

## **Access to Microfinance and Small Enterprise Growth in Sokoto State, Nigeria**

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*This study investigates the effect of microfinance on growth of small enterprises in Sokoto State, Nigeria. Using a stratified sampling method, the survey selected a sample of one hundred and twenty (120) firms. Two hypotheses were tested and linear regression results show that positive and significant relationships exist between access to micro-credit and value of physical assets of the firms. Findings from the second hypothesis also show a positive statistical relationship between access to micro-credit and employment generation. It concludes that businesses that accessed micro-credit have grown in terms of both physical assets acquired and employment generated. It therefore recommends that microfinance banks should consider an upward review of the size of loan offered to small businesses to enable the enterprises have enough funds to finance their operations. It also suggests that in addition to micro-credit, beneficiary enterprises should be sensitized and be properly monitored to ensure their adherence to good management practices for increased performance.*

**Keywords:** Finance, Microfinance credit, small enterprises, business growth, physical assets, employment generation

### **1. Introduction**

Countries, the world over, have come to terms with the reality that microfinance serves as an effective tool for poverty alleviation through drafting and implementing policies, programmes, schemes and specifically, the establishment of microfinance institutions. This global emphasis on microfinance has its impetus to the United Nations (UN) declaration of 2005 as the International year of microcredit. The declaration was against the backdrop of the general feeling that microfinance can make significant contributions to the achievement of the UN Millennium Development Goals set in September 2000, especially goal number one (1) which emphasizes eradication of extreme hunger and poverty (Lensik, 2007).

As such many countries, including Nigeria, drafted microfinance policy, regulatory and supervisory frameworks. In Nigeria, microfinance banks were first established in 2008 and at inception; over 750 institutions were duly licensed to operate (CBN, 2008). In addition, some of the deposit money banks also set up subsidiaries, while others have been partnering with microfinance banks and state governments to provide microfinance services. Government and non-governmental organizations are equally supporting the sector through setting up microfinance agencies and capital lending avenues respectively. In addition, a number of development partners such as United Nations Development Program (UNDP), German Technical Cooperation and Ford

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Foundation, among others, have been intervening by supporting the creation of appropriate environment for microfinance in Nigeria (CBN, 2008).

However, the impetus to this study stemmed from the general poverty level in Northern Nigeria, especially Sokoto State. According to the National Bureau of Statistics, NBS, (2012) for an upward of three years consecutively, Sokoto State retained its position as the poorest state in the country, with 81.2 per cent poverty rate. The poverty circle in Sokoto State is vicious because savings are generally low so it is difficult to accumulate capital for investment purposes and lack of investment leads in turn to low productivity. This in its turn leads to low per capita income and low per capita income obviously leads to lower savings and the cycle continues. To compound the problem, evidence points to the fact that there is a disproportionate distribution of financial services between the North and South of Nigeria. For instance, Ibrahim (2012) observed that out of the 869 microfinance banks in existence, 346 or 39.81 per cent are located in the South West geographical zone; 162 or 18.64 per cent in the South East; 158 or 18.8 per cent in the North Central, while only 63 or 7.25 per cent and 32 or 3.68 per cent are located in the North West and North East, respectively. So, put together, only 253 or 29 per cent of microfinance banks are in the North, though the region including Abuja has a population of 75 million out of the total population of 140 million in Nigeria.

Sokoto State, for instance, has only five (5) microfinance banks offering rudimentary financial services to the total number of people and small business entrepreneurs estimated to be about four million (4 million) in the area. In the state, microfinance clients are predominantly living along the poverty line and are engaged in small enterprises which include small retail shops, street vending, artisanal manufacture, blacksmithing, welding and carpentry among others. These groups have been denied access to credits from the conventional banks.

It is against this backdrop that this study seeks to assess the effect of microcredit on small businesses and specifically ascertain whether or not with few microfinance banks, access to credit has effect on the growth of the enterprises. This is because microfinance has been seen as an intervention strategy that helps the poor expand their economic activities, and increase their incomes and assets, and develop small businesses.

