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# The Impact of Microfinance Bank on Entrepreneurship Development in Nigeria

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**Abstract:** This study examined the impact of microfinance bank on entrepreneurship development in Anambra State. To achieve the stated objective of the study, three research questions were formulated. The descriptive research design was adopted for the study. The population of the study was 734 staff of ten (10) selected entrepreneurial firms in Anambra State. It was impracticable to study the whole population therefore 259 staff was sampled using stratified sampling technique. Out of the 259 copies of the structured questionnaire administered to the respondents, 192 were completed and returned. The data obtained were analyzed using Pearson correlation for hypothesis one and ANOVA for hypotheses 2, and 3 respectively. The findings revealed that microfinance bank impact significantly on the development of entrepreneurship in Nigeria; that there are problems that militate against the effective financing of entrepreneurial businesses in Anambra State. Based on the findings, it was recommended that microfinance bank in Anambra State should be strengthened to embrace entrepreneurship devoid of imitation and vocational inclinations. Also adequate financial, physical and human resources should be provided by various stakeholders not only for potential but also for existing, start-ups and aspiring SMEs.

**Keywords:** Entrepreneurship Development, Micro Finance Bank, Existing Entrepreneurs, Human Resources, Firm's Growth

## 1. Introduction

### *1.1. Background to the Study*

It is worthy to note that the contribution of microfinance to entrepreneurship activities is increasingly being recognized as a primary engine of economic growth. By combining existing resources with innovative ideas, entrepreneurs add value through the commercialization of new products, the creation of new jobs and the building of new firms. The Global Entrepreneurship Monitor (GEM) indicates that nations with higher levels of entrepreneurial activity enjoy strong economic growth. In short, entrepreneurs are the link between new ideas and economic development.

Speaking at the conference with a theme "Improving Access to Microfinance", Soludo (2008) revealed that in order to sustain increase in participation of skilled entrepreneurs in the credit and other financial service delivery to the micro, small and medium enterprises in the microfinance sub-sector, Central Bank of Nigeria (CBN) is forging ahead in its determination to develop a pool of articulate and well-focused entrepreneurs through setting up one Entrepreneurship Development Centre (EDC) in each of the six geo-political zones in the country. The three pilot entrepreneurship development centres created have commenced operation since January, 2008. The centres are in Kano (North West), Ota (Southwest) and Onitsha (Southeast). Since after that conference, many EDC has been set up by CBN in many states of the federation which is in-line with the achievement of the Millennium Development Goals (MDGs).

Interestingly, researchers and scholars have recognized the crucial role that entrepreneurship plays in economic development of nations, especially through the development of microfinance sub-sector. Peter and Clerk (2007) affirm that entrepreneurial development is a disposition to accept new ideas and try new methods; a readiness to express opinions, a true sense that make men and women more interested in the present and future than in the past, a better sense of punctuality, a greater concern for planning, organization and efficiency, a tendency to seek the world as calculated a faith in science and technology and finding a belief in distributive justice. The study is to know how successful entrepreneurship development through microfinance institutions will result in creation of jobs, develop greater skills that can be more readily adopted by local residents (Hisrich, Peter and Shepherd 2008; Kovshling and Allen 2004).

### *1.2. Statement of the Problem*

Federal Government of Nigeria (FGN) have adopted monetary, fiscal, industrial and developmental policy measures at the macro level to facilitate and support entrepreneurial activities and at the same time specific financing arrangements are being made in respect of funding programmes at the micro level to boost entrepreneurship activities in Nigeria. Notwithstanding these policies entrepreneurs still faces challenges in getting enough support and adequate funding from microfinance banks. Fundamentally, community banking system is a programme introduced by decree 46 of 1992 (as amended) to finance and support the growth of entrepreneurship in Nigeria. The micro units in agricultural transport, commerce and industry, textile, dying tanning, vulcanizing, blacksmithing, health, architectural, entertainment and others needs micro-financing which also have problems as regards its ability to finance projects in rural and even semi-urban communities. Microfinance bank have so far experience some major challenges that have directly or indirectly affected the well being of young entrepreneurs. Ojo (2009) conducted a study on the impact of micro finance on entrepreneurship development with critical view on Nigerian entrepreneurs in south west region and the study shows that there is a significance difference between entrepreneurs who use micro finance institution and those who do not use.

Against this backdrop, this study therefore, aim at making close evaluation on the impact of microfinance bank on the development of entrepreneurial activities in Anambra State, with special reference to selected small scale entrepreneurs in the two cities in Anambra (Onitsha and Awka)

### *1.3. Objectives of the Study*

The broad objective of this study is to examine the impact of microfinance bank on entrepreneurship development in Nigeria. The specific objectives seek;

i. To examine the level of relationship between microfinance bank and the development of entrepreneurial activities in Nigeria.
ii. To examine the extent at which microfinance bank impact on the growth of entrepreneurship in Nigeria.
iii. To determine the problems militating against the effective funding of entrepreneurship development.

### *1.4. Research Questions*

From the statement of the problem above, the major problems which this research work aims to evaluate are captured in the following research question.

i. To what level is the relationship between microfinance banks and entrepreneurial development in Nigeria?
ii. To what extent has microfinance bank impacted on the development of entrepreneurship in Nigeria?
iii. What problems militate against the effective financing of entrepreneurs by the microfinance banks in the attainment of their objective?

### *1.5. Hypotheses*

To answer the research question posed for the study, the following hypotheses were formulated in a null form.

