

MICROFINANCE BANKS' CREDIT AND THE PERFORMANCE OF MICRO, SMALL, AND MEDIUM SCALE ENTERPRISES IN LAGOS STATE, NIGERIA

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ABSTRACT

Micro, Small, and Medium Enterprises (MSMEs) are economy-boosters in most countries across the globe. The availability of capital to MSMEs is crucial for growth and survival. This study investigates the relationship of Micro-Finance Banks' (MFB) credit with the growth of MSMEs in Lagos state, Nigeria. Three hundred copies of structured questionnaires were administered to a purposively selected sample of MSMEs owners/managers that had accessed loans from MFBs in Lagos state. Two hundred and ninety copies of the research questionnaire were retrieved and analyzed with descriptive statistics and Pearson chi-square statistics. The results show that credit facilities from MFBs are not only positively related to the productivity of MSMEs but also significantly contribute to their expansion. Furthermore, the non-monetary services of MFBs are related to the growth of MSMEs. This study concludes that credit facilities from MFBs are positively related to the growth of MSMEs in Lagos State. The study recommends that funds should be made available to MSMEs at a business-friendly lending interest rate.

Keywords: MSMEs growth, Credit facilities, Micro-finance, Non-monetary services, lending rate

1.0. INTRODUCTION

An integral factor that plays a fundamental role in sustaining the survival and growth of microenterprises is accessibility to credit that will enhance business growth and expansion. Finance is the life blood of any business as it is required for a firm to achieve its objectives. The provision of funds to an entrepreneur is imperative for Nigeria's teeming population, national development and sustainability. Micro, Small and Medium Enterprises are crucial in assuring survival of the low-income earners and to reduce the incidence of poverty in the economy. In addition, inadequate level of employment opportunities in the formal sector where formal education is required for job security, further necessitates the justification for the need to continually empower MSMEs to create economic opportunities.

Micro, Small, and Medium Enterprises' roles and contributions to economic growth cannot be underrated. MSMEs are known globally to play an important role in encouraging economic and viable improvement at the grassroots level (Wairau & Militia, 2017). The definition of Micro, Small and Medium Scale Enterprises differ from country to country. This is subject to the measurement/yardstick, such as number of employees, capital base, sales, and level of earnings among others (Eton, Nosy, Okello-Obura, Turyehebwa & Uwonda, 2021). Garba (2019) described a Micro enterprise as a family business that comprises of 1-2 persons, which is established just to earn a living by putting food on the table. Micro Enterprises entail firms having between 1 and 9 employees engaged in wholesale or retail trade. Small Enterprises entails firms having between 10 and 49 employees involved in the retail or wholesale business but concentrated in more modern and sophisticated undertakings, and Medium Enterprises entails companies with employees between 50 and 249 employees engaged mainly in manufacturing, transportation, information and communication technology, and are more organized in their operations. Ogidi (2021) opined that personal funding through savings, getting financial assistance from friends and family, lack of sophisticated equipment, use of labour intensive technology, lack of expertise, low growth rate, are some of the features of MSMEs in Nigeria.

Micro Finance Bank (MFB), is a financial intermediary established to serve the financially underserved by providing financial services. Mutuma and Omagwa (2019) stated that MFB provides financial services to its customers: acceptance of deposit, payment mechanisms, financial inclusion, micro-leasing, cash advance/micro loan, and insurance among others. Gyimah and Boachie (2018) added that an MFB also performs some non-financial services such as educating/training their customers on book keeping, preparation of business plan, business management, managerial functions and project management among others functions. The financial intermediation role of Microfinance banks is performed through the provision of funds to the deficit economic units with emphasis on the Micro, Small and Medium Scale Enterprises and the acceptance of deposit from surplus units in the economy (Ekpete & Iwedi, 2017).

