

Assessment of Project Monitoring Activities of Microcredit Agency on SMEs performance

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Abstract: Most Governments of developing countries have turned to setting up microcredit programs to give both financial and non-financial support to SMEs. However, weak project monitoring capacity of Microcredits institutions has continued to lead to poor loan utilisation, increases the risk of diversion of loans and ultimately high level of non-performing loans. This study seeks to assess the effect of project monitoring activities of the Ondo State Microcredit Agency on the performance of SMEs in the State. The study adopted Survey Research Design as primary data were used for the purpose of the study. This research work identifies and presents the project monitoring operations of Ondo State Microcredit Agency (OSMA) and their effects on the performance of SMEs. From a total population of 745 beneficiaries, 261 beneficiaries were selected based on Yamane sample size formula and they were retrieved from the list of all the beneficiaries in each SME category obtained from the agency. The research instrument adopted for collecting data from the respondents was a pre-tested and validated questionnaire. Questions were on a 5-point Likert scale, and multiple-choice type questions. Analysis of the results obtained were done using descriptive analysis and Partial Least Square-Structural Equation Modeling (PLS-SEM) was employed to test the hypothesis. The models specified by this study are significant at 5%. The results showed that two (control measure and fund utilisation) sub-constructs of project monitoring were significant while the other two (Business/Site visitation and Loan monitoring) were not statistically significant. The results of regression analysis further revealed that project management activities ($\beta = 0.358$, $R^2 = 0.259$, $t^2 = 0.172$, $T = 5.942$ and $P < 0.05$) is significant to the performance of SMEs in the state, hence the null Hypothesis (H_{01}) which states that there is no significant effect of project monitoring activities of Ondo State Microcredit Agency on the performance of SMEs in the state is rejected. The study concluded that monitoring of the loan beneficiaries ventures along the “control measure” and “fund utilisation” sub-constructs are relevant and significant to SMEs performance and will aid loan repayment. Subsequently, project monitoring activities if well planned and executed will lead to better SMEs performance. Based on this, the study recommends the creation of a robust project/loan monitoring systems as an essential part of the microcredit programme and also the establishment of savings arm of OSMA to help improve regular contacts and interaction between the borrowers and the lender. However, adequate control measure is advised to combat compromise.

Keywords: Project Monitoring, Loan Monitoring, Fund Utilisation, Defaults, Control Measure

I. INTRODUCTION

Empirically, it has been established that Small and Medium Enterprises (SMEs) play a prominent role in the socio-economic development of many countries. They are the backbone of many economies worldwide that provide income and employment generation (Shafi, Liu and Ren, 2020), wealth and well-being (Vivel-Bua, Lado-Sestayo and Otero-Gonzalez, 2019). Brei, Gadanezb, and Mehrotha (2020) stated that SMEs play a significant part in delivering economic growth. Hence, the development and establishment of SMEs is a strategic move for employment creation, poverty reduction and income generation. Job creation by the SME sector serves to benefit the economic development in remote areas and ensure a healthy balance of economic growth in rural areas (Oyelana & Adu, 2015), an equal distribution of income, the welfare, income per capital and standard of living enjoyed of the citizenry (Eniola, & Ektebang, 2014).

Microfinance Institutions and Micro-credit agencies have braced-up as a key source of finance with less stringent conditions. According to Ruslan, Gan, Hu and Quang (2020), the establishment of Microfinance institutions (MFIs) was necessary in order to fill the gap in the financial services sector by making funds available and accessible to the poor and lower income group and thus alleviating poverty and enhance their business activities (Nawai & Shariff, 2013). Microfinance with an idea of microcredit was launched in 1976 by Muhammad Yunus, who was awarded Nobel Peace Prize in 2006 for his immerse contribution to the fight against poverty using micro credit models. Micro, Small and Medium enterprises (MSMEs) have also suffered from the recent economic crisis, showing a high mortality rate that continues to the present day. (Vivel-Bua, et al., 2019). According to Nawai and Shariff (2010), constraints to SMEs developments include lack of relevant laws and administrative procedures, limited access to institutional credit (Akingunola Olowofela & Yunusa, 2018), imperfect market information and lack of opportunity for skill development.

