

Microfinance Banks Credit and The Performance of Small and Medium Scale Enterprises (SMEs) In Rivers State

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Abstract- This study examined the impact of microfinance banks credit on the performance of small and medium scale enterprises (SMEs) in Rivers State. The study adopted survey research design. The population of five hundred and eighty (580) registered small and medium scale enterprises in Port Harcourt Local Government Area of Rivers State. Using Taro Yamane formula, the study sample size consisted of two hundred and thirty-seven (237) small and medium scale enterprises in Port Harcourt Local Government Area of Rivers State while stratified sampling technique and simple random sampling technique were used to select the sample. The study made use of primary data and structured questionnaire as the data collection instrument. Descriptive statistical techniques (frequencies, simple percentages, tables, charts, mean scores) were used to analyse the demographic data of the respondents and the research questions while regression analysis technique was used to test the hypotheses at 95% level of confidence (0.05 significant level). The data analysis was based on 220 valid questionnaires returned. The key findings of the study showed that microfinance banks credit has a positive and significant impact on the output, profitability, business expansion, liquidity and market share of small and medium scale enterprises (SMEs) in Rivers State. Based on the findings, the study therefore concluded that microfinance banks credit has a positive and significant impact on the performance of small and medium scale enterprises (SMEs) in Rivers State. It was recommended among others that government should incentivize microfinance banks through tax rebates for maintaining a certain percentage of their loan portfolio for small and medium scale enterprises (SMEs). This will enhance credit flow, enabling small and medium scale enterprises (SMEs) to boost production and profitability.

I. INTRODUCTION

Small and Medium Scale Enterprises (SMEs) are the main driving forces of economic growth and job creation that have a special importance, not only in

developed countries but also in developing and emerging economies. Consequently, the contributions of small and medium enterprises to economic growth and development have been recognized globally, Nigeria inclusive (Cabbar, 2018). Governments throughout the world are nowadays turning their attention to small and medium scale enterprises. This is because attempts to promote economic progress by establishing large industries have usually failed to improve the lives of the majority of the populations concerned. Therefore, small and medium scale enterprises are now viewed as important in even and equitable economic development (Memba, Gakure & Karanja, 2020). Given the role of small and medium scale enterprises to the economy of Nigeria, various regimes of government since independence in the 1960s, have focused on various programmes and spent immense amount of money with the primary goal of developing this sector. This is due to the fact that finance has been identified as one of the most important factors. Having access to finance gives small and medium scale enterprises the chance to develop their businesses and to acquire better technologies for production, therefore ensuring their competitiveness (Olawuni & Oyeladun, 2021). However, financial institutions, especially microfinance banks, emerged as one of main providers of loans and an effective and powerful instrument for funding small and medium scale enterprises. In other words, microfinance banks do grant loans and advances to small and medium scale enterprises in order to enable them embark on investment and development activities as a means of aiding their growth and improving their performance in general. Microfinance banks are one of the most important savings, mobilization and financial resource allocation institutions. Consequently, these roles, most especially to the small and medium scale

enterprises, make microfinance banks an important phenomenon in enhancing growth and development of small and medium scale enterprises in Nigeria (Oladosu, 2019). Microfinance banks (MFBs) have played a pivotal role in enhancing the performance of Small and Medium Enterprises (SMEs) in Nigeria, particularly by improving access to finance, which has historically been a major constraint for these businesses. In an environment where conventional commercial banks often require stringent collateral and high interest rates, microfinance banks provide a more accessible and flexible financial alternative. Through offering of small loans, savings accounts, and financial advisory services, microfinance institutions empower SMEs to acquire working capital, invest in business expansion, and enhance operational efficiency. According to Nwankwo and Nwaiwu (2021), microfinance banks significantly contribute to the growth of SMEs by bridging the financing gap and fostering entrepreneurship among marginalized and low-income groups. One of the most notable impacts of microfinance banks is the improvement in SMEs' access to capital. Many small business owners lack the credit history or assets required to secure loans from traditional banks. Microfinance banks, however, employ more inclusive lending practices that consider group guarantees or cash-flow-based lending, which are better suited for informal and small-scale entrepreneurs. This approach has enabled more SMEs to finance their operations, purchase inventory, and invest in necessary tools and equipment. As Eniola and Entebang (2022) report, SMEs that received credit from microfinance banks demonstrated improved sales volumes, expanded product offerings, and higher customer retention rates compared to those that did not have such access to financing. In addition to credit access, microfinance banks offer capacity-building and financial literacy programs that have a direct impact on SME performance. These programs equip entrepreneurs with essential business skills, such as budgeting, bookkeeping, inventory management, and marketing strategies. Such non-financial services contribute to better decision-making and risk management among SME owners, ultimately improving the sustainability and profitability of their businesses.