The study therefore seeks to answer the following questions:

- i. Does access to micro credit increase the value of physical assets of small business entrepreneurs in Sokoto State?
- ii. Is there any significant relationship between access to micro credit and employment generation in small enterprises?

This paper is organized in five sections; section one is this brief introduction and subsequent sections deal with; the literature review, methodology, results and discussions, conclusions and recommendations.

## **2. Literature Review**

In Nigeria, studies in the area of microfinance can be broadly classified into four main streams; the first stream looks at the socio-economic impact of microfinance, the

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second stream evaluates the credit availability in Microfinance Institutions, the third stream looks at the microfinance policy and regulation and lastly, the fourth stream discusses the development of microfinance and management. However, studies in the first stream have contextual relevance to the present study and as such are reviewed.

Studies in the first stream attempt to assess the impact of microfinance on its clients, their households, their enterprises, and the communities in which they are situated. The methodologies of the studies in this stream and their findings are diverse and divergent. Their results are therefore mixed. Majority of these studies reported positive impact. For instance, Jegede, Kehinde and Akinlabi (2011) conducted an empirical study on the relationship between microfinance loan disbursement and poverty alleviation by using chi-square test, F-test and T-test. The findings revealed that there is a significant difference between those people who used microfinance institutions and those who do not use them. There is a significant effect of microfinance institutions in alleviating poverty by increasing income and changing economic status of those who patronize them. The study concludes that microfinance institution is indeed a potent strategy of poverty reduction and a viable tool for purveying credit to the poor.

Idolor Eseoghene Joseph and Imhanlahimi (2011) also conducted a study on access and impact of microfinance banks on the entrepreneurial and economically active rural poor in Nigeria using Edo State as a case study. The objective being to determine if indeed they constitute the category of people targeted by micro finance banks, if they have access to credits on a regular basis, and indeed if the credits or other ancillary service received by them have had any significant effect upon their livelihoods, homes and standard of living. Results indicate very minimal impact of micro finance banks on the livelihood of entrepreneurial and economically active rural poor.

The study conducted by Godwin, Chigozie and Okpara (2010) was twofold; identification of critical factors that cause poverty in Nigeria and investigation of the extent to which microfinance institutions have helped in the alleviation of poverty. To identify the critical factors, the study adapts the data on reasons for poverty generated by National Bureau of Statistics and employed the method of factor analysis. To verify the contribution made by the microfinance institutions in poverty reduction, the study employed regression analysis on a quadratic equation model which is found to be most appropriate in explaining the variations between the two variables. The result of the analysis identifies five factors: low profit, prices of commodities are too high, hard economic times, lack of finance to start or expend their business, and business not doing well, as critical factors causing poverty. The analysis also reveals that the impact of microfinance on poverty in Nigeria can be explained in two phases; the first phase, the take-off stage, sees poverty as increasing though at a decreasing rate as microfinance credit increases. In the second phase, precisely starting from the year 2001, persistent increase in microfinance credit reduces drastically the poverty index in Nigeria. Thus, microfinance credit lowers poverty in Nigeria.

Ebewore (2010) conducted a study on evaluation of loan administration by Microfinance Bank (I.C.Global MFB) to farmers in Isoko South local government area of Delta State, Nigeria. Using a structured questionnaire, data were collected from seventy eight (78) farmers and five (5) bank officials using simple random sampling and purposive sampling respectively. Various descriptive and inferential statistics were used to analyze the data. The findings indicated a discrepancy between the actual amount of loans disbursed to farmers and what farmers desired, most beneficiaries

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obtained loans less than ₦200, 000 and the time of loan disbursement affected farming activities. From the regression analysis, occupational activities, farm size, profit level of the farmers, age, gender, interest rates and family size were significant at 5%.

