



Micro finance and business growth of small and medium enterprises in Benue state Nigeria

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Abstract

This study examined the effect of micro finance on business growth of the small and medium enterprises in Benue State Nigeria using primary data. The specific objectives were to evaluate the effect of small business loan on growth of the small and medium enterprises in Benue State; assess the effect of agric loan on growth of the small and medium enterprises in Benue State and ascertain the effect of sophi loan on growth of the small and medium enterprises in Benue State. The research adopted the descriptive research design to generate the primary data using questionnaire. The study used a population of 273 respondents comprising of owners of SMEs and managers of micro finance banks in the study area. Statistical Package for Social Sciences (SPSS) version 25.0 was used in analyzing the data at 0.05 level of significance. The result showed small business loan has significant positive effect on business growth of SMEs ($p0.000 < 0.05$), agric loan has no significant effect on business growth of SMEs ($p0.168 > 0.05$), sophi loan has significant positive effect on business growth of SMEs ($p0.001 < 0.05$). The study recommended that to improve the sales growth, small and medium enterprises should be sensitized to form unions and register under micro finance banks so as benefit from their credit facilities. SMEs should utilize small business and sophi loan (credit facilities) offered by micro finance banks especially among the market traders. This will help them to grow and then contribute meaningfully to economic growth and development. Government should sensitize and educate the rural farmers on the need to access agric loan to expand their farm cultivation through mechanized agriculture. This will help to improve their harvest, increase their sales volume and expand their agricultural cultivation. Government should also encourage cooperatives and individuals to establish more micro finance institutions so as to reach the poor traders who lack finance to improve their business. The poor business men and women should also be made to understand that borrowing loan from the micro finance banks is not as tedious as borrowing from the conventional banks. This will encourage them to access the credit facilities offered by the non-financial institutions.

Keywords: Micro Finance, business growth, small and medium enterprises

Introduction

Background of the Study

In Nigeria and the whole world over the years, microfinance has been known through such phenomenon as 'Esusu/Itutu/Adashi' which means a rotating contribution savings scheme mostly seen among market traders. What is new is the measure taken by policymakers to ensure financial inclusion for all, whether be rich or poor that lives in urban or rural areas. In 2005, the Central Bank of Nigeria (CBN) formulated a new policy framework to enhance the access of financial services to micro entrepreneurs and low-income households who require such facilities to expand and modernize their operations and then contribute to rapid economic growth in Nigeria. This necessitated the establishment of microfinance institutions across the country. The growth of microfinance institutions has been largely due to the inability of the formal financial institutions to provide financial services to both the urban and rural poor (CBN, 2004). In view of the need for financial inclusion, both the government and non-governmental agencies have over the year's implemented series of microfinance programmes and institutions as well as government agencies providing policy strategies needed to improve the sub-sector. Currently there are about 902 Microfinance Banks in Nigeria according to Central Bank of Nigeria (2020)^[8].

All over the world, emphasis has been placed on the growth of the Small and Medium Enterprise (SME) sector due to its immense contribution to gross domestic product (GDP), as such credit provision is absolutely crucial to the success of

their business. This is because it directly impacts on their day-to-day operations, and, in turn, their profitability (Lam and Burton, 2015). Both developed and developing economics have realized the essence of the SME sector to economic growth and development. The economic and social contributions of SMEs imply that the public is interested in the growth of SMEs (Fisher and Reuben, 2020). The growth of SMEs has become very significant to the growth of developed and developing countries alike all over the world. This is why policy interventions have been made by most developed and developing countries like Nigeria to promote the growth of this sector through microfinance. In Nigeria, SME productivity has risen substantially, at rate not far from those of larger firms (Berry, Rodriguez and Sadee, 2021)^[5]. This indicates prospect for growth and development of this sector in Nigeria. Since small and medium enterprises form majority of businesses in almost all economies, its growth and development affect, to a large extent, the growth of any economy. SMEs are preferred in developing countries for the strategic role they play in economic growth and development through their contribution in the creation of wealth, employment and income generation (Kasekende and Opondo, 2023). According to Idowu (2020)^[11], inadequate financing is the major constraints to rapid development of small and micro enterprises sector. Accessing finance has been a potential key for SMEs to fight against poverty and build productive capacity, to compete, to create job opportunity and alleviation of poverty among poor people. Thus, without financing, SMEs cannot compete favourably

