**MICRO FINANCE BANK AND ECONOMIC GROWTH IN NIGERIA**

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**ABSTRACT**

This study was carried out to examine micro finance bank and economic growth in Nigeria with special reference to LAPO Ondo state. Specifically, the study investigate the impact of micro finance bank and economic growth in Nigeria. The study also will explicate in detail ways in which micro finance banks can contribute in developing rural areas and improving the life of the poor people. Lastly, the study will investigate the ways microfinance bank can contribute in building entrepreneurship within the country. The study employed the survey descriptive research design. A total of 30 responses were validated from the survey. From the responses obtained and analyzed, the findings revealed that micro finance bank is relevant to the economic growth  and development in Nigeria at (β = 0.887, R2 = 0.936, P = .000) since the number of entrepreneurs that uses their services is high. Also, the study shows that microfinance institution does contribute to entrepreneurial productivity, at (β = 0.896, R2 = 0.952, P = .000). The study thereby recommend that long run goal should then be to improve investment and other capital accumulation. It is these channels of participation in the economy that will ensure optimal use of the microfinance resources in the country with the target of achieving sustainable growth. Thus, boosting consumption and increasing income streams should be the main focus of microfinance banks so as to address short term challenges. Also, another area where microfinance banks can improve economic growth is when loans are targeted at business expansion.

****CHAPTER ONE****

****INTRODUCTION****  
****1.1     OVERVIEW OF THE STUDY****  
It would be observed that, despite the presumed developments in the Nigerian economy, the country is still largely being regarded as a developing country (Onyema, 2006). More so, its industrial growth is not quite impressive.   
Before the emergence of formal microfinance institutions, informal microfinance activities flourished all over the country. Traditionally, microfinance in Nigeria entails traditional informal practices such as local money lending, rotating credit and savings practices, credit from friends and relatives, government owned institutional arrangements, poverty reduction programmes etc (Lemo, 2006). The Central Bank of Nigeria Survey in 2001 indicated that the operations of former microfinance institutions in Nigeria are relatively new, as most of them never registered after 1981.  
Before now, commercial banks traditionally lend to medium and large enterprises which are judged to be credit-worthy. They avoided doing business with the poor and their micro enterprises because the associated cost and risks are considered to be relatively high (Anyanwu, 2004).  
The Federal and State governments have recognized that for sustainable growth and development, the financial empowerment of the rural areas is vital, being the repository of the predominantly poor in society and in particular the SMEs. If this growth strategy is adopted and the latent entrepreneurial capabilities of this large segment of the people is sufficiently stimulated and sustained, then positive multipliers will be felt throughout the economy. To give effect to these aspirations various policies have been instituted over time by the Federal Government to improve rural enterprise production capabilities. (Olaitan 2006)

In view of this, the impact of micro finance bank in economic growth and development of Nigeria started showcasing itself. With the initiative of microfinance, rural areas are opportune to grow and develop as loan and fund are easily given to rural farmers and entrepreneur. Jobs opportunities were created since there is avenue for lending and investing.  
****1.2     STATEMENT OF PROBLEM****  
There are so many problems and challenges that hinder the functionality of the microfinance bank in carrying out their major role of improving economic growth in Nigeria.   
These problems include

* poor attitude of Nigerians towards MFBs
* insufficient support from the regulators and government
* There are communication gaps and inadequate awareness among the masses.
* Undue competition rather than cooperation from the mega banks, and undue malpractice/Sharp practices by microfinance bank operation.

The researcher will in the research find possible ways of solving or making better the conditions for the operation of MFBs.  
****1.3     OBJECIVE OF THE STUDY****  
The set objective of this research work are to:

1. Investigate the impact of micro finance bank and economic growth in Nigeria.
2. It will explicate in detail ways in which micro finance banks can contribute in developing rural areas and improving the life of the poor people.
3. It will investigate the ways microfinance bank can contribute in building entrepreneurship within the country.