Thus far, the studies reviewed looked at the social impact of microfinance on the individuals and subscribed to the belief that microfinance is an effective and powerful tool for poverty reduction. However, Babajide Abiola (2011) study is slightly divergent because it looked at the economic or financial impact of microfinance on enterprises and not individuals. It looked at whether or not microfinance institutions improved access to credit for microenterprises in Nigeria. The study adapted financing constraints approach and compared investment sensitivity to internal funds of micro enterprises in Lagos State (a municipal with significant presence of Microfinance Banks (MFBs) and micro enterprises in Ekiti State (a municipal with no (or limited) presence of MFBs) using a cross sectional survey method and Microfinance Institutions (MFI) branch location data. According to CBN (2009), Lagos is a state with significant presence of MFBs with a total of one hundred and forty seven (147) microfinance banks, the highest concentration in the country, while Ekiti state has a total of 13 MFBs. The 2006 census figures put the population of Lagos State at nine million and thirteen thousand, five hundred and thirty four people (9, 013, 534) while Ekiti state has a population of two million, three hundred and eighty four thousand, two hundred and twelve people (2, 384, 212). Therefore, Lagos state has average microfinance banking density of one financial institution outlet to sixty-one thousand, three and seventeen (61, 317) inhabitants, while in Ekiti State has one financial institution outlet to one hundred and eighty three thousand four hundred and one (183,401) inhabitant. Results of the study indicate that MFBs alleviated micro businesses' financing constraints.

Still in the first stream, Ogunrinola and Alege (2008) carried out a study to ascertain the impact of a UNDP- sponsored microcredit programme in Nigeria on microenterprise development. They found variables such as pre-loan training and entrepreneur level of education impact significantly on microenterprise development. Bekele and Zekele (2008) also investigated long term survival of microenterprise finance by microfinance institution, they concluded that enterprise that did not participate in such schemes regularly are 3.25 times more likely to fail in comparison with businesses that participated regularly. However, these two studies were silent on whether or not microfinance contributed to credit market development.

Suberu, Aremu and Popoola (2011) assessed the impact of microfinance institutions on small scale enterprises in Oyo State, Nigeria. Simple random technique was employed in selecting the small scale enterprises used in the research. The findings reveal that significant number of the small scale enterprises benefited from the microfinance institution loans even though only few of them were suitable to secure the required amount needed. In addition, majority of the small scale enterprises acknowledged positive contributions of microfinance institutions loan towards promoting their market excellence and overall economic company competitive advantage. The study recommends that the government should provide adequate infrastructural facilities such as electricity, good road network, and training institutions to support small scale enterprises in Nigeria.

Some studies have also found negative or no impact of microfinance on enterprise growth but positive impact on some firm characteristics. For instance, Babajide (2012) investigated the effects of microfinance on micro and small business growth in Nigeria.

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The objectives are: one, to examine the effects of different loan administration practices (in terms of loan size and tenor) on small business growth criteria. Second, to examine the ability of Microfinance-Banks (MFBs) (given its loan-size and rates of interest charged) towards transforming micro-businesses to formal small scale enterprises. It employed panel data and multiple regression analysis to analyze a survey of five hundred and two (502) randomly selected enterprises finance by microfinance banks in Nigeria. We find strong evidence that access to microfinance does not enhance growth of micro and small enterprises in Nigeria. However, other firm level characteristics such as business size and business location, are found to have a positive effect on enterprise growth. The paper recommends a recapitalization of the Microfinance banks to enhance their capacity to support small business growth and expansion.

In this same vein, Olu (2009) investigated the impact of microfinance on entrepreneurial development of small scale enterprises in Lagos State, Nigeria. A simple random sampling technique was used to select a total of sixty (60) entrepreneurs and questionnaire was used to elicit information. Findings reveal that (i) there is a significant difference in the number of entrepreneurs who used microfinance institutions and those who do not use them; (ii) there is a significant effect of microfinance institutions activities in predicting entrepreneurial productivity; and (iii) that there is no significant effect of microfinance institutions activities in predicting entrepreneurial development. It concludes that microfinance institutions in Nigeria are identified to be one of the key players in the financial industry that have positively affected individuals, business organizations, other financial institutions, the government and the economy at large through the services they offer and the functions they perform in the economy.