Despite the significant contributions of small and medium scale enterprises (SMEs) to the Nigerian

economy, small and medium scale enterprises (SMEs) still face a lot of challenges. The major challenges facing small and medium scale enterprises (SMEs) are inadequate funds and low capital. This is due to the fact that many small and medium scale enterprises (SMEs) are unable to raise enough capital to kick-start their operations while high interest rate being charged by banks when small and medium scale enterprises (SMEs) resort to obtaining loans is not encouraging. Also, in assessing the creditworthiness of borrowers, microfinance banks applied standard and stringent requirements, to determine the viability of the business and the ability to repay the loans. These banks prefer borrowers who have record of accomplishment of profitability and assets that can be used as collateral. The range of factors usually considered include financial strength, profitability, net worth, track record, management quality, relations and payment records with other banks, business prospects, business risks, opinions from trade counterparties and collateral. In most cases, microfinance banks request for personal guarantee for small and medium scale enterprises loans. These preferences and tendencies of the microfinance banks have worsened the lack of financing for small and medium scale enterprises especially in Rivers State. Moreover, financing small and medium scale enterprises is perceived as risky by microfinance banks because in most cases, the death of the owner leads to the death of the business, diversion of funds, high cost of monitoring loans and the fact that most of the loans may not be collateralized. The enterprises are also accorded very low priority rating in credit institutions, because they are perceived to be associated with high degree of loan diversion to unscheduled activities and high rate of default in loan repayment. This negatively affect availability of funds to small and medium scale enterprises and their performance. It is in line with the identified problem and gap that this study seeks to determine the impact of microfinance banks credit on the performance of small and medium scale enterprises (SMEs) in Rivers State using Port Harcourt Local Government Area as a case study.

Aim and Objectives of the Study

The aim of this study is to examine the impact of microfinance banks credit on the performance of

small and medium scale enterprises (SMEs) in Rivers State: A case study of Port Harcourt Local Government Area. Specifically, the study will seek to:

- i. examine the impact of microfinance banks credit on the output of small and medium scale enterprises (SMEs) in Rivers State.
- ii. determine the impact of microfinance banks credit on the profitability of small and medium scale enterprises (SMEs) in Rivers State.
- iii. analyse the impact of microfinance banks credit on business expansion of small and medium scale enterprises (SMEs) in Rivers State.
- iv. investigate the impact of microfinance banks credit on the market share of small and medium scale enterprises (SMEs) in Rivers State.

Research Hypotheses

The following null hypotheses are formulated and will be tested in the course of this study:

H₀₁: There is no significant impact of microfinance banks credit on the output of small and medium scale enterprises (SMEs) in Rivers State.

H₀₂: Microfinance banks credit does not have significant impact the profitability of small and medium scale enterprises (SMEs) in Rivers State.

H₀₃: There is no significant relationship between microfinance banks credit and the business expansion of small and medium scale enterprises (SMEs) in Rivers State.

H₀₄: There is no significant effect of microfinance banks credit on the market share of small and medium scale enterprises (SMEs) in Rivers State.

II. LITERATURE REVIEW

Theoretical Framework

Many theories have been propounded to provide theoretical explanation on the link between microfinance banks credit and the performance of small and medium scale enterprises (SMEs). These theories are discussed as follow:

a. Commercial Loan Theory

The oldest theory of banking is the commercial loan theory, also called the real bills doctrine. The commercial loan theory holds that banks should lend only on short term, self-liquidating, commercial paper. According to Hosna and Manzura (2009) the commercial loan theory is geared to influence persuasively both the bank lending and the general economic activities such as financial indicators. Strict adoption of this theory will reveal that it is expected to serve as a monetary supply to changes in aggregate economic activity. The popularity of this doctrine among Deposit-Money Banks (DMBs) in Nigeria is evident. Nigerian bankers believe that since their resources were repayable at short notice, such depositors' monies should be employed accordingly in short-term loans. Kargi (2011) posited that the strong tie to this conception is rather orthodox if consideration is given to the fact that at the time of the supremacy of the theory, there were little or no secondary reserve assets, which could have served as a liquidity buffer for the bank. More so, this theory fails to consider the credit needs of Nigeria's developing economy. It has not encouraged banks to fund the purchases of plants, equipment, land, and home-ownership. For a theory to maintain that all loans should be liquidated in the normal course of business shows its failure to recognize the relative stability of bank deposits. Whereas, demand deposits are on demand, all depositors are not likely to demand payment at the same time. Thus, stability of deposits enables a bank to extend funds for a reasonable long period without danger of illiquidity. Though, with its flaws, the commercial loan theory, or real bills doctrine has been a persistent theory of banking. Vestiges of it still remain in the structure of bank regulatory agencies, bank examination procedures and the thinking of many bankers. One cannot understand contemporary banking without an understanding of our banking history, and cannot understand banking credits and the risks attached to it without an understanding of the commercial loan theory.