****1.4    RESEARCH QUESTIONS****

1. To what extent will the poor attitude of  Nigerians towards Micro finance banks affects the economic growth in Nigeria
2. To what level will insufficient support from the regulators and government affects the smooth operations of Micro finance banks

****1.5    TEST OF HYPOTHESIS****  
It is quite evidential that the major ways in which microfinance bank can help in economic development is through the encouragement of entrepreneurial development.  
The essence of microfinance bank is to enable the poor individual to be able to obtain loan and be able to manage their enterprise.  
To this effect, the following hypothesis will be tested, thus.  
****Hypothesis I****  
H0:     Micro finance bank is irrelevant to the economic growth and development in Nigeria since the number of entrepreneurs that uses their services is low  
Hi:     Micro finance bank is relevant to the economic growth  and development in Nigeria since the number of entrepreneurs that uses their services is low  
****Hypothesis II****  
H0:     Microfinance institution do not contribute to entrepreneurial productivity  
H1:     Micro finance institutions do contribute to entrepreneurial productivity.

****1.6     SCOPE OF THE STUDY****  
The scope of the study is subjected around the frame work of microfinance bank in Nigeria vis-à-vis its contribution to the economic growth and development.

****1.7  SIGNIFICANCE OF THE STUDY****  
This study is essentially significant in that it is directed towards evaluating the impact and role that micro finance banks have on the economic growth and development in Nigeria, especially the rural areas which is a criteria aimed at measuring economic standard.  
Owing to the fact that researcher has aimed at pinpointing the ways in which micro finance bank can help in the revamping of the nation’s economy, the findings of this research work will be of great help to most developing countries who may wish to toe the part of Nigeria in MFB development.

It will also serve as a reference point for future researchers who in one way or the other will try to unveil the role and impact of micro finance bank to economic growth and development.

**CHAPTER TWO**

**REVIEW OF LITERATURE**

**INTRODUCTION**

Our focus in this chapter is to critically examine relevant literature that would assist in explaining the research problem and furthermore recognize the efforts of scholars who had previously contributed immensely to similar research. The chapter intends to deepen the understanding of the study and close the perceived gaps.

Precisely, the chapter will be considered in three sub-headings:

* Conceptual Framework
* Theoretical Framework
* Empirical framework

**2.1 CONCEPTUAL FRAMEWORK**

**Concept of Economic Growth**

Dandana and Nwele (2011) stated that economic growth is the increase in the inflation-adjusted market value of the goods and services produced by an economy over time. It is conventionally measured as the percent rate of increase in the real gross domestic product (GDP). Of more importance is the growth of the ratio of GDP to population (GDP per capital which is also called per capital income). An increase in growth caused by more efficient use of inputs (such as physical capital, population or territory) is referred to as intensive growth. GDP growth caused by increases in the amount of inputs available for use is called extensive growth. Real gross domestic product in this study will serve as the relevant economic growth indicator. Unemployment and high poverty affect national productivity and living standard in Nigerian economy and in variably, economic growth and development. Microfinance banks serve as a means to empower the poor and provide valuable tool to as the economic growth process.

Access to finance is key to SMEs growth globally. In Nigeria, financial inclusion has been recognized as an essential tool for SMEs development. Lack of access to financial institutions services hinder the ability of entrepreneurs in Nigeria to engage in new business venture thereby inhibiting economic growth (Ashamu, 2014). He stated further that the promotion of micro enterprises in developing countries is justified because of their abilities to foster economic development. Robust economic growth cannot be achieved without putting in place a well focussed policy to reduce poverty through empowering the people by increasing their access to factors of production, especially credit (Ezike and Abu, 2012).