Sources of funding, be it internal or external is an essential element in the life cycle of any MSME and the inability to access funding hinders its growth. Agbim (2020) stated that access to credit by MSME owners brings about capital accumulation, credit creation and investment boom. Adeosun and Shittu (2021) asserted that the creation of MSMEs has assisted the uneducated and low-income earners to create wealth and to generally improve their standard of living. Over the years, there have been several reform initiatives to enhance MSMEs accessibility to funding. Federal government of Nigeria has established various institutional frameworks to encourage MSMEs such as National Economic Reconstruction Fund, Industrial Development Centers to mention a few. Mutuma and Omagwa (2019) opined that regardless of the various governments and private intervention on credit policies/facilities to MSMEs in Nigeria, they are not growing as expected due to inadequate funding.

MSMEs are indisputably recognized by the government, private individuals and developmental experts as an integral component and contributor to the nation's growth and development. However, despite the enormous potential contributions of MSMEs to national development, they contend with numerous constraints, most especially finance, which inadvertently hinders their performance. Adebisi, Banjo and Oko-Oza (2017) stated that MSMEs cannot compete with bigger firms in accessing loan from deposit money banks (DMB) because they do not have the necessary requirements of DMBs to obtain loan. MSMEs' inability to meet up with lending conditions of

deposit money banks for credit facility, paved way for informal financial institutions to provide them loans based on recommendation or social network.

Microfinance banks' credit facilities were intended to reduce poverty levels and encourage economically active MSMEs that are financially constrained through granting of micro credit for business purposes. Notwithstanding the acclaimed success of microfinance as an integral contributor to output growth in an economy, loan facilities or services from micro finance institutions have not adequately met the financial need of the poor that desperately need microfinance facilities to enhance their business emergence and survival. The major aim of this study is to ascertain the relationship of Micro Finance Banks' (MFB) credit with the performance of Micro, Small, and Medium Scale Enterprises (MSMEs) in terms of growth, while other specific aims are to measure the relationship of MFBs' credit with other indices of MSMEs' performance: productivity, and expansion, respectively.

1.1. Hypothesis

The null hypotheses of this study are:

H₀₁: Micro Finance Banks' Credit is not significantly related to the productivity of MSMEs in Lagos State, Nigeria

H₀₂: Micro Finance Banks' credit do not contribute to the expansion of MSMEs in Lagos state, Nigeria

H₀₃: Micro Finance Banks' non-monetary services are not related to the growth of MSMEs in Lagos state, Nigeria

2.0. REVIEW OF EXISTING LITERATURE

In spite of the several benefits derived from MSMEs operations such as growth in GDP, household income, creation of employment and improvement of standard of living, there are some challenges which limit the growth and threaten the existence of MSMEs, such as unconducive environment, stiff competition, poor infrastructure, lack of adequate information and most especially, lack of funds. Aladejebi (2019) argued that one of the challenges of MSMEs is the high interest charged by banks. This explains why entrepreneurs prefer to informally source for capital. Funding is paramount to MSMEs growth and expansion.

2.1. Underpinning Theory

2.1.1 Pecking order theory

Myers and Majluf (1984) propounded pecking order theory which posited that business owners prefer to operate with internal funding (retained earnings) which is the cheapest and the most convenient when compared to sourcing for funds externally (Debt and Equity). This is because of the high cost of capital and information asymmetry, in addition to dilution of control that is associated with external funding. The theory stated that firm's managers have scale of preference when sourcing for funds and they also strive for an optimum capital structure. Furthermore, it explained that the use of internal funds eliminates the need for managers to publicize the company's investment prospects and potential returns. However, where it is necessary to explore external fund, debt is preferred to equity which is the last resort of finance options. Debt option has lower cost of capital and there is no need to disclose any financial information of the firm to the public.

Ogidi and Pam (2021) investigated the influence of financial inclusion on SMEs' growth in Nigeria. A descriptive research design was used and copies of questionnaires were distributed to one hundred and fifty (150) SMEs, out of which hundred (100) questionnaires were retrieved. The data were presented in tables and hypotheses were tested with chi-square statistics. The study claimed that most SMEs in Plateau state of Nigeria have access to loan facilities; the knowledge and acceptance of financial inclusion by customers positively affect the growth of SMEs. Thus, it was recommended that deposit money banks should actively be involved in credit creation and availability to SMEs at lower interest rate. Also, that a conducive environment should be made possible to encourage SMEs in Nigeria.