In 2001, the micro-credit scheme was launched by the Federal Government of Nigeria with the aim to develop the sub-sector by providing access to cheap and long term credit. The micro finance policy of 2005 was a follow up to the initial launch. The policy makes provision for the creation of microfinance institutions (MFIs) also Known as microfinance banks (MFBs) to take care of the financings need of small micro enterprises as well as other non-financial services (CBN, 2011). This Federal Government initiative was replicated in States like Gombe (Gulani & Usman, 2012), Ogun (Adegbite & Olaoye, 2008), Ondo (Ondo State Micro-credit Agency, 2019). However, the support from such programs has not translated into improved performance for the MSMEs as there still exist high failure rate, high non-performing loans and minimal investment activities (Auma, 2017). Ndiege, Mataba, Msonganzila and Nzilano (2016) noted that weak institutional and managerial capacity of Microcredits programmes, poor project and loan utilisation monitoring increases the risk of diversion of loans leading to high level of non-performing loans.

The agency theory has emerged prominently in financial economics as an explanatory tool for expatiating the relationships between firm managers and other stakeholders (Jensen & Meckling, 1976). Recently, researchers have begun to explore other implications of this theory to organisational behavior and strategic management. According to Dawar (2014); Huang, Boateng and Newman (2016), noted that the conflict of interest between managers and shareholders of a firm affects corporate policy choices and if not well aligned could make managers drive their own interest against the other stakeholders. The managers (and credit officers) of Ondo State Microcredit Agency (OSMA) are essentially the agent of the Agency (the principal). Aligning the interests these stakeholders is key to ensure that loans are not giving discriminatory or recklessly to unqualified applicants and loans are well monitored. Also, SMEs loan beneficiaries can also be seen as an agent of the lender (OSMA) and as such there must be sufficient motivation and alignment of interest to ensure successful loan utilisation and repayment.

Series of previous studies have investigated SMEs and their contributions to socio-economic growth, but there exist gaps in the number of studies that assess the specific operations of microcredit agencies and its effect on the performance of the SME especially in the study area. It is against this backdrop that this study seeks to assess the effect of project monitoring activities of the Ondo State Microcredit Agency on the performance of SMEs in the state. This study is divided into sections; Section one is the introduction followed by the literature review, methodology, results and finally conclusion and recommendation

II. LITERATURE REVIEW

Micro-credit advanced as a part of paradigm shift in development thinking. Kanyare and Mungai, (2017) viewed microcredit as the provision of small loan to the less privilege

in order to help them setup or expand majorly microenterprises and small self-employment ventures. Microcredit generally improves the standard of living and income level of the poor and also provide the financial assistance to the poor in rural areas to help them become self-employed rather than depending on bank loans with stringent conditions.

Brown (2010) stated that microcredit has proven to be a strong influence to economic development as it is investment in people that pays back many times its initial outlay. Loan beneficiaries support themselves through their increased income, as well as employing others and generating businesses along supply chain.

World Bank Group (2019) noted that SME projects aims at promoting rehabilitation and development of manufacturing, processing and a range of service industries by providing foreign exchange financing to small and medium enterprises capable of efficient operation within the reformed business environment. SME projects are carried out by enterprise in the informal sector in which the micro small and medium scale enterprises including traders and artisans belong and they constitute a significant portion of the economy (Andersen 2018). Economic growth is germane for any citizenry of the country especially in underdeveloped countries in which it is vital to come up with more of vacancies and making sure for the maximum employment rates of the population SME projects helps to increase the rate of employment (Bangladesh economic review, 2010). Increase in SMEs fosters business competition which positively influences the growth of the economy. SME projects create more businesses and in turn reduce monopoly businesses by the big companies and foster increase in quality of goods and services (Bangladesh economic review, 2010).