**Evolution of Microfinance in Nigeria**

The Nigerian market is confronted with different microloans challenges such as other many emerging markets (Anku-Tsede, 2014). One of the problems is that the traditional banks are not providing and modifying products and services to cater for the needs of the economically active poor in order to empower the poor in Nigeria (Hashim & Dodo, 2015). The traditional banks are extending their services to the affluent; thus, not much is placed on the value the poor place on their choice patronage factors in selecting products of banks (Oyeniyi, 2014). MFIs have turned out as a reaction to combat unemployment and the inability of the conventional financial institutions to satisfy the requirements of the poor who are regarded as un-bankable (Toindepi, 2016). In Nigeria for instance, since microfinance plays a role in creating employment, assets and alleviation of poverty, the Government had countlessly designed several programs to promote access to finance in order to promote the wellbeing of the poor. These programs require appropriate strategies in place to ascertain wide outreach and efficiency (Oghoator, 2015). Over the years, besides monetary management, the Nigerian government was also confronted with poverty and unemployed people; who had skills, initiatives and are active, but lacked seed capital to engage in productive activities that can generate income (Abdullah & Ismail, 2014). Thus, to boost access to financial services to those who lack accessibility, the Nigerian government initiated programs and schemes that are designed to meet the poor people, and have also captivated differing foreign aid from various multilateral firms such as the World Bank, International Monetary Fund, and others which did not yield significant results, most of the schemes were not successful, thus, did not achieve the intended results and has no substantial measurable outcomes (Obaidullah, 2015). According to Omorede (2014), gross mismanagement and corruption by erstwhile leaders caused the failure of the microfinance schemes initiated by the government. In order to enhance the flow of financial services to Nigerian rural areas, Government has, in the past, initiated a series of publicly-financed micro/rural credit programmes and policies targetted at the poor. Notable among such programmes were the Rural Banking Programme, sectoral allocation of credits, a concessionary interest rate, and the Agricultural Credit Guarantee Scheme (ACGS). Other institutional arrangements were the establishment of the Nigerian Agricultural and Co-operative Bank Limited (NACB), the National Directorate of Employment (NDE), the Nigerian Agricultural Insurance Corporation (NAIC), the Peoples Bank of Nigeria (PBN), the Community Banks (CBs), and the Family Economic Advancement Programme (FEAP). In 2000, Government merged the NACB with the PBN and FEAP to form the Nigerian Agricultural Cooperative and Rural Development Bank Limited (NACRDB) to enhance the provision of finance to the agricultural sector. It also created the National Poverty Eradication Programme (NAPEP) with the mandate of providing financial services to alleviate poverty. The profiles of some of the poverty alleviating programmes/schemes/establishments in Nigeria are presented in Table 1. However, these schemes were confronted with challenges and some were scrapped, until the microfinance policy was launched over a decade ago, which is also not without its own attendant challenges (Zulkhibri, 2014). In the light of these goals, it became appropriate for the government of Nigeria to understand the prospects and underlying assumptions for attaining these goals besides sustaining the process of required growth. The level of poverty continued to grow higher as a result of the low understanding of the poor that are expected to gain from the program (Agba, et al., 2014). Research revealed that 3.2 million customers in Nigeria have account with MFIs from over 70% of the country’s population of 180 million who lives below the poverty lines (Efobi, Beecroft and Osabuohien, 2014). Accordingly, it is pertinent to conduct a study in order to ascertain the extent to which MFIs have achieved its aim of poverty alleviation, enhancement of financial inclusion and contribution to economic development in Nigeria. In December 2005, the CBN launched the microfinance regulatory policy framework to promote and boost the accessibility of micro entrepreneurs, the economically active poor, and small income earners to designed financial services that is required to empower and consolidate on their business fortunes (Hassan, 2014). The economic rationale of launching microfinance plan was to encourage all-economic development in the economy (Hassan, 2014). Part of the mandate of the microfinance policy was to alleviate the poor, reduce poverty, create employment, and enhance economic development, among others (Hassan, 2014).