$Ho_1$: There is no relationship between microfinance bank and entrepreneurship development in Nigeria.

$Ho_2$: Microfinance bank has not significantly impacted on the development of entrepreneurship in Nigeria.

$Ho_3$ There are problems militate against the effective financing of entrepreneurs by the microfinance banks in the attainment of their objective.

### *1.6. Significance of the Study*

This study will add to knowledge on how Nigeria policy makers can grow the economy through their support on entrepreneurship development in Anambra state which has been identified as the driver for economic growth.

Banks and other financial institutions will benefits from the study because it will provide a veritable base for the effective functioning of financial institution to the development of entrepreneurial activities.

More so, students of institution of higher learning especially those in management will benefit from this study because it will serve as an eye opener to the role microfinance bank play in financing young entrepreneurs.

### *1.7. Scope of the Study*

The scope of this study focuses on the impact of microfinance bank on entrepreneurship development in Nigeria. The study was restricted to two (2) cities (Awka and Onitsha) in Anambra state. The target population of the study was drawn from ten (10) selected entrepreneurial firms in Awka and Onitsha. However, some staff of microfinance bank was interviewed to know their roles in funding entrepreneurial activities in Anambra state.

## 2. Review of Related Literature

This aspect of the research work examined available literature on the subject matter. This is categorized into three for clarity as follows; conceptual review, theoretical framework and empirical literature.

*Conceptual Review*

### *2.1. Concept of Microfinance Bank*

The central Bank of Nigeria (CBN) in its "Regulatory and supervisory Guidelines for microfinance Banks (MFBs)" defines MFBs as companies licensed to carry on the business of providing micro finance services such as savings, loans, domestic loans, transfer and other financial services that are needed by the economically active poor and entrepreneurs to set up and establish their business. The United Nations Secretary General Kofi Anan (2005) observed that "sustainable access to microfinance helps alleviate poverty by generating income, creating jobs, allowing children to go to school, empowering people and entrepreneurial skills to make choices that best serve their needs".

Microfinance is the provision of financial services to low-income, poor and very poor self-employed people (Otero, 2000). Robinson (2001) as cited in Ogunleye (2015) defined microfinance as small scale financial services that involve mainly savings and credit services to the poor. Over twenty years ago, microfinance simply meant the provision of very small loans (microcredit) to the poor, to help them engage in new productive business activities and/or to grow/expand existing ones. However, overtime, microfinance has come to include a broader range of services. These include mainly credit, savings opportunities, insurance and money transfers, as practitioners came to realize that the poor, who lacked access to traditional formal financial institutions, needed and required a variety of financial products to achieve meaningful improvement in their business activities. Microfinance refers to loans, savings opportunities, insurance, money transfers and other financial products targeted at the poor. Ogunleye (2015) is of the opinion that microfinance is about providing financial services to the poor, who are traditionally not served by the conventional financial institutions. He said the three features which distinguish microfinance from other formal financial products are:

1. The smallness of loans advanced and or savings collected,
2. The absence of asset-based collateral, and
3. Simplicity of operations.

### *2.1.1. Micro Financing in Nigeria*

According to the CBN's regulatory and supervisory guidelines for microfinance banks in Nigeria (MFBs), a microfinance bank shall be construed to mean any company registered to carry on the business of providing microfinance services, such as savings, loans, domestic funds transfer and other financial services that are needed by the economically poor, micro, small and medium enterprises to conduct or expand their businesses as defined by these guidelines.

Policy objectives of microfinance banks in Nigeria include:

1. Making financial services accessible to a large segment of the potentially productive Nigerian population which otherwise could have little or no access to financial services.
2. Promote synergy and mainstreaming of the informal subsector into the national financial system.
3. Enhance service delivery by microfinance institutions to micro, small and medium entrepreneurs.
4. Contribute to rural transformation
5. Promote linkage program between universal/development banks, specialized institutions and microfinance banks.

### *2.1.2. Challenges of Microfinancing in Nigeria*

To achieve sustainability, microfinance must devise strategies to effectively address the challenges of microfinance which are as follows:

1. High operating cost: small units of services pose the challenge of high operating cost, several loan applications to be processed, numerous accounts to be managed and monitored, and repayment collections to be made from several locations especially in rural communities.
2. Repayment problem: loan repayment default is a major threat to institutional sustainability. It can be described as a deadly virus which afflicts MFBs. It demoralizes staff and deprives beneficiaries of valuable services. However it can also be seen as a symptom of poor leadership.
3. Inadequate experienced credit staff: micro financing is more than dispensing loans. To be viable, MFBs require experienced and skilled personnel. As a young and growing industry, there is a dearth of experienced staff in planning, product development and effective engagement with clients. Most credit staff of MFBs in Nigeria is on their first jobs and this limits expansion and institutional performance.
4. Lack of re-financing facilities: MFBs in Nigeria are not profit oriented. Non- profit status of MFBs inhibits effective engagement with financial institutions like the commercial banks.
5. Client apathy and drop-out: Improper client services and delivery strategies could lead to client drop-out.
6. Internal Control challenge: large transactions and informal operational approach pose serious internal control challenge. Operational procedures could be breached at disbursement and collection points. High cash transaction which is a feature of micro financing is a source of temptation for fraudulent practices.

### *2.1.3. Microfinance Models*

*The Grameen Models*

Grameen Bank of Bangladesh was established in 1983 as an independent specialized bank after an experimental period of six years starting from 1976 under the supervision of Professor Muhammad Yunus and financed by the Janata Bank, to provide credit to the rural poor, particularly women in Bangladesh. The Grameen Bank experience started with the group concept-informal lending to the poor. It was started to assist landless people in Bangladesh to obtain credit, which could not be obtained through the formal commercial banks credit facilities.