Adeosun and Shittu (2021) investigated how SMEs are formed and its impact on economic growth in Nigeria within periods 1990- 2016. Secondary data were collated and error correction model and Johansen co-integration technique were used to test for long run relationship. The study revealed that the formation and increase of SMEs create employment opportunity, which positively boost GDP and impact the growth of Nigerian Economy.

Udobi-Owoloja, Iyiegbuniwe and Iyiegbuniwe (2020) examined the impact that bank credit facilities have on agro-based SMEs' performance in Nigeria during the period of study (1982-2016). The regression result of the analyzed secondary data collated, showed that access to credit

facility positively influence Agro-based SMEs in Nigeria, but poor infrastructure negatively affects it. As a result, this negativity affects the Gross Domestic Product (GDP) in the long run. The study recommended that adequate funding and conducive environment should be made available for Agro-based SMEs in Nigeria to grow.

Bhola (2020) researched on the influence of Micro Finance Banks on SMEs' growth in Nigeria. Forty-One (41) out of the Fifty (50) copies of questionnaires that was administered were analyzed with Pearson's Chi-square statistic. The findings revealed that financial institutions have a role in enhancing the growth of MSMEs in Lagos State notwithstanding the low level of entrepreneur's patronage of microfinance banks due to the exorbitant interest rate. It was further established that the cut-throat lending conditions imposed by banks poses a major hindrance to entrepreneurs' willingness to patronize loan services of banks.

Garba (2019) evaluated the impact of Microfinance banks on the growth of SMEs situated at Markurdi, Nigeria. Adopting snowball sampling, primary data was gathered from 282 SMEs' owners who had access to credit facilities from a micro finance bank. The regression analyses result indicated that there is a positive relationship between provision of loan by MFB and SMEs growth and expansion in Markurdi. In Kenya, Mutuma and Omagwa (2019) measured the impact that microfinance services have on the performance of SMEs operating in Meru, Kenya. With a sample size of 93 SMEs, copies of questionnaires were administered to Business owners and managers of SMEs. The descriptive statistics and multiple regression analysis results established that microfinance services, most especially, loan facilities significantly influence the growth of SMES in Kenya.

Ofeimun, Nwakoby and Izekor (2018) examined the effect of microfinance banks on SMEs' growth in Nigeria. Secondary data were collated from CBN statistical bulletin, National bureau of statistics and MFB financial reports within 1996 to 2015. The findings of the regression analyses explain that the provision, disbursements and spread of micro finance loan positively impacts SMEs' growth in Nigeria. Gyimah and Boachie (2018) added that despite the positive influence of micro finance loan on SMEs growth, SMEs' and the study recommended that SME owners should be encouraged to save through high savings interest rate and by educating them.

Adebiyi, Banjo and Oko-Oza (2017) evaluated the performance of SMEs in Lagos, Nigeria. Primary data of 192 out of 250 SMEs were analyzed with Pearson correlation and regression analyses. It was reported that there is a significant and positive relationship between SMEs credit access and its performance, but that most SMEs can only access funds from personal savings, family and friends. However, training, seminar and workshop were emphasized to SMEs owners for development. Abdulrahman and Olofin (2017) opined that deposits, infrastructures and loans, positively impact SMEs growth in Nigeria.

Nnabu, Udude and Egbeoma (2017) examined how bank credit to SMEs has affected the reduction of unemployment in Nigeria within periods 1992-2014. Secondary data were retrieved from CBN statistical bulletin and National Bureau of Statistics. The regression result showed that access to credit by SMEs do not reduce unemployment rate in Nigeria. The reason being that, high level of lending interest rate charge of banks discourages MSMEs owners from accessing credit. In conclusion, savings and bank credit are inadequate neither to enhance the growth of SMEs nor to reduce unemployment rate in Nigeria.