**The Impact Of Micro, Small And Medium Enterprises On Nigeria’s Economic Growth**

The high level of poverty in emerging economies like Nigeria could be seen as a reflection of its snail-like growth. According to Khan (2020), small and medium scale business is one of the widely practised venture in Nigeria but having a mirage of problems like constrained access to funding. This scholar believed that small and medium enterprises contribute to the development of the economy through output of goods and services, creation of jobs at a relatively low capital, serving as the autopilot for the minimisation of income disparities by advancing the availability of skilled and semi-skilled workers for industrial expansion, and offer excellent breeding ground for entrepreneurial and managerial talent. The Small and Medium Enterprises (SMEs), equally known as Micro, Small and Medium Enterprises (MSMEs), serves as the bedrock for the emergence of new entrepreneurs to attaining the level of established commercial enterprises. Asor et al. (2016) believed that small scale businesses contribute to employment generation, ensure income equality, improve the standard of living and rapid industrialisation, and could also foster economic and social development in Nigeria. In contributing to the problems of MSMEs in Nigeria, Alalade et al. (2013), postulated that the capital providers are primarily averse to the financing of this sector due to the high transaction cost, low returns, and the going concern threat, which they see as highly risky. Alalade et al. (2013) believed that financing still remains the strategic resource for new ideas and for the survival of MSMEs. Despite the relevance of funding for the growth of small-scale businesses, Andabai and Jessie (2018) opined that their growth has not been significantly enhanced by the activities of microfinance banks. Examining the implication of the assertion of Andabai and Jessie (2018), Obadeyi (2015) argued that the problem of underdevelopment arises as a result of the reluctance of traditional banks to grant loans to the low-income earners, micro business owners and the rural people. Regarding this, the MSMEs are still underfunded and only 50% of Nigeria’s poorest households have access to financial services (Obadeyi, 2015; Akande and Yinus, 2015). Moruf (2013) whilst contributing, argued that microfinance banks are competing with the traditional banks for universal banking rather than focussing on the small-scale businesses they were purposively established to undertake. Consequently, there is a need for a more effective monitoring of the activities of the microfinance banks by the relevant regulatory authorities, for better efficient service delivery. The divergent view of Bakare (2019), however, showed that Nigeria has recorded appreciable economic growth through the funding of MSMEs.

**Microfinance Bank Deposits And Eonomic Development**

Microfinance bank deposits are products of customers‘ savings which are a source of loans to microfinance customers. Ogunleye and Akanbi (2014) asserted that the low level of microfinance deposit can be attributed to the general low level of income and the low confidence of the saving public in microfinance institution. Taiwo (2005), found that the saving habits of microfinance customers improved with the provision of microfinance services and their monthly income increased as loan facilities were granted.

**Microfinance Institution Loans And Economic Growth**

Ajagbe and Bolaji (2013), access the impact of Microfinance bank on the socioeconomic standard of living of commercial motorcycle riders in Ilorin-west Local Government Area of Kwara State, Nigeria. From the results obtained, the study concludes that there is a significant relationship between the microfinance bank loans and economic growth by improving the standard of living of commercial motorcycle riders in Ilorin west local government area of Kwara State, Nigeria.

**Microfinance Funding And Economic Growth**

Rauf and Mahmood (2016) examined the development process adopted by the microfinance sector and its impact on performance in microfinance institution in Pakistan. To strike a balance between outreach and poverty alleviation, an intensive development technique was used and it shows that extra price is powerful at the initial levels of development. This may have reflected in improved efficiency, efficiency and productiveness. As a substitute, the sector adopted huge progress procedure which worried huge investment in physical infrastructure and fast broaden in recruitment and department network. Thus, the credit restrained institutions need to focus extra on sustainability than their foremost goal of social support.

**Inflation And Economic Growth**

Edafiaje (2011) urged that Microfinance banks should expand the interval between inquiring for loans reimbursement and the time of granting the loans as this renders vain the taught of the borrower feasibility which will certainly be beneath an inflationary period. If inflation can have an impact on the aim of microfinance, financial progress would be affected.

**2.2 THEORETICAL FRAMEWORK**

**Financial Growth Theory**

Berger and Udell (1998) proposed a financial growth theory for small businesses where the financial needs and financing options change as the business grows, becomes more experienced and less informationally opaque. They further suggest that firms lie on a size/age/information continuum where the smaller/young/more opaque firms lie near the left end of the continuum indicating that they must rely on initial insider finance, trade credit and/or angel finance. The growth cycle model predicts that as firm grows, it will gain access to venture capital (VC) as a source of intermediate equity and mid-term loans as a source of intermediate debt. At the final stage of the growth paradigm, as the firm becomes older, more experienced and more informationally transparent, it will likely gain access to public equity (PE) or longterm debt. Problems related to financing are dominant in the literature with regard to small firms. The capital structure of smalls firm differs significantly from larger firms because small firms rely more on informal financial market which limits the type of financing they can receive. The small firm’s initial use of internal financing creates a unique situation in which capital structure decisions are made based on limited financing options. It is widely accepted that small firms have different optimal capital structures and are financed by various sources at different stages of their organizational lives (Berger and Udell, 1998).