The bank was established in order to improve the economic condition of the rural poor through the creation of opportunities for their self-employment. Grameen Bank loans are not secured by physical collateral like the other commercial banks, instead, they are secured by group collateral complemented with peer monitoring and pressure to enforce repayment. Loans are disbursed through banking units of separate groups of five members for men and women that apply for loan. Individual members of each group receive loans but the entire group is held liable for repayment. In first round, loan is granted to two members to invest in their business. If these members repay their loans successfully, then four to six weeks later, next two members also will be granted for loan. The last one member will be eligible for loan if the previous two members are able to repay their loans. Repayment of each member give room for next loan and continue like that if all members are able to repay their loans. Invariably, if a member defaults, no other member of the group is legible to receive further loan. Six to eight groups are organized into a community referred to as the "centre" and this constitutes the second tier level of participation by which a Bank official deals with these all eight groups.

However, this model operates using the modality of collective guarantees, close supervision and peer pressure from other members of the group. Therefore, the model had been quite successful as a bank for the poor and as a social movement based on principles of awareness and training, which has facilitated active participation of poor.

### *2.1.4. Non-Government Organization (NGO) Model*

This is also grouped as informal model as it tends to adapt the Grammen principles and usually are gender specific and sector ally motivated. There are women groups, farmers union, trader union etc in this organization. The NGOs with the features of Grameen bank are formed in different countries in the world with different names, e.g. Left Above Poverty (LAPO) can be view as a typical example of NGO that emulate the method of Grameen Bank by channelling credit facilities to the poor who are member in Nigeria. While in Ghana and Gambia, the most successful micro credit programs with these features are women finance association. The programs were reported to have had high rate of repayment.

### *2.1.5. The Esusu Model*

Esusu is a revolving loan scheme in Nigeria and entrenched in most West African countries operating as an informal micro-credit programme. The group formed to operate the revolving schemes are voluntarily. In this model of microfinance, members make fixed contributions of money at regular intervals. This is quite different from Grameen model because at each interval, one member collects the entire contributions from all. Every member takes a turn until the cycle is completed, and then it starts again. One perfect function of Esusu is that it serves as a saving mechanism for the last person to take his or her turn. The Esusu are very strong program that have assisted in promoting entrepreneurship in most of West African countries, particularly among market women in rural/urban markets. Each Esusu's group has a recognized leader and Esusus are often used as model by NGOs trying to establish micro-finance programme in urban setting (Akanji, 2008).

### *2.1.6. Donors Model*

Donors have played a very important role in the micro-credit program, particularly international donors such as UNDP, through the NGOs. The alternative micro-credit delivery model proposed by Gabriel and Ibanga (1997) called "The Ekpuk (family) model worked perfectly well within an extended family structure, particularly proven successful in some villages in Akwa Ibom State.

### *2.1.7. The Concept of Entrepreneurship*

In almost all the definitions of entrepreneurship, it is agreed that it is about a kind of behavior that includes initiative taking, organizing and reorganizing of social and economic mechanisms to turn resources and situations to practical account and the acceptance of risk or failure. (Hisrich, Peters & Shepherd, 2008) To the economist, an entrepreneur is one who brings resources, labor, materials and other assets into combinations that make their value greater than before and also one who introduces changes, innovations and a new order. Sulaimon & Adebayo (2000) sees entrepreneurship as the act or process of identifying business opportunities and organizing to initiate a successful business activity. They noted that the functions performed by entrepreneurs include: searching for and discovering new information; translating new information into new markets, techniques and goods; seeking and developing economic opportunities; marshalling the financial resources necessary for the enterprise; taking ultimate responsibility for management; and bearing the risk for the business.

### *2.1.8. Microfinance and Entrepreneurship*

Economic development essentially means a process of upward change whereby the real per capita income of a country increases over a period of time. Entrepreneurship has an important role to play in the development of a country. It is one of the most important inputs in economic development. The number and competence of entrepreneurs affect the economic growth of the country. The economic history of the presently advanced countries like USA, Russia and Japan supports the fact that economic development is the outcome for which entrepreneurship is an inevitable cause. The crucial and significant role played by the entrepreneurs in the economic development of advanced countries has made the people of developing and under developed countries conscious of the importance of entrepreneurship for economic development. It is now a widely accepted fact that active and enthusiastic entrepreneurs can only explore the potentials of the countries availability of resources such as labour, capital and technology.

Entrepreneurship and economic development are intimately related. Schumpeter opines that entrepreneurial process is a major factor in economic development and the entrepreneur is the key to economic growth. Whatever be the form of economic and political set-up of the country, entrepreneurship is indispensable for economic development. Entrepreneurship is an approach to management that can be applied in start-up situations as well as within more established businesses. The growing interest, in the area of entrepreneurship has developed alongside interest in the changing role of small businesses. Small entrepreneurship has a fabulous potential in a developing country like Nigeria.

An entrepreneur who is a business leader looks for ideas and puts them into effect in fostering economic growth and development. The entrepreneur acts as a trigger head to give spark to economic activities by his entrepreneurial decisions. He plays a pivotal role not only in the development of industrial sector of a country but also in the development of farm and service sector.

