

Micro Credit Availability as A Catalyst for Small and Medium Enterprise Growth in Nigeria

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Abstract: The research study has specifically investigated how micro credit has assisted SMEs in SMEs growth through acquisition of raw materials and improvement in working capital of SMEs.

The study employs the survey method in evaluating the impact of Micro credit availability as a catalyst for small and medium enterprise (SMEs) growth in Nigeria. The population of this study is based on SMEs in Edo State. Edo State was chosen for this study since it has a large concentration of SMEs. The study adopted survey design and primary sources of data was employed. Questionnaire was designed using linkert scale format. The population of the study is infinite and Cochran formula was adopted to determine the sample size. Sample of 325 questionnaire was distributed out of which 300 returned their questions. The respondents were made of proprietors of manufacturing SMEs who are clients/customers of the Microfinance Banks. Data collected was analyzed using both descriptive and inferential statistics while hypothesis of the study was tested using chi-square distribution. The findings confirmed a significant contribution of micro-credit in assisting SMEs in areas of asset acquisition, acquisition of raw materials and improvement of their working capital. Where as, the study recommended among others that, government should try to provide sufficient infrastructural facilities such as electricity, good road network and training institutions to support SMEs in Nigeria. Government through CBN should also guarantee some of the credits extended to SMEs. This will give more SMEs who cannot meet the collateral requirement of banks to have access to credit as well..

Keywords: Microfinance bank, Microcredits, SMEs, financial intermediation, working capital.

I. INTRODUCTION

In the global economics, small and medium Enterprises (SMEs) are pivotal to poverty alleviation, entrepreneurial development and financial inclusion strategies of governments. Studies also showed that the contributions of SMEs to nation's economic growth have been universally recognized. In Nigeria, however, the inability of the SMEs to adequately access working capital loans to grow and expand the respective business through the conventional banking/ deposit money banks/commercials bank stimulated the establishment of micro-finance bank to bridge the existing lacuna. Similarly, the inadequacy of SMEs promoters equity contributions and low working capital which constraint productive capacities, have also led to the early demise and high mortality rate of SMEs. This lack of inadequate finance seen as the major cause of the relative absence, of these enterprises in the poor economics. Consequent upon this, the emergence of microfinance bank was to assuage the financial incapability of SMEs and to encourage

Enterprises capacity development. Thus, due to the inability of government across the globe to adequately assist the poor on poverty alleviation the discovery of microfinance or microcredit became valuable for the low income class to credit and other financial services. Despite the importance of microcredit in the enhancement of the development of SMEs in Nigeria, Khan (2020) opined that little entrepreneurs patronize these banks.

According to this scholar the militating factors for this are interest rate, and strict borrowing condition, among others. Finance or credit remains a strategic resource for SMEs growth because investments are needed for new ideas to become marketable products and services. Accordingly, the inability of the SMEs, to adequately have access to funding from MFBs is a major retardation to the planned economic growth. This assertion by Khan (2020) therefore, has generated a concern among stakeholders and scholars of the need to assess the extent at which the funds available to microfinance bank were channeled to the expected Target. Subsequent to this, the microfinance or microcredit objective include to assist in the development drive of small and medium Enterprises, to support a sustained economic growth and to provide loans to SMEs Entrepreneurs to invest in their business and grow out of poverty. It is expected that the application of the resources of microcredit from microfinance bank will grow SMEs in Nigeria, heading to the eradication of poverty and subsequent growth of the economy.

Studies however, revealed that this has not adequately translated into visible growth of the SMEs in Nigeria. It is believed that with businesses shrinking, the bulk of the less privileged Nigerians have not come to understand the idea of micro-financing (Khan2020, Akande & Yinus, 2015, Moruf 2013. Ede & Eikwu, 2018) these scholars also opined that microfinance services have not really reached the greater number of the Target population.

It is also argued that some factors still militate against entrepreneurs from patronizing microfinance services and with the snail-like growth of businesses in Nigeria, it is doubtful if microfinance has help in reducing (Khan2020, Akande & Yinus, 2015, Moruf 2013. Ede & Eikwu, 2018). It is in line with these submissions that this study will investigate the Nexus between microcredit and the growth of SMEs in Nigeria.