**Pecking Order Theory**

Pecking order theory was developed by Myers in 1984. The major prediction of the model is that firms will not have a target optimal capital structure, but will instead follow a pecking order of incremental financing choices that places internally generated funds at the top of the order, followed by debt issues, and finally only when the firm reached it’s “debt capacity” new equity financing. Myers and Majluf (1984) noted that this theory is used upon costs derived from asymmetric information between managers and the market and the idea that trade-off theory costs and benefits to debt financing are of issuing new securities. The cost of equity includes the cost of new issue of shares and the cost of retained earnings. The cost of debt is cheaper than the cost of both these sources of equity funds. Considering the cost of new issue and retained earnings, the latter is cheaper because personal taxes have to be paid by shareholders on distributed earnings while no taxes are paid on retained earnings and also no floatation costs are incurred when the earnings are retained. As a result, between the two sources of equity funds, retained earnings are preferred. It has been found in practice that firms prefer internal financing. If the internal funds are not sufficient to meet the investment outlays, firms go for external finance, issuing the safest securities such as convertible debentures, then perhaps equity as a last resort. Pecking-order theory has the following assumptions: Firms prefer internal financing to external financing; Firms adapt dividend payout ratio to their investment opportunities. This implies that if investment is low, the dividend payout ratio will be high and vice versa; If the firm only has the choice of external financing, the firm should first issue the safest security. Starting with debt, then the hybrid such as convertible and at the last equity (Myers, 1984).

**Financial Intermediation Theory**

Fredrick (2012) stated that Financial Intermediation Theory was developed by Guttentag and Lindsay (1968). Financial intermediation is the transfer of funds from agencies that have a surplus to agencies that have a deficit through Financial Intermediation (Alexandru & Marius, 2009). Financial Intermediation is based on the regulation of money production and of saving and financing of the economy (Bert & Dick, 2003). The assumption of financial intermediary theory is that at least one party to a transaction has relevant information, whereas the other(s) do not. The criticism of the theory is the applications of theory that is the theory only consider asymmetries in one direction. It may, however, be that there are also information differences in the favour of the other party. Another criticism is the competitive dynamics assumed in the model are simplistic. Myer (2001) assumed a model where equilibrium can be reached on the insure market with every policy traded making zero profits. The theory does not consider substitute products, aggressive entrant to the market trading with negative profits and it also assumes same costs for producing the services for all companies. Taking such factors into account may have a profound effect on the results obtained with the model. As stated by Paul and Paul (2011), this method of regulation influences the liquidity and solvability of intermediaries involved. Banks have found it increasingly difficult to maintain their profitability due to increased competition, globalization and liberalization of the market. The need for specialized partnerships is seen to be imperative for the long-term growth and sustainability of these Financial Institutions as well as maintaining their liquidity. By comparison, insurance companies have over the years found it increasingly difficult to maintain their competitive advantage in the ever-changing competitive environment. Hamisu (2011) noted that the increasingly competitive environment in the financial services market has resulted in the pressure to develop and utilize alternative delivery channels. With this, banks are striving to ensure that they can garner a huge customer base to increase their loan services to customers.

**2.3 EMPIRICAL FRAMEWORK**

Brown, Earle and Lup (2004) employed panel data techniques to analyze a survey of 297 new small enterprises in Romania. They found strong evidence that access to external credit increases the growth of both employment and sales, while taxes appears as constraint to growth. The result suggested that entrepreneurial skills have little independence effect on growth, once demand conditions are taken into account.

Afolabi and Emmanuel (2012) in a paper explored the extent to which microfinance lending impacts on indigenous SMEs access to finance and how the intermediation services of the microfinance banks (MFBs) contributed to or otherwise to the development of SMEs. A total of 800 such indigenous SMEs were identified. Data were obtained from 300 of the identified indigenous SMEs from a questionnaire survey of four (4) states within the country in the Niger Delta region. The result showed positive contribution of microfinance lending to the development of such enterprises. However, it appears that a number of factors including cumbersome process, poorly packaged business plans and perceived high cost of credit limit the access of indigenous SMEs to credit.

Olowe, Moradeyo and Babalola (2013), in their study that investigated the impact of microfinance on SMEs growth in Nigeria. The population of the study consists entire SMEs in Oyo State, though restricted to Ibadan metropolis. Purposive sampling technique was used to select a total of 50 SMEs operators. Person correlation coefficient and multiple regression analysis were used to analyze the data. The results from the study showed that financial services obtained from MFIs have positive significant impact on SMEs growth and economic development of Nigeria.

