

PDF - IMPACT OF MICRO FINANCE BANKS ON THE SURVIVAL OF SMALL AND MEDIUM- SCALE ENTERPRISES SMES A STUDY OF KOGI SAVINGS BANK LOKOJA - researchcub.infoABSTRACTS

This research work is carried out to evaluate the Impact of Micro Finance Banks (MFBs) on the Survival of Small and Medium-Scale Enterprises (SMEs) in Nigeria to determine the financial service of (MFBs) of the survival of (SMEs).

The collection of data was done through the survey method of research by issuing well structured questionnaire to the respondents, the sample size was determined through the use of Yaro Yamane's formula which is forty four (44) while the percentage and Chi-Square was used to present and analyze the data collected to arrive at a conclusion and possible recommendation. The finding revealed that MFBs have contributed immensely to the development of SMEs in Nigeria, granting credit facilities at a reduced rate. However the survival of which beset SMEs can lead through an improvement in the service of MFBs by the government, therefore government should enact policies to it system to encourage the investors, provide infrastructures facilities needed for the survival of SMEs and monitoring agent of the activities of MFBs.

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CHAPTER ONE: INTRODUCTION

1.1 Background to the study

Globally, Small and Medium-scale Enterprises (SMEs) are the major essential business organizations in whole world. Small and Medium Enterprise became the main source of business in Nigeria as the whole. According to Anyanwu, 2004, in Ofeimwn, Nwakoby and Izekor, 2018; Small and Medium-scale Enterprises (SMEs) from the majority of business undertaking in a developing economy like that of Nigeria and to be instrument for the development of any economy.

The survival of Small and Medium-scale Enterprises (SMEs) enhances some governments, some government policy to constitute industrial reform; interim of cash foci in the banking sector as well as petty business activities and also a venture in all circumstances (Zhiri, 2017). The Nigerian government has over the years embarked on the series of policies and institutional reforms aimed at enhancing the flow of finance from the banking sector to Small and Medium- scale Enterprise (SMEs) as well as those involve in petty business (micro) activities and entrepreneurial venture at informal level in particular.

The contribution of' (SMI's) sector to the Nigeria economy i crucial to the achievement of a broader development objectives such as poverty elevation spreading of employment opportunities and increasing in indigenous ownership of resources in economics. According to Okoy, 2010; CBN 2004 in Ofemum Nwakoby and Izekor (SMIs) to help generate employment bring industrialization and development to rural areas utilize indigenous resources and distribute income among the poor from the literature, it is evident that the Small and Medium scale Enterprises (SMEs) contribute to economic growth and development, has global recognition for the Small and Medium-scale Enterprises (SMEs) and contain adequate financial detail.

Bank and other financial institutions are currently estimated to provide services to only 25% of potential clients worldwide. This was cited by (Mohammad, 2007) opined that only 2% of micro entrepreneurs are being provided service by banks. However, government at all levels recognized the need to encourage the small enterprise through the provision of credit schemes and policy reforms which brought about emergence of Micro Finance Bank the Federal Government of Nigeria introduced during Obasanjo regime to replace the formal community Bank in Nigeria which became operational in 2005. Nigerians in line with their governments acknowledge the need to alleviate poverty and encourage SMEs, through the provision of credit and inform policy reforms with respect to bringing the Micro Finance Banks under the supervision of Central Bank of Nigeria to create enabling environment for SMEs access to small loans. More so, to ensure that the mission of the policies were achieved, which include ensuring the majority of the active population are reached with financial services, and that the total credit as a percentage of gross domestic product (GDP) ratio increase steadily, as well as micro credit as percentage of total credit to the economy. Equally important was the need to improve access of poor active most especially women to micro finance on a consistent basis (Attah, 2008).