The broad objective of the study is to examine microcredit availability as a catalyst for small and medium enterprise growth in Nigeria. However, other sub-objectives are to:

1. To investigate how microcredit has assisted SMEs in asset acquisition for their business.
2. To find out how microcredit has assisted SMEs in acquisition of raw materials.
3. To ascertain if microcredit has improved the working capital of SMEs.

Scope of study is subjected around the framework of microfinance bank through microcredit and its contribution to the growth of small and medium enterprises in Edo State.

The hypothesis of the study seeks to find out if there is significant relationship between microcredit and growth of small and medium enterprises in Edo State and to investigate how microcredit has assisted SMEs in asset and raw materials acquisition for their business operations and also to ascertain if microcredit has improved the working capital of SMEs in Edo State.

II. LITERATURE REVIEW

Concept of Microcredit Services in Nigeria.

Muthoni (2016), citing, Ruben (2007), believed that group lending method, targeting of women, offering of graduated loans, and higher interest rates than the traditional banks are the four features of microfinance. These authors argued that microfinance deal with small groups requiring loans for business growth and Expansion and also use microcredit as a tool to enhance economic development of poor in the society. The microcredit, is an important strategy in the global fight against poverty, is one of the product of microfinance institution which involves the extension of very small loans to impoverished borrows who typically lack collateral, steady employment of a verifiable credit history. It is designed to support entrepreneurship and alleviate poverty. It was pioneered by professor Muhammad Yunus which has created the option for millions of poor people especially women, to become self-employed entrepreneurs.

Microfinance institutions, therefore, Serve as a bridge builder for SMEs in an overcoming commercial, economic, and business challenges.

In Nigeria, the 2012 Central Bank of Nigeria rules and regulations for the supervision of microfinance Banks, segregated the service into permissible activities and prohibited activities. The March 2020 Exposure draft of the guidelines for the regulation and supervision of microfinance Banks, however, changed the prohibited activities to non-permissible activities (CBN, 2020). The permissible activities in the 2012 regulatory and supervising framework for MFBS include:

- ❖ The acceptance of various types of deposits including savings, time, target and demand from individuals, groups and association.
- ❖ Promoting and monitoring of loans usage among its customers by providing ancillary capacity building in areas such as record keeping and small business management.

- ❖ Issuance of redeemable debentures to interested parties to raise funds from member of the public with approval from CBN.
- ❖ Collection of money or proceeds of banking instrument on behalf of its customers through corresponded banks.
- ❖ Buying, selling, and supplying industrial raw materials to persons on credit had to act, as an agent for any association for the sales of such goods or livestock.

The prohibited activities for MFBs include:

Non-acceptance of public sector (government) deposit except for the permissible activities.

Foreign Exchange Transaction, international commercial paper, international corporate finance, international electronic fund transfer, cheque clearing activities, dealing in Land for speculative purpose, and real estate except for its use as office accommodation (CBN, 2012).

The need to reposition and strength the MBFs toward improved performance and to complement other on-going reform in the sector necessitated the reviewed guidelines (Amugo-CBN 2020). Regarding the 2020 Exposure draft, the reviewed guidelines stream lined the content of the permissible activities to encourage the focus and product's deliveries of microfinance banks for performance enhancement. Regarding this, Ede and Elikwu (2018) argued that the financing mechanisms of microfinance banks in Nigeria are microcredit delivery, small savings and deposit mobilization and micro-insurance guarantee scheme. The scholar further opined that the roles of MBFs in the financing of SMEs in Nigeria are:

- ❖ Serving the unbanked population.
- ❖ Provision of microcredit facilities.
- ❖ SME entrepreneurial development.
- ❖ Financial intermediation.
- ❖ SME employment opportunities and financial inclusion.

To enhance efficient service deliveries these bank are not only found in the heart of the cities for aggressive Marketing and marketing drive, but they are designed to be the Nexus and data bank of government and the traditional banks about the poor of both urban and rural.