b. Credit Terms Channel Theory

According to the proponents of credit terms channel theory, Bernanke and Blinder (1988), monetary policy affects the supply of bank loans through an imperfect market for bank debt. A restrictive monetary policy leads to a drop in bank deposits. Only banks that have a larger share of liquid assets or that are bigger are able to shield their lending relationships from the monetary policy shock (Lúcio, 2007). Banks' asset decisions play an important role in monetary policy independently of the cost of capital. The theory predicts that a reduction in reserves induces banks to scale back lending activities. This disproportionately affects SMEs that cannot readily switch to other funds, those without access to credit markets. Small manufacturers, for instance, may be more dependent on banks than other firms, and without alternative financing, they may be forced to limit desired investment (or current production) for a given market interest rate (Bernanke et al., 1988). The credit terms channel theory posits that during monetary contractions banks restrict some firms' loans, thus reducing their desired investment independently of interest rates. The theory assumes that banks hold three assets – reserves, loans, and short term bonds – and issue one liability – bank deposits. Loans and bonds are imperfect substitutes, both as sources of finance to borrowers and as assets held in bank portfolios. In consequence the stock of bank credit depends on the spread between bank loan and bond market rates of interest. According to Sacerdoti (2005), the impact of bank balance sheets on loan supply amplifies the impact of monetary policy, but this model predicts that this amplification will be limited to constrained banks that are unable to substitute wholesale finance for a monetary policy induced reduction in bank deposits. For these constrained banks, a disturbance to bank deposits, e.g. an inflow of deposits financed by sale of other assets, will affect the supply of bank credit. Measuring the quantity of capital offered to a firm, however, is empirically difficult. One obvious suggestion is to examine the fraction of the firm which is financed by external capital or the fraction of the firm that is financed by debt. Since this variable is endogenous – it is determined by both supply and demand considerations – the empirical

results can be misleading. Firms with little external borrowing may be very constrained (many good projects but they are unable to borrow) or very unconstrained (they have run out of good projects and thus do not need any external capital). Instead, we need a variable which measures the firm's demand for capital in excess of that supplied by financial lenders (banks). This is a measure of how capital constrained the firm is. To measure the short fall between the firm's demand for capital and the supply which is available from external sources, we propose a novel measure (Petersen & Raghuram, 1995). In the traditional "credit terms channel", a financial tightening may effect on credit terms if the drop in deposits cannot be absolutely offset by issuing non-reservable liabilities (or liquidating a few property). for the reason that market for bank debt isn't always frictionless and non-reservable banks' liabilities are generally no longer insured. In this case, bank capital can affect banks' external scores, providing investors with a signal about their creditworthiness. The price of non-reservable funding (i.e. bonds or certificate of deposit (CDs) could consequently be higher for banks with low levels of capitalization if they have been perceived as riskier by the marketplace. Such banks are consequently more exposed to uneven information issues and feature much less ability to protect their credit relationships. Evidence against the nearness of a bank-crediting channel found that less liquid banks react more solidly to shifts in budgetary game plan than progressively liquid banks do, anyway bank size and capitalization are normally not noteworthy. In this examination, credit terms channel speculation is used to take a gander at the effect of credit terms on the show of small and medium scale enterprises (SMEs) and cash related access (Wafula & Miroga, 2020).

III. EMPIRICAL LITERATURE

Agbor, Igbang and Frank (2024) investigated the impact of credit availability on performance of small and medium scale enterprises (SMEs) in Calabar metropolis, Cross River state. Data were collected from owners and the management team of selected small and medium scale enterprises (SMEs) using Likert scale structured questionnaires. With a sample

size of 67 respondents, regression analysis was employed to analyze the questionnaire responses. The research findings revealed positive relationships between bank loan (BL) (and informal financing (IFN)), while bank overdraft (BOD), revealed a negative relationship with the performance of small and medium scale enterprises (SMEs) in Calabar metropolis. Bank loan was found to be statistically significant at a p-value threshold of less than 0.05.

Ibrahim, El-yaqub and Sule (2024) examined the empirical analysis of the impact of bank sector credit on small and medium scale Enterprises (SMEs) in Nigeria and attempts to confirm its validity or otherwise using yearly data from 1991 to 2020. The employed a time series of annual data. The Augmented Dickey-Fuller unit root methodology and while Autoregressive Distributed Lag (ARDL) model were adopted. Generally, the findings revealed that government expenditure was found to increase small and medium scale enterprises (SMEs) output significantly in the short run. However, there is a negative relationship between interest rates and small and medium scale enterprises (SMEs) output in Nigeria. Further, the error correction term (ECT) value established a correction to disequilibrium among the variables. It shows a 43.59 percent speed of adjustment towards the equilibrium point.

Chisor-Wabali and Ogunbiyi (2024) explored the funding challenges faced by Small and Medium-scale Enterprises (SMEs) in Nigeria, with a specific focus on the state of Rivers. The research adopts a quantitative approach and utilizes secondary data collected from a sample of small and medium scale enterprises (SMEs) in Rivers State. The snowball sampling technique was employed to select companies with proper financial records, ensuring the reliability and validity of the data. The study covers the period from 2000 to 2022. The stepwise regression analysis was employed to examine the relationship between the funding sources and profitability, controlling for the influence of the control variables. The findings of the study provided valuable insights into the funding challenges faced by small and medium scale enterprises (SMEs) in Rivers State. The analysis reveals the order of effect of the funding sources on small and medium scale enterprises (SMEs) profitability. Additionally, the study contributes to the understanding of small and medium scale enterprises (SMEs) financing and

informs policymakers, financial institutions, and entrepreneurs in their decision-making processes.

