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Microfinance Banking and Development of Small Business in Emerging Economy: Nigerian Approach

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Abstract: *The research study examines the Microfinance Banking and Development of Small Business in emerging economy: Nigerian Approach. The Microfinance Banks (MFBs) serve as an engine through which economic industrial development subsists in Nigeria. MFBs have been involved in the promotion, growth and development of the informal sector and remains heralded strategy for industrial development in emerging economies including Nigeria. The primary source of data was adopted via questionnaire and oral interview. A simple regression was used to address the responses of the respondents gathered though the questionnaire in order to derive logical conclusion for the study. It was however established that MFBs have the capacity to boost economic development in Nigeria through the support of government agency (CBN) to keep them tracked and to be focused on the objectives for which they were established. Also, the reviewing and refining of the National Microfinance development Strategy Policy for MFBs in Nigeria is remarkable and commendable. The paper further recommends that MFBs' operations should be continuously be monitored by the regulatory agency (CBN) in order to adequately address the gap in terms of credit, savings and other financial services required by the micro entrepreneurs. The latent capacity of the poor for entrepreneurship would be significantly enhanced through the provision of microfinance services to enable them engage in economic activities and be more self-reliant, increase employment opportunities, enhanced household income,create wealth etc.*
Keywords: *Small business, Microfinance banks (MFBs), Central Bank of Nigeria (CBN), National Economic Empowerment and Development Strategy (NEEDS), Nigeria, Microfinance Institutions (MFIs).*

I. Introduction

The microfinance bank is a financial institution that is closest to the grassroots and the equity is 100 percent private sector owned (Schreiner,2002). It strives for efficiency, fund mobilization and accountability. It does not deal in foreign exchange, though; it can create the conditions for earning through its loan diversification and guidance. The concept of microfinance banking is a self-sustaining financial institution designed to be owned and managed by individuals, who are regarded as financial experts known for the purpose of deposit mobilization and the provision of financial services to the people for the promotion of rural development (Acha, 2007).

The release of microfinance Bank Policy on December 15, 2005 by the Central Bank of Nigeria (CBN) was the formal commencement of microfinance banking in Nigeria. The policy was prepared in exercise of the powers conferred on the Central Bank of Nigeria (CBN) by the provisions of section 28, subsection (1) (b) of the CBN Act of 1991 (as amended by the CBN Act 2007) and in pursuance of the provisions of sections 56-60 (a) of the Banks and Other Finance Institutions Act (BOFIA) 25 of 1991, as amended. To affirm the readiness of CBN in implementing microfinance banking in Nigeria, a further circular was issued on February 3, 2006 and addressed to all chairmen, directors and managers of community banks and the public on the requirement for the conversion of community banks to microfinance banks (CBN, 2005).

However, Nigerian economy can be regarded as a dualistic or two-sector economy, a relatively small urban sector and a large rural sector. At least 75 percent of the nation's resources are in the rural area, yet the rural area lack concentration of financial institutions (Adeyemi, 2008; Nwanyanwu, 2011).Though, Nigerian banks are not evenly branched and even the few branches are concentrated in the urban areas. The reason for this is that the rural areas lack adequate infrastructures and that the level of business in these areas could not generate enough turnovers to cover overhead costs as well as making adequate profits. This was more so when agriculture,which is the dominant occupation in the rural area is now undergoing a steady decline.Due to the inability of the conventional banks to sufficiently address the gap in the Nigerian financial system coupled with their unwillingness to fund small businesses;this however, made the government to come up with an effort to bring banking services nearer to the people particularly those in the rural areas via the introduction of microfinance banks (Yunus& Allan, 1999; Okpara, 2010; Kuchler, 2011).

The microfinance bank was designed by the Nigerian Government as specialized development bank to promote grassroots banking towards achieving rapid integrated rural development and entrepreneurship development.The microfinance banking scheme came on board at a time when rural branches of commercial banks could no longer satisfy the rural development aspiration as commercial banks experienced operational losses, which could not be sustained. The microfinance bank was designed to fill the credit delivery gap created by thenPeople's Banks, the Community Banks and the conventional Banks (Nwankwo,2008). However, unlike the people's bank, the community bank is owned and managed by the community itself; it inculcates a sense of belonging and commitment to the success of such banking project.

