

Barriers of Microfinance Banks' Credit Delivery to Small Enterprises: An Empirical Analysis from South-Western Nigeria

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Abstract

This study empirically investigated the barriers of Microfinance banks' credit delivery to small enterprises in Nigeria. The areas of study were Lagos and Ogun States. The population of the study was made up of all the Microfinance banks in Lagos and Ogun States in the South-Western Nigeria. A sample of eight (8) microfinance banks were chosen; with five (5) from Lagos State and three (3) from Ogun State using the purposive sampling method. The choice of the sample size was predicated on ability of the researchers to access financial statements of the selected microfinance banks in the two selected states in the South-Western, Nigeria. Primary data was used through a structured questionnaire. Total of forty (40) questionnaires were administered to the respondents, consisting of MFBs staff – branch managers, operation managers, risk managers, and credit officers who examined and administered credit applications from small enterprises' owners on behalf of bank management on a one-on-one basis. Mean ranking and factor analysis were used to analyze the data. Findings revealed economic recession as major barrier confronting MFBs in credit delivery to small enterprise owners. The study concluded that despite the roles of MFBs to provide loans and other financial services to small enterprises operators, the sector was faced with different barriers thereby limiting their financial performance. The study recommended that Central Bank of Nigeria (CBN) should adopt a holistic approach on how barriers confronting MFBs would be drastically reduced, controlled and managed to improve MFBs operations.

Keywords: Microfinance Banks Barriers, Micro and Small Enterprises, Economic Recession, Non-Performing loans, Weak Capital Base, Nigeria.

JEL Classifications: D1, D9

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1. Introduction

The financial services of Microfinance Banks (MFBs) were the driving force of the socio-economic development of poor people and poverty reduction. The financial services of microfinance were generally known as the free collateral loans, remittances, saving deposits payment and repayment services (Ledgerwood, 1999; Nargiza., 2013). According to Odongo (2014), loan was a main product of microfinance institutions which referred to the small amount of credit given to poor people at a very considerate interest for generating income through self-employment. The terms of given loan were important determinants to the clients' wellbeing and household improvement and their businesses' performance. The flexibility of loan disbursement which included the facilities of easy access to services, time responsiveness and providing adequate information about the terms of service were important determinants for improving the clients' wellbeing. Moreover, the flexibility of loan repayment policy which included repayment period and interest rate all were critical factors for determining the role of microfinance services on micro and small entrepreneurs' wellbeing (Ledgerwood, 1999; Robinson, 2001). However, having examined the different responsibilities of Microfinance Banks (MFBs), the finance institution used to face restrictions in delivering micro loans to micro business operators (Adamolekun, 1993); which had affected overall performance of the bank in terms of low liquidity, increasing idle funds and dwindling returns on interest rate.

The CGPA report (2010) depicted that traditional lending management was naturally a short term process and low credits were made available to medium and small scale enterprise operators due to porous credit management and absence of collateral. The report further showed small businesses were often charged high interest rates and cost of funds could not match with the issue of expected returns on their investment. The high installment payments could be traced to poor product management and inability to repackage old product to satisfy customers' needs (Gonzalez & Sushma, 2009). The Microfinance Banks (MFBs) short term loans were not appropriate for farmers who relied on weather conditions to repay loans because of risk involvement – climate change. Generally in Nigeria, financial institutions credit terms were established to assist and provide small scale business enterprise with working capital and never for accumulation of asset in future (Whited, 1992; Bashir, 2008).