and alleviate poverty. Prior research has noted that banks are a major source of capital to small businesses (Petersen and Rajan, 2024). However, small firms find it difficult to access bank loans than do large firms. Bank loans account for less than a quarter of SME's total debt financing (Abor and Biekpe, 2017).

Statement of the problem

Benue State Nigeria has been very slow in development over the years and the researcher observed that it is referred to as "Civil Servant State". Recently, the state is putting on a new look as there are upsprings of SMEs opening up especially in the state capital. The researcher also observed that microfinance banks especially the one called LAPO operate fully in the state. LAPO microfinance bank gives different types of loans to SMEs without collateral. Ogo (2017) referring to LAPO opine that today what started as an NGO in late 1980s is one of the leading microfinance banks in West Africa, with over. 3 million clients, 91% of which are business owners. The question is "where did the dwellers of the so-called civil servant state gotten finance to establish businesses, built houses and pay their wards tuition in expensive private schools in the state. What led to the increase in the state government revenue that has contributed to the provision of infrastructures, road constructions and general growth and development in the state. These questions gave rise to this study to investigate the effect of micro finance on business growth of the small and medium enterprises in Benue Sate Nigeria.

Objectives of the Study

The objective of this study is to investigate the effect of micro finance (credit facility) on business growth of SMEs in Makurdi Benue State, Nigeria, while other objectives are to;

1. Determine the effect of small business loan (SBL) growth of SMEs in Makurdi Benue State Nigeria,
2. Ascertain the extent of the relationship between agric loan and growth of SMEs in Makurdi Benue State Nigeria and to;
3. Determine the effect of sophi loan growth of SMEs in Makurdi Benue State Nigeria.

Literature Review

This section discusses theoretical framework, conceptual framework and review of related studies.

Theoretical Framework

This paper is anchored on The Micro Credit Theory which was first conceived by Adam Smith in 1937 as it gives a more robust explanation to the study. Smith's micro credit theory was later popularized by Karl Marx who went ahead to describe the principle of material prosperity of the non-communist society. Yunus (2004) advanced on the Micro Credit Theory and came out with the psychological component of the theory known as "the social consciousness driven capitalism". The theory argues that species of profit-making private venture can be conceived that it cares about the welfare of its customers. The psychological aspect of this theory looked at the impact private ventures make on their clients. By so, the clients were considered to be associated with the profit of firms. In other words, it is possible to develop capitalist enterprises that maximize

private profits subject to welfare considerations of their customers.

The theory as advanced by Yunus (2004) who looks at the impact of the micro credit on the clients of these private firms as their profitability is highly skewed to the welfare of their clients. The theory can be conceptualized to this study as the study looks at the micro credit facilities and the small and medium private enterprises. Financial institutions that trade in micro credit facilities and microfinance institutions must consider the welfare of the small and medium scale enterprises in other to ensure their sustainability and growth. The impact of these microfinance credit facilities depends to a large extent on the welfare considerations of these SMEs. This means that the growth of the SME attributable to the microfinance credit facilities depends on the consciousness of the welfare considerations labeled on these SMEs. Where this social consciousness is not carefully diagnosed, the growth of the SMEs attributable by micro credit facilities would be impeded.