Areas Microcredit Has assisted SMEs.

1. Has assisted SMEs in asset acquisition for their business operations.
2. Microcredit has assisted SMEs in acquisition of raw materials for their business operations.
3. Microcredit has improved the working capacity of SMEs.

Institutions SMEs can Access Microcredits.

The federal government of Nigeria with the support of the world Bank and the African Development bank have tried in the past to assist SMEs through various credit schemes and

loans structured to fund Small and medium Enterprises, some of the institutions that SMEs can access microcredits are:

1. World Bank SMEs loan scheme.
2. African Development Bank export stimulation loan scheme.
3. CBN Rediscounting and Refinancing facility.
4. National Economic Reconstruction funds.
5. Bank of industry and the Graduate Employment loan scheme initiated by the National Directorate of Employment.
6. Money lenders and grants from government institutions and non-governmental institutions.

Impact of Small and Medium Enterprises on Nigeria's Economic Growth.

The high level of poverty in emerging economies like Nigeria could be seen as a reflection of its snail-like growth. According to Khan (2020), small and medium scale business is one of the widely practiced venture in Nigeria but having a mirage of problems like constrained access to funding, the scholar believed that small and medium Enterprises contribute to the development of the Economy through output of goods and services, creation of jobs at a relatively low capital, serving as the autopilot for the minimization of income disparities by advancing the availability of skilled and semi-skilled workers for industrial Expansion, and offer excellent breeding ground for entrepreneurial and managerial talent. The small and medium Enterprises (SMEs), serves as the bedrock for the emergency of new entrepreneurs to attaining the level of established commercial enterprises. It is believed that small and medium enterprises contribute to:

- ❖ Employment generation.
- ❖ Ensure income equality.
- ❖ Improve the standard of living.
- ❖ Rapid industrialization.
- ❖ Foster economic and social development in Nigeria.

In contributing to the problems of SMEs in Nigeria, it is believed that capital providers are primarily averse to the financing of this sector due to the high Transaction cost, low returns and the going concern threat, which they see as highly risky. It is also believed that financing still remains the strategic resource for new ideas and for the survival of SMEs. Despite the relevance of funding for the growth of small-scale business, Andabai and Jessie (2018) opined that their growth has not been significantly enhanced by the activities of microfinance banks. Examining the implication of the assertion of Andabai and Jessie (2018), Obadeyi (2015) argued that the problem of underdevelopment arises as a result of the reluctance of traditional banks to grant loans to the low-income earners, small business owners and the rural people. Regarding this, SMEs are still underfunded and only 50% of Nigeria's poorest household have access to financial services (Obadeyi2015., Akande and Yinus, 2016).

Moruf (2013) whilst contributing argued that microfinance banks are competing with purposively established to undertake.

Consequently, there is a need for a more effective monitoring of the activities of the microfinance banks by the relevant regulatory authorities, for better efficient service delivery. The divergent view of Bakare (2019), however, showed that Nigeria has recorded appreciable economic growth through the funding of SMEs.

Challenges of Accessing Microcredits by SMEs are:

- ❖ Poor records keeping.
- ❖ Lack of formal Education.
- ❖ Lack of collateral security.
- ❖ Stringent lending criteria.
- ❖ Short payment period.
- ❖ Government regulations
- ❖ High interest rate.
- ❖ Exchange rate fluctuations.
- ❖ Lack of adequate capital.
- ❖ Default in payment of loans by customers, Including SMEs.
- ❖ Lack of trust in the industry.

Some key features of microcredit are:

- ❖ The loans tenure is short.
- ❖ The borrowers are generally from low income backgrounds.
- ❖ These loans are usually repaid at high frequency.

Some SMEs that need Microcredit are:

Gym, Hair saloon, local restaurants, grocery stores, garages, Agriculture, forestry, Mining, oil and gas extraction, fishing, hunting, Bar, etc.

Advantages of Microcredit to SMEs.