Also, microfinance banks came into being as a result of the challenges being faced by entrepreneurs to fund their businesses. The Central Bank of Nigeria, in its Monetary Policy Circular No. 22 of 1988, defined small-scale enterprises as having an annual turnover not exceeding #500,000 naira. The National Economic Reconstruction Fund (NERFUND) put the ceiling for small-scale industries at #10 million naira. Section 37b (2) of the Companies and Allied Matters Decree of 1990 defines a small company as one with: (a) an annual turnover of not more than 2 million naira; (b) net asset value of not more than #1 million naira. Therefore, for local people to generate income from productive activities, it requires credit, especially to stimulate traditional heavily under-capitalized local enterprises; and the availability of credit, more than any other service, awakens the aspirations of potential entrepreneurs globally. Government policies seem to have constituted a serious problem for small businesses. The beginning of harsh government policies toward small businesses can be traced back to 1982 with the introduction of "stabilization measures" which resulted in import controls and drastic budget cuts. These, in turn, adversely affected the subvention to the financial institutions established to provide financial assistance to the small businesses. Hence,as the economic situation deteriorated, the government introduced the Structural Adjustment Programme (SAP) in 1986. The SAP era was characterized as strategic period for liberalization and deregulation; during which interest rates was implemented, but interest rates have continued to increase. The Monetary Policy Rate (MPR) is at 13% (CBN, 2014). The small businesses, which prior to the SAP had been granted concessionary rates of interest (particularly for agricultural, mining, manufacturing and housing loans), have had great difficulties obtaining credit. The frequent changes, and sometimes conflicting government monetary policies, have also tended to hurt the small businesses. For instance, while the government increased total credit allocation to small businesses from 16 to 20 percent, the same government removed excess liquidity in the banking industry through increases in the Monetary Policy Rate (MPR) as well as increase in Cash Reserve Requirement for private and public sector,which move from 12% to 13%, 15% to 20% and 50% to 75% respectively (CBN, 2014); as well as the transfer of government and parasternal accounts to the Central Bank and the creation of a Stabilization Securities Account (SSA) whereby the banks were debited with excess liquidity in their accounts with the Central Bank (Obadeyi, 2014).

II. Literature Review

2.1 Existing Relationship between Microfinance Banks and Small Business in Nigeria.

The problem of underdevelopment arises due to the reluctance of the banks to grant loans to the low income earners, micro business owners and the rural people. This is as a result of the inability of this group of people to provide collaterals for these loans. Micro and small business owners constitute the bedrock of many economies by providing the impetus for creating employment and value added activities. In most developed economies and emerging markets (Nigeria inclusive), micro and small enterprises operate in the informal sector. The support for development and sustainability of the economy will promote economic growth and development. To achieve this objective, the conditions for dynamism and indigenous economic activities must be identified and diligently examined. Nigeria's future rests on its ability to train and fund local entrepreneurs that can nurture homegrown firms and encourage innovation in the area of quality service delivery, risk taking and local investment (Olaitan, 2001).

Nigeria is the most populous country in Africa, and 70 percent of Nigerians live below the poverty line, that is, less than #180 /US$1 considering the current exchange rate (CBN, 2014). Despite a wealth of human and natural resources, Nigeria's economy has remained largely to depend on crude oil for survival. The agricultural sector has failed to keep up with rapid population growth, and the nation has become a food importer (Hulme, & Mosley 1996; Onwumere, 2007). Over 70 million people: two - third of the nation's population — live on less than N180 per day, thereby making them to be unable to meet their basic human needs. A subset, approximately 38million people, or 10.9 million families, live in "absolute poverty", malnutrition, lack of health care, substandard housing and illiteracy; which breed desperation, disease and daily suffering. Poverty traps future generations in a vicious cycle without hope or opportunity. In an increasingly globalize world, no one is immune to these problems. Each day, without the security of formal jobs, they eke out livings, whether it is by raising chickens, selling farm produce in markets or weaving baskets. Despite working from dawn to dusk, there is no money left over to improve their quality of life or expand their businesses. It is therefore essential for CBN to fully support the activities of MFBs and restructure their financial activities and regulatory framework so as to assist small businesses and entrepreneurs to survive. All small business owners' earnings are mainly means oftheir basic survival. The lending rate charged by microfinance banks is very high; between 19-25 % after Central bank of Nigeria unveil the new monetary Policy Rate at 13% (Henry, 2013; CBN, 2014).

