MICROFINANCE BANK AND GROWTH OF SMALL AND MEDIUM SCALE ENTERPRISES (SMES) IN BIDA METROPOLIS OF NIGER STATE, NIGERIA

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ABSTRACT

This study focused on effect of microfinance banks on the growth and survival of SMEs. The study adopted a survey research design using both primary and secondary data. A sample of 125 SME owners/operators who are duly registered with Edumana MFB, Bida constituted the study population. Questionnaires were administered to SME owners/operators, while interviews were conducted with selected staff of the MFB. Data generated were analysed with the aid of tables, frequencies and percentages while test of hypotheses were done using Spearman Rank correlation coefficient and Chi-square. Findings of the study revealed that the bank's credits facilities and support services have considerably enhanced the survival and growth of SMEs in terms of increased business capital, assets acquisition and sales but not without some challenges such as small size of credit, cumbersome procedures involved in securing credit and unfavourable loan repayment modalities. Consequently, the study recommends increased credit size, relaxing credit repayment modalities, and providing advisory services to SMEs in order to effectively boost their performance and enable them contribute significantly to economic growth and development.

Keywords: Growth; Microfinance; Small and Medium Scale Enterprises (SMEs)

INTRODUCTION

The importance of finance in economic activities cannot be over emphasized. It is a necessary tool for the purchase and acquisition of knowledge, wealth, and skill among others. Nevertheless, the availability and access to adequate financial facilities have been a problem not only for businesses but their clients and the society as a whole. Without adequate financial supply, business activities will be grounded. Adequate finance is therefore an essential tool in the promotion of Small

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and Medium Scale Enterprises (SMEs), which contribute immensely to economic growth.

The role played by SMEs in economic growth process of any country including industrialised countries cannot be overemphasised as SMEs account for more than half of a country's output and employment (Mohammed & Hussain, 2008). Toeing a similar path, Udechukwu (2008) asserts that the development of SMEs is an essential element in the growth strategy of most economies, especially the Asian countries which holds particular significance for developing countries like Nigeria. SMEs are a vital part of any market economy because they are represented in all major branches of manufacturing and service sectors (Obokoh, 2008). This is in addition to their role in job creation for the unemployed.

In Nigeria, SMEs represent about 87 percent of all firms operating in the country (USAID, 2005). Unfortunately, these organisations in Nigeria have not been able to make significant contribution to the growth and development of the economy like they ought to have considering their numbers owing to several challenges most especially, inadequate financial resources. Thus, SMEs in the country have remained relatively small and seen stunted growth over the years due to the fact that a large percentage of them are not served by formal financial institutions. Conventional banks and financial institutions are not always forthcoming in terms of granting credit facilities to micro entrepreneurs as they are mostly seen as lacking credit worthiness and therefore high-risk firms (Central Bank of Nigeria [CBN], 2005).

In a bid to address this challenge of inadequate financial resources and ensure that SMEs have constant access to credit facilities and other financial services, the Nigerian government provided for the establishment of microfinance banks by launching the Microfinance Policy, Regulatory and Supervisory Framework (MPRSF) through the CBN in 2005 to bridge the gap between the commercial banks and small and medium business owners. MFBs are to be established to make financial services accessible to a large segment of the potentially productive Nigerian population who are majorly operators of small and medium businesses amongst others (Central Bank of Nigeria, 2005).

Studies on MFBs and SMEs _ Olowe, Morayo and Babalola, (2013); Oleka, Maduagwu and Igwenagwu, (2014); and Emmanuel and Ikenna, (2015) have majorly concentrated on national and state microfinance banks leaving unit microfinance banks unattended to. To fill this gap in literature, this study attempts an assessment of the effect of Edumana MFB (a unit MFB) on the survival and growth of SMEs in Bida metropolis of Niger State.

Objectives of the Study

The main objective of the study is to assess the effect of Edumana MFB on the survival and growth of SMEs in Bida metropolis of Niger state. Specifically, it seeks to:

i. To identify the nature of services being rendered by Edumana MFB to SMEs in Bida metropolis of Niger State.
ii. To find out how credit facilities and other services of Edumana MFB have enhanced the survival and growth of SMEs in Bida metropolis of Niger state.
iii. To identify challenges being encountered by SMEs in accessing credits facilities of Edumana MFB.