Akande and Olusola (2012) examined the impact of Micro Credit on the performance of women owned micro enterprises in Oyo state. Data were sought through structured questionnaires and analysed using tables, frequencies, percentages, charts while chi square was used to test the study hypothesis. Although 46.67 percent of the respondents were aware of the existence of the micro finance banks but only 16.67 percent patronized them. However, the performance of those that patronized them did not improve significantly as a result of high interest rates and short repayment periods.

The problem that affects studies on impact assessment is that the specific impacts of microfinance are very difficult to be identified let alone to measure. This requires adoption of more sophisticated methodology capable of isolating specific effects out of a web of compounding factors as well as attaching specific units of measurement to tangible and intangible impacts that may or may not lend themselves to precise definition or measurement. Unfortunately the studies reviewed above lack the sophistication to neatly isolate these compounding factors and hold some of the factors constant in order to determine the specific effects of other factors. Besides, these studies have been concentrated in the Southern part of the country which incidentally is richer and has more concentration of microfinance institutions without an attempt to analyse the impact of microfinance in the Northern part of Nigerian where poverty is endemic and fewer microfinance institutions and services are present. This knowledge gap provoked the current study. Unfortunately, the only study reviewed in this paper which was conducted in the Northern part of Nigeria is Gumel (2012), which examines the availability of credit facilities being provided by microfinance institutions in Northern Nigeria. It employed survey method and collected data through the use of self-

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developed Likert scale questionnaire. Its result indicates that no significant difference was found among genders, geographical location and microfinance institutions affiliation in terms of availability of credit facilities being provided by microfinance institutions in Nigeria. This study unfortunately did not look at the impact of microfinance on the growth of small business enterprises in the area which is the purview of the current study. The current study employed two criteria namely the value of physical assets and the rate of employment to determine the growth of the enterprises which are the proxies to measure the impact. This approach is unprecedented in Nigeria. Studies in the same bracket as the current one include; Almamun *et al* (2011) as cited by Abed (2000), Singh (2009) Alam and Miyagi (2004). Others include Arora and Meenu (2010) as reported by Kuzilwa (2005), Sutoro (1990), Sebstad and Walsh (1991), World Bank Environment Survey (2001), Idowu (2010), Brown, Earle and Lup (2005), Kuzilwa (2005), Sutoro (1990), Jennifer and Gregory (1999), Coleman (1999) and Aziz (2010). They all looked at the impact of microfinance on the growth of enterprises. However, these studies share similar shortcomings like the studies on impact assessment reviewed above.

### 3. Research Methodology

The study is a survey research. It is a cross sectional study that examines the relationship between access to micro-credit and small business growth. It examines whether or not access to micro-credit affects the growth of small business enterprises in terms of value of physical assets acquired and employment generation. This is consistent with studies conducted by Brown, Earle and Lup (2005), Kuzilwa (2005), Sutoro (1990), Jennifer and Gregory (1999), Coleman (1999) and Aziz (2010).

Data were however collected to measure the relationship between dependent and independent variable via questionnaire. So, questionnaire constitutes the major source of data for this study. Use of secondary sources of data was primarily to capture the number of small business enterprises served by microfinance banks since inception.

The study used open-ended questions in the questionnaire administered to small business owners to measure change in the components of dependent variable after obtaining credit. Since the study is structured to consist of two components (value of physical assets and the rate of employment) of the dependent variable (Business growth) and one independent variable, that is, access to micro-credit, it becomes necessary to establish the relationship between each dependent variable and the independent variable. The use of inferential statistics (simple regression) assisted in regressing each component of dependent variable with the independent variable and established the relationship between them and measured whether the observed changes in the components are significant to establish growth.