The provision of “micro” loans and financial services to the entrepreneurial is a goodway of income-generating process to small businesses, and it remains one of the most significant anti-poverty tools at work in the world today. Yet, only 50% of the Nigeria’s poorest households have access to financial services and the growth of microfinance institutions has outpaced traditional funding sources. Focusing on income-producing solutions for the working poorhouseholds is a powerful way to alleviate the pain of poverty for an entire family.In the developing, emerging markets and developed world, Small enterprises (SEs) isthe engine of economic growth, because they promote vibrant businesses, broaden opportunity, increase productivity, create jobs, and help alleviate poverty (Yunus& Allan, 1999; Kutchler, 2011).

In developed countries like United States, United Kingdom, Canada etc., SEs represent more than half of GDP and account for nearly two-third of employment, but they are largely absent from the formal sector of the economy of Nigeria, which are often able to sustain micro-enterprises and huge conglomerates; while there are indications that SEs could generate high returns on invested capital, today these investments are expensive to fund, execute, and manage relative to their size – and the investment returns often do not match the expense. This is because the costs of sourcing and verifying important information, and investments can also be difficult.The Central Bank of Nigeria calculates that only 35 percent of Nigerians have access to the formal-financial sector. The demand for microfinance is very high, due to the limited number of Non- Government Organizations (NGOs) providers in rural areas. It is expected that the 2005 Microfinance Policy and Supervisory Framework will encourage the rapid development of small enterprises and microfinance banks. The new policy will allow the microfinance sector to be better monitored by the Central Bank of Nigeria, and the government has also put in place microfinance-friendly programs to boost the sector (CBN, 2005; Falade, 2008; Rodman, 2012).

The Nigerian economy had witnessed a declining performance characterized by slow growth over the past two decades as a result of socio-economic, political problems and the recent insurgents and terrorists’ threat to Nigerian economy (Iwuagwu, 2008; Nwanyanwu, 2011). The emergence of crude oil in 70’swas believed to be a dominant national revenue, which had increased with profligacy, but the crude oil price in the international market has reduced drastically in recent times, forcing the CBN to devalue the naira and poor quality of public sector expenditures, which has failed to check high unbridled importation and insincerity in policy implementation due to endemic corruption. All these resulted in economic hardship to the people and brought deterioration to all national institutions; in addition, the combined effects made it difficult to raise enough capital for new or existing businesses, while the average household disposable income became insufficient to meet basic human needs of housing, food, clothing, transportation and caring for dependents (Lemo, 2007;Obadeyi, 2014). Moreover, as the cost of living index is increasing, so is the average propensity to save falling. Robust economic growth can only be achieved by putting in place well focused programmes to reduce poverty. This is possible if these programmes are people oriented by increasing their access to production and domestic facilities, especially through credit (Johnson, &Rogaly 1997; Onwumere, 2003). Therefore, there is need to understand that financing in micro set-ups is a practice that is culturally rooted and dates back to many centuries in Nigeria. Self-help groups, rotating savings, co-operative set-ups and money-lending activities were means of getting access to finances (Anyanwu, 2004). These formed, more or less, the development of community banks, which sprang up subsequently in every area of the country. It was really a communal set-up, with familiar people getting involved; while some community banks were products of government programmes, and others came into existence through communal gathering. Eventually, upgrading and transformation of the community banks were desperately needed because of the bank’s weak performances and the breakdown of other projects meant for the poor by the successive governments (Falade, 2008).In continuation of the reforms in the financial sector in 2005, the Central Bank of Nigeria (CBN) announced waivers for community banks seeking to convert to microfinance banks (MFBs). This is in order to fast track the much desired impact of microfinance as the pivot of any meaningful economic development in an emerging economy such as Nigeria. The growth and development of the microfinance sector, which is within the overall framework of the National Economic Empowerment and Development Strategy (NEEDS), is generally regarded as a prerequisite for achieving the goals.