Ikoru and Tochi-Ndubueze (2024) ascertained the impact of commercial bank credit on the performance of small and medium scale enterprises in Nigeria. While an ex-post facto research design was adopted in the investigation; a least square regression analysis was carried out on a time-series data spanning from 2005 to 2021. Outcome of the analysis indicated that commercial banks' credit exerted a positive and significant impact on small and medium scale enterprises (SMEs) productivity in Nigeria. On the other hand, the lending rate was found to exert a negative and significant impact on small and medium scale enterprises (SMEs) productivity in Nigeria. Hence, it was concluded that commercial banks credit could enhance small and medium scale enterprises (SMEs) performance if the lending rate is favourable.

Abdulrazaq and Kayode (2023) examined the impact of microfinance banks' facilities on performance of small and medium scale enterprises in Nigeria. The study employed secondary data obtained from the Central Bank of Nigeria statistical bulletin from year 1991 to 2020. Autoregressive distributed lags model was used to analyze the data obtained for the study. The study revealed that microfinance banks' loans and advances are significantly related to performance of SMEs in Nigeria at 5% level of significance. Furthermore, the study revealed microfinance banks' deposit mobilization had significant impact on performance of SMEs in Nigeria. Finally, the study revealed that banks' lending rates are negatively related to performance of SMEs in Nigeria with coefficient value of 1.601 and at 5% level of significance.

Amaegberi and Krokeyi (2023) overstated the value of microfinance institutions in fostering economic development in developing countries like Nigeria. Using Ordinary Least Square (OLS), this research investigates the effect of microfinance banks on GDP expansion in Nigeria. Microfinance bank liabilities have a negative and negligible effect on real GDP growth, according to the data. Economic expansion was further bolstered by microfinance bank deposits, loans, and gross fixed capital formation. There was a small but favourable relationship between real GDP growth and total government spending. The study concludes that the Central Bank of Nigeria (CBN)

and other monetary authorities should work to increase the amount of money lent by microfinance banks and direct that money to the appropriate persons and industries.

Cookey, Akidi and Oladosu (2023) assessed the implications of bank credits in deepening small and medium scale enterprises (SMEs) performance in Nigeria, spanning the period from 1990 to 2022. The indicators used for bank credits are private sector credit, agricultural sector credit, manufacturing sector credit, credit to SMEs, and the lending rate while SMEs output is used as proxy for small and medium scale enterprise (SMEs) performance. The study was anchored on Pecking Order Theory. Annual time data series for the study were gathered from the Central Bank of Nigeria (CBN) Statistical Bulletin and reports from the National Bureau of Statistics (NBS), and were analyzed using Augmented-Dickey Fuller (ADF) unit root test, the Bound cointegration test statistic, and the Autoregressive Distributive Lag (ARDL) approach. The research established that providing market friendly credit to the private sector and the agricultural sector positively but insignificantly influenced SMEs' output in Nigeria. Conversely, credit to the manufacturing sector and the SMEs positively and significantly impacted on SMEs output while lending rate had negative and significant impact on the regressand.

Ugochi and Aguwamba (2023) examined the deposit money banks financing, small and medium scale enterprises (SMEs) profit performance in Nigeria from 1981 to 2022 using autoregressive distributed lags techniques of analysis on data from the Central Bank of Nigeria and Bank of Industry. The research focuses on Deposit money banks credits, small and medium Scale enterprise profit performance in Nigeria. The credit to SMEs, aggregate deposit money banks loans, money supply, lending interest rate and inflation were the independent variables used for the study. Profit performance which was the dependent variable was measured using small and medium scale enterprises (SMEs) profitability. Regression results were used to test Hypothesis 1- 4. The results showed that credit to small and medium scale enterprises (SMEs) and aggregate deposit money banks loans were positive and significant at both short and long run. It was also found that money supply, lending interest rate and inflation showed varying level of significant relationships with the

profit performance of small-scale business enterprises in Nigeria.

Sule, Ibrahim and Saminu (2023) examined the effect of banking sector credit on Nigeria's real sector. It uses the Auto Regressive Distributed Lagged model. The bound testing result indicates that there is a long-run association among the variables of interest with Real GDP as the dependent variable. The result indicates that Commercial Bank Credit in the long and short run has a positive impact on Nigeria's GDP. Domestic private investment was found to have a negative relationship with the real sector in the long and short runs. The estimated long and short runs equation of the specified econometric model shows a significant positive relationship existing between government capital expenditure and real sector. In the short run, a significant increase in DPI, CBC, and GCE will bring a significant increase in RGDP. A unit increase in DPI, CBC, and GCE will bring about an increase in RGDP by 8.71 units, 3.18, and 0.42 respectively and the parameter estimate of DPI, CBC and GCE are statistically significant as computed by the t-value being -1.83, 2.19 and 1.95 respectively. The study revealed that utilization of bank credits to the real sector is significant toward achieving Nigerian economic growth.