Pei-Wen, Zariyawati, Diana-Rose and Annuar (2016) explored how microfinance in monetary and non-monetary terms has impacted the productivity of SMEs in Malaysia. Using primary data, copies of questionnaires were administered to SMEs owners that had accessed credit facility from Microfinance Banks. The outcomes revealed that, indeed credit from MFB has a great influence on the earnings of SMEs' owners in Malaysia.

Obokoh, Monday and Ojiako (2016) conducted research to ascertain financial intermediation services of the microfinance banks and the development of SMEs in Nigeria. The study was conducted in four states in the Niger-delta region of Nigeria using 300 SMEs. Copies of structured questionnaires were administered on randomly selected SMEs. It was established that there is a significant connection between lending and SMESs' development in Nigeria. Studies of Adewale, Jimba and Awodiran (2016), Emmanuel and Ikenna (2015) also confirmed that credit facilities from financial institution positively impact the performance, growth and expansion of SMEs in Nigeria

3.0. RESEARCH METHODS

Sampling

The referent population of this study consists of all MSMEs operating in Lagos state. A valid sampling frame is not readily available. Therefore, this study used purposive sampling technique to collect data from 300 selected MSMEs owners/managers that have accessed credit from microfinance banks in Lagos metropolis. Three hundred copies of structured questionnaire were administered out of which two hundred and ninety (290) copies were retrieved and analysed.

Data Collection

This is a cross sectional survey research. A structured questionnaire is therefore considered an appropriate data collection instrument. A Likert-scaled questionnaire was used to evaluate the perception of MSMEs owners/managers on different aspects of MFBs loan-access and loan utilization by MSMEs in Lagos state. Respondents' responses to Likert-scaled statements were used to measure MSMEs' performance variables: growth, productivity, and expansion.

Data Analyses

The principal objective of this study is to explore the relationship between MFBs' credit and the performance indicators, such as growth, of MSMEs. In view of this objective the questionnaire-data collected were analyzed with descriptive statistics and Pearson correlation statistics.

4.0. DATA ANALYSIS AND INTERPRETATION.

Table 1 Frequency Distribution of Respondents' bio data

		Frequency	Percentage (%)
Gender	Male	200	69.0%
	Female	90	31.0%
	Total	290	100.0%
Age	20 to 40 years	232	80.0%
	41 to 60 years	46	15.9%
	60 years and above	12	4.1%
	Total	290	100.0%
Marital Status	Single	157	54.1%

	Married	113	39.0%
	Divorced	8	2.8%
	Separated	12	4.1%
	Total	290	100.0%
Educational qualification	OND and below	51	17.6%
	BSC/HND	189	65.2%
	Postgraduate	50	17.2%
	Total	290	100.0%

Source: Filed Survey, 2021

Table 2: Relationship of credit from Micro Finance Bank (MFB) with the Performance of MSMEs in Lagos State.

		SA	A	N	D	SD	Total
The provision of credit facilities from MFB to micro, small and medium scale enterprises has enhances productivity	F	137	131	13	0	9	290
	%	47.2%	45.2%	4.5%	0.0%	3.1%	100.0%
	%	21.4%	50.0%	7.9%	6.9%	13.8%	100.0%
MFB credit enhances expansion ability of MSMEs.	F	93	152	31	5	9	290
	%	32.1%	52.4%	10.7%	1.7%	3.1%	100.0%
MFB credit have created opportunities for the MSMEs in Nigeria.	F	58	134	36	22	40	290
	%	20.0%	46.2%	12.4%	7.6%	13.8%	100.0%
The market penetration of MSMEs has increased as a result of loan facilities from MFB.	F	29	133	57	47	24	290
	%	10.0%	45.9%	19.7%	16.2%	8.3%	100.0%
The acquisition of inputs for operation of MSMEs has been made easy through MFB credit.	F	29	161	31	37	32	290
	%	10.0%	55.5%	10.7%	12.8%	11.0%	100.0%
	F	29	128	33	49	51	290