2.2 Brief History of Microfinance Banks (MFBs) and Development Financial Institutions (DFIs)

To enhance the flow of financial services in Nigeria’s rural areas, there is need for government regardless of level(s) todecide on how to initiate the microfinance programme. Microfinance refers to the entire flexible structures and processes by which financial services are delivered to micro-entrepreneurs on a sustainable basis (Okpara, 2009). It recognizes the peculiar features and challenges of the poor and micro-entrepreneurs that are unable to provide collaterals.Okpara, (2010) asserted that the practice of microfinance in Nigeria is culturally rooted and datesback several centuries. The traditional microfinance institutions provided access to credit for the rural and urban, low-income earners. They are mainly of the informal Self-Help Groups (SHGs) or Rotating Savings and Credit Associations (ROSCAs) types. Other providers of microfinance services include savings collectors and co-operative societies. The informal financial institutions generally have limited outreach due primarily to paucity of loanable funds.

Nwanyanwu (2011) affirmed that the unwillingness or inability of the formal financial institutions to provide financial services to the urban and rural poor, coupled with the unsustainability of government sponsored development financial schemes contributed to the growth of private sector-led microfinance in Nigeria. Before the emergence of formal microfinance institutions, informal microfinance activities flourished all over the country. Informal microfinance is provided by traditional groups that work together for the mutual benefits of their members. These groups provide savings and credit services to their members. The informal microfinance arrangements operate under different names: 'esusu' among the Yorubas of Western Nigeria, 'ututu' for the Igbos in the East and 'adashi' in the North for the Hausas (CBN, 2000). The key features of these informal schemes are savings and credit components, informality of operations and higher interest rates in relation to the formal banking sector. The informal associations that operate traditional microfinance in various forms are found in all the rural communities in Nigeria (Olaitan, 2001; Onwudiwe, 2008). They also operate in the urban centres. However, the size of activities covered under the scheme has not been determined. The non-traditional, formalized microfinance institutions (MFIs) are operating side by side with the informal services. The financial services provided by the MFIs in Nigeria include savings, credit and insurance facilities. The stated objectives of the MFIs are summarized as:(a) to improve the socio-economic conditions of women, especially those in the rural areas through the provision of loan assistance, skills acquisition, reproductive health care service, adult literacy and girl child education;(b) to build community capacities for wealth creation among enterprising poor people and to promote sustainable livelihood by strengthening rural responsive banking methodology; and (c) to eradicate poverty through the provision of microfinance and skill acquisitiondevelopment for income generation individuals or group of people.

Unlike Deposit Money Banks (DMBs), asset based collateral was de-emphasized by the MFIs. Lending was done on group basis and a group is made up of between 5 and 10 clients. The collateral was the collective pledge of the group to repay, which is based on community recognition. In addition, the MFIs concentrated on short term financing, owing to the large demand for loans and their limitations.It was realized that the Development Finance Institutions (DFIs) could provide an additional funding source to the MFIs, on-lending basis, instead of the practice of dealing directly with micro enterprise owners. Using the latter as an intermediary could be more efficient because the MFIs had grass root orientation and greater expertise in financing smaller enterprises (Mekernan, 2002; Okeke, 2008).