Ashamu (2014) examines the performance of microfinance institutions (MFIs) in Lagos State. Simple random sampling technique was employed in selecting 110 SMEs that constituted the sample size of the research. Structured questionnaire was designed to facilitate the collection of relevant data used for the analysis with the use of descriptive statistics. Findings from the study showed that operations of MFIs have grown greatly, driven largely by expanding informal sector activities. Study further revealed that the sub-sector faces a number of challenges which have been addressed by the research.

**CHAPTER THREE**

**RESEARCH METHODOLOGY**

**3.1 INTRODUCTION**

In this chapter, we described the research procedure for this study. A research methodology is a research process adopted or employed to systematically and scientifically present the results of a study to the research audience viz. a vis, the study beneficiaries.

**3.2 RESEARCH DESIGN**

Research designs are perceived to be an overall strategy adopted by the researcher whereby different components of the study are integrated in a logical manner to effectively address a research problem. In this study, the researcher employed the survey research design. This is due to the nature of the study whereby the opinion and views of people are sampled. According to Singleton & Straits, (2009), Survey research can use quantitative research strategies (e.g., using questionnaires with numerically rated items), qualitative research strategies (e.g., using open-ended questions), or both strategies (i.e., mixed methods). As it is often used to describe and explore human behaviour, surveys are therefore frequently used in social and psychological research.

**3.3 POPULATION OF THE STUDY**

According to Udoyen (2019), a study population is a group of elements or individuals as the case may be, who share similar characteristics. These similar features can include location, gender, age, sex or specific interest. The emphasis on study population is that it constitute of individuals or elements that are homogeneous in description.

This study was carried out to examine micro finance bank and economic growth in Nigeria, using LAPO micro finance bank, Ondo State as a case study. Staff of LAPO micro finance bank form the population of the study.

**3.4 SAMPLE SIZE DETERMINATION**

A study sample is simply a systematic selected part of a population that infers its result on the population. In essence, it is that part of a whole that represents the whole and its members share characteristics in like similitude (Udoyen, 2019). In this study, the researcher adopted the convenient sampling method to determine the sample size.

**3.5 SAMPLE SIZE SELECTION TECHNIQUE AND PROCEDURE**

According to Nwana (2005), sampling techniques are procedures adopted to systematically select the chosen sample in a specified away under controls. This research work adopted the convenience sampling technique in selecting the respondents from the total population.

In this study, the researcher adopted the convenient sampling method to determine the sample size. Out of all the entire population of Staff of LAPO micro finance bank, the researcher conveniently selected 36 out of the overall population as the sample size for this study. According to Torty (2021), a sample of convenience is the terminology used to describe a sample in which elements have been selected from the target population on the basis of their accessibility or convenience to the researcher.

**3.6 RESEARCH INSTRUMENT AND ADMINISTRATION**

The research instrument used in this study is the questionnaire. A survey containing series of questions were administered to the enrolled participants. The questionnaire was divided into two sections, the first section enquired about the responses demographic or personal data while the second sections were in line with the study objectives, aimed at providing answers to the research questions. Participants were required to respond by placing a tick at the appropriate column. The questionnaire was personally administered by the researcher.

**3.7 METHOD OF DATA COLLECTION**

Two methods of data collection which are primary source and secondary source were used to collect data. The primary sources was the use of questionnaires, while the secondary sources include textbooks, internet, journals, published and unpublished articles and government publications.

**3.8 METHOD OF DATA ANALYSIS**

The responses were analyzed using the simple percentage tables, which provided answers to the research questions. The hypothesis was tested using the linear regression statistical tool SPSS version 23.

**3.9 VALIDITY OF THE STUDY**

Validity referred here is the degree or extent to which an instrument actually measures what is intended to measure. An instrument is valid to the extent that is tailored to achieve the research objectives. The researcher constructed the questionnaire for the study and submitted to the project supervisor who used his intellectual knowledge to critically, analytically and logically examine the instruments relevance of the contents and statements and then made the instrument valid for the study.

**3.10 RELIABILITY OF THE STUDY**

The reliability of the research instrument was determined. The Pearson Correlation Coefficient was used to determine the reliability of the instrument. A co-efficient value of 0.68 indicated that the research instrument was relatively reliable. According to (Taber, 2017) the range of a reasonable reliability is between 0.67 and 0.87.