Myslimi and Kacani (2016) stated that SMEs dominate the world economy in terms of employment. Given that SMEs enhance competition, promote efficiency, innovation and productivity, the government's support of SMEs projects can help countries reap the social benefits. The SMEs projects subsidy can help to reduce poverty. Oyeyinka (2020) noted that SMEs projects open up some opportunities to the economy some of which include: significant untapped growth potential; Strong export and employment potentials; creation of opportunities for potential operational and cost synergies that is economies of scale. Myslimi and Kacani (2016) noted that SMEs projects leads to job creation, contribute to poverty alleviation in developing countries, boost exports and reduce imports by increasing innovations and production level of the country.

In order to assess the economic benefits of SMEs, monitoring and evaluation is needed. According to OECD (2015), monitoring is a continuing function that informs where an ongoing intervention stands at a certain point of time in relation to its targets. Therefore, it defines clear objectives and performance indicators for policies to keep track of their

developments. In other words, monitoring compares routinely the progress of an on-going intervention against the plan. It tracks the input, such as the allocated budget or costs for the implementation, the output for the beneficiaries and the impact on the policy issue. Managers and decision-makers receive crucial information about the progress being made and be warned about potential problems (Metz, 2015). Monitoring aims to keep track of where a policy, project or programme stands at a certain point of time in comparison to its targets. Monitoring also involves assessing the physical and financial progress of project or programme activities against established schedules and indicators of success. It evaluates process which account for progress of activities or success of output production.

This study is supported by Agency and stakeholder's theories. Agency theory emphasised the agency problem that occurred when there is a perceived conflict of goals in the eyes of the principal as the agent depart from the interest of the principal (Shapiro, 2005). Essentially, agency theory helped us to understand the agency relationship that exists between the principal party (the principal) who delegates some responsibilities to the other party (the agent) to perform (Eisenhardt, 1989). This legitimacy is established through the existence of an exchange relationship. Creditors provide finance to the firm in terms of loan and expect their loans to be repaid as when due in exchange.

Problem of information asymmetry usually exists between managers and other stakeholders. Managers by their roles are responsible to filter or manage information that they communicate to the other stakeholders. The existence of information asymmetric between OSMA's and SMEs' operators is often responsible to booking of bad loans and ultimately leading to rise in non-performing loans. Additional cost of gathering and analysing information, and monitoring activities of SMEs loan beneficiaries to ensure their activities do not deviate from plan is necessary to ensure health stakeholders relationship. Aligning the goals and the interest of the parties (principal and agent) will eventually reduce agency cost associated with monitoring of the agents (in this case borrower) by the principal (OSMA) (Huang *et. al.*, 2016).

Matsiliza (2018) studied the application of evaluation and result-based monitoring in improving the performance in small business. The study justified the need to monitor and evaluate entrepreneurial activities in order to improve their performances. The key motivation for these activities originate from the need to bring into line the business units of a small business with its strategic objectives, this is done by measuring the efficiency and the effectiveness whether the objectives and strategies are achieved and have yielded the expected results. Matsiliza (2018) argued that monitoring and evaluation (M&E) could synchronize systems and processes in business units and identify errors that could be reduced and manage information asymmetries.

In addition, Okubena (2014) noted that there is a need to monitor progress at different intervals in a business operation. Pollack (2014) studied the impact of project management on SME productivity. The study tested the hypothesis that stated that the use of project management increases the productivity of SMEs. The data collected from Australian businesses with less than 200 staff was employed in creating models of the relationship between the constructs of productivity and business skills by utilising binary logistic regression. The results revealed that project management is statistically significant to productivity.

III. METHODOLOGY

The study adopted survey research design as primary data were employed for the study. This research work identified and presented the project monitoring operation of Ondo State Microcredit Agency (OSMA) and its effect on the performance of SMEs projects. Also, from a total population of 745 beneficiaries, using Yamane (1976) sample size formula, 261 beneficiaries were selected for the study, which were retrieved from the list of all the beneficiaries in each SME category (Manufacturing, Craft, Agro-Allied, Farming, services and, food and water processing) obtained from the agency. The research instrument adopted for collecting data from the respondents was a pre-tested and validated questionnaire. Questions were on a 5-point Likert scale, and multiple-choice type questions.