Research Hypotheses

i. H_0: there is no significant relationship between credit facilities and other services of Edumana MFB and the survival and growth of SMEs in Bida metropolis of Niger state.
ii. H_0: SMEs do not encounter significant challenges in accessing credits facilities of Edumana MFB

LITERATURE REVIEW

Microfinance

Microfinance is the provision of financial services adapted to the needs of low-income people such as micro-entrepreneurs, especially the provision of small loans, acceptance of small savings deposits, and simple payments services needed by micro-entrepreneurs and other poor people (USAID, 2000). It is the provision of financial services to the economically active poor who are hitherto un-served by the mainstream financial service providers. Microcredit is commonly defined in terms of loan amount as a percentage of average per capita income.

The Central Bank of Nigeria (CBN, 2005) defines microfinance as the provision of financial services to the economically active poor and low-income households. These services include credit, savings, micro-leasing, micro-insurance and payment transfer, to enable them to engage in income generating activities. The microfinance policy defines the framework for the delivery of these financial services on sustainable basis to SMEs through privately-owned microfinance banks.

In another contribution, Ojo (2007) defines microfinance as small-scale financial services that are provided to rural/informal small-scale operators for farming, fishing, trading, and building of houses and to engage in any other productive and distributive activities. Microfinance and micro financial institutions are intended to fill a definite gap in the finance market and the financial system respectively, to assist the financing requirements of some neglected groups who may be unable to obtain finance from the formal financial system. These neglected groups that constitute the target users of such microfinance are mainly in the informal sector of the economy and are predominantly engaged in small scale farming, commercial/trading and industrial activities. Gert (2004), describes microfinance as banking the ‘unbankables’,

bringing credit, savings and other essential financial services within the reach of millions of people who are too poor to be served by regular banks, due to lack of sufficient collateral.

Microfinance Bank

Microfinance bank is an institution that extends small loans or microfinance to applicants who typically belongs to the lowest strata of society. This loan according to White and Ledgerwood (2006) is for business and general living standard. They differ from regular financial banks in various respects, including use of small loan denominations, absence of collateral, and simplicity of operations. According to White and Ledgerwood (2006), the concept behind microfinance is a social one as they provide the marginalized groups of society easy accessibility to financing options.

Similarly, the Nigerian Banking Acts, 1969 as amended in 1979 asserts that MFBs are institutions constructed as a company licensed to carry on the business of providing microfinance services. Such services include collection of savings, loans provision, insurance, money transfer services and other non-financial services that are needed by the poor. The clients of the bank according to Ken (2012) are generally self-employed low-income entrepreneurs in both urban and rural areas. The existence of a huge un-served market; economic empowerment of the poor, employment generation and poverty reduction; the need for increased saving opportunity; the interest of local and international communities in micro financing and finally, the utilization of SMEEIS fund contributed to the justification for the establishment of MFBs (Nwite, 2012). MFBs are in three categories: Unit MFB which is licensed to operate within a local government area (LGA) with a minimum paid-up capital or shareholders fund of ₦20million; state MFB licensed to operate in a state with a minimum paid-up capital/shareholders fund of ₦100million and the National MFB licensed to operate in any state with a minimum paid-up capital/shareholders fund of ₦2billion (Anietie, 2015).

Small and Medium Scale Enterprises

Defining small business has always been very difficult and controversial. The term small business covers a variety of firms (Hertz, 1992; Nguyen and Bellehumeur, 1993) and it is used loosely in most of literature. According to Peterson, Albaum and Kozmetsky (1996), a small business is one which is independently owned and operated and which is not dominant in its field of operation. Researchers and other interested parties have used specific criteria to operationalize the small business, from the perspective of value added, value of assets, annual sales, and number of employees. Annual sales and number of employees are most often used to delimit the category. A review of literature on SMEs shows that the definition of SMEs significantly varies from country to country depending on factors such as country's state of economic development, strength of the industrial and business sectors, size

of SMEs and particular problems experienced by SMEs (Harabi, 2003). Hence, there is no uniform or universally accepted definition of SMEs (Investment Climate Assessment (ICA), 2009).

In Nigeria, parameters such as asset base (excluding land), number of workers employed and annual turnover are used for the classification of SMEs. The Federal Ministry of Industries defines a medium-scale enterprise as any company with operating assets less than #200 million, and employing less than 300 persons. A small-scale enterprise on the other hand, is one that has total assets of less than N50 million, with less than 100 employees. Annual turnover is not considered in the definition of an SME. The National Economic Reconstruction Fund (NERFUND) defines an SSE as one whose total assets are less than N10 million, but makes no reference either to its annual turnover or the number of employees. A couple of definitions by some Nigerian institutions are presented in the table below.