The ease in repayment of loans and advances granted to MSMEs by MFB has enhanced their productivity	%	10.0%	44.1%	11.4%	16.9%	17.6%	100.0%
MFB credit to MSMEs has enhanced MSMEs ability to acquire large scale equipment	F	72	139	27	49	3	290
	%	24.8%	47.9%	9.3%	16.9%	1.0%	100.0%

Source: Field Survey, 2021

Table 2 shows the relationship of MFB credit with the growth of MSMEs in Lagos state. Regarding its impact on productivity, 45.2% and 47.2% of respondents agree and strongly agreed respectively that the provision of credit facilities from MFB to MSMEs enhances productivity, while 4.5% were neutral, 1.9% disagreed, and 1.3% strongly disagreed with the assertion. This indicates that the provision of credit facilities from MFB to micro, small and Medium enterprises enhances productivity. As per its effect on expansion 32.1% of respondents strongly agreed that MFBs' credit enhances expansion ability of MSMEs, 52.4% agreed, 10.7% neutral, 1.7% disagreed, while 3.1% strongly disagreed with the assertion. This indicates that MFBs' credit enhances expansion ability of MSMEs. Furthermore, 20% of respondents strongly agreed, 46.2% agreed, 12.4% were neutral, 7.6% disagreed, while 13.8% strongly disagreed that MFB credit have created opportunities for the MSMEs in Lagos state. These findings indicate that MFBs have created opportunities for MSMEs.

Regarding market penetration of MSMEs: 10% of respondents strongly agreed, 45.9% agreed, 19.7% were neutral, 16.2% disagreed, while 8.3% strongly disagreed that market penetration of MSMEs has increased as a result of loan facilities from MFB. This indicates that the market penetration of MSMEs has increased as a result of loan facilities from MFBs. Also, 10% of respondents strongly agreed, 55.5% agreed, 10.7% were neutral, 12.8% disagreed, while 11% strongly disagreed that the acquisition of inputs for operation of MSMEs has been made easy through MFB credit.

About the acquisition of inputs for operation of MSMEs through MFB credit, 55.5% agreed, 10.7% were neutral, 12.8% disagreed, while 11% strongly disagreed. This indicates that the acquisition of inputs for operation of MSMEs has been made easy through MFB's credit.

Furthermore, 10% of respondents strongly agreed, 44.1% agreed, 11.4% were neutral, 16.9% disagreed, while 17.6% strongly disagreed that the ease in repayment of loans and advances granted to MSMEs by MFB has enhanced their productivity. This indicates that the ease in repayment of loans and advances granted to MSMEs by MFB has enhanced their productivity. On whether MFB credit to MSMEs has enhanced its ability to acquire large scale equipment 24.8% of respondents strongly agreed, 47.9% agreed, 9.3% were neutral, 19.6% disagreed, while 1.0% strongly disagreed that the MFB credit to MSMEs has enhanced its ability to acquire large scale equipment. This indicates that MFB credit to MSMEs has enhanced their ability to acquire large scale equipment.

Table 3: Role of microfinance credit on the expansion of Micro, Small and Medium Enterprises in Lagos state.

		SA	A	N	D	SD	Total
The credit facilities from Microfinance banks have contributed to the sustainability of MSMEs	F	71	160	21	20	18	290
	%	24.5%	55.2%	7.2%	6.9%	6.2%	100.0%
Easy access of MFB loan has increased working operational efficiency of MSMEs	F	11	158	45	33	43	290
	%	3.8%	54.5%	15.5%	11.4%	14.8%	100.0%
	%	3.8%	64.5%	12.4%	9.7%	9.7%	100.0%
	%	3.8%	55.2%	13.8%	14.5%	12.8%	100.0%
Micro Finance Banks credit has enhanced the production capacity of MSMEs	F	84	152	37	9	8	290
	%	29.0%	52.4%	12.8%	3.1%	2.8%	100.0%
The expansion capacity of MSMEs has increased as a result of MFBs' credit	F	51	170	34	22	13	290
	%	17.6%	58.6%	11.7%	7.6%	4.5%	100.0%
The procurement of state-of-the-art machines for higher	F	31	122	54	39	44	290
	%	10.7%	42.1%	18.6%	13.4%	15.2%	100.0%

productivity of MSMEs has been enhanced through MFBs' credit							
The ability of MSMEs to meet the demand of customers has been enhanced through MFBs' credit	F	40	158	42	20	30	290
	%	13.8%	54.5%	14.5%	6.9%	10.3%	100.0%

