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EFFECT OF MICROFINANCE BANKS ON THE FINANCIAL PERFORMANCE OF SMALL SCALE ENTERPRISE IN MUBI

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ABSTRACT

The study assessed the effect of microfinance banks on the financial performance of small scale enterprise in Mubi. The sample of the study was limited to 107 small scale enterprises operators in Mubi. The instrument used for collecting data from the respondents is the questionnaire. The data gathered from the respondents was analyzed using simple percentage statistics. The finding shows that to a large extent SSE do not have access to microfinance banks for financing activities. This is because only a few microfinance banks operate in the area therefore SSE low patronizing for financing their activities in bank. The study therefore, recommends that the government should of more microfinance banks in the study area so as to make finance more readily available to SSE.

KEYWORDS: ***Banks, effect, financial, microfinance, performance and small scale enterprise***

INTRODUCTION

The modern society cannot exist without business as it contributes to improvement in the standard of living, utilization of resources, production of goods and services, employment opportunities and economic growth. Small scale enterprises which are the most common types of businesses are the engines for growth and development of any society or nation, particularly, developing nations. This is because of the fact that they have become major sources of employment for the unemployed, wealth creation, provision of varieties of goods and services and improvement of Gross Domestic Product (GDP) and Gross National Product (GNP) for developing economies of the world. It is also becoming an instrument for ensuring peaceful coexistence among societies (Ekpudu, Posu & Olabisi, 2014).

The criteria for defining the size of a business differ from country to country, with many countries having programs of business rate reduction and financial subsidy for SMEs. According to European Commission, small-scale enterprise or business is one with less than 50 employees and turnover of less than €10 million Euros while medium scale business is one with less than 250 number of employees and turnover of less €50 million Euros (European Commission, 2016). Small and Medium scale enterprises play a critical role in sustainable economic development of many nations, because it has been identified as a catalyst for economic growth and development in both emerging and developed economies of the world (Normah, 2011).

In Nigeria, Alege and Ogunrinola (2008), documented that a UNDP-sponsored microcredit programme on small scale enterprise development found that variables such as pre-loan training and entrepreneur level of education impact significantly on small scale enterprise development. Bekele and Zekele (2008), also investigated long term survival of small scale enterprise financed by microfinance institution the study showed that small scale enterprises that did not participate in such schemes regularly were more likely to fail in comparison with those that participated regularly.

The importance of microfinance institutions in the reduction of poverty and development of a nation cannot be overemphasized. It is a tool employed as a means of getting capital to small businesses that find it difficult to survive and grow beyond their capacity. Microfinance services are thus vital in the lives of the rural poor because most of the income earners either small or medium scale entrepreneurs in rural areas mostly lack the necessary financial services and support (Abdulmumini, 2012).

Small scale enterprise are less capital intensive and have the flexibility to respond quickly to fluctuating demands of the market due to their size and innovativeness (Obokoh, 2011). In addition, the small scale enterprise sector also serves as incubator for new ideas and testing ground for new technologies (Oyefuga, Siyanbola, Afolabi, Dada & Egbetokun, 2011). Despite the critical role of small scale enterprises in the economies of developing countries, they are plagued by small capital base, worsened by the high cost and difficulty to obtain funding from commercial banks (Obokoh, 2011; Ngehnevu & Nembo, 2010; Sriram & Mersha, 2010). It has been observed that commercial banks

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traditionally prefer to lend to large enterprises which are adjudged credit worthy in most countries in Africa. The commercial banks often avoid doing lending to small enterprises because of small scale enterprises associated cost and relative high risk of operation (Aryeetey, 2008).

This lack of access to credit to formal financial institutions necessitated the reforms in community banking that precipitated the licensing and establishment of microfinance institutions in Nigeria by the government through the Central Bank of Nigeria (CBN). In 2005, the CBN commenced the process of reforms in the community banking sector. The latter resulted in the licensing of microfinance banks (Microfinance banks), to replace community banks, with the goal of making microfinance banks more effective in granting credit to small scale enterprises in order to develop this sector. Thus, private sector operators were statutorily empowered by the provisions of section 33 subsection (1) (b) of the CBN Act 7 of 2007 to operate Microfinance banks in place of the community banks in Nigeria (CBN, 2008).