Drawing from the objectives of this study, the following null hypotheses were tested:

- i. There is no significant relationship between access to micro-credit and value of physical assets of small business enterprises in Sokoto State
- ii. There is no significant relationship between access to micro-credit and employment generation of small business enterprises in Sokoto State

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The population of this study comprises of the total number of small business enterprises served with micro-credit by microfinance banks in Sokoto State which is three hundred and seventy five (375) enterprises. However, due to the difficulty in covering the entire population, considering their large number and also time constraint, fair representative sampling of the population becomes imperative.

The nature of small businesses in the area prompted the choice of stratified sampling technique. Thus, this study classifies small-scale businesses in agriculture, retail, service and processing. One hundred and twenty firms (120) have been sampled and one hundred and two (102) copies of responded instruments were returned for analysis.

It is imperative to mention that the use of the questionnaire is simply because of the convenience in coding the information for quantitative analyses. Analysis of data for this study was carried out in two phases: the use of descriptive statistics for the respondents by such statistical tools as frequency counts and simple percentages. The second phase is the use of inferential statistical techniques which include the use of simple regression to test two (2) hypotheses. However, this study used a panel data which prompted the use of fixed effects and random effects techniques and Ordinary Least Square (OLS) for comparison during data analysis. The Stata was used as an analytical tool.

The study utilized the following model of linear regression to examine the relationship between the independent and dependent variables.

The format of:

$$Y = a + \beta X \quad (\text{eq. 1})$$

Where, Y= is the dependent variable (Firm growth)

$a$  = Intercept

$\beta$  = Slope

X= Independent variable (access to micro credit) measured by the amount of money raised by entrepreneurs from microfinance bank.

Y= as a statistic of business growth measured by change in value of physical assets and employment generation.

Firm Growth as a function of micro-credit is represented thus;

$$\text{FGrowth} = f(\text{Micro-credit}) \quad (\text{eq.2})$$

It is translated by change in value of physical assets and employment generation thus:

$$\text{FGrowth} = \Delta \text{passets} + \Delta \text{employgen} \quad (\text{eq.3})$$

The above equation shows the relationship between the dependent variable, that is, firm growth and independent variable i.e. Micro-credit. The fact that this study is concerned with two (2) measures of firms' growth makes it necessary to run two (2)

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regression models where each explains the relationship of each measure of growth (as dependent variable) with micro-credit (as independent variable).

$$\text{passets}_t = a + \beta \text{Mcred}_t + \epsilon \quad (\text{eq.4})$$

$$\text{employgen}_t = a + \beta \text{Mcred}_t + \epsilon \quad (\text{eq.5})$$

Where= passets; represents change in value of physical assets  
 employgen; change in rate of employment  
 mcred; Micro-credit  
 a = is the regression coefficient  
 ε : is the error term

### 4. Results

The following table depicts the value of physical assets accumulated and rate of employment generated by the firms before and after accessing micro-credit from microfinance banks.

**Table 1: Value of physical assets and rate of employment generated by the firms before and after microfinance**

Physical Assets			Employment		
Period	Year	Amount (₦)	Period	Year	Frequency
Before	2005	7,378,400.00	Before	2005	664.00
Microfinance	2006	10,399,400.00	Microfinance	2006	743.00
	2007	17,445,985.00		2007	854.00
After	2008	21,614,000.00	After	2008	1,097.00
Microfinance	2009	22,889,500.00	Microfinance	2009	1,302.00
	2010	24,083,000.00		2010	1,454.00
<b>Total</b>		<b>103,810,285.00</b>	<b>Total</b>		<b>6,114.00</b>

Source: field survey, 2011

Table 1 indicates that small business enterprises under study have acquired physical assets valued at ₦7, 378,000.00 in 2005, ₦10, 399,400.00 in 2006 and ₦17, 443,985.00 in 2007. After receiving microfinance the value of assets acquired by the firms rose to ₦21,614,000.00 representing 20.42% in 2008, ₦22,889,500.00 in 2009 and ₦24,083,000.00 accounting for 23.20% in 2010. The results show that highest value of physical assets acquired by firms was ₦24, 083,000.00 after microfinance. This implies that value of physical assets acquired by the firms is higher with microfinance than the period before microfinance.