1. Microcredit has created opportunities to lift countless families out of abject poverty.
2. Microcredit eases a binding credit constraint, which facilitates optimal resource allocation by reducing inefficiency.
3. It raises, improve, boost, promote and give an increase income and productivity.

Disadvantages of Microcredit to SMEs.

1. Too much pressure to repay loans.
2. A large suicide rate among borrowers.
3. Severe debt levels.

III. THEORETICAL REVIEW

This study is anchored on the financial intermediation theory by Gurley and Shaw (1967).

The theory explains the role of bank credit in an Economy. The theory stated that the business of financial intermediation in modern economy is to provide a mechanism to draw financial Flow from financially exceeding agent to the having a financial need in the economy. This means that microfinance institutions can influence growth of small and medium scale business in Nigeria by extending credit to the sector. The work of Andabai

(2016) observes that the role of bank credit to private sector in stimulating economic growth and development cannot be over emphasized. Thus, this is one of the most important sources of financing entrepreneurs especially, in the development of small and medium scale business in Nigeria. Nzotta (2014) posit that bank credit is one of important aspects of financial intermediation that provide funds to economic entities that can put them to most productive investment in the economy. They conclude that credit availability for investment are capable of raising the level of private sector output and create employment opportunities in the economy. Hence, microfinance Banks are expected to finance any positive net present value project if the cost of Investment is below the expected returns. Based on these contributions, there is a justification for anchoring this study on financial intermediation theory.

IV. EMPIRICAL REVIEW

Literature abounds on the relationship between microcredit and small and medium enterprises, especially on the funding of the latter. Scholars have also researched on the impact of the Microfinance bank and institutions on small and medium enterprises, and the extent to which the small businesses have benefited from the credit scheme of the former. The study adopted primary data through interviews conducted on 15 small businesses across Lagos State, Nigeria. The study revealed that small businesses have not been given the deserved and adequate recognitions that correspond with the intensity of their contributions to economic development. The study also shows that microfinance has a huge potential for increasing the performance of small businesses through frequent contributions in micro financing and provision of non-financial services.

Obadeyi (2015) examined the relationship between microfinance banking and the development of small business in Nigeria. The study adopted primary data through questionnaire and oral interview on 80 respondents with 70 effectively responded. The study established that microfinance banks have the capacity to boost economic growth in Nigeria.

Asoretal (2016) examined the impact of microfinance banks on small scale business in Calabar, Cross River State, Nigeria. Test study adopted descriptive research method on both small-scale business and microfinance banks. The findings revealed increased challenges of microfinance operations and the challenges of small-scale business. The results also show that microfinance banks have a significant impact on the growth of small and medium businesses. In the investigation of the contribution of microfinance banks to the so development of small and medium scale enterprises in Damaturu, Yobe States, Nigeria, Khan (2020) administered questionnaire to 50 respondents with respondents correctly filled and returned the study analyzed data through Chi-square tool to test the hypothesis. The findings revealed that strict borrowing condition militate against the effort of entrepreneurs from patronizing the banks.

Bakare (2019) investigated the Nexus between microfinance credit and small and medium businesses growth in Nigeria from

2006-2014. The results from panel data analyzed through descriptive and inferential Statistics. The findings from the analysis of the cross-sectional data revealed that microfinance banks in Nigeria are tailored after the Grameen Bank, with focus on the poor.

Akande and Yinus (2015) assessed the role of microfinance banks on the development of small and medium scale enterprises in Nigeria. Primary and Secondary data were used for the study. The instruments for primary data were questionnaire administered one hundred and two (102) questionnaires to registered SMEs in Lagos State, with one hundred and four (104) found it useful. The result revealed that a considerable number of people that patronize microfinance banks have the knowledge. The findings also showed that microfinance bank have positive influence on entrepreneurial development.

Akingunola et al (2018) investigated the impact of microfinance banks on small enterprises in Ogun State, Nigeria. Survey design method was used with the administration of 408 questionnaires on small-enterprises. The findings revealed a negative Nexus between Intermediary financial services and small scale business. The results also showed a Positive relationship between microcredit and business Expansion.