2. Literature Review

2.1 Barriers to Microfinance Banks Credit Delivery to Small Enterprises

Rajan and Zingales (1998) claimed that there were many barriers confronting banks to deliver credit, such as poor monitoring system, uncondusive environment, minimum account and loan balances, among others. According to Klapper, Laeven and Rajan (2006), barriers were common in economies with stringent restrictions on bank activities, such restrictions were characterized with less disclosure, inconsistent government policies, weak corporate governance and poor physical infrastructure development. Studies (Galor & Zeira 1993; Beck, Levine & Loayza, 2000) showed that barriers often prevented financial institutions to provide quality service delivery to clients in the banking sector to achieve growth and to reduce poverty. By so doing, the number of clientele of the banks might start to dwindle. Governments, donors and international financial institutions across the globe have increasingly recognized that access to quality service delivery played a pivotal role in poverty alleviation and in decreasing the vulnerability of poor people (Beck, *et al*, 2000). Therefore, barriers to Microfinance Banks (MFBs) Credit delivery further included:

(i) The lack of financial literacy

The financial isolation of poor people often resulted in the lack of financial understanding, which in turn led to further distance from formal financial institutions, thereby creating a vacuum. Furthermore, evidence has shown that most small business entrepreneurs were characterized as financially illiterate; hence this high level of financial illiteracy represented a significant barrier to accessing and properly using formal financial services; and also limited micro and small entrepreneurs' capacity to be aware of financial opportunities, made informed choices, and took effective action to improve their financial well-being.

(ii) Age discrimination

Young entrepreneurs have always been faced with significant barriers to enjoy quality financial service delivery, which however represented huge opportunity costs for the economy. The MFIs viewed young people as overly risky and unable to manage money, and for those under 18 of age, there was often a legal barrier to opening a formal account. This means that young people are forced to save informally. Informal saving was challenging, as funds were often diverted for immediate consumption needs, and accumulated savings could put the potential entrepreneurs at risk of mismanagement. Many young entrepreneurs also lacked an adequate understanding of financial transactions, which along with their

vulnerable social position as young people made them more susceptible to exploitation.

(iii) Weak Capital

Small capital has restricted microfinance banks (MFBs) diversification of investment opportunities. Callaghan, Henry, Diane, Christian & Morgan, (2007) claimed that inadequate funding MFB has been identified as a very important barrier to achieving growth. Despite the increase in number of MFBs, many MFBs still relied on grant funding.

(iv) Access to Capital Market

Several Microfinance Banks (MFBs) often find it hard to access the capital market. The capital market is a market where long term debt instruments are traded. Innovations and creativity structure might help to reduce barriers by altering risk to easily attract private capital to Microfinance Banks (MFBs) (Calderon, 2006; Callaghan *et al*, 2007).

(v) Economic Recession

Gibb and Dyson (1984) believed that the global economic crunch has affected the liquidity strength of firms, which has led to the bankruptcy of firms and possible exit from the market. Economic recession involved aggregate firms' exposure thereby making survival and growth highly skeptical with uncertain future.

(vi) Poor Corporate Governance

Klapper, Luc and Raghuram, (2006) claimed that many firms have become liquidated due to mismanagement on the part some directors thereby affecting the profit of the firm. Weak corporate governance has constituted a barrier to firms discharging their responsibilities. Such act allowed many top official of the firm to obtain credit assistance without undergoing due process. They added that loans were obtained without collateral/security and interest rates on the loans were neither paid, this automatically dwindled the earnings of the firm.

2.1.1 Medium and Small Enterprises (MSEs)

Enterprise often moved in specific scales, trends and dimensions such as micro, small and medium. Though, informality could be more associated with the smallest "micro" scales of enterprises. The Medium and small Enterprises (MSEs) have often been realized as "engine room" for economic sustainability and development, having formed large percentage of business enterprises and activities in an emerging market such as Nigeria (Oladejo, 2013). Medium and Small

Enterprises represented a large proportions of businesses in different countries globally and remained pivot of economic development. Medium and small scale enterprise in no doubt could be characterized as businesses with mini startup capital, skilled and unskilled owners / managers, small capital base and that operated in the informal sector of the economy with variety of institutional arrangements. The arrangement could be from a home-based unregistered business that is, if such business successfully transform from informal to a formal sector, which could be through continuous increase in profit, business expansion, asset growth and increase in turnover. Most MSEs were independent business establishments created mainly for the purpose of surviving and making profit and which were largely controlled and managed by the sole owners (Oladejo, 2013; Akande, 2014). Furthermore, the act of profit making has remained one of the vital factors for business enterprises' performance.