Between 1964 and 1977, various Development Finance Institutions (DFIs) were established at both the national and state levels in Nigeria. The national DFIs included the Nigerian Industrial Development Bank (NIDB), Nigerian Bank for Commerce and Industry (NBCI) now Bank of Industry (BOI), Nigerian Agricultural and Cooperative Bank (NACB) and Federal Mortgage Bank of Nigeria (FMBN). Each institution was given the responsibility of promoting the development of a specific sector or sub-sector (CBN, 2000). The NIDB was established in 1964, from the restructuring of an existing Investment Corporation of Nigeria (ICON), and given the mandate of developing new industrial enterprises and expanding existing ones through the provision of medium and long term loans and equity participation. A decade later in 1973, the NBCI was established to provide funding to small and medium scale enterprises. Of more relevance to micro enterprises, the NACB was also established in 1973 to promote the development of the agricultural sector in which most of the operators are micro enterprises. Also the FMBN, which took over the assets and liabilities of the Nigerian Building Society (NBS),which was established in 1977, with the mandate to provide funding for residential and other housing needs of individuals and corporate organizations. Two other DFIs, the Urban Development Bank and Education Bank, were established in 1992 and 1993, respectively, to cater for these two important sectors (urbanization & education). These DFIs made varying contributions to their various sectors of responsibility. They funded various projects and enterprises, many of which are in operation today. However, with the drastic reduction in government subventions to them in the 1990s, their operations reduced drastically and by late 1990, they all ceased operating, as all of them depended mainly on government funding (Akamiokhor, 1983; Mohammed & Hassan, 2008). Pervasive incidence of non-performing loans and generalized distress in the financial services sector constrained reliance on internally generated funds. Other militating factors included political instability and build-up of external debt which reduced both the country's credit worthiness abroad and the associated off-shore funding. The poor performance of the DFIs notwithstanding the need to channel financial resources to the productive sectors, have remained a major challenge to the government and the monetary authorities. Attempts have therefore been made to restructure the DFIs, give them commercial orientation and make sustainability the guiding principle. In December, 2007, the new government policy gave licenses to 107 microfinance banks and converted 600 out of 761 community banks to microfinance banks which make the total number of microfinance banks 707 in the country (Soludo, 2008).The growing awareness of the potential of microfinance in poverty reduction, economic growth and development, coupled with the emergence of several highly successful and fast growing microfinance institutions (MFI's), have effectively put the issue of microfinance on the political agenda of most emerging markets and developing economies. Consequently, the supervisory authorities of such institutions have taken active measures to address the issue of microfinance by developing an appropriate regulatory and supervisory framework, based on the particular features and risks associated with this activity. The regulatory and supervisory framework led to the emergence of microfinance banks.

2.3 Microfinance and its Challenges Facing Nigerian Economy

As part of the reform programme of the Federal Government, notably in 2005, Government launched the Microfinance Policy Regulatory and Supervisory Framework for Nigeria.Acha(2007) argued that the policy which complements the banking sector reforms not only brings the micro-finance activities under the regulatory purview of the Central Bank of Nigeria, but also aims at providing sustainable access to financial service via the economically active poor. Adeyemi (2008) affirmed thatthe programme is targeted at creating an environment of financial inclusion to boost capacity of Micro, Small and Medium Enterprises (MSMEs) to contribute to economic growth and development through job creation which will lead to improved standard of living and poverty reduction, among others.

Microfinance banks are faced with so many challenges among which are: (a) inadequate awareness campaigns and supports by the regulators; (b)Lack of trust by the people who believe that the microfinance banks are just like the unregulated community banks and finance houses; (c) insufficient support from governments: the policy direction towards the millennium development goals is that one percent of the annual votes of the State and Local Governments should be channeled to Microfinance banks for on-lending to the poor and low to medium scale entrepreneurs, many state and local governmentshave not complied with this directive; (d) Rates of interest:the interest rates in the microfinance institutions aremuch higher than the prevailing rates in the banks; (e) Outreaching the poor:the estimation of the unreachable clients of microfinancereaches 40 million.(CBN, 2004). The existence of huge unserved market -over 80 million people (65% ofNigeria's active population). In 2005, the share of microcredit as a percentage of total credit was 0.9%, while it contributed a meager 0.2 percent of the GDP: The dominant microfinance institutions are concentrated in the southern and eastern part ofthe country to the detriment of poor majority in the predominantly Muslim north. Theincidence of poverty in the three Northern regions is high compared to the three southern regions. It was 71% in North West, 72% in North East and 67% in North Central. The corresponding figure in the South is 43% in South West, 23% in South East and 35% in South-South. These numbers are what led to the conclusion that very high level of poverty is essentially a Northern Phenomenon (Bamisile, 2006; Soludo, 2007; Eboh, 2008).