The entrepreneurs need funds to bring together various factors of production such as land, labour and capital for production to take place. The take-off and efficient performance of any enterprises, be it small or large will require the provision of funds for the creation of new investment. Therefore, various forms of assistance have been designed in many microfinance institutions to promote the development of entrepreneurship. These include finance, extension and advisory services, training and the provision of basic infrastructure. Poverty reduction is not an impossible task in a country. Empirical evidence has shown in Indonesia that significant poverty reduction is possible and had occurred in developing countries. For example, studies have revealed that the absolute number of people living in poverty has dropped in all developing countries that have experienced sustained rapid economic growth over the past few decades (Aderibigbe, 2001).

The approaches adopted by these countries are collectively known as microfinance. It is designed to raise the level of investment infrastructure and people in order to enhance income generation capacities. According to Fashola (2008), setting up microfinance institutions was a strong commitment to alleviate poverty, raise the standard of living of the people and help to generate job opportunity. He stressed that when people are empowered and loans are made easily available to especially poor people to start small scale business, our society would be better off.

### *2.1.9. Conceptualizing Entrepreneurship Development*

Joseph Schumpeter's contribution to our understanding of the mechanisms of technological progress and economic development is widely recognized in the theory of economic development. He describes how the innovating entrepreneur challenges incumbent firms by introducing new inventions that make current technologies and produces obsolete. This process of creative destruction is the main characteristics of what has been called the Schumpeter mark I regime. In capitalism and democracy, Schumpeter focuses on innovative activities by large and established firms. He describes how large firms out-perform their smaller counterparts in the innovation and approviation process through a strong positive feedback loop from innovation to increased activities. This process of creative accumulation is the main characteristic of Schumpeter mark II regime. The extent of which either of the two Schumpeterian technological regimes prevails in a certain period and industry varies. It may depend upon the nature of knowledge required to innovate the opportunities of appropriability, the degree of scale (dis) economies, the institutional environment, the importance of absorptive capacity, demand variety and so on. Industries in a Schumpeter mark II regime are likely to develop a more concentrated market structure in contract to industries in a Schumpeter mark I regime where small firms will proliferate.

### *2.1.10. Theoretical Framework*

*Innovation Theory of Entrepreneurship*

The theoretical framework for this study is anchored on innovation theory of entrepreneurship. The best exponent of the economic/sociological approach in all history is Joseph Schumpeter. Schumpeter's theory of entrepreneurship is a major part of his general theory of economic development espoused in his 'Theory of Economic Development' (1934). Schumpeter defined entrepreneurship as a creative activity. An innovator who brings new products or services into the economy is an entrepreneur. Schumpeter thought innovation is a function consistent with all entrepreneurs. The innovator is the entrepreneur and the entrepreneur is the innovator. He undertakes new combinations of the existing factors of production in any of the following ways (Meir and Baldwin in Idemobi, 2010).

1. In the introduction of a new good
2. In the use of a new method of production
3. In the opening up of a new market
4. In the exploitation of a new source of raw material supply
5. In the reorganization of any industry

In the Schumpeterian general economic theory, economic development occurs through a dynamic process of boom and depression. In line with a synthesis of Schumpeter's work by Mbaegbu (2008), the depression which follows a boom is caused by the entrepreneur when he/she initiates an innovation. The recession or depression comes through a process of "creative destruction" which is Schumpeter's way of expressing market saturation and decline. With innovation old firms find their markets being destroyed by the advent of new competing products and new firms market the old products at much lower prices taking competitive advantage. The process forces some established firms who cannot compete to go under or become bankrupt. When the state of instability (disequilibrium) in the industry makes it unattractive for new firms to move in, the business cycle is completed. The cycle starts again once a new state of equilibrium higher than the old one is restored and the stage is set again for a new wave of innovations and repetition of the business cycle commence. In summary, therefore, economic development in the Schumpeterian model is an uneven and disharmonious process that ebbs and flows like the waves at the seaside.

In Schumpeter view the supply of entrepreneurship is a function of the rate of profit and the 'social climate'. He further posited in this model that a good economy system would normally encourage entrepreneurship while a moribund economic system would discourage entrepreneurship. In this thinking a development policy tending towards government intervention or regulations designed to limit profit or redistribute income or squeezing private gain such as government price controls and taxation will ultimately discourage entrepreneurship. In Schumpeter's concept a variable 'social climate' is a complex phenomenon encompassing the whole social, political and socio psychological environment within which the entrepreneur must operate and invest in. It includes the educational system, the social values, the class structure, the nature and extent of prestige and other rewards that accompany business success, as well as the attitude of society towards business success according to Higgins in Idemobi, (2010). This theory is the basis for this study because, if microfinance banks are active and playing essential role in the development of entrepreneurship development in Nigeria, young entrepreneurs will have insight, self-esteem and knowledge to act where others have hesitated.

### *2.1.11. Empirical Literature Review*

Microfinance when properly positioned and implemented leads to accelerated growth of entrepreneurial skills evidence abounds in various empirical literature in support of this statement.

Ojo (2009), carried out a research work on the 'Impact of Microfinance on Entrepreneurial Development, the researcher used questionnaire as an instrument of primary data collection. Tables and simple percentages were used in data presentation. For clear analysis, the study centres on two broad variables: the dependent variable which is entrepreneurial development and the independent variable which is microfinance institutions. Three different hypotheses were formulated and tested using various statistical tools such as chi square, analysis of variance and simple regression analysis. The study reveals that: there is a significant difference in the number of entrepreneurs who used microfinance institutions and those who do not; there is a significant effect of microfinance institutions activities in predicting entrepreneurial productivity; and that there is no significant effect of microfinance institution activities in predicting entrepreneurial development. The study therefore concludes that microfinance institutions world over, especially in Nigeria are identified to be one of the key players in the financial industry that have positively affected individuals, business organizations, other financial institutions, the government and the economy at large through the services they offer and the functions they perform in the economy.