2.2 Theoretical Framework

2.2.1 Theory of Credit-Access

The theory was popularized by Stiglitz and Weiss (1981). The theory emphasized that the inadequacy of credits has always compelled Financial Institutions (FIs) to smartly ration loans to many borrowers. The attitude of rationing credits could characterize borrowers that provided either security or collateral because number of the borrowers often greater than the total amount of loans available. Theory of credit-access further elaborated the concept of adverse selection; thus, credit rationing becomes so important to financial institutions if there is need to require for collateral. The theory claimed that borrowers with low-risk might find it difficult to provide security to obtain the loanable funds. Stiglitz and Weiss (1981), further claimed that rationing of available credits could also occur if banks or other financial institutions decided to charge same interest rate to all their potential borrowers, in case the banks found it difficult to distinguish among their borrowers, FIs could start screening borrowers, but screening process could be very costly.

2.3 Empirical Review

Hulme and Moore (2006) claimed that it was labour-intensive to make available mini loans to large numbers of medium and small scale enterprise operators without security and providing loans to such low income entrepreneurs might be a risky business venture. They argued that young entrepreneurs might be denied loan access, because banks believed such people have not been permitted by law

to enter into a contractual agreement, since such action could be null and void. Wanjohi and Mugure (2008) in their study claimed that many Microfinance Banks (MFBs) are not allowed to access funds on the floor of capital market, thereby restricting liquidity capacity of the mini banks. Beck *et al*, (2009) in their empirical review concluded that during recessions, the contraction of aggregate demand would broadly affect all firms' sales and profits and could lead to failure.

Makorere, (2014) carried out a study on the roles of microfinance in promoting SMEs in Tanzania: Empirical evidence of SMEs Holders who have received Microcredits from Financial Institutions in Marogoro. The study however concluded that since weak capital base hindered banks to provide credits to potential borrowers, many MFBs funded their operations by systematic mobilizing savings, loans refinancing and by retained earnings and to adopt plough back profit process; in addition, MSEs lacked the capacity or experience to handle large sums of money in their businesses and even could lead to business failure; this scenario sometime discouraged microfinance banks to purvey credit to these group of customers.

3. Methodology

The study adopted survey research. Primary data was used through a structured questionnaire. Purposive sampling technique was adopted. The area of study was South-West Nigeria. The population of MFBs in South-West Nigeria is three hundred and thirty-one (331). Osun state has 32 MFBs, Ekiti state has 10 MFBs, Ondo state has 14 MFBs, Lagos state has 172, Ogun state has 53 MFBs and Oyo state has 50 MFBs. Lagos and Ogun states constituted 68% of total MFBs in the region as at the time of the study. The choice of Lagos and Ogun states was ability to access financial statements of the selected microfinance banks in the two selected states in the South –West, Nigeria. Total of eight (8) MFBs were chosen; five (5) and three (3) MFBs from Lagos and Ogun states respectively. Total of forty (40) structured questionnaire was administered to the respondents comprising of the MFBs staff – branch managers, operation managers, risk managers and credit officers who examine and administer credit applications from MSEs owners on behalf of bank management) on a one-on-one basis.

Each statement has five scales, ranging from strongly agree (SA) to strongly disagree (SD). The scales and their ratings made the questionnaire as indicators for appropriate respond. The five scales items were coded from 5 to 1 depending on the importance of each statement. Mean scores were calculated by awarding a point value to each response; five (5) represented strongly agree (SA), four (4)

represented agree (A), three (3) represented undecided (U), two (2) represented disagree (D), and One (1) represented strongly disagree (SD).