Oyinlola (2022) examined effects of microfinance banks services on the development of SMEs in Nigeria. The data for this study was obtained from primary sources. They were gathered using questionnaire structured on the basis of the research hypothesis, which was presented to the respondents to express their views, opinions, and observations. The researcher sampled SMEs in Computer Village, Ikeja using simple random sampling. The researcher however made use of 200 respondents for this study. Following the major findings of this study, a correlation of .972 which showed a strong direct correlation between microfinance bank services and SMEs while p-value of 0.001 which is considered less than 0.05. On the backdrop of the aforementioned analyses the null hypothesis is at 5% level of significance is rejected while the alternative hypothesis is accepted. Thus the analysis inferred that there is significant relationship between microfinance bank services and SMEs in Computer Villiage, Ikeja. Ighoroje and Akpokerere (2022) examined the contributions of bank credit facilities on small and medium scale enterprises (SMEs') performance in

Nigeria from 2004 to 2020. The study used the Robust Regression estimate to test the research hypotheses. The study evidenced that the model has a high predictor power. Again, bank credit facilities vis-à-vis BOL, BOA, and BOV alongside COC and DER exerted high effects on SMP throughout the studied periods. On individual basis, BOL, BOA, and COC are highly significant while COC is insignificant statistically. In terms of direction, BOL, BOA, and DER have direct effects on SMP while COC have indirect effects on SMP.

Olawuni and Oyeladun (2022) employed Co-integration and Error Correction Modelling (ECM) techniques to investigate empirically the impact of commercial bank credit on Nigeria's Small and Medium Scale enterprises (SMEs) between 1986 and 2019. The results revealed that SMEs and selected macroeconomic variables included in the model have a long run relationship with SMEs output. The study also reveals that savings time deposit and exchange rate has a significant impact on SMEs output in Nigeria. Furthermore, commercial bank credit to small and medium scale enterprises (SMEs), total government expenditure and bank density has direct but insignificant impact on the country SMEs output. Gassiah and Kikula (2022) focused on investigating the challenges small and medium scale enterprises (SMEs) face in acquiring loans from commercial banks. The study used 120 respondents who were purposively and randomly selected. Both primary and secondary data were used. Data were analyzed descriptively and presented in tables, percentages, pie charts and tabulation to show differences in frequencies. The study found that high interest rates, lack of collateral, short repayment period, lack of loan information, lack of integrity of bank officers and lack of innovations were the major challenges/difficulties which small and medium scale enterprises (SMEs) face in accessing credit facilities from commercial banks in Morogoro municipality. The study findings generally revealed that small and medium scale enterprises (SMEs) are facing challenges in accessing credit facilities in Morogoro Municipality.

Obalemo (2021) examined the effect of small and medium scale enterprises on economic growth in Nigeria. The study selected 25 years period from 1995 to 2019. The study used ex-post facto research design. The population of this study is 39,575,700

small and medium scale enterprises (SMEs) in Nigeria. The study used descriptive statistics, correlation analysis, unit root test and regression analysis with t-test and f-test. Data collected from the Central Bank of Nigeria statistical bulletin were analysed using e-view version 9.00. The study found that there is a positive and significant effect of small and medium scale enterprises on economic growth in Nigeria.

Adejoh (2021) investigation focused on the determinants of the commercial bank credit to micro, small, and medium (MSMEs) and economic growth in Nigeria (1992-2020). It sought to assess the significance of the financial intermediation cost and to suggest measures that could enhance MSMEs and economic growth in Nigeria. To achieve the objective of the research, some macroeconomic indicators in the Nigerian economy, using an ex-post facto research design was applied. The data were analyzed using the Toda-Yamanoto (T-Y) method. From the analysis, it was revealed that there was no causal relationship between the credit to the MSMEs and the gross domestic product in Nigeria.

IV. METHODOLOGY

Survey research design was adopted in this study. The major purpose of survey research design is to provide information on characteristics of a population or phenomenon. The accessible population consisted of five hundred and eighty (580) registered small and medium scale enterprises in Port Harcourt Local Government Area of Rivers State. Moreover, since the population of this study is known, the sample size of this study was determined using Taro Yamane's formula at 5% significant level. The mathematical expression of Taro Yamane formula is given as:

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

Where: n = the desired sample size, N = the estimate of the population size, 1 = theoretical constant, e = probability of error (i.e., the desired precision, e.g., 0.05 for 95% confidence level)

$$n = \frac{580}{1 + 580 * (0.05)^2}$$

$$n = 580$$

$$1 + 580 * (0.0025)$$

$$n = \frac{580}{1 + 1.45}$$

$$n = \frac{580}{2.45}$$

n = 237 (approximately)

Based on the above calculation, the sample size of this study consisted of two hundred and thirty-seven (237) small and medium scale enterprises in Port Harcourt Local Government Area of Rivers State while stratified sampling technique was used to select managers of two hundred and thirty-seven small and medium scale enterprises (SMEs).