1.2 Statement of Problem

In view of government aims to tackle financial challenges facing Small and Medium Enterprises Scale (SMEs) over years, there are ways to encourage and improve indigenous participation at real sector of the economy that can translate to improved GDP. Sequence to the above roles performed by governments at all levels on SMEs, there were noticeable challenges faced by same such as long, cumbersome and time consuming process of incorporation or business registration to afford the business easy access to better funding opportunities. Another challenge is the inability of most SMEs to provide collaterals for loan security creates misalignment that further compounds the existing funding gap (Olumide, 201 1).

However, this research has indentified major challenges of the SMEs ranges from poor capacity of newly established MFBs to fund, CBN policy on MFBs single oblique limit, undefined interest rate for MFBs, price inflation rate on raw material, non availability of some basic infrastructures like roads networks, electric power, among others.

1.3 Objectives of the Study

This main objective of this study is to determine the impact of micro-finance banks on the survival of small and medium enterprise:

The specific objectives are to:

i. Examine whether there is positive impacts of Micro Finance

Banks(MFBs) on SMEs financing in Nigeria.

ii. Ascertain whether macro-finance bank contribute to the survival of small scale enterprise.

iii. Investigate whether microfinance financing lead to the growth of small scale enterprise in Nigeria.

1.4 Research Questions

In line with the objectives of the study, the following research questions is formulated for the purpose of this study:

i. Is there any positive impact of Micro finance banks (MFBs) on SMEs financing in Nigeria?

ii. Do macro-finance bank contribute to the survival of small scale enterprise?

iii. Do microfinance banks financing lead to the growth of small scale enterprises in Nigeria

1.5 Statement of Hypotheses

The following hypotheses were formulated for the purpose of this study and they are based on the objectives:

Ho1 : Micro finance banks (MFBs) have no Impact on SMEs financing in Nigeria

Ho2 : Macro-finance bank does not contribute to the survival of small scale enterprise.

Ho3: Microfinance bank financing does not lead to the growth of small scale enterprise in Nigeria.

1.6 Significance of the Study

The expected benefits of this research study to all stake holders and partners in national transformation and development are so enormous:

Government: Secondly, the Federal and indeed the States and Local Governments will through the findings of this study discover the immense importance of Micro-financing bank on the survival of small and medium scale enterprise

Investors: This study will be of important to investors as the study will review some important ways to get income through Macro-Finance Bank and the important of investing in Small and medium Scale Enterprise.

Researchers: Scholars, upcoming researchers and students in general stands to benefit from this study as it serves as intellectual information depository for research development on topical issues. Through this study, they will know what have already been said concerning the study area and the areas that call for further study. Above all, it will serve a guide and reference materials for scholars, researchers as well as undergraduate and postgraduate students conducting research in

partial fulfillment for the award of degrees.

Society: The society at large and indeed the ordinary citizen or reader of this work will know that his or her individual input to the growth or national development process and the entire body of knowledge is indispensable if genuine transformation that can accelerate National development is to take place in Nigerian and elsewhere.

1.7 Scope of the Study

The scope of this study covers the impact of macro-financing bank on the survival of small and medium scale enterprise in Nigeria. Since the researcher cannot cover the entire Nigeria, the researcher uses Kogi state saving Bank Lokoja as the case study, Kogi State Saving bank was use to enable the researcher get access to available material and information needed for the study, the study covers from (2014-2018)

1.8 Operation Definition of Terms

Micro Finance: Micro Finance is the provision of micro loan to poor entrepreneurs and small business lacking access banking and related services.

Enterprises: In general, any endeavor where the primary incentive is profit no more employment for oneself and other.

Micro Savings: Is defined as a product that consists of small deposit account offered to low income individuals as an incentive to stores find for future use.

Economic Development: This has been defined as the process by which a community or country create rains and reinvests wealth and improves the quantity of life.

Small and Medium Scale Business: Refers to a business that has a small share. If the market not in position to significantly influence the site of the market.

Micro Credit: Is the provision of cash and a kind of loans in smaller amount to micro, small entrepreneurs meant to improve their business operations.

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