Soludo (2008) argues that after introducing new policy on microfinance, the new focuson small and medium-scale enterprises was borne out of the realization that the countrycould not go far in employment generation and poverty alleviation without theseenterprises having their pride of place.Ikeanyibe (2009) affirmed that the microfinance policy, whichevolved as a result of the perceived need for funding of businesses, which have no access to banks funds, will benefit only 35 per cent of the nation's population, particularly micro and small scale entrepreneurs, due to uneven spread of the Microfinance Banks (MFBs) across the states.

III. Methodology

Collection of data required for the paper was divided in two parts: the secondary data was collected through using the reference, books, internet and reports of microfinance banks, while the primary data was collected through a self-administrated questionnaire which was developed according to the objectives of the paper. The questionnaire consists of two sections; the first section comprises the main demographic of the sample; the second part of the questionnaire includes the related statements that measure the microfinance banks and development of small business in emerging market. Moreover, second part of the questionnaire consisted of ten (10) closed ended items that were drawn from the research questions under headings,all items were measured by responses on a three-point scale of agreement with statements, ranging from 1 'disagree', 2 'undecided' and to 3 'agree'.

The sample of this research consisted of customers and staff of the selected microfinance banks during the survey period, the sample was selected randomly over a period of fourteen days aside weekends, about 80 questionnaires were delivered to selected respondents. Only 70 were correctly filled and returned due to time limit, some of the questionnaires were completed on the spot, and other respondent's questionnaires were collected via follow –up in the later days via phone calls, e-mailing etc. The collected data through the questionnaire was analysed by using the Social Packaging Statistical System (SPSS), where frequencies, percentages were calculated. The regression analysis was performed to predict the relationship between the variables under consideration.

IV. Results.

The linear regression estimates the coefficients of the linear equation involving one or more independent variables that best predict the value of the dependent variable. To validate the statistical results from linear regression analysis;it is calculated and summarily presented on table 1 below. The table shows that Microfinance banks and small business are significantly associated with development of Nigerian market, particularly the informal sector at 0.01level of significance. The intercept, 0.136 is representing the estimated average value to ascertain the development in the Nigerian economy, when MFBs financial operations and small business performances are at zero. Thus, it explains that adjusting to a changing, increasingly competitive environment andclient-driven etc., allmay spawn new innovation. Therefore, every MFB that is poised to meet these dynamic forces will be able to take advantage of them; and those MFBsthat resist will be swept away in the wake of a new market-driven microfinance industry.

It may therefore be predicted that the development of small business in Nigeria would depend on the effectiveness and performance of Microfinance banks. It may further be by partnering with Mega banks and development banks particularly (BOI) through on-lending activities which would assist toundertake new product development like the conventional banks.However,the ability of MFBs moving aggressively downmarket with new products to serve the long-neglected small business sector in the face of market and regulatoryproposition will surely result to overall development of Nigerian business environment.

