positively influenced by loans and advances from the banking sector. However, a sectorial analysis using OLS reveals that while loans and advances from microfinance banks positively affect output of manufacturing, building and construction, mining and quarrying sector, the same could not be established for the agricultural sector. They concluded that microfinance banking investment is very critical to the well-being of the economy as it does not only provide financial assistant to small and medium scale enterprises but also to the real sector of the economy, thereby fast tracking economic growth in Nigeria.

Taiwo (2015) empirically investigated the role of microfinance bank investment to financial sector development and economic growth in Czech Republic. He employed Panel data approach in addition to Granger causality test for 103 countries for the period 1995- 2008 in order to determine the causality between microfinance banks and economic growth. From the review of these prior studies, it is being observed that most of the studies found a positive relationship between microfinance bank investment and economic growth. While some had significant impacts, others had insignificant impact.

METHODOLGY

Research design

This study employed a survey research design. The target population of this study comprise of owners of SMEs and senior staff of microfinance bank operating in Edo State, Nigeria.

Since the population of SME owners and Microfinance bank staff cannot easily be determined and researcher's inability to reach out to the entire population, and in order to gain the advantage of an in-depth study and effective coverage, Cochran formula was used for determining the sample size in an infinite population was used. Thus, the sample size is determined using the Cochran formula as follows;

$$n=\frac{Z^2PQ}{e^2}$$

n= Sample size;

Z= The value gotten from Z-table;

Q= 1 – P

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P= Numerical probability of success70% i.e 0.70
E= The margin error limit stated at 5%
Assigning values to these symbols, the sample size calculated thus:

$$n= \frac{1.96^2 \times 0.7 \times (1-0.7}{(0.05)^2}$$

$$n= \frac{3.8416 \times 0.7 \times 0.3}{0.0025}$$

$$n= \frac{0.806736}{0.0025}$$

n= 322.6944 ≈ 323

Table 3.1: Number of questionnaires distributed to local governments in Edo State

Local Government Area	Numbers Distributed
Akoko Edo	16
Egor	22
Esan Central	15
Esan North-east	15
Esan South-east	12
Esan West	15
Etsako Central	16
Etsako East	12
Etsako West	13
Igueben	17
Ikpoba Okha	30
Irrua	16
Oredo	35
Orhionmwon	21
Ovia North east	23
Ovia South west	12
Owan West	13
Uhunmwonde	20
TOTAL	**323**

Source: Researcher's compilation (2024)

Questionnaire was designed to collect data from the respodents. The questionnaire was divided into two sections, the first is to elicit the respondent's demographic data, while the second is to elicit their responses to the research questions. The questionnaire was made up of close ended questions, the respondents are required to rate their responses on a 5-point Linkert scale consisting of Strongly Agree (SA), Agree (A), Neutral (N), Disagree (D), and Strongly Disagree (SD). 323 questions were administered out of which 300 returned completed questions. The data were analysed using tables and simple percentages while chi-square was used to test the hypothesis.

Data Analysis

The data is analyzed using tables, simple percentages, mean and frequency distribution while the hypothesis was tested using least square regression.

Effect of Microcredits on SME growth

Table 1: Effects of microcredits on SME's growth

S/N	ITEMS	SA	A	N	D	SD
1.	Micro finance banks extend credit facilities to SMEs to acquire assets	114 (42%)	23 (7%)	24 (8%)	63 (21%)	66 (22%)
2.	Microcredits extended by Microfinance banks to SMEs have assisted them in financing their business activities	147 (49%)	39 (13%)	30 (10%)	36 (12%)	48 (16%)
3.	SMEs has improved their working capital through credits from Microfinance Banks	186 (62%)	27 (9%)	9 (3%)	36 (12%)	39 (13%)
4.	Profitability of SME business has improved through Financing from Microcredits from Microfinance banks.	69 (23%)	126 (47%)	24 (8%)	30 (10%)	36 (12%)

Source: Fieldwork, 2024

Data presented in Table 1 on responses relating to the effects of microcredit on growth of SMEs showed that 42% of the respondents strongly agreed that Microfinance banks extend microcredits to SMEs to acquire assets, 49% strongly agreed that majority of SMEs have financed their business through microfinance bank, 62% strongly agreed that Micro finance bank improved working capital of SMEs, and 47% agreed that profitability of SMEs micro credits from microfinance banks. This implies that microfinance bank through microcredit has great impact in the growth of SMEs.