Primary data were used for this study and these data were collected through structured questionnaire. The questionnaire was structured on modified Likert rating scale. These include:

- Strongly Agree = Five (5) points
- Agree = Four (4) points
- Undecided = Three (3) points
- Disagree = Two (2) points
- Strongly Disagree = One (1) point

Lastly, the data analysis in this study was carried in two sections while the data analysis was facilitated by Statistical Packages for Social Sciences (SPSS) version 25.0. The first section covered on univariate analysis using frequencies, simple percentages and means scores. The mean was calculated by assigning nominal value to the response categories: 5 =

Table 1: Descriptive Results on Output of Small and Medium Scale Enterprises (SMEs)

S/N	Questionnaire Items	SA (%)	A (%)	U (%)	D (%)	SD (%)	MEAN \bar{X}	DECISION
Q1.	Our business has experienced consistent growth in sales over the past 12 months.	60 (27.3%)	114 (51.8%)	10 (4.5%)	26 (11.8%)	10 (4.5%)	3.85	Accepted
Q2.	Production/output levels in our business have increased significantly in the last two years.	81 (36.8%)	82 (37.3%)	11 (5.0%)	24 (10.9%)	23 (10.5%)	3.79	Accepted
Q3.	Our business meets customer demand consistently without delays or shortages	81 (36.8%)	95 (43.2%)	9 (4.1%)	16 (7.3%)	19 (8.6%)	3.92	Accepted

Source: Researcher's Field Survey (2026).

Table 1 shows the univariate analysis of items 1, 2 and 3 output of small and medium scale enterprises

Strongly Agree, 4 = Agree, 3 = Undecided, 2 = Disagree, 1 = Strongly Disagree. The criterion mean was achieved thus;

Criterion mean:

$$= \frac{5 + 4 + 3 + 2 + 1}{5} = \frac{15}{5}$$

Criterion mean:

$$= \frac{15}{5} = 3.0$$

Decision rule for the research questions be based on a criterion mean of 3.0. Any mean response of 3.0 and above was regarded as high extent and was accepted while mean response rating less than 3.0 was regarded as low extent and was rejected.

The second section focused on bivariate analysis in which the hypothesis one (H₀₁) to hypothesis five (H₀₅) were tested using regression technique.

V. DATA ANALYSIS AND DISCUSSION OF FINDINGS

Univariate Analysis

In this section, the analysis of the data involved microfinance banks credit (independent variable) as well as profitability, market share and cash flow which are the measures of output, profitability, business expansion, liquidity and market share of small and medium scale enterprises (dependent variable). Each item of the questionnaire on each of these variables is structured and measured using a five-point Likert Scale.

(SMEs) which is a measure of the performance of small and medium scale enterprises (SMEs). The results of this analysis as shown in the table revealed that the three items on output of small and medium

scale enterprises (SMEs) have weighted mean values of 3.85, 3.79 and 3.92 respectively and each of this weighted mean value is above the criterion mean of 3.0. In addition to this, the results of this analysis as shown in the table also revealed that greater percentages of the respondents agreed/strongly agreed to each of the questionnaire items on output of

small and medium scale enterprises (SMEs). Based on these results, it can therefore be statistically concluded that the respondents accepted and are in agreement with all the questionnaire items on output of small and medium scale enterprises (SMEs).

Table 2: Descriptive Results on Profitability of Small and Medium Scale Enterprises (SMEs)

N/N	Questionnaire Items	SA (%)	A (%)	MA (%)	D (%)	SD (%)	MEAN \bar{X}	DECISION
Q4.	Our business has recorded consistent profit growth over the past three years.	94 (42.7%)	88 (40.0%)	8 (3.6%)	14 (6.4%)	16 (7.3%)	4.05	Accepted
Q5.	Sales revenue has significantly contributed to the profitability of our business.	76 (34.5%)	82 (37.3%)	12 (5.5%)	32 (14.5%)	18 (8.2%)	3.75	Accepted
Q6.	There has been significant increase in our net profit and return on investment over the years.	88 (40.0%)	104 (47.3%)	4 (1.8%)	16 (7.3%)	8 (3.6%)	4.13	Accepted

Source: Researcher's Field Survey (2026).

Table 2 shows the univariate analysis of items 4, 5 and 6 on profitability of small and medium scale enterprises (SMEs) which is a measure of the performance of small and medium scale enterprises (SMEs). The results of this analysis as shown in the table revealed that the three items on profitability of small and medium scale enterprises (SMEs) have weighted mean values of 4.05, 3.75 and 4.13 respectively and each of this weighted mean value is

above the criterion mean of 3.0. In addition to this, the results of this analysis as shown in the table also revealed that greater percentages of the respondents agreed/strongly agreed to each of the questionnaire items on profitability of small and medium scale enterprises (SMEs). Based on these results, it can therefore be statistically concluded that the respondents accepted and are in agreement with all the questionnaire items on profitability of small and medium scale enterprises (SMEs).