Alalade et al (2013) examined the relationship and causality between microfinance bank operations and entrepreneurship development in Ogun State. The study adopted survey research design with data collected through financial statements and questionnaire. The findings revealed that there is no significant difference between entrepreneurs that use microfinance bank in terms of loans and advances and those that did not. It was also revealed that the inability of the SMEs entrepreneurs to provide the collateral asset prevented them from assessing the required loans from microfinance banks.

Moruf (2013) evaluated the convenience of obtaining microcredit, adequacy of the credit supplied relative to demand, among others from microfinance banks and the extent at which SMEs benefitted. The study which was conducted on SMEs in Osun State, Nigeria, administered questionnaire on SMEs In addition to their financial statements. The result showed a positive and significant relationship between microcredit delivery service of microfinance banks and the performance of SMEs.

Summary

Most of the literature reviewed examined the relationship between Microfinance bank and the small and medium scale enterprises, but none has research on the extent Microcredit has boosted small and medium scale enterprises.

V. METHODOLOGY

Research design

This study employed a survey research design. The researcher collected data from tax payers and tax authority by

administering questionnaire. 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;

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

n= Sample size;

Z= The value gotten from Z-table;

Q= 1 – P

P= Numerical probability of success 70% i.e 0.70

E= The margin error limit stated at 5%

Assigning values to these symbols, the sample size calculated thus:

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

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

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

$$n = 322.6944 \approx 323$$

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 (2022)

Questionnaire was designed to collect data from the respondents. 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.

VI. ANALYSIS OF RESULTS

It presents the data generated from the use of structured questionnaire using descriptive statistics such as: simple percentage, mean, and frequency distribution. Whereas, the Multiple Least Square regression results are reported and analyzed

Effect of Microcredits on asset acquisition

Table 1: Effects of microcredits on asset acquisition by SMEs

S/N	ITEMS	SA	A	N	D	SD
1.	Micro finance banks extend credit facilities to SMEs to acquire assets	114 (42%)	21 (7%)	24 (8%)	63 (21%)	66 (22%)
2.	Majority of SMEs utilize the opportunity of credit extended to them to acquire assets	147 (49%)	39 (13%)	30 (10%)	36 (12%)	48 (16%)
3.	SMEs also use the option of equipment leasing in asset acquisition	186 (62%)	27 (9%)	9 (3%)	36 (12%)	39 (13%)
4.	Manufacturing SMEs has increased their production capacity through machinery acquired through micro credits	69 (23%)	126 (47%)	24 (8%)	30 (10%)	36 (12%)

Source: Fieldwork, 2022

Data presented in Table 1 on responses relating to the effects of microcredit on asset acquisition 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 utilize the opportunity of credit extended to them to acquire assets, 62% strongly agreed that SMEs also use the option of equipment leasing in asset acquisition , and 47% agreed that Manufacturing SMEs has increased their production capacity through machinery acquired through micro credits. This implies that microcredit has great impact in acquisition of machinery by SMEs.

Table 2: Influence of Microcredit on Raw material acquisition of SMEs

S/N	ITEMS	SA	A	N	D	SD
5.	SMEs has benefited from letters of credit from Banks to import raw material.	117 (39%)	102 (34%)	36 (12%)	12 (4%)	30 (10%)
6.	Regular supply of raw materials used by SMEs is assured due to availability of credit.	63 (21%)	39 (13%)	33 (11%)	138 (46%)	27 (9%)
7.	SMEs maintain cordial relationship with suppliers of raw materials.	138 (46%)	63 (21%)	0 (0%)	66 (22%)	33 (11%)
8.	Some SMEs cannot meet the conditions for extension of credit facilities.	51 (17%)	129 (43%)	27 (9%)	42 (14%)	51 (17%)

Source: Fieldwork, 2022

Data presented in Table 2 showed the responses on the Influence of Microcredit on Raw material acquisition of SMEs. It was observed that 39% of the respondents strongly agreed that SMEs has benefited from letters of credit from Banks to import raw material, 46% strongly disagreed that Regular supply of raw materials used by SMEs is assured due to availability of credit., 46% strongly agreed that SMEs maintain cordial relationship with suppliers of raw materials., and 43% agreed that Some SMEs cannot meet the conditions for extension of credit facilities. This implies that microcredits has greatly assisted SMEs in raw material acquisition.