Table 1: Definition of SME by Nigerian Institutions

Parameters	**Total Assets (N'm)**			**Annual Turnover (N'm)**			**No of Employees**		
Nigerian Institutions	**MSE**	SSE	ME	**MSE**	SSE	ME	**MSE**	SSE	ME
Fed. Min. of Industries.	<200	<50	n.a	n.a	n.a	n.a	<300	<100	<10
Central Bank	<150	<1	n.a	<150	<1	n.a	<100	<50	n.a
NERFUND	n.a	<10	n.a	n.a	n.a	n.a	n.a	n.a	n.a
NASSI	n.a	<40	<1	n.a	<40	n.a	n.a	3-35	n.a
NASME	<150	<50	<1	<500	<100	<10	<100	<50	<10
Nigeria Industrial Policy	n.a	<2m	<.1	n.a	n.a	n.a	n.a	n.a	n.a

Source: World Bank, SME Country Mapping 2001

Key: MSE= medium and small enterprise; SSE= small scale enterprise; ME= medium enterprise; N.A= not available; N'm= naira in millions

A common feature of these definitions is that SMEs are usually small, owner or family managed businesses with basic goods and services. SMEs also tend to lack the organizational and management structures, which characterize large-scale enterprise. SMEs have been generally acknowledged as the bedrock of the industrial development of any country. Apart from the numerous goods and services produced by SMES, they provide a veritable means of large-scale employment, as they are usually labour intensive. They also provide training grounds, for entrepreneurs even as they generally rely on the use of local raw materials. Drawing on the various definitions of SMEs discussed above, SMEs for the purpose of this study would be seen as business enterprises with operational capital of between 1 and 200 million naira and employee size of 10 to 100 persons.

SMEs' Growth

Business growth has to do with indicators such as increased sales volume, production capacity, employment, and use of raw material and power. These factors indicate growth, but do not provide a specific meaning of growth. Business growth typically refers to absolute or relative changes in sales, assets, employment, productivity, profits and profit margins (Yeboah, 2015). Delmar, Davidson and Gartner (2003) posited that various scholars use growth indicators such assets, market share, physical output and profits to measure business performance. Nevertheless, they argued that these indicators are usually not used as sales and employment, because their applicability is limited; thus, market share and physical output vary within different industries and are therefore difficult to compare; total assets value depends on industrial capital intensity and is sensitive to change over time; and, lastly, profits are simply appropriate in measuring size over a long period of time.

Delmar, Davidsson and Gartner (2003) posited that sales and employment constitute two important indicators considered when measuring firm growth. Employment is according them is often used because it is comparatively easier to access and measure. Sales are also commonly used to measure firm growth, though sales are susceptible to inflation and exchange rates. Delmar *et al*. (2003), therefore concluded that researcher should use multiple growth indicators when studying firm growth.

Drawing on the submissions of growth determinants of businesses presented above, this study adopted increased in sales, profits, assets and business expansion as the measurement indicators for determining whether the focus SMEs have indeed experienced growth.

Empirical Studies

There are series of studies on the survival and growth of SMEs. A review of these studies exposes a common fact that failure in the development of SMEs is largely as a result of dearth of funding. Nevertheless, other problems like inadequate managerial skills, inability to adapt and employ modern equipment and technology, etc. were also identified.

Emmanuel and Ikenna (2015), investigated the effect of microfinance banks on SMEs and found out that MFBs have significantly impacted on SMEs in terms of loans, network meetings and cross guaranteeship. The study was conducted using data from both primary and secondary sources. Similarly, Oleka, Maduagwu and Igwenagwu (2014) attempted analysis of the impact on MFBs on SMEs where they revealed a strong positive correlation between MFBs and SMEs' growth. They averred that access to adequate finance by SMEs is a strong factor in their growth and development. However, variables such as business size, age and location also play a significant impact on SME's growth.

In another study conducted by Olowe, Moradayo and Babalola (2013) on MFBs and SMEs' growth showed that financial services obtained from MFBs have positive significant impact on SMEs' growth in Nigeria. The results also revealed that duration of loan has positive impact on SMEs growth but not statistically significant. The study further showed that high interest rate, collateral security and frequency of loan repayment can cripple the expansion of SMEs and therefore recommend that MFBs should lighten the condition for borrowing and increase the duration of their customers' loan and also spread the repayment over a long period of time.