Ekpe, Mat, & Razak (2010) focused their article on 'the Effect of Microfinance Factors on Women Entrepreneurial Performance in Nigeria'. They agreed that women play a crucial role in the economic development of their families and communities but certain obstacles such as poverty, unemployment, low household income and societal discrimination mostly in developing countries have hindered their effective performance of that role. They hypothesized that: credit, savings, training and social capital are positively related to women entrepreneurs' performance in Nigeria, credit; savings, training and social capital are positively related to opportunity for entrepreneurial activity of women entrepreneur in Nigeria; and that opportunity for entrepreneurial activity acts as a link between microfinance factors and women entrepreneurs' performance.

Faseun & Bewayo (2009) observed that a direct relationship exists between governmental privatization and entrepreneurship within a country and as a result, significant improvement has been made on the part of the Nigerian government to increase the participation of its citizens over the last two decades through privatization.

However, while the government's effort to spur entrepreneurship has been genuine, it has not achieved its goal of economic prosperity. The entrepreneurial spirit has been enjoyed by a relatively small group of people and there exists conditions that do not encourage but stifle the works of entrepreneurs. This is because banks request for collateral (although a prudent thing to do in a developed country) has led to exclusion of a majority of the population especially the poor in a developing country. They cited the case of Bolivia and urged Nigeria to learn from the mistakes of Bolivia to ensure that its microfinance sector can contribute economically to its progress. While noting that economic progress is important to entrepreneurship, they urged the Nigerian government to continue its steps in cleaning up the perception of the corruption in government by enforcing its patent infringement laws against businesses that sell counterfeit product; because similar to Bolivia, the Nigerian markets are filled with knock offs of original merchandise. The perception problem of the poor is not unique to Nigeria but applies to a way forward in microfinance. They observed that the poor are not looking for a giveaway but value hard work as much as the rest of the population so treating the poor then as an important sector in the building of Nigeria will be beneficial. They recommended that microfinance institutions in Nigeria should hold innovative classes for its customers and teach them how to grow their business, by doing so, entrepreneur will not be stuck producing the same product and will be more adaptive and dynamic. As is evident from the financial information, microfinance institutions in Nigeria suffer from an inadequate capital base. This small capital base affects the lending practices within a microfinance institution as lenders become pickier about who to lend money to; which in turn slows down the flow of capital to those that need it desperately. In the Bolivian framework this problem was partially solved by the funding and grants the microfinance institutions received.

# 3. Methodology

This section is to discuss the procedures for gathering data, the study design, and the methods that was adopted in analyzing the data.

### *3.1. Research Design*

This study adopted a descriptive survey design. The purpose of this design is to collect detailed and factual information that describes an existing phenomenon (Ezeani 1998). Data were collected based on the concepts defined in the research and hypotheses tested from the responses on Likert-type questionnaire was distributed amongst the selected sample of the study.

### *3.2. Population of the Study*

The study population from which the sample was drawn for the study consist of employees of selected entrepreneurial firms in Anambra state. Out of these SME's, ten (10) were randomly selected and questionnaires were administered to the employees ranging from top management, middle management and low management. Staff of microfinance banks was interviewed to gain their opinion. The sampled entrepreneurs are as follows;

***Table 1.*** *Staff Strength of the Firms Understudy.*

| S/N | NAME OF ENTREPRENEURIAL FIRMS | STAFF NO. |
|---|---|---|
| 1. | EZENWA PLASTIC INDUSTRY | 092 |
| 2. | AMEN INDUSTRIES | 064 |
| 3. | PETERS AND PAUL INDUSTRY NIG.LTD | 073 |
| 4 | WISDOM MCS LTD AWKA | 087 |
| 5 | STRANEL LIMITED, | 071 |
| 6 | UZOMMA OKPOKO INDUSTRIAL | 059 |
| 7 | VINGAS TRADING NIGERIA | 085 |
| 8 | CHIKWENDU ENTERPRISES | 063 |
| 9 | DACO FOAM AND CHEMICAL INDUSTRIES LTD | 083 |
| 10 | WIMCO FOAM, AWKA | 057 |
| | TOTAL | 734 |

Source: Field Survey, 2018

### *3.3. Sample Size and Sampling Techniques*

Having selected the number of entrepreneurial firms, the study adopted stratified random sampling technique to select the number of staff from their different levels/units. For this study, stratified random sampling was used because of the nature of the population of study and the behavioural pattern of the profession that are more on ground than what is obtains in the large manufacturing firms. This work certified Cooper and Schinder (2006), criteria for usage of stratified random method namely: (a) increased sample's statistical efficiency; (b) adequacy of data for analyzing the various sub populations or strata; and the usage of different research methods and procedures for different strata. In addition, the work ensured that stratified sampling was used in this study to ensure that the firms with their different number of staff are well represented.