Conceptual Framework

1. Micro Finance

The Central Bank of Nigeria (CBN, 2020) ^[8] defines microfinance as the provision of financial services to the economically active poor and low-income households. These services include credit, savings, micro-leasing, micro-insurance and payment transfer to enable them engage in income generating activities. Micro finance is about providing financial services to the poor who are traditionally not served by the conventional financial institutions. Nwankwo (2018) noted that over 95% of the businesses in Nigeria are small and that conventional banks choose not to finance such businesses. This is attributed to the high risks inherent in them and their inability to provide asset-based collateral. It was therefore to make up for the shortfall in the financing of the entrepreneurial poor and their small businesses that microfinance banks were established. Accessing financial services by the poor enables them to have control over factors of production, be more self-reliant, generate employment, enhance household income and create wealth. There are features that distinguish micro finance from other formal financial sectors. They are, the smallness of loans advanced, the absence of asset-based collateral and simplicity of the operation. Therefore, micro finance is about providing finance to small scale enterprises, acceptance of small savings deposits (USAID cited in Dinnah, *et al*, 2020) ^[9].

2. Dimensions of Micro Finance

1.1 Agric Loan

Agriculture is the mainstay of any economy and is fundamental to the socio-economic development of any nation. This is why Lift Above Poverty (LAPO) Organization and other MfB designed Agric Loan to finance the farming activities of individuals, group or corporate organizations. The repayment schedule is designed to suit the seasonal nature of such activities. In 2016, LAPO MfB won the Best Microfinance Bank in Agricultural Financing under the Agricultural Credit Guarantee Scheme for the year 2015 by Central Bank of Nigeria (CBN).

- Facility range: N50,000 (minimum) to N500,000 (maximum)
- Methodology: Individual, group and corporate

- Duration: 1-12 months
- Grace period: 30-60 days
- Prospective clients must be practicing farmers with verifiable evidence of existing farm investments

Benefits

- No collateral
- Provides capital for farming activities
- Flexible repayment structure
- Low interest rates
- Expert financial advice available (LAPO, 2021)

1.2 Sophi / SME Loan

Big businesses require big loans. The Microfinance Bank “SME Loan” is a credit product designed specifically to support Small and Medium Enterprises (SMEs) operators in Nigeria. Irrespective of the sector your enterprise is operating, LAPO MfB is willing to support you with a credit facility up to N5,000,000 to expand the enterprise.

At an affordable interest rate, Nigerian SMEs can now maximize their potentials with the SME Loan for the expansion of their businesses.

- Facility amounts up to N5,000,000
- Methodology: Individual
- Duration: 12 months

Benefits

- No collateral
- Access to funds for your business expansion
- Flexible repayment structure
- Training on basic financial management, business planning and customer relations
- Expert financial advice available when you need it

1.3 Special / Small Business Loan

Small Business Loan (SBL) is designed to meet the capital needs of small and medium entrepreneurs who require more funds for expansion. This loan is given to already established individuals or group who wish to expand their business but have no funds.

- Facility range: N50,000 (minimum) to N500,000 (maximum)
- Methodology: Individual
- Duration: 1-12 months
- Grace period: 1 month

Benefits

- No collateral
- Access to funds for business expansion
- Access to other loan products
- Flexible repayment structure
- Training on basic financial management, business planning and customer relations
- Low interest rate
- Expert financial advice available

1.4 Asset Loan

Asset loan as the name implies is targeted to help existing clients of MfB purchase assets such as generator, refrigerator, grinding machines etc. that will further enhance the productivity of their enterprise

- Facility range: N20,000 (minimum) to N400,000 (maximum)

- Methodology: Individual and group
- Duration: 11 months
- Grace period: 1 month

Benefits

- No collateral
- Quick access to funds for the purchase of business assets
- Flexible repayment structure
- Low interest rate
- Expert financial advice available

1.5 **Education loan** is designed strictly for the payment of children’s school fees (Primary and Secondary). Education loan is aimed at protecting the cash flow of clients' businesses. This loan can be accessed by a client who is a member of a group (Union).