However, participants were asked to complete the questionnaire carefully in order to avoid mistakes and spurious outcome. Respondents were advised to answer the questionnaire based on their personal opinion. Thereafter, the completed questionnaires were properly and carefully analyzed. Though, the collection lasted for fourteen (14) days, the wrongly filled questionnaire was removed, which was not part of the analysis. Meanwhile only thirty five (35) were correctly filled and returned. This signified approximately 88%. According to Chadwick, (2004), a higher means score indicated that the respondents agreed with the statement. The figures for standard deviation (SD) also indicated the degree to which responses varied from respondents; the higher the figure for SD, the more variation in the responses, there might also be more disagreement among respondents in their responses.

The data was analyzed using factor analysis and mean ranking methods with the help of Statistical Package for Social Sciences (SPSS) version 21.0.

4. Result

4.1 Mean Ranking Results

The table 4.1a and 4.1b showed the barriers of Microfinance banks to deliver credit to medium and small scale enterprise (MSEs). There were various barriers as stated in the extant literature as well as others that were generated from the field work. It further showed that the barriers were ranked according to the extent at which it affected credit delivery to MSE owners. The most challenging limitation was increasing non-performing loans, (mean, 2.10; standard deviation, 0.932). This explained that most of the banks were faced with the problem of customers collecting loans and default in repayment as at when due, that is, within stipulated period.

Also, inability of medium and small scale enterprise (MSEs)' owners to maintain a minimum account and loan balances with Microfinance Banks (MFBs), (mean, 2.01; standard deviation, 0.96). medium and small scale enterprise (MSEs)' owners, who were customers of the MFBs might not enjoy credit services, due to inability to maintain minimum account as stipulated in the regulatory guidelines. This was followed by absence of collateral, (mean, 2.01; standard deviation, 0.853). For micro owners, free collateral loans were expected (that is, for individual

borrower, it would either be that such customer must have been operating savings account with the bank, or rely on cash flow from the business; and group borrower, contributions of members were used and because members were jointly liable). But for small enterprises, collateral were required to satisfy the principles of lending. Hence, inability of Microfinance Banks (MFBs) customers to provide collateral was a barrier to access credit. The lack of MFBs to access capital market to raise funds (mean, 1.92; standard deviation, 0.873).

Other barrier was uncondusive business environment faced by operators, (mean, 1.98; standard deviation, 0.836). Unavailability of social amenities to assist the performance of MFB has remained a concern. Such as lack of power supply was a challenge as banks spent a lot of money in alternative source of power, thereby affecting the operational cost of the organization, others were social unrest and insecurity. Low number of appointed credit bureau (mean 1.97; standard deviation, 0.892). Most of the Microfinance Banks (MFBs) found it difficult to know whether some of their clients have defaulted with other banks, extending credit assistance to such customers could result to problem. This was the reason for the appointment of more credit bureaus to control defaulting customers at the detriment of other unsuspected Microfinance Banks (MFBs). Also inability of Microfinance Banks (MFBs) to create an effective ICT base and networking, (mean, 1.95; standard deviation, 0.948), it prevented the extension of credit to MSE owners due to lack of data base of customers; unable to generate simple financial positions of clients might also be regarded as a barrier to credit (Bates, 2005; World Bank).

The general problem of weak capital base, (mean, 1.94; standard deviation, 0.891), which was very common features of Microfinance Banks (MFBs). The low capital base prevented extending credits to micro and small enterprises. This was because the weak capitalization could not satisfy the credit needs of customers. This has created a serious problem for medium and small scale enterprise (MSEs) to access funds (Ojo, 2009; Alex, 2014). The high cost structure of operations, (mean, 1.90; standard deviation, 0.826), it was peculiar with large pool of customers in different locations which attracted more administrative and operating cost at the expense of MFBs. There was need to understand that operating expenses attached to collecting medium and small loans involved transportation fare, administrative expenses, payment of staff salary and other operating expenses. Having examined this, Microfinance Banks (MFBs) found it difficult to provide credit services to customers. Poor corporate governance (mean, 1.89; standard deviation, 0.899). This was an abuse of right, power and privileges bestowed on some directors of MFBs to obtain loans without due process, without collateral and inability to pay

back both the principal and interest contrary to organizational policy. Therefore, a problem to grant credit to medium and small scale enterprise (MSEs) would affect the liquidity position of such banks.