**3.11 ETHICAL CONSIDERATION**

he study was approved by the Project Committee of the Department. Informed consent was obtained from all study participants before they were enrolled in the study. Permission was sought from the relevant authorities to carry out the study. Date to visit the place of study for questionnaire distribution was put in place in advance.

**CHAPTER FOUR**

**DATA PRESENTATION AND ANALYSIS**

**INTRODUCTION**

This chapter presents the analysis of data derived through the questionnaire and key informant interview administered on the respondents in the study area. The analysis and interpretation were derived from the findings of the study. The data analysis depicts the simple frequency and percentage of the respondents as well as interpretation of the information gathered. A total of thirty-six (36) questionnaires were administered to respondents of which only thirty (30) were returned and validated. This was due to irregular, incomplete and inappropriate responses to some questionnaire. For this study a total of 30 was validated for the analysis.

**4.1 DATA PRESENTATION**

**Table 4.1: Demographic profile of the respondents**

|  |  |  |
| --- | --- | --- |
| **Demographic information** | **Frequency** | **percent** |
| **Gender**  Male |  |  |
| 17 | 56.7% |
| Female | 13 | 43.3% |
| **Age** |  |  |
| 20-25 | 9 | 30% |
| 25-30 | 8 | 26.7% |
| 31-35 | 6 | 20% |
| 36+ | 7 | 23.3% |
| **Marital Status** |  |  |
| Single | 19 | 63.3% |
| Married | 11 | 36.7% |
| Separated | 0 | 0% |
| Widowed | 0 | 0% |
| **Education Level** |  |  |
| WAEC | 0 | 0% |
| BS.c | 25 | 83.3% |
| MS.c | 5 | 16.7% |
| MBA | 0 | 0% |

**Source: Field Survey, 2022**

**4.2 DESCRIPTIVE ANALYSIS**

**Question 1:** To what extent will the poor attitude of  Nigerians towards Micro finance banks affects the economic growth in Nigeria?

**Table 4.2: respondent on question 1**

|  |  |  |
| --- | --- | --- |
| **Options** | **Frequency** | **Percentage** |
| High extent | 15 | 45.45 |
| Low extent | 4 | 25.97 |
| Undecided | 11 | 28.57 |
| **Total** | **30** | **100** |

**Field Survey, 2022**

From the responses obtained as expressed in the table above, 45.45% of the respondents said high extent, 25.97% said low extent. While 28.57% of the respondent were undecided .

**Question 2:** To what level will insufficient support from the regulators and government affects the smooth operations of Micro finance banks.

**Table 4.3: Respondent on question 2**

|  |  |  |
| --- | --- | --- |
| **Options** | **Frequency** | **Percentage** |
| High level | 13 | 58.44 |
| Low level | 7 | 19.48 |
| Undecided | 10 | 22.07 |
| **Total** | **30** | **100** |

**Field Survey, 2022**

From the responses obtained as expressed in the table above, 58.44% of the respondents said yes, 19.48% said no , while 22.07% were undecided.

**4.3 TEST OF HYPOTHESIS**

H0: Micro finance bank is irrelevant to the economic growth and development in Nigeria since the number of entrepreneurs that uses their services is low

Hi: Micro finance bank is relevant to the economic growth  and development in Nigeria since the number of entrepreneurs that uses their services is low

H0: Microfinance institution do not contribute to entrepreneurial productivity

H1: Micro finance institutions do contribute to entrepreneurial productivity.

# ***Micro finance bank is irrelevant to the economic growth and development in Nigeria since the number of entrepreneurs that uses their services is low.***

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Model 1 | R = 0.830 | | R2 = 0.936 | Adj.R2 = 0.687 | Std. Error estimation  = 0.307 | Durbin- Watson =  1.679 |
| Regression Residual Total | Sum of  Square | | Df | Mean Square | F | Sig. |
| 6089.246  2744.947  8834.193 | | 1  29  30 | 6089.246  18.547 | 328.315 | .000b |
| Constant  Economic growth | Unstandardized  Coefficients | | | Standardized  Coefficients | t | Sig. |
| B | Std. Error | | Beta |
| -11.417  .887 | 2.936  .016 | | .830 | -3.888  18.119 | .000  .000 |