The CBN objective for the reform process that ushered the microfinance banks was to make it vehicles for social-economic growth and rural transformation through the provision of credit to small scale enterprises. The intent was to reduce the burden of high interest rates and other financial charges hitherto charged by banks under normal bank lending, as well as to provide financial, advisory, technical and managerial supports to small scale enterprises operators. The significant role expected of microfinance banks made the CBN to adopt it as the main source of funding for small scale enterprise in Nigeria, especially those in the manufacturing sector. Manufacturing small scale enterprise have a long gestation period, thus, the need for more accessible and cheap sources of finance especially long-term at affordable interest rates is a necessity (Abereijo & Fayomi, 2013).

Notwithstanding these efforts by the CBN, many manufacturing small scale enterprises are still shutting down operations due to liquidity problems and other related environmental business factors (Obokoh, 2011). Recent studies in Nigeria and elsewhere confirmed some of the major causes of poor performance and the development of manufacturing Small scale enterprise in Nigeria to include financial constraint and lack of social supports (Oyefuga, Siyanbola, Afolabi, Dada & Egbetokun, 2011). It is against this background that this study examines the effect of microfinance banks on the financial performance of small scale enterprises in Mubi metropolis of Adamawa State.

A number of small scale businesses lack access to financial services from formal financial institutions (banks). In Nigeria, one of the greatest obstacles that small scale enterprises have to grapple with is access to funds from banks which have occasioned the low development of business in the economy (Olowe, Moradeyo & Babalola, 2013). In Nigeria, one of the greatest obstacles that small scale enterprises have to grapple with is access to funds from banks which have occasioned the low development of business in the economy (Olowe, 2013). The role of finance to the growth and performance of small scale enterprises cannot be overemphasized. The introduction of microfinance banks as the main source of financing small scale enterprises and the provision of other advisory services to business owners in Nigeria was meant to spur the performance, growth and development of small scale enterprises in the country. This current study therefore examines the effect of microfinance institutions on the financial performance of small scale enterprises in Mubi metropolis. The study formulated the following questions to serve as a guide:

i. What is the extent to which small scale enterprises have access to microfinance banks as source of financing activities?
ii. What is the impact of microfinance banks on financing on the financial performance of small scale enterprises?
iii. What are the challenges militating against small scale enterprises access to microfinance banks financing?

The study test the following null hupothesis:

H_0 : Microfinance bank financing does not have a significant effect on the financial peformance of small scale enterprises.

LITERATURE REVIEW

Concept of Microfinance Bank

Microfinance is the act of providing a whole range of financial services such as deposits, loans, payment services, money transfers, and insurance to poor and low-income households and, their microenterprises. Microfinance is the practice of offering small and short-term loans to entrepreneurs who otherwise would not have access to capital to begin a small business or other income generating activities (Oyedokun, 2015). Microfinance is defined as the provision of thrift, credit and other financial services and products in very small amounts to the poor to enable them to raise their income levels and improve their standard of living (Eluhaiwe, 2016).

Microfinance banking could be categorized mainly into two sources namely: informal sources of microfinance and formal sources of microfinance. While it could be very easy to trace the origin of the formal sources of microfinance in Nigeria, the origin of the informal sources of Microfinance is only traceable to the practices among ethnic nationalities without any known precise date (Adeoye & Emmanuel, 2015).

Consultative Group to Assist the Poor (2012), defined microfinance as the supply of loans, savings and other basic financial services to the poor. These owners of micro and small enterprises require a diverse range of financial instrument to meet working capital requirement, build assets, stabilized consumption and shield themselves against risk. Financial services include working capital loans, consumer credit, savings, pensions, insurance and money transfer services. In practice, microfinance is much more than disburser rent management and collection of little bits of loan. It is rather refers to flexible process and structured to suit credit need and cash flow pattern of small business.

Microfinance is not charity despite its appellation as poverty lending. Primarily micro finance seek to create access to credit for the poor who ordinarily are locked out of financial services in the formal financial market by reasons of their poverty, that is, lack of command over assets. It therefore places obligation on the borrowers for proper utilization and complete repayment of the borrowed amount even at commercial interest rates (CBN, 2013).

Microfinance is not new in Africa. In other societies and history we come across schemes and social arrangements which enable people to pull their resources for onward distribution to cooperatives and needy individuals. Ready examples include adashe and variants of esusu. Nigerian microfinance institutions have also integrated the best practices of traditional scheme into operational procedures (Ehigiamusoe, 2016).