Source: Field Survey, 2021

Table 3 presents the findings of respondents' responses concerning roles of microfinance credit on the expansion of Micro, Small and Medium Enterprises in Lagos state. As regards to the sustainability of MSMEs through MFBs' credit, 24.5% of respondents strongly agreed, 55.2% agreed, 7.2% were neutral, 6.9% disagreed, while 6.2% strongly disagreed that credit facilities from Microfinance banks have contributed to the sustainability of MSMEs. This indicates that the credit facilities from Microfinance banks have contributed to the sustainability of MSMEs. The responses further revealed that 3.8% of respondents strongly agreed, 54.5% agreed, 15.5% were neutral, 11.4% disagreed and 14.8% strongly disagreed that easy access of Micro Finance facility (loan) has increased working operational efficiency of MSMEs in Lagos. This indicates that easy access of Micro Finance facility (loan) has increased operational efficiency of MSMEs. Also, 3.8% of the respondents strongly agreed, 64.5% agreed, 12.4% were neutral, 9.7% disagreed, while 9.7% strongly disagreed that the productivity level of MSMEs has increased as a result of availability of funds from Micro Finance institutions. This indicates that the productivity level of MSMEs has increased as a result of availability of funds by MFBs.

On the issue of production capacity of MSMEs, 29% of respondents strongly agreed, 52.4% agreed, 12.8% were neutral, 3.1% disagreed, while 2.8% strongly disagreed that micro-finance banks credit has enhanced the production capacity of small-scale business. This indicates that MFBs credit has enhanced the production capacity of MSMEs in Lagos. 17.6% of respondents strongly agreed, 58.6% agreed, 11.7% were neutral, 7.6% disagreed, Concerning the expansion capacity of MSMEs, 4.5% of the respondents strongly disagreed that it has increased as a result of MBF credit. This indicates that the expansion of capacity of MSMEs has increased as a result of MFBs' credit. Concerning the issue of procurement of state-of-the-art machines for higher productivity of MSMEs through MFBs' credit, 10.7% of respondents strongly agreed, 42.1%

agreed, 18.6% were neutral, 13.4% disagreed, while 15.2% strongly disagreed that the procurement of state-of-the-art machines for higher productivity of MSMEs has been enhanced through MFBs' credit. This indicates that the procurement of state-of-the-art machines for higher productivity of MSMEs has been enhanced through MFBs' credit.

Correspondingly 13.8% of respondents strongly agreed, 54.5% agreed, 14.5% were neutral, 6.9% disagreed, while 10.3% strongly disagreed that the ability of MSMEs to meet the demand of customers has been enhanced through MFBs' credit. This indicates that the ability of MSMEs to meet the demand of customers has been enhanced through microfinance bank' credit.

Table 4. Contribution of Microfinance banks' non-monetary services to the growth of Micro, Small and Medium Enterprises in Lagos State, Nigeria.

		SA	A	N	D	SD	Total
MFB training and development scheme have helped expand the businesses of MSMEs.	F	73	130	38	23	26	290
	%	25.2%	44.8%	13.1%	7.9%	9.0%	100.0%
The advisory services rendered by MFB to MSMEs has significantly enhance productivity of MSMEs	F	51	154	55	5	25	290
	%	17.6%	53.1%	19.0%	1.7%	8.6%	100.0%
The supervision of MSMEs by MFB has enhanced the decision-making skills of MSMEs operators	F	40	144	53	10	43	290
	%	13.8%	49.7%	18.3%	3.4%	14.8%	100.0%
The ability to manage risk has significantly improved due to MFB partnership with MSMEs	F	51	161	39	10	29	290
	%	17.6%	55.5%	13.4%	3.4%	10.0%	100.0%
The fund management skill imposed by MFB before loan security has developed MSMEs in project evaluation	F	40	164	36	22	28	290
	%	13.8%	56.6%	12.4%	7.6%	9.7%	100.0%