- Facility range: N15,000 (minimum) to N40,000 (maximum)
- Methodology: Group
- Duration: 8 months
- Grace period: 1 month

Benefits

- No collateral
- Access to funds for the prompt payment of children’s school related expenses.
- Flexible repayment structure
- Low interest rate (LAPO, 2021)

3. Business Growth

Obinwa (2017) describes business growth as expanding a firm's products and services or expanding its target markets, or some combination of each. Any increase in the volume of activities of a business is a clear indication of growth. Simply stated, business growth means an increase in the size or scale of operations of a firm usually accompanied by an increase in its resources and output. A business that does not grow cannot take care of the needs of the owner, hence cannot contribute to economic growth and development. Growth can occur in many different aspects of a firm’s operations, such as its cash flow, net income, customer base, sales, employment, and market share (Murphy, Trailer, and Hill, 2016). Gilbert, *et al* (2016) opines that the most important measures of new venture growth are in terms of sales, employment, and market share.

4. Measures of Business Growth

1.1 Business Expansion

Pearce, Robinson and Mital (2018) defined business expansion as the introduction of a new product in an old market or the introduction of an old product in a new market. They state that business expansion is a stage of a company's life that is fraught with both opportunities and perils. It often carries with it a corresponding increase in financial fortunes for owners and employees alike. Business expansion is considered as a business strategy in which growth is obtained by increasing the number of stores in which customers can buy a company’s products and services. Unlike relocation, branch expansion entails opening up new stores in different physical locations while still maintaining the current business locations. Branch expansion also means the growth of a business product and service offerings (Oni and Daniya, 2022).

1.2 Sales Volume

Sales growth refers to the amount a company derives from sales compared to a previous corresponding period of time in which the later sales exceed the former. It is usually given as a percentage and is considered positive for a company's survival and profitability. It is an important measure of performance (Perren, 2020). Sales growth targets play a major role in the perceptions of business managers. Robson and Benneti (2016) argue that firms must use a wide variety of goals, including sales growth, to effectively reach their financial objectives.

In addition, sales growth provides opportunities for economies of scale and learning curve benefits. Alternatively, if an industry has increasing economies of scale or learning curve effects, growing firms benefit from such effects, again increasing performance. Depending on the industry structure, sales growth may also provide additional market power which firms can use to increase performance (Fazi, Mohammed and Yasuo, 2023).

1.3 Market Share

Market shares as one of the growth measures has been defined differently by different authors in the field of business management. According to Robson (2015) market share is the percentage of a market (defined in terms of either units or revenue) accounted for by a specific entity. Armstrong and Greene (2017) posited that market share is the specific percentage of total industry sales of a particular product achieved by a single firm in a given period of time. Firms may be expected to exhibit certain strategic behaviours in order to react timely and speedily with the hostile business conditions if growth and survival are to be attained (Hughes and Morgan, 2017). Firms with market share below a certain level may not be viable. Research has shown that market share is a desired asset among competing firms (Armstrong and Greene, 2017). There are various types of market share, such as value or volume. Value market share is based on the total share of a company out of total segment sales. Volumes refer to the actual numbers of units that a company sells out of total units sold in the market. The value-volume market share equation is not usually linear: a unit may have high value and low numbers, which means that value market share, may be high, but volumes share may be low. Deutshecher (2015) conclude that market share is a measure of the consumers' preference for a product over other similar products. A higher market share usually means greater sales, lesser effort to sell more and a strong barrier to entry for other competitors. A higher market share also means that if the market expands, the leader gains more than the others.

Review of Related Empirical Studies

Aremu and Olofinlade (2021) examined the impact of microfinance credit/small business loan on performance of small and medium enterprises, with profitability and market size as performance indicators in Oyo State Nigeria. Two hypotheses were formulated and tested using regression analysis. The results showed that microfinance bank credit had significant impact on profitability and market size of SMEs. This study shares similarity with the current study as they both are domicile in the SMEs and also microfinance. Also, both studies used similar dependent variables. However, differences exist in terms of scope, population and geographical location.