Source: Author’s Data Analysis, 2022

The table above shows that micro finance bank is relevant to the economic growth  and development in Nigeria at (β = 0.887, R2 = 0.936, P = .000). Furthermore, result reveals that micro finance banks have a 94% decisive influence on economic growth since the number of entrepreneurs that uses their services is high. The P value of 0.000 is less than significant level of 0.05. The result shows that micro finance bank is relevant to the economic growth  and development in Nigeria since the number of entrepreneurs that uses their services is high. Therefore H01 is rejected.

***Microfinance institution do not contribute to entrepreneurial productivity***

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Model 2 | R = 0.831 | | R2 = 0.952 | Adj.R2 = 0.688 | Std. Error estimation  = 0.308 | Durbin- Watson =  1.688 |
| Regression Residual Total | Sum of  Square | | Df | Mean Square | F | Sig. |
| 6089.247  2744.948  8834.194 | | 1  29  30 | 6089.247  18.547 | 328.316 | .000b |
| Constant  Entrepreneurial productivity | Unstandardized  Coefficients | | | Standardized  Coefficients | t | Sig. |
| B | Std. Error | | Beta |
| -11.418  .896 | 2.943  .017 | | .830 | -3.999  18.120 | .000  .000 |

Source: Author’s Data Analysis, 2022

The table above shows that microfinance institution does contribute to entrepreneurial productivity, at (β = 0.896, R2 = 0.952, P = .000). Furthermore, result reveals that micro finance institution contribute about 95% to entrepreneurial productivity. The P value of 0.000 is less than significant level of 0.05. The result shows that Micro finance institutions do contribute to entrepreneurial productivity. Therefore H02 is rejected.

**CHAPTER FIVE**

**SUMMARY, CONCLUSION AND RECOMMENDATION**

**5.1 SUMMARY**

In this study, our focus was on micro finance bank and economic growth in Nigeria using LAPO micro finance bank Ondo State as a case study**.** The study specifically was aimed at highlighting the impact of micro finance bank and economic growth in Nigeria, It will explicate in detail ways in which micro finance banks can contribute in developing rural areas and improving the life of the poor people and it will investigate the ways microfinance bank can contribute in building entrepreneurship within the country. A total of 30 responses were validated from the enrolled participants where all respondent are drawn from staff of MIS and management of Agricultural extension program.

**5.2 CONCLUSION**

Based on the finding of this study, the following conclusions were made:

1. Micro finance bank is relevant to the economic growth  and development in Nigeria since the number of entrepreneurs that uses their services is low
2. Micro finance institutions do contribute to entrepreneurial productivity.

**5.3 RECOMMENDATION**

Based on the responses obtained, the researcher proffers the following recommendations:

1. The long run goal should then be to improve investment and other capital accumulation. It is these channels of participation in the economy that will ensure optimal use of the microfinance resources in the country with the target of achieving sustainable growth. Thus, boosting consumption and increasing income streams should be the main focus of microfinance banks so as to address short term challenges.
2. Second, another area where microfinance loans can improve short term economic growth is when loans are targeted at business expansion.

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**APPENDIXE**

**QUESTIONNAIRE**

**PLEASE TICK [√] YOUR MOST PREFERRED CHOICE(S) ON A QUESTION.**

**SECTION A**

**PERSONAL INFORMATION**

Gender

Male ( )

Female ( )

Age

20-25 ( )

25-30 ( )

31-35 ( )

36+ ( )

Marital Status

Single ( )

Married ( )

Separated ( )

Widowed ( )

Education Level

WAEC ( )

BS.c ( )

MS.c ( )

MBA ( )

**SECTION B**

**Question 1:** To what extent will the poor attitude of  Nigerians towards Micro finance banks affects the economic growth in Nigeria?

|  |  |
| --- | --- |
| **Options** | **Frequency** |
| High extent |  |
| Low extent |  |
| Undecided |  |

**Question 2:** To what level will insufficient support from the regulators and government affects the smooth operations of Micro finance banks.

|  |  |
| --- | --- |
| **Options** | **Please tick** |
| High level |  |
| Low level |  |
| Undecided |  |