The table also indicates employment generation of the firms across the period under study. It shows the frequency of workforce from 2005-2007 i.e. before microfinance and 2008-2010 after microfinance. The information shows that number of employees on the pay roll of small enterprises varied across the periods. In 2005, a total of 664 employees were engaged by the firms while in 2006 a total of seven hundred and forty three (743) employees worked with the enterprises. In fact, the size of the workforce improved which stood at 854 in 2007. However, after accessing microfinance i.e. 2008-2010, the number of employees working with the firms rose to 1,097, 1,302 and 1,454 respectively. This signifies that highest number of workers engaged was in 2010 where



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frequency stood at 1,454. This also shows that employment of workers is higher with access to micro-credit.

To test hypotheses of the study, regression results are presented in tables 4.2 and 4.3. Specifically, the result of hypothesis test between access to micro-credit and value of physical assets of the enterprises is presented as follows;

**Table 2: Regression results on the Small Firm's growth in terms of Physical assets**

	OLS			FE		
	Coef.	Std. Err.	P >  t	Coef.	Std. Err.	P >  t
<i>p_assets</i>						
<i>mcred</i>	.5751267	.0289146	0.000***	.2551324	.1060963	0.017**
<i>_cons</i>	4.067985	.4247807	0.000	8.740277	1.549361	0.000
R <sup>2</sup>	0.5521			0.5521		
Rho				.77477287		
F Statistic				0.0170		
Hausman				0.0078		

Source: Stata 12.0 outputs

Note: \*\*\*, \*\*, \* denote 1%, 5% and 10% significance levels respectively

Table 2 shows the results of hypothesis testing in both OLS and Fixed effects. The OLS result shows that the coefficient of the intercept is .5751267 and standard error .0289146. The p-value (0.000) indicates a significant relationship between micro-credit and physical assets of the enterprises at 1% significance level. The model also shows 0.5521 R Square.

The FE results show .2551324 as the slope of the intercept with standard error .1060963 and p-value 0.017 which indicates the positive statistical relationship between micro-credit and physical assets. In this result, the R Square that shows amount of variance of physical assets explained by micro-credit is 0.5521 while the F Statistic (0.0170) with a value higher than 0.05 shows that the model is okay. However, the intra class correlation coefficient (rho) which shows the percentage of the variance resulting from differences across panel stood at 77.4%. Going by FE results (especially p-value 0.017) we rejected the hypothesis that there is no relationship between the micro-credit and value of physical assets acquired by small enterprises. However, we chose the FE for our decision on the basis of Hausman test with Prob > Chi2 = 0.0078 which is less than 0.05 alpha level. This implies a significant relationship between micro-credit and physical assets of the enterprises.

The second relationship examined is between micro-credit and employment generated by small business enterprises. The result is presented in Table 4.3 as follows;

**Table 3: Regression results on the Small Firm’s growth in terms of Employment**

<i>Emplo ygen</i>	OLS			FE			RE		
	Coef.	Std. Err.	P >  t	Coef.	Std. Err.	P >  t	Coef.	Std. Err.	P >  z
<i>mcred</i>	.460521	.0854204	0.000***	0.5466512	.1539287	0.000***	.4273678	.1075962	0.000***
_cons	11.7124	.1478268	0.000	11.57871	.2403396	0.000	11.61349	.2027319	0.000
R <sup>2</sup>	0.0798			0.0798			0.0798		
Rho				.85246686			.84149437		
F Stat.				0.0005					
Wald chi2							15.78		
Haus man				0.2785					
Breus ch- Pagan							0.0000		

Stata12.0 output

Note: \*\*\*, \*\*, \* denote 1%, 5% and 10% significance levels respectively

Table 3 shows results from both OLS and FE and RE methods to establish relationships between micro-credit received and employment generated by small businesses. The OLS results on micro-credit and employment indicate that the Beta coefficient recorded is 0.4605211, Standard error 0.0854204 and P-value = 0.000. The R Square is 0.0798.