Going by the information on the number of employees in these firms as shown in the Table 3.1 above, the sample size was determined at 5% level of significance for sample error, using Taro Yamane's formula. The formula is presented as;

$$n = \frac{N}{1 + N(e)^2}$$

Where:
n = the sample size
N = the finite population
e= level of significance (limit to tolerable error)
1= unit (a constant).

$$\frac{N}{1 + N(e)^2} = \frac{734}{1 + 734(0.05)^2} = \frac{734}{2.835} = 259 \text{ staff}$$

Therefore, the sample size is 259 staff drawn from all the entrepreneurial firms under study. However, two (2) staff of five (5) selected banks was interviewed to gain their opinion on the impact of microfinance bank on entrepreneurship development in Anambra State.

***Table 2.*** *Staff Strength of the Entrepreneurs Understudy.*

| S/N | NAME OF ENTREPRENEURS | STAFF NO. |
|---|---|---|
| 1. | EZENWA PLASTIC INDUSTRY | 032 |
| 2. | AMEN INDUSTRIES | 023 |
| 3. | PETERS AND PAUL INDUSTRY NIG.LTD | 026 |
| 4 | WISDOM MCS LTD AWKA | 031 |
| .5 | STRANEL LIMITED, | 025 |
| 6 | UZOMMA OKPOKO INDUSTRIAL | 021 |
| 7 | VINGAS TRADING NIGERIA COMPANY | 030 |
| 8 | CHIKWENDU ENTERPRISES | 022 |
| 9 | DACO FOAM AND CHEMICAL INDUSTRIES LTD | 029 |
| 10 | WIMCO FOAM, AWKA | 020 |
| | TOTAL | 259 |

Source: Stratified Sampling, 2018

### *3.4. Sources of Data Collection*

In order to reliably generate data that would help the researcher for this research work, the primary data was adopted.

### *3.5. Primary Source of Data*

The primary data was sourced by the researcher through questionnaire administration, observation, interview amongst others. (Hair, Bush, and Oritanau, 2000)

### *3.6. Instrument for Data Collection*

A likert-Scale type questionnaire was developed for the respondents sampled for this study. Likert scale measures the extent to which a person agrees or disagrees with the question (Information Technology services, 2010). It is a five (5) point rating scale meant to determine the respondents' perception on whether microfinance banks impact on the entrepreneurship development in Anambra state. The scale ranges from Strongly Agree (SA)(5), Agree (A)(4), Undecided (U)(3), Disagree (D)(2), to Strongly Disagree (SD)(1). The questionnaire instrument has two sections. Section A is the socio-demographic characteristics of the respondents, while Section B contains the likert question that addresses the research questions and the hypotheses.

### *3.7. Data Analysis Procedure*

Data collected was analyzed by making use of descriptive statistics, which enabled the researcher to synthesize and summarise the quantitative data. The descriptive statistics describe the sample in terms of the responses to the questions using frequencies. For test of hypotheses, Pearson and

ANOVA were adopted.

### *3.8. Validity of Instrument*

To ensure and to certify the requirement of validity, content validity was adapted to adequately measure coverage of the research topic. The instrument was submitted to the supervisor in order to examine, evaluate and measure his level of understanding. His observations, suggestions or recommendations was accepted and amended accordingly.

### *3.9. Reliability of the Instrument*

On the other hand, a trial test in order to estimate the internal consistency of the instrument was carried out. The instrument was administered to 10 employees of 4 SME's in Igbariam and its environs. The reliability of instrument was calculated after a trial test using the Crombach Apha. Gliem and Gliem (2003) provide the following rules of thumb; "≥.9 = Excellent, ≥.8 = Good, ≥.7 = Acceptable, ≥.6 = Questionable, ≥.5 = Poor, and ≤.5 Unacceptable". The alpha value for the construct indicated that the constituent items had reasonable internal consistency reliability of 0.86.

## 4. Data Presentation and Discussions

This chapter focused on the presentation, analysis and discussion of results generated from employees of ten entrepreneurial firms in Awka and Onitsha metropolis.

*Presentation of Data*

The primary instrument for this research exercise is questionnaire. A total of two hundred and fifty nine (259) copies of questionnaire administered to the employees of ten entrepreneurial firms in Awka and Onitsha metropolis out of which two hundred and thirty seven (237) were returned. Out of the copies of questionnaire returned, one hundred and ninety two (192) copies were found to be useful representing response rate of seventy four percent (74%). Below are the data presented in frequency Tables;

*Characteristics of Respondent*

The results of table 3 revealed that majority of the respondents are male (52.6%). Most of the respondents are within the age bracket below 20years and 31-40years respectively. 66.7% of the respondents are single. Most of the respondents are primary, secondary, Diploma and first degree holders with 25.5, 26.0, 10.9 and 37.5 percent respectively. The table also shows that majority of the respondents are industrial operators and they have worked with the organization within the space of 1-5years (55.2%). So, it is believed that they should have different perceptions of the impact of micro-finance bank on entrepreneurial firms in Awka and Onitsha metropolis of Anambra state, Nigeria.