Table 2: Impact of Microfinance Banks on Payment Services of SMEs

S/N	ITEMS	SA	A	N	D	SD
5.	Majority of SMEs effect payment of their clients through Microfinance banks.	117 (39%)	102 (34%)	36 (12%)	12 (4%)	30 (10%)
6.	Microfinance banks now offer applications to their customer for payment services.	63 (21%)	39 (13%)	33 (11%)	138 (46%)	27 (9%)
7.	Majority of Microfinance banks are now connected to NIBBs that ease interbank transfers.	138 (46%)	63 (21%)	0 (0%)	66 (22%)	33 (11%)
8.	Microfinance banks offer their customers cheque services that can pass through CBN clearing system.	51 (17%)	129 (43%)	27 (9%)	42 (14%)	51 (17%)

Source: Fieldwork, 2024

Data presented in Table 2 showed the responses on the Influence of Microfinance banks on payment services of SMEs. It was observed that 73% of the respondents agreed that SMEs effect payment of their clients through microfinance banks, 46% strongly disagreed Microfinance banks offers them bank application with which to make payment services. 67% agreed that Microfinance banks offer online real-time services to SMEs, and 60% agreed that Some SMEs process their chq deposits through microfinance banks who assists them to clear the cheque. The summary of the responses agreed that Microfinance banks has assisted to improve on payment services of SMEs.

Table 3: Role of microfinance bank on SMEs saving of surplus fund

S/N	ITEMS	SA	A	N	D	SD
9.	SMEs has developed interest in savings through maintaining account with Microfinance banks.	18 (6%)	39 (13%)	48 (16%)	150 (50%)	48 (16%)
10.	Savings Interest rates offered by Microfinance Banks are attractive to SMEs	39 (14%)	57 (19%)	12 (4%)	63 (21%)	126 (42%)
11.	Through savings with Microfinance banks, SMEs has improved their working capital.	66 (22%)	33 (11%)	63 (21%)	63 (21%)	138 (46%)
12.	Fixed Deposits maintained by SMEs in Microfinance banks can be used as collaterals for borrowing short term fund from the bank.	21 (7%)	126 (42%)	0 (0%)	90 (30%)	63 (45%)

Source: Fieldwork, 2024

Data presented in Table 3 showed the responses on the impact of Microfinance bank on savings mobilization of SMEs. It was observed that 66% of the respondents disagreed that SMEs developed interest in having savings with microfinance banks, 46% strongly disagreed that savings through microfinance banks improved the working capital of SMEs, 46% disagreed that Majority of SMEs does not go to insolvency position due to micro credits they can fall back to, 75% of respondents disagreed that they use fixed deposits with microfinance banks as collateral to obtain loans. The summary of the respondents shows that microfinance banks does not support the savings aspect of SMEs finance.

Hypotheses testing

In analyzing the three (3) hypotheses derived from the objectives, Chi-Square statistical tool were used to test the hypotheses. Below are the analysis and the results of the hypotheses formulated to guide the study.

Decision rule:

Reject the null hypotheses if the X^2 calculated value is greater than the X^2 critical table value and accept the null hypotheses if the X^2 calculated value is lower than the X^2 critical table value.

Hypothesis one

Ho: There is no significant relationship between microcredits and business growth of SMEs.

To test the hypothesis, the response to questions 1-4 in the questionnaire as found in Table 1 was used. The Chi-Square statistical tool was used as shown below.