Financial illiteracy level on the part of medium and small scale enterprise (MSEs) owners (mean, 1.84; standard deviation, 0.766). The level of financial illiteracy explained that MSE owners were characterized as illiterate; hence this problem represented a significant barrier to accessing financial services; and restricted micro and small entrepreneurs' capacity to be aware of financial opportunities provided by Microfinance Banks (MFBs). Microfinance Banks (MFBs) poor appropriation of credits to borrowers (mean, 1.83; standard deviation, 0.876). The inability of credit officers of Microfinance Banks (MFBs) to properly appropriate accounts of clients that enjoyed loan facilities hindered other customers from benefiting from the loan facilities because of lack of transparency and accountability of loan process. Inability of MFBs to obtain latest information about customers (mean, 1.76; standard deviation, 0.871). Information was very vital in decision making process. Lack of adequate information about a customer that requested for loans might prevent easy access to loans. This was because MFBs believed that such customers might have hidden information and action unknown to the bank. Lack of aggressive savings by medium and small scale enterprise (MSEs) owners with Microfinance Banks (MFBs), (mean, 1.74; standard deviation, 0.729). It could be due to bank policy of some banks such that before a loan was extended to any client, such client must have been operating a saving account with the MFB, if otherwise such client might not be able to enjoy such loan benefits.

Economic recession (mean, 1.53; standard deviation, 0.677). The macro-economic problem, such as economic recession has affected the liquidity position of the MFBs. The reduction in ability of Microfinance Banks (MFBs) to meet debt obligations and purvey credit adequately as at when due has hindered the provision of credit services to numerous potential customers. Lack of adequate training and re-training for MFBs employees in the area of credit administration, (mean, 1.37; standard deviation, 0.675). The lack of capacity building in terms of skills, training and development among staff of Microfinance Banks (MFBs) on how credits were administered has led to financial loss, increased in loan default and high non – performing loans etc. Thus, it has reduced the opportunities to extending credits to MSE owners. The Cronbach alpha was 0.755, which was approximately 0.8, it however showed that the test instrument was highly reliable.

Table 4.1a. Mean Ranking Analysis

Variable	Increasing non-performing loans	Inability of MSEs to maintain a minimum account	Absence of collateral	Unconducive business environment	Low number of credit bureaus	Lack of ICT to create a platform for networking	MFB weak capital base	MFB Inability to Raise funds in Capital Market
Mean	2.10	2.01	2.01	1.98	1.97	1.95	1.94	1.92
S.D	0.932	0.962	0.853	0.836	0.892	0.948	.891	0.873

Researchers' Computation (2020)

Table 4.1b. Mean Ranking Analysis

Variable	High cost structure of operations	MFB poor corporate governance	Financial illiteracy level	MFB poor appropriation of credits to borrowers	Lack of latest information about customers	Lack of aggressive savings	Economic recession	Lack of adequate training
Mean	1.90	1.89	1.84	1.83	1.76	1.74	1.53	1.37
S.D	0.826	0.899	0.766	0.876	0.871	0.729	0.677	0.675

Researchers' Computation (2020)

Note: Table 4.1b was the continuation of table 4.1a

4.2 Factor Analysis Result

This further described the structure validity of the scale that was examined using factor analysis on the data obtained from the questionnaire prepared to measure the factors which constituted the barriers to effectively purvey credits to MSEs. The result displayed in table 4.11. Table 4.11 showed the first of the factors which explained 15.6% of the total variance for the scale, the second one was 15.1%, the third explained 13.9%, while the fourth explained 10.9% and the last factor explained 7.9%. Altogether, the identified factors explained approximately 63.5% of the variation in performance scale. The communality (column 6) values showed the differing degrees of variation in each variable as explained by the extracted factors.