The Fixed Effects results show that the slope of the intercept is 0.5466512 and Standard error recorded stood at .0.1539287 while the p - value is 0.000. This implies a positive statistical relationship between micro-credit and employment. The F Statistic (0.0005) shows that the model is okay. While the Hausman test with Prob. > Chi2 = 0.2785 which is more than 0.05 alpha level prompted the choice of Random effects model.

Results from the Random effects show Beta = 0.4273678, Standard error = 0.1075962 and p-value = 0.000 which indicates that micro-credit is positively related to employment at 1% significance level. R Square achieved was 0.0798 while the intra class correlation coefficient (rho) which shows the percentage of the variance resulting from differences across panels was 84.1%. The Breusch-Pagan Lagrange Multiplier test to choose between Random effects and OLS show Prob > chibar2 = 0.0000 which indicates that RE is appropriate. Based on this and p-value = 0.000 that show a significant relationship between the variables at 1% significance level, the hypothesis that micro-credit has no relationship with employment is thereby rejected.

#### 4.1 Findings and Discussions

One major finding of this paper is that micro-credit helps to increase value of physical assets acquired by the firms. Data revealed that firms increased their value of assets after receiving micro-credit from ₦21,614,000.00 in 2008 to ₦24,083,000.00 in 2010. This implies an increase of about 11.42% of the value of physical assets acquired by the firms over a period of two years. This also suggests that after receiving micro-credit, firms have continued to record high turnover and profit and eventually acquired some useful assets for the businesses. Entrepreneurs purchase assets such as land, buildings, vehicles, refrigerators, warehouses, machines and equipments either for the businesses or security against business doom.

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Findings also indicate employment generation of the firms across the period was on the increase with access to micro-credit. When firms accessed credit they tend to have more capacity to hire additional labour for increased productivity. This is a factor to ever increasing size of the workforce in small business across the periods.

Results from the hypotheses testing are not controversial. The results have clearly indicated positive relationships between access to micro-credit and two (2) other variables such as; physical assets acquired by small business and employment of labour. In the first hypothesis test the result indicates that micro-credit is positively related to access with physical assets of the firms. However, this result is in line with research findings in a study conducted by Skoufias (2004), Tarus *et al*, (2004) where statistical significant relationship between access to microcredit and fixed assets of small firms was established.

The second hypothesis also indicates the same kind of relationship (positive relationship) between micro-credit and employment. Findings of this research in respect of relationship between access to microcredit and change in the rate of employment concur with the results reported in similar research studies conducted by Papadaki and Chama (2002), Afrane (2000), Tarus *et al* (2006) and Brown *et al* (2005).

### 5. Conclusions

The study concludes that access to micro-credit is beneficial to firms as it can increase value of physical assets acquired and employment generated by small enterprises in Sokoto State. However, small businesses in the area have revealed that some constraints have affected the performance of the enterprises which include; small size of loan received, poor market, economic situation, lack of adequate government support, attitudes of the business operators, and government policies.

#### 5.1 Recommendations

Based on the findings the following recommendations are proffered;

- i. Since it has been revealed that microcredit increases assets and employment of firms, there is the need for microfinance banks to consider the upward review of the size of loan being offered to small businesses to enable them have enough funds to finance their operations. Criteria to determine the appropriate size of loan for prospective applicants can be put in place, such as making loans to be a percentage of working capital or annual turnover among others.
- ii. In addition, government should support the activities of small enterprises to improve the quality of their products and develop their markets; both local and international. This can be done through patronage of their products, regulating their market, subsidy in the bid of government contracts and tax incentives among others. This will go a long way in assisting their growth.
- iii. Microfinance banks should embark on regular sensitization and monitoring of beneficiary firms to adopt good management practices after accessing credit. In the sensitization program, businesses should be discouraged from all forms of resource mismanagement.

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