Quality assessment of measurement models were conducted as internal consistency of the models were done using Cronbach's Alpha (CA), and Composite Reliability (CR). Convergent validity was conducted by considering the Average Variance Extracted (AVE) and outer loadings of the indicators while Discriminant validity was assessed based on outer loading, Cornell-Lacker Criterion and assessment of Heterotrait-Monotrait (HTMT) ratio. The data used in the model all passed the quality assessment and indicators that failed the test were deleted from the model. Subsequently, the study proceeded to assess the structural model. The responses from the respondents were analysed using descriptive analysis while Partial Least Square- Structural Equation Modeling (PLS-SEM) was deployed to test the hypothesis.

$Y = f(X)$, $Y = \text{SME Performance, (SMEs Perf.)}$; $X = \text{Project Monitoring Activity by OSMA (PMA)}$; $X = X_1, X_2, X_3, X_4$ {Business/Site Visitation, Control Measure, Funds Utilisation and Loan monitoring respectively}

$\text{SMEs Perf} = \beta_0 + \beta_1 \text{PMA} + \mu$

IV. RESULT AND DISCUSSION OF FINDINGS

Demographic Characteristics of Respondents

The study examined the distribution of respondents according to their age, gender and level of education. It was revealed that majority (80%) of the loan beneficiaries are above the age of 40 years, which implies that younger generations, who are always creative and innovative are very small, representing

just 19.9 percent of the study population. It is not surprising that the loan beneficiaries were predominantly women with 55.8 percent whereas the male counterparts were about 11.6 percent less the population of the opposite gender. This was due to the predominant role played by cooperative societies and unions majorly owned by women who benefited from OSMA loan. The results obtained for level of education showed that majority of the loan beneficiaries about 90% percent representing 187 of them do not have first degree. This can inhibit their ability to absorb new knowledge couple with the fact that they are aged respondents. It was also revealed that majority of the loan beneficiaries are within the service sector (177) representing about 86 percent of the respondents. This was followed by agriculture and manufacturing segments of the economy with 17 (8.3 percent) and 12 (5.8 percent) respectively.

Table 1 provided information on the age of business, owners' experience and others. The mean age of establishment of businesses is 21.47 years with a standard deviation of 11.38. This implied that majority of the business's studies are not new to the economy with about twenty-eight (28) of them having been established since thirty (30) years ago. This is similar to the obtained results for the working experience of the loan beneficiaries. The mean age and standard deviation recorded are 23.20 and 11.06 respectively. However, in term of number of staff or employees, the loan beneficiaries despite recording great number of years of business establishment and experience, they have not grown beyond an average of three (3) employees in Ondo State.

Table 1: Age, Experience, Number of Staff and Loan Characteristics

	Range	Minimum	Maximum	Mean	Std. Deviation
Age of business(years)	53	3	56	21.47	11.376
Working Experience(years)	55	1	56	23.20	11.064
Number of staff	12	0	12	2.99	2.086

Field Survey (2021)

Effect of project monitoring activities of the Ondo State Microcredit Agency on SMEs performance

The effect of project monitoring on the performance of Small and Medium Enterprises was analysed by subjecting the responses from the respondents to descriptive analysis, followed by structural equation modeling to test the hypothesis.

Descriptive analysis of Effect of Project Monitoring on SMEs Performance

The data collected as indicated on Table 2 showed that 70.9% of the respondents were in agreement that loan monitoring officers visit their business regularly, 2.9% were undecided while 22.3% were in disagreement with the notion. There is also a strong indication that there are frequent interactions

between the respondents and the representatives of the Agency as about 70% of the respondents were in consonance with this notion and about 24.3% were against it, while 5.8% were undecided. Also, 65.1% of the respondents were in agreement that monitoring by agency's official enhanced their loan repayment while 25.7% disagreed and 4.9% strongly disagreed. This further strengthen the importance of monitoring on loan repayment. As a follow up to this, 55.3% of the respondents also supported the notion that monitoring enhance their business development, 10.7% were undecided while 30.1% disagreed and 3.9% of the respondents strongly disagreed.