Concept of Small Scale Enterprises

The criteria for defining the size of a business differ from country to country, with many countries having programs of business rate reduction and financial subsidy for Small scale enterprise. According to European Commission, small-scale enterprise or business is one with less than 50 employees and turnover of less than €10 million Euros while medium scale business is one with less than 250 numbers of employees and turnover of less €50 million Euros (European Commission, 2016). Small scale enterprise have no doubt been indeed recognized as the main engine of economic growth and development, a major variable for promoting the private sector, development and partnership. Various governments, development agencies and experts as well as multilateral institutions do appreciate this fact such that they positively respond to any occasion and situations, which could permit they contributing to or creating opportunities for promoting the lot of Small scale enterprise. The Small Scale Enterprise sub-sector not only contributes significantly to improved living standards but they also bring about the substantial local capital formation and achieve high levels of productivity and capability. Employment or job opportunity wise, small scale enterprise account for well over half of the total share of employment, sales and value added in most countries (Basil, 2014).

Small Scale Enterprise Access to Micro Finance Banks

According to Navajas, Conning, and Gonzalez-Vega (2013), the main objective of microcredit is to improve the welfare of the poor through better access to small loans that are not offered by the formal financial institutions. Small scale enterprise access to finance is primarily a demand and supply function with, typically, research (Watson and Wilson, 2002; North, Ullah, and Baldock, 2011), on the demand-side focusing on understanding how characteristics of Small scale enterprise or their ownermanagers may be discerned in order to explain patterns of available and accessible finance.

In terms of the characteristics and structure of most Small scale enterprise, studies (DeYoung, Gron, Torna, & Winton, 2012; Mac and Bhaird, 2013), appear to indicate that risk diversification of asset composition also impacts upon Small scale enterprise access to finance. According to Nissanke (2001), the portfolio structure of most sub-Saharan Small scale enterprise is constrained, under-developed and insufficiently diversified; the implication being that losses in one business activity cannot necessarily be offset against gains in another activity. Manufacturing Small scale enterprise are also more likely to be in need of more accessible and cheap(er) sources of finance for a longer period than other types of Small scale enterprise (Chakrabarty & Bass, 2013).

Another finding from such studies is the existence of a pecking order within Small scale enterprise. Pecking order theory proposes that cost associated with the funding of institutions will increase with asymmetric information (Watson & Wilson; 2002). In effect, pecking order theory suggests that Small scale enterprise will prioritise their sources of finance in the following hierarchical order: (1) internal sources of finance will be sought first. If such funding cannot be sourced or is sourced but, is, then, depleted, (2) debt will be taken on and when or if it becomes impractical to finance the institution using debt, (3) equity will be issued, usually as the last resort.

Nikolaos, Robin and Emmanouil (2013), study on Greek small businesses is in line with the pecking order theory. It was found that firms rely heavily on own funds due to reluctance making use of new external equity (venture capital, business angels, etc.). However, firms indicated preference for long-term debt equity in the absence of own funds if pressed to seek external funding which has a lot of limiting factor in accessing the long-term debt finance. Most of the Greek firms due to their size are

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unaware of state grants and co-financed programs because of informational gap of the existence of such programs. On the supply side of Small Scale Enterprise access to finance, scholars (Chimucheka and Rungani, 2011), appear to be interested in understanding how resource provision for Small scale enterprise may be enhanced through financial market efficiency. Here, the level of accessible finance for Small scale enterprise remains a function of how willing a financier is to lend, although it is also dependent on the actual demand for credit finance (Mach & Wolken, 2012).

Chimucheka and Rungani (2011) found that about 28% of Small scale enterprise have never applied for loans from banks. Generally, studies show that Small scale enterprise continue to prefer internal equity as a source of funding (Mac an Bhaird and Lucey, 2010; McCann, 2011; BIS, 2012; Xiang, Worthington, and Higgs, 2014), however, if unavailable or inadequate, most Small scale enterprise would seek external funding for their business activities. This is usually in the form of bank borrowing (Beck, Demirgüç-Kunt, & Singer, 2008). Studies by Demirguc-Kunt, Maksimovic, Beck, and Laeven, (2006), identify equity and debt as the two main sources of external finance for Small scale enterprise. However, the often lack of external equity on the supply side has meant that many Small scale enterprise depend on loans and overdrafts (from banks) and credit from their suppliers for financing. However, our understanding of the discourse is that an over-reliance on bank borrowing has left Small scale enterprise particularly vulnerable to contraction of private credit (Udell, 2009; Ullah, North, and Baldock, 2011). In response, governments have sought to increase Small Scale Enterprise access to finance by promoting a less conservative and riskaverse outlook among lenders (Quartey, 2003).