It has however been said that benefits of microfinance are not always realized and that many other factors including client characteristics, microfinance structure and functional arrangements may mediate the impact of microfinance. These studies reviewed focused on national and state MFBs, hence the attempt of this study to investigate the effect of unit MFBs on SMEs.

METHODOLOGY

The study adopts a survey research design. A total of one hundred and eighty-five (185) SMEs owners/operators who are duly registered and have been patronizing Edumana microfinance bank in the last six years were considered population of the study, from which a sample size of 125 was drawn using the Krejcie and Morgan formula of 1970. Simple random sampling was engaged to draw respondents. Sources of data include both primary and secondary. Primary data were sourced using majorly questionnaires and interviews, while secondary data were retrieved from corporate documents and reports, memos, journal articles and internet materials. Questionnaires were administered to SME owners/operators in order to obtain first-hand information regarding effect of the MFB credit facilities on the growth and survival of their businesses, while interviews were conducted with selected staff (i.e. key informants) of the MFB in respect of their services and operation modalities. Data generated were analysed using descriptive statistical tools while test of hypotheses were done using Spearman rank correlation coefficient and chi-square non-parametric tool.

RESULTS AND DISCUSSION

Out of the one hundred and twenty-five (125) copies of questionnaires were administered to SME operators/owners registered with Edumana microfinance bank within the study area, one hundred and twelve (112) were retrieved and found to be correctly filled and therefore used for the analysis. This figure represents 89.6% of the total number of questionnaires administered.

Table 2: Characteristics of Respondents

Age	F	P	Marital Status	F	P	Qualification	F	P	Occupation	F	P
20-30	18	16.1	Single	24	21.4	Pry Sch	6	5.4	Agro-based	19	16.9
31-40	40	35.7	Married	59	52.7	Sec Sch	21	18.8	Trade	37	33.0
41 above	54	48.2	Divorce	20	17.8	NCE/ND	30	26.8	Artisan	16	14.3
			Widow	9	8.0	HND/DEG	42	37.5	Services	22	19.6
									Others	18	16.1
Total	**112**	**100**		**112**	**100**		**112**	**100**		**112**	**100**

Source: Field Survey, 2018 **F**=frequency, **P**= percentage

Data contained in table 2 above indicates that a preponderance of the SME operators are advanced in age, mostly within the ages of 31 and 40 and 41 above with a preponderance of them possessing secondary school and NCE/ND certificates. Nevertheless, a large number of them have HND/Degree certificate. This portrays that the SMEs operators are to a large extent educated. As further contained in the table, majority of them are into trading (33%), followed by service provision (19.6%), agro business (16.9%), artisan (14.3%), and the rest in engage in other forms of business not captured in the questionnaire.

Table 3: Nature of services of Edumana MFB

Response	Frequency	Percentage
Loans/credits	112	100
Savings	112	100
Financial Advisory	96	85.7
Workshops/seminars	63	56.3
Micro-leasing	12	10.7

Source: Field survey, 2018

Table 3 above shows the nature of services being rendered by the MFB to SMEs owners/operators. As regards loans and savings, all 112 of them responded that they have accessed these services of the bank. 96 of them constituting 85.7% have benefitted from the financial advisory service; 63 of them representing 56.3% have attended capacity building workshops/seminars; and only 10.7% responded that they have accessed micro-leasing service of the bank. It can be deduced based on the responses that loans, savings and financial advisory represent major services that SMEs owners/operators have benefitted from. Data contained here corroborate

interview report that aside credit facilities and savings services being offered by the bank, financial advisory and seminars/workshops on capacity building are also rendered. According to the bank, they engage in these in order to inculcate good business and financial management practices necessary for SMEs owners/operators to thrive and succeed in their various enterprises.