Furthermore, 62.6% of the respondents supported the notion that notification of their guarantors of unpaid rentals serves as a control measure to them. However, 26.7% of the respondents disagreed with it and just 1% of the respondents strongly disagreed. On the rigidity of the control measures, 51% of the respondents disagreed that the control measures are too rigid, while 29.1% agreed that the measures are rigid. The mean of 2.791 shows that respondents majorly disagree with notion as they find the control measures relax and not rigid. Hence, the less stringent control measures by OSMA could be responsible for the high default rate by borrowers. Also, 53.9% of the respondents did not support the notion that statement of account is being submitted to the Agency regularly, 11.2% were undecided while 35% are in support of the notion. This showed that OSMA staff were not reviewing all statement of accounts of the loan beneficiaries to monitor funds utilisation. Lastly, 23.3% and 35.9% of respondents strongly agreed and agreed respectively to the proposition that it is difficult to divert funds for other purposes while a substantial percentage (35.4%) did not support the motion. With a mean of 3.432, the possibility of fund diversion cannot be ruled out.

Table 3 provided information on some of the activities and relationships between the loan beneficiaries' businesses and the Ondo State micro-credit officers. From the results obtained, the loan monitoring officers have performed excellently with about 71 percent (146 out of 191) of respondents agreed that the credit officers visited them. However, the agents failed to check the sales book of the loan beneficiaries in their activities or visits as only 49 (23.8%) out of 177 valid cases reported "yes". For other monitoring activities, which include the "review of bank statement", "checking and counting of stocks", "review of business activities", "monitoring of business-flow", and "training attended" which recorded 27 (13.1%), 60 (29.1%), 75 (36.4%), 81 (39.3%) and 74 (35.9%), respectively. This suggest that the visits by the credit/loan monitoring officers were perhaps for other activities such as loan collection or recovery than actual monitoring of beneficiaries' business activities. These results revealed that the loan-monitoring officers had performed below expectation in their activities.

Conclusively, the descriptive analysis on the project monitoring activities of Ondo State Microcredit Agency

revealed an average mean of 3.501 and a standard deviation of 1.262. The results indicated that the respondents agreed that project monitoring has a relationship with the SMEs

performance and there is a convergence of the responses around the mean as shown by the standard deviation of 1.262.

Table 2: Descriptive Analysis of Effect of Project Monitoring Activities on SMEs Performance

Project Monitoring Activities	Frequencies and Percentages (%) of Responses						
	Strongly Disagree (%)	Disagree (%)	Undecided (%)	Agree (%)	Strongly Agree (%)	Mean	Standard Deviation
The loan monitoring officers visit my business regularly	8 (3.9)	46 (22.3)	6 (2.9)	63 (30.6)	83 (40.3)	3.811	1.283
Have frequent interactions with the agency representatives	7 (3.4)	43 (20.9)	12 (5.8)	76 (36.9)	68 (33.0)	3.752	1.214
Monitoring of my business by the agency enhanced by ability to correct deviation in my business plan	9 (4.4)	55 (26.7)	12 (5.8)	62 (30.1)	68 (33.0)	3.607	1.305
Monitoring by the agency's officials enhanced my loan repayment as scheduled	10 (4.9)	53 (25.7)	9 (4.4)	75 (36.9)	58 (28.2)	3.578	1.273
The agency representatives visit to my business premises helped my business to stay on track	4 (1.9)	64 (31.1)	16 (7.8)	54 (26.2)	68 (33.0)	3.573	1.285
Control measures introduced help to keep me on track	5 (2.4)	59 (28.6)	9 (4.4)	66 (32.0)	67 (32.5)	3.636	1.268
The notification of my guarantor of my unpaid rental serves as a control measure	2 (1.0)	55 (26.7)	20 (9.7)	87 (42.2)	42 (20.4)	3.544	1.120
The control measures guide my project implementation plan	2 (1.0)	49 (23.8)	15 (7.3)	87 (42.2)	53 (25.7)	3.680	1.128
I submit my statement of account to the agency regularly	13 (6.3)	98 (47.6)	23 (11.2)	49 (23.3)	24 (11.7)	2.864	1.190
I find it difficult to divert the funds for other purpose	8 (3.8)	65 (31.6)	11 (5.3)	74 (35.9)	48 (23.3)	3.432	1.258
				Average		3.501	1.262