Despite the valuable contribution of microfinance banking to Small Scale Enterprise development, in reality, research (Sodokin and Donou-Adonsou, 2010), is inconclusive on the actual contribution of microfinance to Small scale enterprise development and survival, thus, setting the scene for this study.

Impact of Microfinance Bank on the Financial Performance of Small Scale Enterprises

The primary purpose of establishing microfinance banks in Nigeria was poverty alleviation through the provision of financial services to the poor. By providing these services, the microfinance banks can contribute to the wellbeing of the economy through the following ways as cited in Asor, Essien and Ndiyo, (2016); i. Enhancement of savings and investment opportunities, they mobilize local savings into productive activities, thereby contributing to the growth of the economy. ii. Improve income distribution of the Nigerian population iii. They encourage rural industrialization thereby reducing rural-urban migration. iv. They encourage entrepreneurship behaviour among the youth by providing them with financial services which would allow them to engage in economic activities and become self-reliant. By doing this, microfinance banks help tackle the problem of poverty and unemployment.

The idea of creating Micro Finance Institutions (MFIs) is to provide an easy accessibility of Small scale enterprise to finance/ fund particularly those which cannot access formal bank loans. Microfinance banks serve as a means to empower the poor and provide a valuable tool to assist the economic development process. Kolawole (2013), is of opinion that the promotion of microenterprises in developing countries is justified because of their abilities to foster economic development.

The evolution of microfinance in the 1970's is to break the barricade to access capitals by low-income individuals for development purposes. To say that microfinance empowers the entrepreneurial spirit that exists among the small-scale entrepreneurs worldwide is not an exaggeration. Microfinance has the ability to strengthen microfinance enterprises and encourage best practices among operators of small and medium-scale enterprise (Adeusi, 2015). The CBN (2004) as cited in Asor, Essien and Ndiyo, (2016), noticed that microfinance institutions grew as a result of the failure of the formal financial institutions to provide financial services to the poor. Microfinance institutions can be grouped into formal and informal institutions. The former consists of banks, while the latter include cooperative societies, self-help groups etc. Several microfinance programmes and institutions have been established by both governmental and non-governmental agencies, to promote economic growth and development in the country by increasing and improving the productive capacity and living standard of the poor.

According to Abiola (2017), this is because it plays a vital role in the financial intermediation process and also in the lives of the low income earners who constitute over 70 per cent of the Nigerian population. Some of these important roles include:

a. Credit Delivery
b. Boosting Small Scale Enterprises/Agriculture:
c. Employment Generation:
d. Improvement in Skill Acquisition:
f. Facilitates Poverty Alleviation:

Challenges of Small Scale Enterprises in Accessing Microfinance Banks Financing

Iganiga, (2016) reports that, to achieve sustainability and growth, microfinance institutions and authorities most devises strategies to effectively address the six challenges of microfinance which includes: High operating cost repayment problems, inadequate experience staff, lack of financing facilities, client apathy and drop-out because pro-poor microfinance MFIs lose up to 20% of their client base annually and Internal control challenges as a result of large transactions informal challenges.

The development of Small scale enterprise requires combine efforts on the part of government institutions. In this regard, issues related to tax, information and availability of social infrastructure needs to be addressed to facilitate the development of Small scale enterprise. In as much as national policies play an important role in the development of Small scale enterprise, targeted inventions are much more effective to bring about a rapid changing the growth of Small scale enterprise' support services at the firm level. These are important mechanisms that will ensure the efficient allocation of resources by Small scale enterprise to enable them to grow and expand their operations in order to create a robust and dynamic private sector (Iganiga, 2016).

Olowe (2013) identified some of challenges facing Microfinance banks in disbursing loans to Small scale enterprise in Nigeria as follow;

i. **High Operating Cost**: Small Units of services pose the challenges of high operating cost, several loan applications to be processed, numerous accounts to be managed and monitored, while repayment and collections are be made from several locations especially in rural communities.

ii. **Repayment Problem**: Loan default is a major threat to microfinance banks' sustainability; it is the deadly "virus" which afflicts the operation of the banks. It demoralizes staff and deprives other beneficiaries of further valuable services.

iii. **Inadequate Experienced Credit Staff**: Micro financing is more than dispensing loans. Microfinance banks 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.

iv. **Problem of illiteracy**: Most of their customers are illiterate which affects record keeping and decision-making ability of borrowers and consequently affects their relationship with the banks.