The results from the table 2 and 3 below further indicate that based on the R^2 at 0.992, it implies that the development of MFBsperception, can explain approximately about 99% of the variation in overall commitment of Microfinance Institutions (MFIs) in the development of the informal sector. F-value of 283.8 implies that the overall equation is significant ($p< 0.01$) while Durbin Watson (DW) of 0.447 (which is less than 1) shows the presence of auto-correlation among the dependent and independent variables. A close examination of these two variables indicates that MFBs commitment is strongly influenced by performance in the informal sector (i.e. small businesses continually re-examine their services and make refinements aimed at seizing opportunities, satisfying customers, enhancing profitability etc.) as shown by standard beta of 1.11; which is also followed by entrepreneurs perception to understand that the sector would be developed to provide a microfinance framework that would enhance the provision of diversified microfinance services on a long-term sustainable basis for the poor and low income groups and their businesses, with beta of 0.073. Based on these results, it has further shown thatMFBs were mainly set-upin order to adequately examine the financing needs of the poor and low income groups; despite the fact that microcredit facilities in Nigeria account for less than 0.5% of GDP and less than 2% of total credit to the economy, which may be regarded as a small measure to achieve Millennium Development Goals (MDGs) objective.

Table 1: Regression Analysis of Major Variables
Coefficients [a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.136	.298		.458	.648
	MFBs Microfinance Banks	1.107	.014	.979	80.672	.000
	DSEs Development Of Small Enterprises	.073	.023	.043	3.148	.002
	EMs Emerging Markets	-.039	.023	-.022	-1.694	.092

a. Dependent Variable: DSB Development of Small Business in Nigeria

Source: Original Research data.

Table 2: Regression Analysis: Summary
Model Summary [b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.996[a]	.992	.992	.40248	.447

a. Predictors: (Constant), DSEs Development Of Small Enterprises, MFBs Microfinance Banks, EMs Emerging Markets

b. Dependent Variable: DSB Development of Small Business in Nigeria

Table 3: Regression Analysis: ANOVA
ANOVA [b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	304.743	3	101.581	283.8	.000[a]
	Residual	23.650	66	.358		
	Total	328.393	69			

a. Predictors: (Constant), DSEs Development Of Small Enterprises, MFBs Microfinance Banks, EMs Emerging Markets ,
b. DDependent Variable: DSB Development of Small Business in Nigeria

V. Conclusion

The research study examines microfinance banking and development of small business in emerging economy: Nigerian approach. The role of microfinance banks in poverty eradication, job creation, wealth creation and economic development of the country cannot be over-emphasized. It must be noted thatthe number of MFBs in Nigeria has increased tremendously, but neither has poverty rate reduced nor adequate funds were made available to small business operators and owners.Findings from the study shows that in spite, of the fact that microfinance has a critical role to play in poverty eradication; it cannot solve all developmental challenges as a result of poverty's large scope, multi-dimensional character and multiplicity of actors.Furtherfindings from the study show that the investment opportunities in agriculture, small industries and other classes of micro services and small scale enterprise are clear indications that vast untapped markets exist for microfinance banks in Nigeria. It was further discovered that government has not provideda very conducive environment to assist microfinance institution to thrive and cover all operational expenses from earned income via financial services having considered the high interest rate (Monetary Policy Rate) and subsidies implications etc.; these may hinder the institutional and financialability of MFBs to sustain, succeed and develop in such economy.The study recommends that the evaluation method adopted by CBN to control MFBs in term of repayment plan, transaction cost and portfolio quality used must not only be relevant and reliable but must also be accessible.There should be effective and efficient supervision by CBN and NDIC on the activity of the operators and the legal framework for establishing MFBs should be continuously reviewed to assess the institutions in order to promote quality service delivery, profitability, sustainability etc.

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Appendix

SPSS Data Analysis Output
Section A

SECTIONA1 Sex of respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	40	57.1	57.1	57.1
	Female	30	42.9	42.9	100.0
	Total	70	100.0	100.0	

SECTIONA2 Age of respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18-25yrs	20	28.6	28.6	28.6
	26-31yrs	36	51.4	51.4	80.0
	32-39yrs	08	11.4	11.4	91.4
	40-47yrs	04	5.7	5.7	97.1
	48 and above	02	2.9	2.9	100.0
	Total	70	100.0	100.0	

SECTIONA3 Marital Status of respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Single	22	31.4	31.4	31.4
	Married	30	42.9	42.9	74.3
	Separated	10	14.3	14.3	88.6
	Divorced	08	11.4	11.4	100.0
	Total	70	100.0	100.0	