Table 3: Impact of Microcredit on SME working capital position

S/N	ITEMS	SA	A	N	D	SD
9.	Microcredit received by SMEs improves their working capital position.	18 (6%)	150 (50%)	48 (16%)	39 (13%)	48 (16%)
10.	Microcredit extended to SMEs assists them to meet their short term obligation.	126 (42%)	57 (19%)	12 (4%)	63 (21%)	39 (13%)

Table 4: Chi-Square Computation Table

S/N	SA	A	N	D	SD	Me (X)	SD	df	X ² Cal	X ² Crit.	Sig	Decision
1.	114	21	24	63	66	2.81	1.42	9	46.91	11.085	0.05	Reject H ₀
2.	147	39	30	36	48							
3.	186	27	9	36	39							
4.	69	126	24	30	36							

11.	Majority of SMEs does not go to insolvency position due to micro credits they can fall back to.	66 (22%)	33 (11%)	63 (21%)	63 (21%)	138 (46%)
12.	Good working capital ratios are maintained by SMEs who access microcredits from Microfinance Banks.	63 (21%)	126 (42%)	0 (0%)	90 (30%)	21 (7%)

Source: Fieldwork, 2022

Data presented in Table 3 showed the responses on the impact of Microcredit on SME working capital position. It was observed that 50% of the respondents agreed that Microcredit received by SMEs improves their working capital position., 42% strongly agreed that Microcredit extended to SMEs assists them to meet their short term obligation, 46% disagreed that Majority of SMEs does not go to insolvency position due to micro credits they can fall back to, 42% strongly agreed that Good working capital ratios are maintained by SMEs who access microcredits from Microfinance Banks. This implies that microcredit to a large extent improves working capital position of SMEs.

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 X² calculated value is greater than the X² critical table value and accept the null hypotheses if the X² calculated value is lower than the X² critical table value.

Hypothesis one

Ho: There is no significant relationship between microcredits and asset acquisition by 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.

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 asset acquisition. 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

Microcredits does not have significant relationship with raw material acquisition 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	3.44	1.71	9	58.13	11.085	0.05	Reject H ₀
6.	63	39	33	138	27							
7.	138	63	0	66	33							
8.	51	129	27	42	51							

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 microcredit has significant influence on raw material acquisition by SMEs. Therefore, there is relationship microcredit and raw material acquisition. 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

Microcredits does not have significant relationship with working capital position 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.	18	150	48	39	48	3.09	1.52	9	49.66	11.085	0.05	Reject H ₀
10.	126	57	12	63	39							
11.	66	33	63	63	138							
12.	63	126	0	90	21							

The Chi-Square analysis, ($X^2_c = 49.66 < X^2_t = 11.085; \alpha = 0.05$) was observed and based on the result, there is significant relationship between microcredits and working capital of SMEs. It could be deduced that microcredit has significant impact on SMEs working capital operation. Therefore, we accept the alternative hypothesis and reject the null hypothesis since the X^2 calculated value (49.66) is greater than the X^2 critical value (11.085).

VII. SUMMARY AND CONCLUSION

This study looked at Microcredit 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 asset acquisition, raw material procurement and improvement of their working capital especially for SMEs operating in the manufacturing sector. At the end of the investigation and based on the test of hypothesis, the following were discovered;

- I. Microcredits has significantly impacted on SMEs asset acquisition
- II. Microcredits has positively contributed to raw material acquisition of manufacturing SMEs
- III. Microcredits has significantly improved the working capital position of 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.

VIII. RECOMMENDATIONS

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

1. Government should create enabling environment for SMEs to operate by ensuring that basic infrastructures such as road, power and human capital.

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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