***Table 3.*** *Characteristics of the Respondents.*

| S/N | Variables | Frequency | Percentage |
|---|---|---|---|
| 1 | Sex | | |
| | Male | 101 | 52.6 |
| | Female | 91 | 47.4 |
| | Total | 192 | 100.0 |
| 2 | Age | | |
| | Below 20 years | 56 | 29.2 |
| | 20-29years | 43 | 22.4 |
| | 30-39years | 47 | 24.5 |
| | 40years & above | 46 | 24.0 |
| | Total | 192 | 100.0 |
| 3 | Marital Status | | |
| | Single | 128 | 66.7 |
| | Married | 54 | 28.1 |
| | Separated | 10 | 5.2 |
| | Total | 192 | 100.0 |
| 4 | Educational qualification | | |
| | Primary | 49 | 25.5 |
| | SSCE | 50 | 26.0 |
| | OND/NCE | 21 | 10.9 |
| | B.sc/HND | 72 | 37.5 |
| | Total | 192 | 100.0 |
| 5 | Years in the organizations: | | |
| | Below 5years | 106 | 55.2 |
| | 5-9 years | 51 | 26.6 |
| | 10-14 years | 22 | 11.5 |
| | 15 years and Above | 13 | 6.8 |
| | Total | 192 | 100.0 |
| 6 | Position held in the Organization: | | |
| | Managing Director | 14 | 7.3 |
| | Manager | 54 | 28.1 |
| | Operators | 124 | 64.6 |
| | Total | 192 | 100.0 |

Source: Field Survey, 2018

*Response to Research Questions*

*A. The relationship between microfinance banks and entrepreneurial development in Nigeria.*

***Table 4.*** *Responses on the relationship between microfinance banks and entrepreneurial development in Nigeria.*

| S/N | VIEWS | SA 5 | A 4 | U 3 | D 2 | SD 1 | Remark |
|---|---|---|---|---|---|---|---|
| 7 | Entrepreneurship development in Nigeria is increasingly gaining ground. | 59 (30.7%) | 74 (38.5%) | 5 (2.6%) | 30 (15.6%) | 24 (12.5%) | Agreement |
| 8 | Many entrepreneurial outlet/SMEs have gain their ground through the support of microfinance bank | 57 (29.7%) | 50 (26.0%) | 8 (4.2%) | 44 (22.9%) | 33 (17.2%) | Agreement |
| 9 | Microfinance bank provides entrepreneurs with facilities like short term loans and other resources | 50 (26.0%) | 45 (23.4%) | 5 (2.6%) | 49 (25.5%) | 43 (22.4%) | Agreement |
| 10 | There is a positive relationship between microfinance bank and entrepreneurship development in Nigeria | 72 (37.5%) | 60 (31.2%) | - | 30 (15.6%) | 30 (15.6%) | Agreement |

Source: Field Survey, 2018

The above table shows that the respondents believed that entrepreneurship development in Nigeria is increasingly gaining ground in Awka and Onitsha metropolis. Their response reflected as 30.7% and 38.5% respectively. On the other hand, they were also of the view that many entrepreneurial outlet/SMEs have gain their ground through the support of microfinance bank in Awka and Onitsha metropolis. This is made possible through provision of some incentives like short term loans and other resources to entrepreneurial outlets in the state. This is evidenced in the value of response in Table 4 (29.7%, 26.0%, 26.0%, and 23.4% respectively. Again, the Table shows that there is a positive relationship between microfinance bank and entrepreneurship development in Nigeria. This is represented in the percentage rate of 37.5% and 31.2%.

*B. Microfinance bank and its impact on the entrepreneurship development in Nigeria*

Research Question 2: To what extent has microfinance bank impacted on the development of entrepreneurship in Nigeria?

***Table 5.*** *Responses on the extent of microfinance bank impact on the development of entrepreneurship in Nigeria.*

| S/N | VIEWS | SA 5 | A 4 | U 3 | D 2 | SD 1 | Remark |
|---|---|---|---|---|---|---|---|
| 11 | Microfinance bank has impacted on the development of entrepreneurship through the provision of start-up fund | 78 (40.6%) | 41 (21.4%) | 7 (3.6%) | 24 (12.5%) | 42 (21.9%) | Agreement |
| 12 | Microfinance bank has impacted on entrepreneurship development through provision of financial advice to young entrepreneurs | 125 (65.1%) | 67 (34.9%) | - | - | - | Agreement |
| 13 | Microfinance bank has impacted on the development of entrepreneurship through acting as government agent | 67 (34.9%) | 64 (33.3%) | - | 40 (20.8%) | 21 (10.9%) | Agreement |
| 14 | Microfinance bank has impacted on development of entrepreneurship through the reduction of interest rate and loan | 44 (22.9%) | 87 (46.4%) | - | 22 (11.5%) | 37 (19.2%) | Agreement |

Source: Field Survey, 2018

Table 5 shows that more (40.6% and 21.4%) of the employees are of the opinion that Microfinance bank has impacted on the development of entrepreneurship through the provision of start-up fund. Microfinance bank has impacted on entrepreneurship development through provision of financial advice to young entrepreneurs, 65.1% and 34.9% shows the level of agreement. Again, 34.9% and 33.3% of the respondents are of the opinion that Microfinance bank has impacted on the development of entrepreneurship through acting as government agent. Furthermore, 22.9% and 46.4% of the respondents are of the opinion that Microfinance bank has impacted on development of entrepreneurship through the reduction of interest rate and loan.