EMPIRICAL REVIEW

Nikolaos, Robin and Emmanouil, (2017) study on Greek small businesses is in line with the pecking order theory. It was found that firms rely heavily on own funds due to reluctance making use of new external equity (venture capital, business angels, etc.). However, firms indicated preference for long-term debt equity in the absence of own funds if pressed to seek external funding which has a lot of limiting factor in accessing the long-term debt finance. Most of the Greek firms due to their size are unaware of state grants and co-financed programs because of informational gap of the existence of such programs.

In Nigeria, Alege and Ogunrinola (2008) carried out a study to ascertain the impact of a UNDP-sponsored microcredit programme on Small Scale Enterprise development. They found that variables such as pre-loan training and entrepreneur level of education impact significantly on Small Scale Enterprise development. Bekele and Zekele (2008) also investigated long term survival of Small scale enterprise financed by microfinance institution and decided that enterprise that did not participate in such schemes regularly are more likely to fail in comparison with businesses that participated regularly. In another study to examine the impact of microfinance on rural farmers in Malawi, Aguilar (2006) reported that farmers who borrow from microfinance institutions were no better off than those who did not borrow. A study by Hannafey (2013) however, pointed that new small scale enterprise face significant resource pressure. Thus, the liability of newness may lead new Small scale enterprise towards more individualist ethical postures. Investors risk perception may be `influenced by the extent to which they perceive that they can trust the entrepreneur or entrepreneurial team.

THEORETICAL FRAMEWORK

Pecking Order Theory

The pecking order theory is one that was developed by Myers Sanders in 1984. It implies that the financing requirements of firms (usually small scale enterprise) are catered for in a hierarchical order. The initial source of funds is internally generated. As the amount of funds required is increased, the next source is via the use of debt. Further increase in the need of funds leads to sourcing for external equity. Thus there tends to be a negative relationship between profitability and external borrowing by small firms. This further implies that the debt equity mix of a firm should be heavily dependent on the hierarchical financing decisions over time. This theory thus maintains that businesses organizations always prefer to use internal funds. If it is not available, the organization will prefer to use debt as an external source of fund before it considers equity financing. Therefore, by simply examining a firm's debt equity mix, one can have a general understanding on the health of that organization. When managers issue new shares, the public believe that the managers have concluded that the firm is valued more than its actual worth and as such they want to quickly utilize the opportunity. This leads to the investors valuing these new stocks lower than before. The theory also implies that older firms should have more funds available to promote growth since they have had more opportunities to accumulate internally generated funds i.e retained earnings.

Financial Growth Theory

This theory was developed by Berger and Udell (1998). According to them, as a business matures over the years, its financial obligations and financing options metamorphose having more information available to the public. According to them, firms that are smaller, younger and possess more ambiguous information must depend on initial internal funding, trade credit, or a type of financing called angel finance. (Angel finance is one that occurs when an individual or organization provides a limited amount of financial backing for a start up business with more favourable repayment plan). As the firm grows, it qualifies for acquiring both venture capital and midterm loans as sources of both intermediate equity and intermediate debt respectively. Further aging of the firm makes it to become bigger and less informationally murky. This thus qualifies the firm to have access to both public equity and long term loans as sources of both long term equity and long term debt respectively.

Bank Capital Channel Theory

This model implies that the lending behaviour of banks to Small scale enterprise is heavily dependent on capital adequacy requirement. Obamuyi (2007) showed that a change in interest rate can influence banks lending to Small scale enterprise through bank's capital. This implies that increasing the value of interest rates raises the cost of banks' external funding, but reduces banks' profits and capital. The tendency is for the banks to reduce their supply of loans if the capital constraint becomes binding. On the other hand, the banks could also become more willing to lend during situations when the interest rate is favourable.

The Life Cycle Model

This model was developed by Weston and Brigham (1981). According to them, accelerated growth of a small firm could lead to the firm lacking capital. This was because, most of the time, small firms are created with just internal funds from the owners. As the firm grows, the amount of owners' equity is no longer capable of sustaining it and the firm would have to resort to external sources of funds in order to survive. Thus, accelerated growth could result in illiquidity and thus the firm would have a decision to make between reducing its growth rate or becoming illiquid and sourcing for external funds. Therefore Weston and Brigham (1981) concluded by showing that Small scale enterprise that grow in size are very likely to have an increase in its debt structure.