Adesina *et al.* (2021) ^[2] assessed the role played by microfinance banks and cooperative societies small business loan on the small and medium enterprises in Southwest, Nigeria. This study sourced for primary data through a self-administered structured questionnaire which the researchers distributed to respondents in the study area. The first step regarding analyzing the data that was gathered from these diverse business enterprises was to code the questionnaire and then design a master data sheet on Microsoft Excel. Descriptive statistics and chi-square test were used for the testing hypotheses. The findings revealed showed that financial services, advisory services and conditions for obtaining credit of microfinance banks and cooperative societies have a significant impact on business development of SMEs in South- West Nigeria. The study concluded that little or no collateral demand when SME owners apply for loan. This study shares similarity with the current one as they are both having the same dependent variable of microfinance banks and also the respondents are the SMEs owners. The differences are in the geographical location, scope, dependent variable as well as tool for analysis.

Bhola (2020) ^[6] examined the impact of Microfinance banks agric loan on the development of Small and Medium Enterprises (SMEs) with specific reference to farmers and traders in Damaturu the capital of Yobe State of Nigeria. The main objective of the study was to assess the development of small and medium enterprises gearing the whole attention to the contribution of microfinance banks and to evaluate the aftermath of the strict borrowing condition of microfinance banks on the development of the farmers as well as small and medium scale enterprises. For this purpose, the study used representative random sampling and administered fifty (50) questionnaires out of which forty- one (41) were correctly filled and returned. For the analysis of data, the research used Chi- square tool to test the formulated hypotheses. After the careful analysis of data, the findings revealed that the bank is in good position to enhance the development of SMEs in the study area even though little entrepreneurs patronize due to the interest rate attached to the fund. The findings also revealed that the strict borrowing condition in place ordained by the bank is also a militating factor that prevents entrepreneurs from patronizing the service of the bank. The study is similar to this current one in several ways; first is that they both have the same independent variable (microfinance), secondly is that the methodology is similar. Though, the differences are in terms of the dependent variable as well as in the scope and geographical location.

Babbuli (2020) ^[4] assessed the effect of microfinance banks on the financial performance of small-scale enterprise in Mubi. The sample of the study was limited to 107 farmers and small-scale enterprises operators in Mubi. The instrument used for collecting data from the respondents is the questionnaire. The data gathered from the respondents was analyzed using simple percentage statistics. The finding shows that to a large extent farmers and small-scale enterprises do not have access to microfinance banks for financing activities. This is because only a few microfinance banks operate in the area. This study shares similarity with the current one as they both have the same independent variable, and dependent variable, but the differences are in scope/geographical location of the study.

Onyeiwu *et al.* (2021) ^[12] examined the impact of SME/Sophi loan and its debt servicing on the profitability of

SMEs in Alimosho Local Government Area, Lagos State, Nigeria. A survey was carried out involving 387 SMEs in Alimosho LGA, Lagos State and information was extracted using a well-structured questionnaire to answer research hypotheses raised. Evidence from the simple linear regression outputs of SPSS v.25 shows that that MFBS loans and MFBS loans debt service deteriorates significantly the profitability of selected SMEs in Alimosho local government area of Lagos state. The study is similar to this current one in several ways; first is that they both have the same independent variable (microfinance bank credit), secondly is that the methodology is similar. Though, the differences are in terms of the dependent variable as well as in the scope and geographical location. Yusufu *et al.* (2020) ^[15] examined the relationship of SME/Sophi loan and growth of small and medium enterprises in Wuse Abuja Nigeria. The descriptive survey was adopted for the study. The population of the study consists of 100 selected SMEs operators within Wuse business area Abuja. Simple random sampling technique was used to arrive at a sample of 100. Structured questionnaire was employed as research instrument used to obtain relevant information. Description statistics, cross tabulation and simple linear regression were used to analyze the data collected. Findings revealed that microfinance bank domestic fund transfer services contribute to the growth of SMEs; also, the study discovered that repayable loans provided to SMEs enhance the development of the business. The study concluded that there exists positive and significant relationship between microfinance banks and SMEs. This is because only a few microfinance banks operate in the area therefore SSE low patronizing for financing their activities in bank. This study shares similarity with the current one as they both have the same independent variable, but the differences are in scope/geographical location of the study and the dependent variable.