Source: Field Survey (2021)

Table 3: Credit Loan Officers and Loan Beneficiary Business

Item	No	Yes	Missing
Does the loan-monitoring officer of the agency visit you?	45 (21.8%)	146 (70.9%)	15 (7.3%)
Checking of sales book	128 (62.1%)	49 (23.8%)	29 (14.1%)
Review of bank statement	151 (73.3%)	27 (13.1%)	28 (13.6%)
Stock count and checking	118 (57.3%)	60 (29.1%)	28 (13.6%)
Review of business activities	100 (48.5%)	75 (36.4%)	31 (15.0%)
Monitoring of business flow	96 (46.6%)	81 (39.3%)	29 (14.1%)

Field Survey (2021)

Assessment of Structural Equation Model of Effect of Project Monitoring Activities on SMEs Performance

Figure 1 showed the set-ups for Project Monitoring Activities effects on the SMEs performance. The assessment of measurement model was followed by assessment of Variance Inflation Factor (VIF) to ascertain no issue of collinearity was present in the model as the VIF values for all the indicators were below the threshold of 5 (Sarstedt, Hair, Cheah, Becker & Ringle (2019). Table 4 presented the results of exogenous

variables relevance and significance of both disaggregated and aggregated models.

The study observed that “control measures (cCM)” had the highest relevance (0.335), followed by “Fund utilization (cFU)” (0.165). It was observed that the two sub-constructs (cCM and cFU) were also significant at 95% confidence internal. These results emphasized the relevance and significance of these sub-constructs to the performance of SMEs as a unit increase in both “Control measure” and “Fund utilization” will lead to 33.5% and 16.5% increase in SMEs performance respectively provided all other sub-constructs are kept constant. This could also be said of the latent construct, PMA which has the highest relevance (0.358) under the aggregated model. It can be inferred that by putting in place appropriate control measures, and monitoring of funds utilization by loan beneficiaries, OSMA can help improve the SMEs performance in the state.

Based on the model, project management activities (PMAs) had the highest significant relevance (0.358). This was followed by the “Loan Applied for” (lApply = -0.328), which was in opposite direction to the SMEs performance as only a fraction of “loan applied for” ended up being disbursed to the SMEs operators. This result may also imply that the higher the loan apply for, the more the difficulty in monitoring the loan thereby leading to poor performance of the loan beneficiary.

“PMA” and “lApply” variables were significant at 95% confidence interval. We can therefore predict that the more efficient and effective the PMAs of the Agency is, the better the SMEs performance in the state. This relationship implies that as the project management activities increase, so is the SMEs performance.

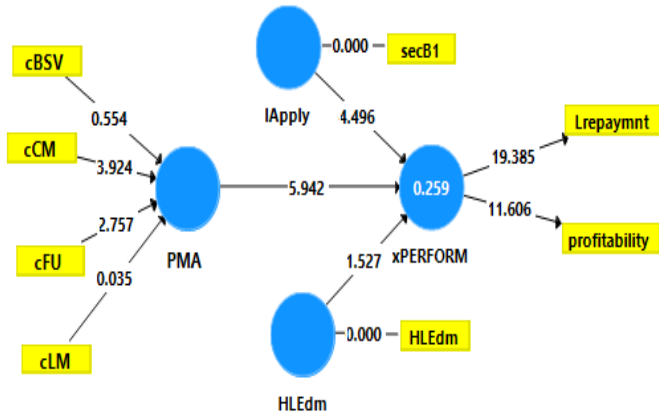


Figure 1: Path Coefficients of PMAs and SMEs Performance

Source: Field Survey (2021)

cBSV- Business/Site Visitation; cCM- Control Measure; cFM- Fund Utilisation; cLM- Loan Monitoring; PMA- Project Monitoring Activities; LApply- Loan apply for; HLEdm- Highest Level of Education; XPerform- SMEs performance; Lrepaymnt- Loan Repayment