The assistance of MFBs to MSMEs on preparation of cash flow statements has increased performance of MSMEs	F	42	139	68	10	31	290
	%	14.5%	47.9%	23.4%	3.4%	10.7%	100.0%
The monitoring of MSMEs activities by MFBs has enhanced MSMEs performance	F	29	166	34	28	33	290
	%	10.0%	57.2%	11.7%	9.7%	11.4%	100.0%
MFB creates a platform for MSMEs to network with large scale firm that utilizes MSMEs products	F	77	91	73	27	22	290
	%	26.6%	31.4%	25.2%	9.3%	7.6%	100.0%

Source: Field Survey, 2021

Table 4. presents the findings of respondents' responses concerning contribution of Microfinance banks' non-monetary services to the growth of Micro, Small and Medium Enterprises in Lagos State, Nigeria. About 25% of respondents strongly agreed, 44.8% agreed, 13.1% were neutral, 7.9% disagreed, while 9.0% strongly disagreed that MFBs' training and development scheme have helped to expand the businesses of MSMEs. This indicates that MFBs' training and development scheme have helped expand the businesses of MSMEs. In their response, 17.6% of the respondents strongly agreed, 53.1% agreed, 19% were neutral, 1.7% disagreed and 8.6% strongly disagreed that the advisory services rendered by MFB to MSMEs has significantly enhanced its productivity. This indicates that the advisory services rendered by MFBs to MSMEs have significantly enhanced productivity of MSMEs. Regarding supervisory services of MFBs, 13.8% of respondents strongly agreed, 49.7% agreed, 18.3% were neutral, 3.4% disagreed, while 14.8% strongly disagreed that the supervision of MSMEs by MFB has enhanced the decision-making skills of MSMEs operators. This indicates that the supervision of MSMEs by MFB has enhanced the decision-making skills of MSMEs operators.

In risk management, 17.6% of respondents strongly agreed, 55.5% agreed, 13.4% were neutral, 3.4% disagreed, while 10% strongly disagreed that the ability to manage risk has significantly improved due to Microfinance bank partnership with MSMEs. This indicates that the ability to manage risk has significantly improved due to MFBs' partnership with MSMEs. 13.8% of

respondents strongly agreed, 56.6% agreed, 12.4% were neutral, 7.6% disagreed, while 9.7% strongly disagreed that the fund management skill imposed by MFB before loan security, has developed MSMEs in project evaluation. This indicates that the fund management skill imposed by MFB before loan security has developed MSMEs in project evaluation. Also, 14.5% of respondents strongly agreed, 47.9% agreed, 23.4% were neutral, 3.4% disagreed, while 10.7% strongly disagreed that the assistance of MFBs to MSMEs on preparation of cash flow statements has increased growth of MSMEs in Lagos State. This indicates that the assistance of MFBs to MSMEs on preparation of cash flow statements has increased its growth. Furthermore, 10% of respondents strongly agreed, 57.2% agreed, 11.7% were neutral, 9.7% disagreed, while 11.4% strongly disagreed that the monitoring of MSMEs activities by MFBs has enhanced MSMEs performance. This indicates that the monitoring of MSMEs activities by MFBs has enhanced MSMEs performance. On the issue of networking, 26.6% of respondents strongly agreed, 31.4% agreed, 25.2% were neutral, 9.3% disagreed, while 7.6% strongly disagreed that MFBs create a platform for MSMEs to network with large scale firm that utilizes MSMEs products. This indicates that MFB create a platform for MSMEs to network with large scale firm that utilizes MSMEs products.