Table 4.11. Factor Analysis

	Component					Communality
	1	2	3	4	5	
Inability of MFBs to obtain latest information about customers	.823					.418
MFB poor appropriation of credits to borrowers	.801					.573
The inability of MSEs to maintain a minimum account and loan balances with MFBs	.674					.703
MFBs weak capital base	.558					.704
MFB poor corporate governance		.755				.652
Lack of ICT to create a platform for networking		.699				.577
High cost structure of operations		.662				.614
Lack of adequate training and re-training for MFBs employees in the area of credit administration		.627				.608
Increasing non-performing loans			.839			.768
Absence of collateral			.784			.751
MFBs are faced with uncondusive business environment			.647			.711
Lack of aggressive savings by MSEs owners with MFBs				.856		.577
Financial illiteracy level on the part of MSEs owners				.779		.714
Economic recession					.862	.630

Low number of appointed credit bureaus by CBN					.592	.526
Overall variation	15.593	15.1	13.881	10.981	7.941	Total variance=63.5%
KMO	0.729					
Bartlett Test of Sphericity	Sig=.0000	658.724		Df = 105	Approx.chi-square =	

4.3 KMO and Bartlett's Test Result

This described the KMO test result of this research work. The result displayed in table 4.12. Table 4.12 showed that the KMO test result was 73%. It depicted that Bartlett test result was significant. The result showed that there was no harm to continue the factor analysis and the data could be applied with the factor analysis.

Table 4.12. KMO and Bartlett's KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.729
Bartlett's Test of Sphericity	Approx. Chi-Square	658.724
	Df	105
	Sig.	.000

Source: Authors' Computation (2020)

4.4 Screen Plot

This described the affirmation of the extraction of the five factors based on the values of their eigen values greater or equals to 1 as shown in fig. 1.

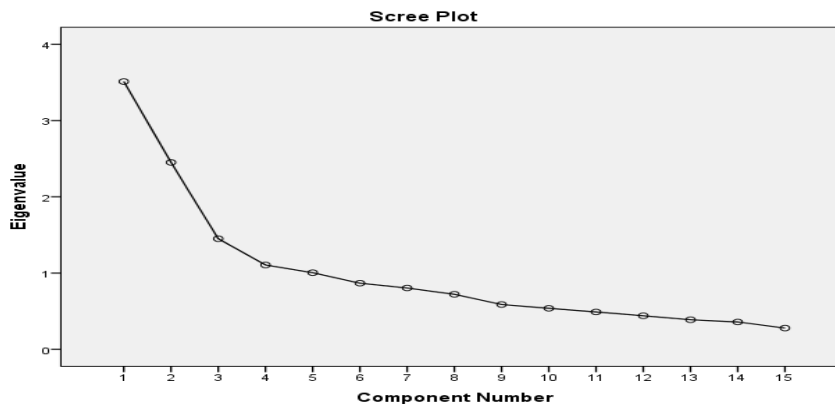


Figure 1. Screen Plot Line

5. Findings

The study ascertained barriers confronting MFBs to provide credit to medium and small scale enterprise (MSEs). Findings showed more than twelve (12) barriers confronting MFBs to deliver credit. It was revealed that having ranked the barriers, increasing non-performing loans emerged as the major barrier while lack of training was the least barrier. This means that training of staff was never a problem to MFBs as most of their staff underwent training regularly. More findings showed how the researchers adopted an inferential statistics (factor analysis) to further determine the major barriers faced by MFBs to deliver credit. Similarly, findings also revealed how factor analysis assisted in grouping the common barriers facing MFBs using KMO and Bartlett test. Findings further showed that screen plot helped to affirm the extraction of the five major barriers confronting MFBs as factors based on their eigen values which was greater or equals to 1. The findings showed five (5) major barriers which included economic recession (86.2%), lack of aggressive savings by medium and small scale enterprise (MSEs) owners with MFBs (85.6%), increasing non-performing loans (83.9%), inability of MFBs to obtain latest information about customers (82.3%) and MFBs poor corporate governance (75.5%).