Table 4: Relevance and Significance of PMAs Path Coefficients (Disaggregated and Aggregated)

	Original Sample (O)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values	Bias	2.5 %	97.5 %
Disaggregated							
BSV -> xPERFORM	-0.063	0.106	0.598	0.550	-0.008	-0.255	0.156
CM -> xPERFORM	0.335	0.105	3.180	0.001	-0.002	0.120	0.526
FU -> xPERFORM	0.165	0.063	2.626	0.009	0.021	-0.146	0.253
LM -> xPERFORM	0.005	0.090	0.056	0.955	0.013	-0.173	0.174
Aggregated							
HLEdm -> xPERFORM	0.100	0.065	1.527	0.127	-0.002	-0.027	0.229
PMA -> xPERFORM	0.358	0.060	5.942	0.000	0.015	0.216	0.460
lApply -> xPERFORM	-0.328	0.073	4.496	0.000	0.001	-0.472	-0.187

Field Survey (2021)

Table 5: R² and f² Values for Disaggregated and Aggregated PMAs on SMEs Performance

		Original Sample (O)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values	Bias	2.5%	97.5%
Disaggregated	R-Square							
	xPERFORM	0.144	0.045	3.210	0.001	0.029	0.062	0.206
	f-Square							
	BSV -> xPERFORM	0.003	0.016	0.169	0.865	-0.074	-0.123	0.383
	CM -> xPERFORM	0.055	0.038	1.465	0.143	0.278	-0.342	-0.158
	FU -> xPERFORM	0.029	0.026	1.130	0.258	0.157	-0.332	-0.220
	LM -> xPERFORM	0.000	0.011	0.002	0.999	0.018	-0.182	0.165
Aggregated	R-Square							
	xPERFORM	0.259	0.060	4.320	0.000	0.027	0.121	0.351
	f-Square							
	HLEdm -> xPERFORM	0.013	0.019	0.689	0.491	0.084	-0.115	0.057
	PMA -> xPERFORM	0.172	0.073	2.365	0.018	0.201	0.158	0.158
	lApply -> xPERFORM	0.144	0.079	1.818	0.069	-0.471	-0.603	-0.603

Field Survey (2021)

Testing of Hypothesis

H₀: There is no significant effect of project monitoring activities of Ondo State Microcredit Agency on the performance of SMEs in the state.

The hypothesis was tested by investigating the relationship between project monitoring activities of the Ondo State Microcredit Agency on the performance of SMEs in the state.. The PLS-SEM results shows the relevance and significant of the structural model relationship, the R-square and the effect

sizes (f-square) in Table 5. With the Beta co-efficient of 0.358, one unit change in Project Monitoring Activities will lead to a 35.8% change in SMEs performance provided other factors are kept constant. The results showed that “control measure”, “fund utilisation”, “project management” and “loan apply for” sub-constructs were all significant at 95% showing the importance of these constructs to performance of SMEs. The R-square value for the disaggregated model is considered moderate as it is between the recommended values of 0.26 and 0.13 (Adepoju & Adeniji, 2020) for the disaggregated model, whereas, the aggregated model recorded a substantial value of 0.259 indicating that 25.9% changes in SMEs performance can be explained by PMA, while the remaining 74.1% could be as a result of other factors not included in the model. It is also evident from Table 5 that the f-square values for the disaggregated model has a small effect size.

Furthermore, the aggregated model showed that “PMA” was statistically significant at 95% confidence interval, while the “loan Apply” was significant at 90% level. While the control variable “Highest Level of Education” was not significant, “Loan Apply for” was significant at $P < 0.05$ but with Beta co-efficient of -0.328 indicating that one unit change in “Loan apply for” will lead to 32.8% change in SMEs performance but in opposite direction. This implied that the higher the amount of loan applied for, the lower the level of loan repayment and SMEs performance and vice-versa. Subsequently, the results of regression analysis as shown on Table 6 revealed that project management activities ($\beta = 0.358$, $R^2 = 0.259$, $f^2 = 0.172$, $t = 5.942$ and $P < 0.05$) is positively significant to the performance of SMEs in the state, hence the null Hypothesis (H_{03}) which states that there is no significant effect of project monitoring activities of Ondo State Microcredit Agency on the performance of SMEs in the state is rejected.