*C. Problems militating against the effective financing of entrepreneurs by the microfinance banks in the attainment of their objective.*

***Table 6.*** *Responses on the problems militating against the effective financing of entrepreneurs by the microfinance banks in the attainment of their objective.*

| S/N | VIEWS | SA 5 | A 4 | U 3 | D 2 | SD 1 | Remark |
|---|---|---|---|---|---|---|---|
| 15 | Lack of trust has necessitated the effective financing of entrepreneurs by microfinance bank | 67 (34.9%) | 50 (26.0%) | 21 (10.9%) | 34 (17.7%) | 20 (10.4%) | Agreement |
| 16 | Government policy has slowed down the effective financing of the young entrepreneurs by microfinance bank | 110 (57.3%) | 61 (31.8%) | 9 (4.9%) | 4 (2.1%) | 8 (4.2%) | Agreement |
| 17 | High level of corruption has affected the effective financing of entrepreneurs | 144 (75.0%) | 43 (22.4%) | 5 (2.6%) | - | - | Agreement |

Source: Field Survey, 2018

From the above table, the respondents are of the opinion that the lack of trust has necessitated the effective financing of entrepreneurs by microfinance bank. In another reaction, 57.3% and 31.8% of the respondents (employees) are of the view that government policy has slowed down the effective financing of the young entrepreneurs by microfinance bank. The employees also believed that High level of corruption has affected the effective financing of entrepreneurs. This is seen in the percentage rate of 75.0% and 22.4%

### *4.1. Test of Hypotheses*

The hypotheses were tested using Pearson Correlation statistics (Appendix II). Below is the interpretation of the four formulated hypotheses.

$Ho_1$: There is no relationship between microfinance bank and entrepreneurship development in Nigeria.

***Table 7. E****valuation of the relationship between microfinance bank and entrepreneurship development in Nigeria.*

| Correlations | | | |
|---|---|---|---|
| | | **microfinance bank** | **entrepreneurship development** |
| microfinance bank | Pearson Correlation | 1 | ,589** |
| | Sig. (2-tailed) | | ,007 |
| | N | 192 | 192 |
| entrepreneurship development | Pearson Correlation | ,589** | 1 |
| | Sig. (2-tailed) | ,007 | |
| | N | 192 | 192 |

**. Correlation is significant at the 0.01 level (2-tailed).

From the study conducted, the absolute value of the Pearson correlation indicates the strength with the absolute value showing the weakness or stronger relationship or strength of the variables. However, the absolute value of the correlation is.589 with a significant value of.007 indicates that the two variables are significantly related. Therefore, there is a significant relationship between microfinance bank and entrepreneurship development in Nigeria.

### *4.2. Hypothesis Two*

$Ho_2$: Microfinance bank has not impacted on the development of entrepreneurship in Nigeria.

***Table 8.*** *Microfinance bank has not significantly impacted on the development of entrepreneurship in Nigeria.*

| ANOVA | | | | | |
|---|---|---|---|---|---|
| | **Sum of Squares** | **Df** | **Mean Square** | **F** | **Sig.** |
| Between Groups | 22.784 | 3 | 7.595 | 250.331 | .000 |
| Within Groups | 4.278 | 141 | .030 | | |
| Total | 27.062 | 144 | | | |

Source: SPSS, Version, 20

The small significance value (F.sig<.05) indicates that there is a group difference. Since the F-value of 250.331which has a significance value of.000 is less than .05 (i.e 000<.05). Therefore, microfinance bank has significantly impacted on the development of entrepreneurship in Nigeria.

### *4.3 Hypothesis Three*

$H_{o3}$ There are problems that militate against the effective financing of entrepreneurs by the microfinance banks in the attainment of their objective.

***Table 9.*** *Problems militate against the effective financing of entrepreneurs by the microfinance banks in the attainment of their objective.*

| ANOVA | | | | | |
|---|---|---|---|---|---|
| | **Sum of Squares** | **Df** | **Mean Square** | **F** | **Sig.** |
| Between Groups | 1.747 | 2 | .873 | 1.029 | .372 |
| Within Groups | 21.217 | 25 | .849 | | |
| Total | 22.964 | 27 | | | |

Source: SPSS, Version, 20

The test conducted revealed that the large significance value (F.sig>.372) indicate no group differences. Since the F-value of 1.029 with a significance of.372 is greater than.05 (i.e.372>.05), there exist no group difference. Therefore, there are numerous problems militating against the effective financing of entrepreneurs by the microfinance banks in the attainment of their objective.

## 5. Conclusion

This chapter summarizes the findings, conclusion and recommendation and this will be discussed in three sections below.

The study found that there is significant relationship between microfinance bank and entrepreneurship development in Nigeria; Microfinance bank has not significantly impacted on the development of entrepreneurship in Nigeria.; There are problems militate against the effective financing of entrepreneurs by the microfinance banks in the attainment of their objective. This research has succeeded to indicate that microfinance is an imperative strategy in the development of entrepreneurship activities. Its importance in entrepreneurship development cannot be overemphasized as indicated in the presentation of data, its analysis relating the contribution of microfinance bank on the growth and development of entrepreneurial skills. However, the contribution or impact is not substantial. Therefore, there is still a lot to be done to substantially increase the contribution and impact of microfinance banks on the growth of the index of business activities of own operations (entrepreneurship) in Nigeria.

## 6. Recommendations

In line with the findings of the study the following recommendations are made:

a) Sensitization programmes of microfinance should be channelled to the rural areas, for instance, public seminars could be held in rural areas to give them proper orientation on the activities of the microfinance and how it can help them improve their business.
b) Microfinance bank in Anambra State should be strengthened to embrace entrepreneurship devoid the imitation and vocational inclinations.
c) Adequate financial, physical and human resources should be provided by various stakeholders not only for potential but also for existing SMEs.
d) Microfinance banks should increase their provision of other services such as financial advice, commodity marketing, micro-insurance, leasing etc. to entrepreneurs.
e) The Central Bank of Nigeria (CBN) should bring up regulations that would allow it to be fully involves in the coordination of the several other microfinance practitioners both in grassroots and up towns rather than leave them totally under the supervision of some state authorities or some private sectors.

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