6. Conclusion and Recommendations

The roles of MFBs in any economy could not be over emphasized, considering its ability to provide quality financial service delivery to low-daily income earners, petty traders and other medium and small scale enterprise owners / managers to fund their businesses in South-Western Nigeria. But to **effectively** and efficiently render financial services, MFBs were often prevented by some factors to provide credits to MSEs. On this note, this study discovered different barriers that were not allowing MFBs to perform its statutory financial intermediation functions. The study identified five major barriers and others confronting MFBs to deliver credits to MSEs. Therefore, the paper recommended that government ministries, departments and agencies (MDAs) should provide sound and vibrant policies as obtained with global standard, which would exhaustively address variety of barriers confronting the microfinance sub-sector in order to achieve economic sustainability in this region and whole country at large.

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APPENDICE

APPENDIX A

Communalities

	Initial	Extraction
Lack of adequate training and re-training for MFBs employees in the area of credit administration	1.000	.418
Lack of ICT to create a platform for networking	1.000	.573
Inability of MFBs to obtain latest information about customers	1.000	.703
MFB poor appropriation of credits to borrowers	1.000	.704
The inability of MSEs to maintain a minimum account and loan balances with MFBs	1.000	.652
MFBs weak capital base	1.000	.577
High cost structure of operations	1.000	.614
MFB poor corporate governance	1.000	.608
Economic recession	1.000	.768
Lack of aggressive savings by MSEs owners with MFBs	1.000	.751
Financial illiteracy level on the part of MSEs owners	1.000	.711
MFBs are faced with uncondusive business environment	1.000	.577
Absence of collateral	1.000	.714
Increasing non-performing loans	1.000	.630
Low number of appointed credit bureaus by CBN	1.000	.526

Extraction Method: Principal Component Analysis.

APPENDIX B

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.511	23.409	23.409	3.511	23.409	23.409	2.339	15.593	15.593
2	2.451	16.342	39.751	2.451	16.342	39.751	2.265	15.100	30.692
3	1.451	9.673	49.424	1.451	9.673	49.424	2.082	13.881	44.574
4	1.106	7.374	56.797	1.106	7.374	56.797	1.647	10.981	55.555
5	1.005	6.698	63.495	1.005	6.698	63.495	1.191	7.941	63.495
6	.867	5.781	69.277						
7	.804	5.361	74.638						
8	.722	4.812	79.450						
9	.588	3.920	83.370						
10	.538	3.585	86.955						

11	.490	3.269	90.225					
12	.440	2.936	93.161					
13	.388	2.587	95.748					
14	.359	2.393	98.141					
15	.279	1.859	100.000					

Extraction Method: Principal Component Analysis.

APPENDIX C

Component Matrix^a

	Component				
	1	2	3	4	5
The inability of MSEs to maintain a minimum account and loan balances with MFBs	.755				
High cost structure of operations	.738				
MFBs weak capital base	.690				
MFB poor appropriation of credits to borrowers	.681				
Lack of ICT to create a platform for networking	.678				
MFB poor corporate governance	.604				
Inability of MFBs to obtain latest information about customers	.600			.503	
MFBs are faced with uncondusive business environment		.743			
Absence of collateral		.739			
Increasing non-performing loans		.679			
Financial illiteracy level on the part of MSEs owners		.651			
Lack of aggressive savings by MSEs owners with MFBs			.596		
Low number of appointed credit bureaus by CBN					
Lack of adequate training and re-training for MFBs employees in the area of credit administration					
Economic recession			.557		.675

Extraction Method: Principal Component Analysis. a. 5 components extracted.