Contract Theory

According to Wikipedia (2015), this theory was first formally treated by Kenneth Arrow. It studies how economic actors construct contractual arrangements in the presence of asymmetric information. Information asymmetry arises when one of two parties engaged in a business transaction happens to have more or different information than the other. In such a situation, one party does not have adequate information about the other party resulting in inaccurate decision making. This circumstance leads to a potential adverse selection and moral hazard problems in the credit market.

Adverse selection is a problem arising from asymmetric information which occurs prior to the transaction actually occurring. Here a lender may decide not to lend money even though the borrower has the ability to make loan repayments as expected, just because he does not have enough information about the borrower to aid in his decision making.

For the purpose of this research work, the study will dwelled only pecking order theory, the reason for chosen this theory is because this theory explain in details how small scale enterprises will be giving access to loans based on their financial capabilities and requirements, it implies that the financing requirements of firms (usually small scale enterprise) are catered for in a hierarchical order. The initial source of funds is internally generated. As the amount of funds required is increased, the next source is via the use of debt. Further increase in the need of funds leads to sourcing for external equity. These ideas go in cognizance with subject matter under study; this is why the research finds it worthy to adopt this theory.

METHODOLOGY

For the purpose of this study, the researcher made use of survey research design. This method is appropriate because the opinions of operators of small and medium scale enterprises are required in the treatment of the problem at hand. Therefore, questionnaire was administered to elicit opinion on the subject matter. The population of this study includes all medium and small scale businesses in Mubi North and Mubi South LGA. The sample size of this study is 107 small scale enterprises operators in Mubi. The purposive sampling technique was used to arrive at the sample size. Data for the study was

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collected from primary source, which involves the use of questionnaire. The secondary information collected for the purpose of this study includes: publications, reports, newspapers, and expert opinion on seminar presented etc were used for literature review. The researcher made use of questionnaire as the tool for collecting data. The researcher adopted the closed-ended type of questionnaires here questions were asked and respondents expected to select from the various options given. The questionnaire was designed on five points likert scale ranging from strongly agree(5), Agree(4), Undecided(3) Disagree (2), Strongly disagree(1). The questionnaires were administered personally by the researcher and were collected back after some days. Descriptive statistics was employed in analyzing the data collected through the questionnaires. Also the chi-square statistics was used to test the formulated research hypothesis.

ANALYSIS AND RESULTS

Test of Hypothesis

The study formulated hypothesis states that

H_0 : Microfinance bank financing does not have any significant effect on the financial peformance of small scale enterprises.

The chi-square statistics was used to taste the research hypothesis.

Table 4.9 Result of Chi-Square Statistics

	Gender of respondents	Microfinance lending is not sufficient for Small scale enterprise in the study area
Chi-Square	22.773[a]	55.010[b]
Df	1	4
Asymp. Sig.	.000	.000

a. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 48.5. b. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 19.4.

Source: Researcher's Computation using SPSS, 2020

Decision: The chi-square calculated statistics is 55.010. Since the P-value of 0.000 is less than the selected 5% level of significance, the null hypothesis is rejected. Hence, it is concludes that microfinance bank financing have a significant effect on the financial peformance of small scale enterprise.

Findings

The following findings emerged from the data analysis.

i. To a large extent SSE do not have access to microfinance banks for financing activities. This is because only a few microfinance banks operate in the area therefore SSE low patronize for financing their activities in bank.

ii. Microfinance banks financing has a significance effect on the performance of SSCE.

iii. There are several challenges that confront SSE access to microfinance banks financing but poor record keeping is the most important factor militating access.

CONCLUSION

The study reached the following specific conclusions;

i. To a large extent SSE do not have access to microfinance banks for financing activities. This is because only a few microfinance banks operate in the area therefore SSE low patronize for financing their activities in bank.

ii. Microfinance banks financing has a significance effect on the performance of SSCE.

iii. There are several challenges that confront SSE access to microfinance banks financing but poor record keeping is the most important factor militating access.

RECOMMENDATIONS

Based on the findings and conclusion, the study proffers the following recommendations:

i. The government should of more microfinance banks in the study area so as to make finance more readily available to SSE.

ii. To ensure greater effect of microfinance banks finance on the financial performance of SSE the size of loan should be increase with more favourable terms of credit facility.

iii. The government should organize seminars and workshops on record keeping practices for SSEs so as to improve their record keeping which is an important consideration by microfinance banks granting finance to SSE.

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