Table 4: Chi-Square Computation Table

S/N	SA	A	N	D	SD	Mean (X)	SD	df	X^2 Cal	X^2 Crit.	Sig	Decision
1.	114	21	24	63	66							

2.	147	39	30	36	48							
3.	186	27	9	36	39							
4.	69	126	24	30	36	2.81	1.42	9	46.91	11.085	0.05	Reject H_o

Source: Authors Computation, 2024

The Chi-Square analysis ($X^2_c < X^2_t$; $\alpha = 0.05$) was observed and based on the decision rule, microcredits has significant impact on SMEs growth. Therefore, we accept the alternative hypothesis and reject the null hypothesis since the X^2 calculated value (46.91) is greater than the critical table value of 11.085.

Hypothesis two

Microfinance bank does not support the payment services of SMEs.

To test the hypothesis, the response to question 5-8 in the questionnaire as found in Table 2 was used. The Chi-Square statistical tool was used as shown below.

Table 5: Chi-Square computation table

S/N	SA	A	N	D	SD	Mean (X)	SD	df	X^2 Cal	X^2 Crit.	Sig	Decision
5.	117	102	36	12	30							
6.	63	39	33	138	27							
7.	138	63	0	66	33							
8.	51	129	27	42	51	3.44	1.71	9	58.13	11.085	0.05	Reject H_o

Source: Authors Computation, 2024

From the above, the Chi-Square analysis, ($X^2_c = 58.13 < X^2_t = 11.085$; $\alpha = 0.05$) was observed and it was found that Microfinance bank has significant impact on payment services of SMEs. Therefore, there is relationship microfinance bank and payment services of SMEs. We accept the alternative hypothesis and reject the null hypothesis since the X^2 calculated value (58.13) is greater than the X^2 critical value (11.085).

Hypothesis three

Microfinance bank does not have significant relationship with savings culture of SMEs

To test the hypothesis, the response to question 9-12 in the questionnaire as found in Table 3 was used. The Chi-Square statistical tool was used as shown below.

Table 6: Chi-Square computation table

S/N	SA	A	N	D	SD	Mean (X)	SD	df	X^2 Cal	X^2 Crit.	Sig	Decision
9	39	48	150	48	18							
10	57	12	63	126	39							
11	33	63	63	138	66	3.09	1.52	9	9.56	11.085	0.05	Accept H_o
12	126	0	90	63	21							

Source: Authors Computation, 2024

The Chi-Square analysis, ($X^2_c = 9.56 < X^2_{t;} = 11.085$; $\alpha = 0.05$) was observed and based on the result, there is no significant relationship between microfinance banks and savings culture of SMEs. It could be deduced that microfinance banks does not have significant impact on SMEs savings culture. Therefore, we accept the null hypothesis and reject the alternate hypothesis since the X^2 calculated value (9.56) is less than the X^2 critical value (11.085).

Summary and Conclusion

This study looked how microfinance bank acts as an instrument of growth of SMEs in Nigeria. It explored various ways in which access to credit has assisted small and medium scale enterprises in achieving their growth strategy. The objectives of the study focused on how microcredits has assisted SMEs in the area of payment services, access to microcredits and acting as a reservoir for surplus funds for SMEs. At the end of the investigation and based on the test of hypothesis, the following were discovered;

- Microcredits granted to SMEs by Microfinance banks has significantly impacted on growth of SMEs.
- Microfinance banks has positively impacted on payment services of SMEs
- Microfinance banks has not significantly improved the savings mobilization for SMEs.

We therefor conclude that microcredits being made available to SMEs through microfinance banks and other channels has greatly and positively influenced the operations of that sector of the economy. SMEs in turn has also contributed significantly to the growth of the economy of our country through its contribution to GDP growth.

Recommendations

Based on the outcome of the findings, the following recommendations were made;

1. There should be more enlightenment campaign on SME operators to enable them develop savings culture. On their part microfinance banks should make savings attractive by giving an interest rate that will be competitive to commercial banks.
2. Government should also create enabling environment for microfinance banks to operate by liberalizing its operation for greater efficiency.
3. Access to credit should not be made stringent to SMEs to enable them access the necessary funds for their operation. In this line, government through CBN should guarantee to some extent credit extended to SME sector.

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