APPENDIX D

Component Score Coefficient Matrix

	Component				
	1	2	3	4	5
Lack of adequate training and re-training for MFBs employees in the area of credit administration	-.186	.383	-.035	.131	-.024
Lack of ICT to create a platform for networking	-.058	.337	-.009	.002	.083
Inability of MFBs to obtain latest information about customers	.471	-.215	-.054	.080	-.162
MFB poor appropriation of credits to borrowers	.411	-.128	-.087	.111	-.041
The inability of MSEs to maintain a minimum account and loan balances with MFBs	.265	.030	.078	-.049	.142
MFBs weak capital base	.204	.051	.151	-.202	.060
High cost structure of operations	.034	.270	.048	-.056	.009
MFB poor corporate governance	-.147	.414	-.072	.035	-.115
Economic recession	.016	-.078	.139	-.066	.755
Lack of aggressive savings by MSEs owners with MFBs	-.025	.087	-.131	.571	.030
Financial illiteracy level on the part of MSEs owners	.058	-.022	.019	.472	-.060
MFBs are faced with uncondusive business environment	.031	-.010	.274	.148	.010
Absence of collateral	.018	-.034	.437	-.100	.056
Increasing non-performing loans	-.048	.042	.412	-.120	.058
Low number of appointed credit bureaus by CBN	.086	-.090	.165	-.062	-.470

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

Component Scores.

APPENDIX E

**QUESTIONNAIRE ON:
Barriers of Microfinance Banks Credit Delivery to Micro Small
Enterprises**

SECTION A

Instruction: Please tick [√] and fill in as appropriate.

1. Gender (a) Male [] (b) Female []
2. Age (a) Below 17 years [] (b) 18 – 27 years [] (c) 28 – 37 year [] (d) 38 – 47 year [] (e) 48 years and above []
3. Marital Status: (a) Single [] (b) Married [] (c) Divorce [] (d) Widow [] (e) Widower []
4. Educational Qualifications: (a) No formal Education [] (b) WAEC /SSCE [] (c) A' Level (d) HND/B.SC [] (e) OND /NCE [] (f) Professional [] (g) M.sc / M.B.A []
5. Working Experience: (a) 1-3 years [] (b) 4-6 years [] (c) 7-9 years [] (d) 10 years & above []
6. Category of Microfinance Banks (a) Unit MFBs [] (b) State MFBs [] (c) National []
7. Level of Management: (a) Top management [] (b) Middle level management [] (c) Lower level management []

SECTION B

Instruction: Please tick [√] as it tallies with your answer. Where, SA = Strongly Agree; A = Agree; U = Undecided; D = Disagree; SD = Strongly Disagree

S/N	Research Statement	SA	A	U	D	SD
	Barriers of Microfinance Banks Credit Delivery to Micro Small Enterprises					
1	Lack of adequate training and re-training of MFBs employees prevents credit delivery to medium and small scale enterprise (MSEs)					
2	Inability to access the capital market to raise funds is a serious challenge to MFBs to disburse funds to medium and small scale enterprise (MSEs)					
3	The lack of ICT to create a platform for networking serves as a					

	problem to deliver credit.						
4	The inability of MFBS to obtain and collate latest information about loan defaulting customers result to high loan delinquency, which prevents credit delivery.						
5	MFBS encourage low number of credit bureaus which has compelled them to deny MSEs credit access.						
6	Poor appropriation of credits to borrowers (i.e. granting loans to customers, who do not have income or means of repayment) by MFBS increases rate of loan defaulters.						
7	Inability to maintain a minimum account and loan balances with MFBS prevents credit delivery						
8	MFBS weak capital base is a constraint to deliver credit to MSEs owners						
9	The high cost structure of operations of MFBS often prevents extending credits to medium and small scale enterprise (MSEs)						
10	MFBS poor corporate governance is regarded as a serious challenge limiting credit delivery to MSEs owners						
11	Economic recession prevents MFBS to adequately deliver credit.						
12	Lack of aggressive savings by medium and small scale enterprise (MSEs) owners with MFBS hinder credit delivery.						
13	The high financial illiteracy rate among MSEs owners may hinder MFBS to deliver credit to them.						
14	MFBS are operating in an uncondusive and highly uncertain business environment. This serves as a hindrance to deliver credit to medium and small scale enterprise (MSEs)						
15	Absence of collateral is a problem to MFBS not to deliver credit to medium and small scale enterprise (MSEs) owners.						
16	The increasing non-performing loans often affects capital adequacy of MFBS thereby limiting their capacity to deliver credit.						