Table 3: Descriptive Results on Business Expansion of Small and Medium Scale Enterprises (SMEs)

S/N	Questionnaire Items	SA (%)	A (%)	MA (%)	D (%)	SD (%)	MEAN \bar{X}	DECISION
Q7.	Our business has expanded its scale of operations over the last three years.	78 (35.5%)	78 (35.5%)	9 (4.1%)	34 (15.5%)	21 (9.5%)	3.72	Accepted
Q8.	We have opened new branches or outlets as part of our business expansion strategy.	72 (32.7%)	112 (50.9%)	4 (1.8%)	22 (10.0%)	10 (4.5%)	3.97	Accepted
Q9.	Our business has introduced new products or services in the past two years.	74 (33.6%)	90 (40.9%)	14 (6.4%)	22 (10.0%)	20 (9.1%)	3.80	Accepted

Source: Researcher's Field Survey (2026).
 Table 3 shows the univariate analysis of items 7, 8 and 9 on business expansion of small and medium

scale enterprises (SMEs) which is a measure of the performance of small and medium scale enterprises (SMEs). The results of this analysis as shown in the

table revealed that the three items on business expansion of small and medium scale enterprises (SMEs) have weighted mean values of 3.72, 3.97 and 3.80 respectively and each of this weighted mean value is above the criterion mean of 3.0. In addition to this, the results of this analysis as shown in the table also revealed that greater percentages of the respondents agreed/strongly agreed to each of the

questionnaire items on business expansion of small and medium scale enterprises (SMEs). Based on these results, it can therefore be statistically concluded that the respondents accepted and are in agreement with all the questionnaire items on business expansion of small and medium scale enterprises (SMEs).

Table 4: Descriptive Results on Market Share of Small and Medium Scale Enterprises (SMEs)

S/N	Questionnaire Items	SA (%)	A (%)	MA (%)	D (%)	SD (%)	MEAN \bar{X}	DECISION
Q10.	Our business has a stable and growing customer base within its target market.	82 (37.3%)	108 (49.1%)	6 (2.7%)	16 (7.3%)	8 (3.6%)	4.09	Accepted
Q11.	Our business sales volume has increased steadily, indicating a growing market presence.	74 (33.6%)	104 (47.3%)	12 (5.5%)	16 (7.3%)	14 (6.4%)	3.95	Accepted
Q12.	Compared to competitors, our business controls a significant share of the market.	91 (41.4%)	88 (40.0%)	6 (2.7%)	16 (7.3%)	19 (8.6%)	3.98	Accepted

Source: Researcher's Field Survey (2026).

Table 4 shows the univariate analysis of items 10, 11 and 12 on market share of small and medium scale enterprises (SMEs) which is a measure of the performance of small and medium scale enterprises (SMEs). The results of this analysis as shown in the table revealed that the three items on market share of small and medium scale enterprises (SMEs) have weighted mean values of 4.09, 3.95, 3.98, 3.89 and 3.78 respectively and each of this weighted mean value is above the criterion mean of 3.0. In addition to this, the results of this analysis as shown in the table also revealed that greater percentages of the respondents agreed/strongly agreed to each of the questionnaire items on market share of small and medium scale enterprises (SMEs). Based on these results, it can therefore be concluded that the respondents accepted and are in agreement with all the questionnaire items on market share of small and medium scale enterprises (SMEs).

Bivariate Analysis

For the purpose of this study, the ten hypotheses formulated are tested using regression technique.

Decision Rule: Reject the null hypotheses at 5% level of significance if the *p-value* is less than *alpha value* of 0.05. Contrarily, retain the null hypotheses at 5% level of significance if the *p-value* is greater than alpha value of 0.05.

Restatement and Testing of Hypothesis 1

H₀₁: There is no significant impact of microfinance banks credit on the output of small and medium scale enterprises (SMEs) in Nigeria.

Table 5: Regression Analysis of Impact of Microfinance Banks Credit on Output of Small and Medium Scale Enterprises (SMEs)

Model	Unstandardized Coefficients	Standardized Coefficients	T	Sig.
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	B	Std. Error	Beta		
(Constant)	.473	.167		2.835	.005
1 Microfinance Banks Credit	1.053	.041	.928	25.889	.000

Dependent Variable: Output of Small and Medium Scale Enterprises (SMEs)

Source: Researcher's Field Survey (SPSS 25.0 Output), 2026.

Table 5 above reveals a regression coefficient of 1.053. This result indicates that microfinance banks credit has a positive impact on the output of small and medium scale enterprises (SMEs) in Nigeria. The implication of this is that increase in microfinance banks credit will lead to increase in the output of small and medium scale enterprises (SMEs) in Nigeria.

Decision on Hypothesis One: Since the *p-value* (0.000) is less than *alpha value* (0.05), we therefore reject the null hypothesis one (H_{01}) and conclude that there is a significant impact of microfinance banks credit on the output of small and medium scale enterprises (SMEs) in Nigeria.

Restatement and Testing of Hypothesis 2

H_{02} : Microfinance banks credit does not have significant impact the profitability of small and medium scale enterprises (SMEs) in Nigeria.

Table 6: Regression Analysis of Impact of Microfinance Banks Credit on Profitability of Small and Medium Scale Enterprises (SMEs)

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error			
(Constant)	.279	.140		1.994	.000
1 Microfinance Banks Credit	1.020	.034	.945	29.911	.000

a. Dependent Variable: Profitability of Small and Medium Scale Enterprises (SMEs)

Source: Researcher's Field Survey (SPSS 25.0 Output), 2026.

Table 6 above reveals a regression coefficient of 1.020. This result indicates that microfinance banks credit has a positive impact on the profitability of small and medium scale enterprises (SMEs) in Nigeria. The implication of this is that increase in microfinance banks credit will lead to increase in the profitability of small and medium scale enterprises (SMEs) in Nigeria.