Based on the results of this study, monitoring of the loan beneficiaries’ ventures along the “control measure” and “fund utilization” constructs are relevant and significant to their performance. Monitoring of the loan utilisation with lead to judicious application of the loan for the intended purpose and thus make SMEs profitable. This in turn will ensure loan is repaid on schedule. Deviations from the primary purpose why the loan was granted can be detected early when control measures are put in place as part of the project monitoring strategies thereby cubing loan loss. Control measures such regular checking of sales books, unscheduled visits to business/site, checking of statements of accounts by the loan monitoring officers of OSMA will ensure SMEs are operators are kept on alert. Project management activities of the OSMA has the highest relevance and was significant at 95% indicating the success of the loan programme of OSMA hinges on their successful project monitoring activities. Therefore, Microcredit agencies can improve the performance of SMEs by putting in place efficient and effectively project monitoring systems and operating it.

Table 6: Summary of Hypothesis Results

Alternate Hypothesis	Beta	Standard Deviation	R Square	F Square	T Statistic	P Value	Decision
H_0	0.358	0.060	0.259	0.172	5.942	0.000	Accepted

Source: Field Survey (2021)

This result is in consonance with the study by Muthoni (2016). He assessed the institutional characteristics on microcredit default in Kenya and noted that close monitoring of loan repayments and timely detection of early warn signs will help to reduce default. Kamau and Mohamed (2015) established that project monitoring and review allow business manager to determine if control measures put in place are effective in ensuring project success. This result further emphasized the finding of Asongo and Idama (2014) and Hwang and Lim (2013) also who noted that lack of monitoring and supervision increases the risk of loan diversion and consequently increasing loan default. When controls actions are found to be ineffective, these should be revised, or new control actions implemented, thus enabling continuous improvement in future project monitoring activities.

On the contrary, Adedeji, Taiwo, Ikumapayi and Akperwe (2018) evaluated the effect of credit management on the performance of small-scale enterprises in Nigeria. They found out that inadequate loan monitoring is not a major cause of inability of SMEs operators to repay their loans. They suggested that other factors such as mismanagement of funds, lack of proper books of accounts or operational negligence may have resulted into loan default. However, mismanagement of funds mentioned as one of possible reason for default will only occur when happen when fund utilization is not closely monitored. Nawai and Shariff (2013) agreed with this study as their finding revealed that loan monitoring has a positive influence on loan repayment and hence SMEs performance. The findings of this present imply that for the SMEs performance to improved, OSMA must engage in project monitoring, project review, and continuous improvement. This is key to reducing the rate of loan defaults and loan diverts, as project monitoring and continuous improvement is, even more, critical than planning in achieving project success (Rezakhani, 2012).

V. CONCLUSION AND RECOMMENDATION

This study assessed the project monitoring activities of Microcredit agencies via the sub-constructs of loan monitoring, fund utilisation, control measure and business/site visitation. The results revealed that monitoring of the loan beneficiaries ventures along the “control measure” and “fund utilization” constructs are relevant and significant to SMEs performance by aiding loan repayment. The control variable “Loan apply” was also found to be relevant and significant to SMEs performance but in reverse direction. This implied that

the higher the amount of loan applied for, the lower the level of loan repayment and SMEs performance and vice-versa as large loan amount does not necessarily translate to better loan performance or profitability of SMEs ventures. There is a strong indication that project monitoring activities by OSMA if well planned and executed will lead to better performance of SMEs. We also note that lack of statistically significant of "Business or Site Visitation (BSV)" should not necessarily mean that this sub-construct is not important as constant visit by the agency to the SMEs could engender relationship which could promote loan repayment and loan performance. Such regular contacts with help to improve loan monitoring and improve relationship between OSMA and the SMEs operators. Microcredit agencies should put in place an efficient and effectively project monitoring systems to reduce loan default and improve SMEs performance.

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