4.1. Test of Hypotheses

Hypothesis one

H₀₁: Micro Finance Banks' credit is not related to the productivity of MSMEs in Lagos state

Table 5: Dependence of productivity of MSMEs on credit from Microfinance banks

Chi-Square Tests			
	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	37.874 ^a	12	0.000
Likelihood Ratio	37.338	12	0.000
Linear-by-Linear Association	0.131	1	0.718
N of Valid Cases	290		
a. 9 cells (45.0%) have expected count less than 5. The minimum expected count is .62.			

Source: Extract from Output of Statistical Packages for Social Sciences (SPSS), 2021

Table 5 shows the results of the chi square test for dependence of productivity of MSMEs on Micro-credit from Microfinance bank. As indicated in the result, the value of the Pearson chi-

square of 37.874 is statistically significant at probability value of 0.000. Since the probability value of 0.000 is less than 0.05 level of significance, there is enough evidence against the null hypothesis and it is thus rejected. It is therefore concluded that credit from Microfinance banks is significantly related to the productivity of MSMEs in Lagos State.

Hypothesis two

H₀₂: Micro Finance Banks' credit does not contribute to the expansion of MSMEs in Lagos state

Table 6. Result of Chi Square test on dependence of the expansion of Micro, Small and Medium Enterprises on Microfinance bank credit

Chi-Square Tests			
	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	371.625 ^a	16	0.000
Likelihood Ratio	258.456	16	0.000
Linear-by-Linear Association	80.645	1	0.000
N of Valid Cases	290		
a. 9 cells (36.0%) have expected count less than 5. The minimum expected count is 2.90.			

Source: Extract from Output of Statistical Packages for Social Sciences (SPSS), 2021

Table 6 shows the results of the chi square test for dependence of the expansion of Micro, Small and Medium Enterprises on Microfinance bank credit. As indicated in the result, the value of the Pearson chi-square of 371.625 is statistically significant at probability value of 0.000. Since the probability value of 0.000 is less than 0.05 level of significance, there is enough evidence against the null hypothesis and it is thus rejected. In conclusion, Microfinance bank credit contributes significantly to the expansion of MSMEs in Lagos State.

Hypothesis Three

H₀₃: Micro Finance Banks' non-monetary services have no relationship with the growth of MSMEs in Lagos state

Table 7: Result of Chi Square test on dependence of the growth of Micro, Small and Medium Enterprises on the non-credit services of microfinance bank

Chi-Square Tests			
	Value	Df	Asymptotic Significance (2-sided)

Pearson Chi-Square	69.964 ^a	16	0.000
Likelihood Ratio	77.132	16	0.000
Linear-by-Linear Association	0.016	1	0.900
N of Valid Cases	290		
a. 12 cells (48.0%) have expected count less than 5. The minimum expected count is .40.			

Source: Extract from Output of Statistical Packages for Social Sciences (SPSS), 2021

Table 7 shows the results of the chi square test for dependence of the growth of Micro, Small and Medium Enterprises on the non-monetary services of microfinance bank. As indicated in the result, the value of the Pearson chi-square of 69.964 is statistically significant at probability value of 0.000. Since the probability value of 0.000 is less than 0.05 level of significance, there is enough evidence against the null hypothesis and it is thus rejected. It is therefore concluded that the non-monetary services of microfinance bank are significantly related to the growth of Micro, Small and Medium Enterprises in Lagos State.

5.0. CONCLUSION AND RECOMMENDATION

The study evaluated the relationship between Micro Finance Banks' (MFBs) credit and the performance of Micro, Small, and Medium, Enterprises (MSMEs) using selected MSMEs in Lagos state. Furthermore, the relationship between MFBs' credit and non-monetary services and MSMEs productivity, Expansion and growth were also assessed. The results revealed that MFBs' credit is significantly related to the productivity and expansion of MSMEs and also that MFBs non-monetary services is related to the growth of MSMEs in Lagos state Nigeria. In conclusion, the availability of credit facilities from MFB goes a long way in improving the growth of MSMEs in Lagos. Thus, it is recommended that funds should be made available to MSMEs at a business-friendly interest lending rate, MFBs should enlighten MSMEs' owners on financial products and services. Lastly, Government and private bodies should give out loans/grants to MSMEs.

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