Decision on Hypothesis Two: Since the *p-value* (0.000) is less than *alpha value* (0.05), we therefore

reject the null hypothesis two (H_{02}) and conclude that microfinance banks credit has significant impact the profitability of small and medium scale enterprises (SMEs) in Nigeria.

Restatement and Testing of Hypothesis 3

H_{03} : There is no significant relationship between microfinance banks credit and the business expansion of small and medium scale enterprises (SMEs) in Nigeria.

Table 7: Regression Analysis of Impact of Microfinance Banks Credit on Business Expansion of Small and Medium Scale Enterprises (SMEs)

Model	Unstandardized Coefficients		B	Std. Error
1	(Constant)		1.904	.131

Microfinance Banks Credit	.544	.033	Decision on Hypothesis Three: Since the p -value (0.000) is less than α value (0.05), we therefore
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Dependent Variable: Business Expansion of Small and Medium Scale Enterprises (SMEs)

Source: Researcher's Field Survey (SPSS 25.0 Output), 2026.

Table 7 above reveals a regression coefficient of 0.544. This result indicates that microfinance banks credit has a positive impact on the business expansion of small and medium scale enterprises (SMEs) in Nigeria. The implication of this is that increase in microfinance banks credit will lead to increase in the business expansion of small and medium scale enterprises (SMEs) in Nigeria.

reject the null hypothesis three (H_{03}) and conclude that there is a significant relationship between microfinance banks credit and the business expansion of small and medium scale enterprises (SMEs) in Nigeria.

Restatement and Testing of Hypothesis 4

H_{04} : Microfinance banks credit does not significantly impact the market share of small and medium scale enterprises (SMEs) in Nigeria.

Table 8: Regression Analysis of Impact of Microfinance Banks Credit on Market Share of Small and Medium Scale Enterprises (SMEs)

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error			
(Constant)	.506	.108		4.693	.000
1 Microfinance Banks Credit	0.888	.027	.953	32.641	.000

Dependent Variable: Market Share of Small and Medium Scale Enterprises (SMEs)

Source: Researcher's Field Survey (SPSS 25.0 Output), 2026.

Table 8 above reveals a regression coefficient of 0.888. This result indicates that microfinance banks credit has a positive impact on the market share of small and medium scale enterprises (SMEs) in Nigeria. The implication of this is that increase in microfinance banks credit will lead to increase in the market share of small and medium scale enterprises (SMEs) in Nigeria.

Decision on Hypothesis Four: Since the p -value (0.000) is less than α value (0.05), we therefore reject the null hypothesis four (H_{04}) and conclude that microfinance banks credit significantly impacts the market share of small and medium scale enterprises (SMEs) in Nigeria.

output, profitability, business expansion and market share of small and medium scale enterprises (SMEs) in Rivers State. This finding is in agreement with the work of Abdulrazaq and Kayode (2023) who found that microfinance banks' loans and advances are significantly related to performance (output and profitability) of small and medium scale enterprises (SMEs) in Nigeria. This finding is also supported by the work of Abdulrazaq and Kayode (2023) who found that microfinance banks' loans and advances are significantly related to performance (output and profitability) of small and medium scale enterprises (SMEs) in Nigeria. In addition to this, the finding is consistent with the work of Oyinlola (2022) who showed that microfinance banks services has a positive and significant influence on the development of small and medium scale enterprises (SMEs) in Nigeria

Discussion of Findings

The findings emanating from this study indicated that microfinance banks credit has a positive and significant impact on output, profitability, business expansion and market share of small and medium scale enterprises (SMEs). The positive and significant impact further shows that increase in microfinance banks credit will lead to significant increase in

CONCLUSION AND RECOMMENDATIONS

Conclusion

This study examined the impact of microfinance banks credit on the performance of small and medium scale enterprises (SMEs) in Rivers State. The findings of the study showed that microfinance banks credit has a positive and significant impact on output, profitability, business expansion, liquidity and market share of small and medium scale enterprises (SMEs). Based on the findings, the study therefore concludes that microfinance banks credit has a positive and significant impact on the performance of small and medium scale enterprises (SMEs) in Rivers State.

Recommendations

Based on the findings of this study, the following recommendations are made:

1. Central Bank of Nigeria (CBN) should collaborate with microfinance banks (MFBs) to establish credit guarantee schemes that reduce lending risks.
2. Additionally, the government should incentivize microfinance banks through tax rebates for maintaining a certain percentage of their loan portfolio for small and medium scale enterprises (SMEs). This will enhance credit flow, enabling small and medium scale enterprises (SMEs) to boost production and profitability.
3. Central Bank of Nigeria (CBN), in partnership with microfinance institutions, should mandate compulsory financial literacy programs for small and medium scale enterprises (SMEs) borrowers. These programs should cover cash flow management, loan repayment strategies, and business planning.
4. Microfinance banks should develop tailored loan products for high-impact small and medium scale enterprises (SMEs) sectors (e.g., agribusiness, manufacturing, and retail). For instance, agricultural small and medium scale enterprises (SMEs) could benefit from seasonal repayment loans aligned with harvest cycles, while tech startups may need equipment financing with flexible terms.

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