Table 4: Respondents' opinion on Edumana credit facilities

Variables	Good		Fair		Poor		Total
	(Freq)	(%)	(Freq)	(%)	(Freq)	(%)	
How frequent do you have access to credit facilities of the MFB?	36	32.2	34	30.4	42	36.6	**112**
How would you describe size of credit/loans?	29	25.9	40	35.7	43	38.4	**112**
How would you describe the duration of the credit facilities?	31	27.7	45	40.2	36	32.1	**112**
How would you describe the credit repayment modalities?	25	22.3	63	56.3	24	21.4	**112**

Source: Field Survey, 2018

As contained in the table above, respondents' responses regarding how frequent they have accessed credit facilities of the bank showed that a significant number of them (32.2% 'good' and 30.4% 'fair') have frequent access to loan facilities of the bank, though 36.6% of them opined 'poor'. On size of the credit facilities, though majority of them were of the opinion that it is good (25.9%) and fair (35.7%), a sizeable number responded poor (38.4%). Duration of the credit facilities reveals that a good number of them were contented with it based on 27.7% and 40.2% who responded 'good' and 'fair' respectively. Regarding payment modalities, a preponderance of them responded fair (56.3%) while 22.35 and 21.4% opined 'good' and 'poor' respectively.

Interview conducted with some management staff of the bank as well as selected executive member of the SMEs reveal that size of the credit facilities ranges between #100, 000 to #500, 000, but mostly within #200, 000 to #300, 000 as they majority of them who apply for credit facilities of #400, 000 or more were given #300, 000 and below. Furthermore, duration of the loans spans the period of between 3 to 6 months basically short-term loans and occasionally one or two years. This gives SMEs inadequate time to fully utilize the loans, thus affecting growth and survival negatively. The SME operators complained about the smallness of the credit facilities as they needed more to be able to actualize their business plans.

Table 5: Respondents' opinion on effect of credit facilities on SMEs' growth and survival

Variables	High		Average		Low		Total
	(Freq)	(%)	(Freq)	(%)	(Freq)	(%)	
Credit facilities have resulted in boost of business capital	61	63.4	30	26.8	11	9.8	**112**
Credit facilities have resulted in expansion of business	75	66.9	29	25.9	8	7.1	**112**
Credit facilities have resulted in acquisition of more assets	75	66.9	29	25.9	8	7.1	**112**
SMEs now witness increased sales and profit due to access to more capital	74	66.1	26	23.2	12	10.7	**112**

Source: Field Survey, 2018

As presented in table 5 above regarding respondents' opinion on effect of the credit facilities of the bank on growth and survival of SMEs showed that a significant number of them (63.4% 'high' and 26.8% 'average') have experienced boost in their running capital, nevertheless, few of them (9.8%) witnessed low boost. On whether credit facilities obtained have resulted in expansion of business, a preponderance of them were of the opinion that the extent to which this has occurred highly (66.9%) and averagely (25.9%), while a fraction of them responded expansion of business is low (7.1%). Access to credit facilities of the bank by SMEs has further resulted in acquisition of more assets as affirmed by 66.9% and 25.9% who responded 'high' and 'average' respectively. Regarding increase in sales and by extension profit, greater number of them responded high (66.1%) and average (23.2%) while few (10.7%) were of the opinion that increase in sales and profit is low.

Interview conducted with some SME operators revealed that loan facilities of the bank has enable them expand their business by diversifying into other line of business outside their initial area. To them, this has resulted in increased sales and by extension increased profit. Nevertheless, challenges ranging from reluctance or delay in accessing the bank's credit facilities, high interest rate, cumbersome procedures involved in securing credit to highly unfavourable loan repayment period/modalities are some of the factors that have worked against survival and growth of SMEs in the area.

Table 6: Challenges encountered by SMEs in accessing credit facilities

Response	Frequency	Percentage (%)
Cumbersome procedures involved in accessing MFB's credit	85	75.9
High interest rate	101	90.2
Unfavourable loan repayment modalities	96	85.7
Providing collateral security	76	67.9

Source: Field Survey, 2018

Data contained in table 6 above represent challenges encountered by SMEs in a bid to access MFB's credit facilities. As presented in the table, high interest rate of credit facilities with 92% constitute the major challenges SMEs are facing. This is followed by cumbersome procedures involved in securing credit (75.9%), highly unfavourable loan repayment period/modalities (85.7%) and lastly the problem of providing collateral security with 67.9%. This reveals that SMEs still encounter considerable challenges in a bid to secure credit from MFBs. This, some of the respondent affirmed, discourages SMEs from even approaching MFBs for loans/credit.