SECTIONA4 Educational Qualification of respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	WAEC/ALEVEL	05	7.1	7.1	7.1
	OND	10	14.3	14.3	21.4
	HND	18	25.7	25.7	47.1
	B.SC	30	42.9	42.9	90.1
	M.SC/ACIB	07	10.0	10.0	100.0
	Total	70	100.0	100.0	

SECTIONA5 Length of Working Experience of Respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Below 5yrs	12	17.1	17.1	17.1
	6-10yrs	25	35.7	35.7	52.8
	11-15yrs	15	21.4	21.4	74.2
	16-20yrs	08	11.4	11.4	85.6
	21yrs and above	10	14.3	14.3	100.0
	Total	70	100.0	100.0	

Section B

S1 Small business globally constitutes 70% of employment sector

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	13	18.6	18.6	18.6
	Undecided	18	25.7	25.7	44.3
	Agree	39	55.7	55.7	100.0
	Total	70	100.0	100.0	

S2 Genesis of MFBs can be related to the old days of self-help group

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	10	14.3	14.3	14.3
	Undecided	08	11.4	11.4	25.7
	Agree	52	74.3	74.3	100.0
	Total	70	100.0	100.0	

S3 CBN needs to restructure regulatory framework to assist MFBs & business

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	10	14.3	14.3	14.3
	Undecided	18	25.7	25.7	40.0
	Agree	42	60.0	60.0	100.0
	Total	70	100.0	100.0	

S4 Small business owner's earnings are their only means of survival

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	10	14.3	14.3	14.3
	Undecided	18	25.7	25.7	40.0
	Agree	42	60.0	60.0	100.0
	Total	70	100.0	100.0	

S5 Small business operate in the informal sector via the help of MFBs

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	20	28.6	28.6	28.6
	Undecided	06	8.6	8.6	37.2
	Agree	44	62.8	62.8	100.0
	Total	70	100.0	100.0	

S6 Dominance of MFBs is restricted in Northern part of Nigeria

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	09	12.9	12.9	12.9
	Undecided	16	22.9	22.9	35.8
	Agree	45	64.2	64.2	100.0
	Total	70	100.0	100.0	

S7 Lack of support by government is a problem to MFBs development

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	04	5.7	5.7	5.7
	Undecided	24	34.3	34.3	40.0
	Agree	42	60.0	60.0	100.0
	Total	70	100.0	100.0	

S8 Demand for MFBs is very high due to few Non-Government Organizations

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	26	37.1	37.1	37.1
	Undecided	17	24.3	24.3	61.4
	Agree	27	38.6	38.6	100.0
	Total	70	100.0	100.0	

S9 Underdevelopment arises due to inability of MFBs to grant loans

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	22	31.4	31.4	31.4
	Undecided	03	4.3	4.3	35.7
	Agree	45	64.3	64.3	100.0
	Total	70	100.0	100.0	

S10 Financing of small business by MFBs can develop Nigerian economy

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	09	12.9	12.9	12.9
	Undecided	16	22.9	22.9	35.8
	Agree	45	64.2	64.2	100.0
	Total	70	100.0	100.0	

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.136	.298		.458	.648
	MFBs Microfinance Banks	1.107	.014	.979	80.672	.000
	DSEs Development Of Small Enterprises	.073	.023	.043	3.148	.002
	EMs Emerging Markets	-.039	.023	-.022	-1.694	.092

a. Dependent Variable: DSB Development of Small Business in Nigeria

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.996[a]	.992	.992	.40248	.447

a. Predictors: (Constant), DSEs Development Of Small Enterprises, MFBs Microfinance Banks, EMs Emerging Markets

b. Dependent Variable: DSB Development of Small Business in Nigeria

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	304.743	3	101.581	283.8	.000[a]
	Residual	23.650	66	.358		
	Total	328.393	69			

a. Predictors: (Constant), DSEs Development Of Small Enterprises, MFBs Microfinance Banks, EMs Emerging Markets,

Dependent Variable: DSB Development of Small Business in Nigeria