TEST OF HYPOTHESES

i. ***H_0: there is no significant relationship between credit facilities and other services of Edumana MFB and the survival and growth of SMEs in Bida metropolis of Niger state.***

Table 7: Result of Spearman's Rank Correlation Coefficient

Spearman's rho		*Credit facilities of Edumana MFB*	*SMEs survival and growth*
Credit facilities of Edumana MFB	Correlation coefficient	0.05	**.752****
	Sig. (2-tailed)		**.000**
	N	**112**	
SMEs survival and growth	Correlation coefficient	.752**	**0.05**
	Sig. (2-tailed)	.000	
	N		**112**

. Correlation is significant at the 0.05 level (2-tailed). **Source: SPSS Product

Spearman's correlation coefficient r = 0.752, here we have a strong positive significant relationship as reflected in the spearman's rank correlation coefficient result r = 0.752. However, the tabulated value of 0.05 (5% level of significant) is less

than the spearman's rank correlation coefficient r = 0.752, so we can deduce here that H calculated is greater than H tabulated, we then accept the alternative hypothesis and reject the null hypothesis and therefore conclude that Edumana MFB has significantly impacted on the survival and growth of SMEs in Bida metropolis as it has made more financial resources available to them for expansion and diversification leading to increased sales and profit. This is corroborated by the findings of Olowe, Moradayo and Babalola (2013) who submitted that financial services obtained from MFBs have positive significant impact on SMEs' growth in Nigeria. They further submitted that duration of loan has a positive impact on SMEs growth though with low statistical significant. In further support of this, Emmanuel and Ikenna (2015) in their study revealed that MFBs have significantly impacted on SMEs in terms of loans, network meetings and cross guaranteeship. Nevertheless, as discovered by this study, reluctance or delay in accessing the bank's credit facilities, high interest rate, cumbersome procedures involved in securing credit to highly unfavourable loan repayment period/modalities are some of the factors that have worked against survival and growth of SMEs in the area.

ii. H_0: SMEs do not encounter significant challenges in accessing credits facilities of Edumana MFB

Table 8: Contingency table of respondents' opinion on challenges in accessing

Response	Yes	No
Cumbersome procedures involved in accessing MFB's credit	85	27
High interest rate	101	11
Unfavourable loan repayment modalities	96	16
Providing collateral security	76	36

credit

Source: Field survey, 2018

Table 9: Chi-square Test Statistics

	Cumbersome procedures	High interest rate	Unfavourable loan repayment modalities	Provision of collateral security	
Chi-Square Value	**32.344[a]**	**43.005[a]**	**17.016[a]**	**15.492[a]**	**107.857[a]**
df	**1**	**1**	**1**	**1**	
Asymp. Sig.	**.000**	**.000**	**.000**	**.000**	
95% Confidence level Critical Value at 5% Sig.	**3.841**	**3.841**	**3.841**	**3.841**	**15.364**

a. 0 cells (0.0%) have expected frequencies less than 2. The minimum expected cell frequency is 24.4.

b. Based on 112 sampled tables with starting seed 2000000.

Source: Computed SPSS Product

The chi-square test result contained in table 9 above shows a greater calculated sum value of 107.857 against the critical or table sum value of 15.364. In line with the decision rule (i.e. reject null hypothesis if calculated value is greater than critical value, otherwise accept), the hypothesis is therefore be rejected. Thus, SMEs owners/operators have encountered significant challenges in a bid to access credit facilities of the microfinance bank. As captured in table 4, those challenges include high interest rate of credit facilities, cumbersome procedures involved in securing credit, unfavourable loan repayment period/modalities and problem of providing collateral security. The study of Olowe, Moradayo and Babalola (2013) corroborated this when they averred that high interest rate, collateral security and frequency of loan repayment can cripple the expansion and growth of SMEs.

CONCLUSION AND RECOMMENDATIONS

The study set out to determine effect of microfinance banks on the survival and growth of SMEs, using Edumana MFB in Bida, Niger State as a study case. Data generated showed that SME operators' access to the bank's credit facilities have resulted in the elevation of the status of their businesses as they can now boast of increased business capital, business expansion, increased sales and profit level as well as increased assets acquisition, though not without some challenges which ranges from reluctance of the MFB to give them credit, high interest rate, cumbersome procedures involved in securing credit to highly unfavourable loan repayment period/modalities. It is no doubt that the role of MFBs as a source of finance for SMEs cannot be over emphasized. But efforts must be made to address these challenges which still limit the positive impact of MFBs in promoting the survival and growth of SMEs. On this basis, the study recommends increased credits size, relaxing credits repayment modalities, and providing advisory services to SMEs in order to effectively boost their performance and enable them contribute significantly to economic growth and development.

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