Methodology

This study adopted the descriptive research design, the study area is Nigeria, comprising of small and medium enterprises in Benue Sate. The population of the study is 273 SME operators who belong to the different registered unions under LAPO as well as other Microfinance Banks, and have benefited from their credit facilities were considered. The study made use of questionnaire with a validity and reliability index of .766 and .994. The model employed for this study is multiple regression analysis which involves the independent variable (micro finance), and the dependent variable (business growth). Therefore, the following model specifications to test the formulated hypotheses were formulated as follows:

$$BUG = f(MFC) = (SBL, AGL, SOPL) \tag{1}$$

Where:

- BUG = Business Growth
- MFC = Micro Finance
- SBL = Small Business Loan
- AGL = Agric Loan
- SOPL = Sophi Loan

The stochastic form of the model is given as;

$$BUG = b_0 + b_1 SBL + b_2 AGL + b_3 SOPL + \mu \tag{1}$$

Where;

- b_0 = Regression Constant
- b_1, b_3 = parameter estimates
- μ = Stochastic term

A priori expectations

$b_1, b_2, b_3 > 0$ since micro finance variables are expected to enhance business growth.

Analysis of data collected to evaluate the effect among the variables was done using descriptive and inferential statistic such as mean while the inferential statistics used was regression analysis. The hypotheses formulated for this study were tested using p-value and student t-statistics generated from the regression model. The level of significance for the study is 5%, for a two-tailed test. The decision rule was that we reject the null hypothesis if the calculated t-value is less than the critical/t-value (± 1.96), otherwise, we accept the null hypothesis, and using the p-value, we reject the null hypothesis if $p < 0.05$ under (95%) confidence level.

Results and Discussion

The discussion in this section is composed of data analysis, test of hypotheses and discussion of findings based on the objectives of the study, the corresponding research questions and hypotheses that guided the study.

Data Presentation

This section is concerned with the presentation, analysis and discussion of data collected from field work using questionnaires as the major instrument. A total of 273 questionnaires were sent-out to the managers/operators of SMEs and the selected MFB and 257 questionnaires were retrieved. A successful response rate of 94.14% was achieved as 257 of the questionnaires were considered acceptable while the other 16 representing 5.9% were wrongly filled and hence could not be used for analysis. Presented below is the analysis of questionnaire administered.

1. Descriptive Statistics Analysis

The result in Table 1 shows responses on issues concerning microfinance bank operations in the study area. From table 1 it was revealed that 6 respondents comprising of managers of the selected functional MFB, representing 100% strongly agreed that their institution has been operating according to CBN policy guidelines to assist SMEs finance their business, that there are different unions registered with them and are having savings with them through which they also request for loan. They also agree that their loan beneficiaries do not complain about the pay-back period as well as the interest rate. Respondents also agree that the MFB give loan without collateral security, also that people demand for special/small business loan, agric and sohpi loan more than other loans the institution offers. Hence the institutions have more than 200 loan beneficiaries who has no problem paying back the loan. From the responses, it can be infirm that respondents are positive on all the questions which are further confirmed by the means responses which are above 3.00. ie between 4.33-4.83 respectively.

Table 1: Reponses on issues concerning microfinance bank operations

Statement	SA	A	D	SD	Total	Mean	Decision	No. / (%)
Do you agree your institution has been operating according to CBN policy guidelines to assist SMEs finance their business	6	-	-	-	6	4.00	Positive	(100)
You have different unions registered and saving with the institution	6	-	-	-	6	4.00	Positive	(100)
Your institution finances small and medium scale businesses	6	-	-	-	6	4.00	Positive	(100)
Your institution's loan beneficiaries do not complain about interest rate	6	-	-	-	6	4.33	Positive	(100)
Your institution's loan beneficiaries do complain about the pay-back period	5	1	-	-	6	4.33	Positive	(83.3) (16.7)
Your institution gives loan without collateral security	5	1	-	-	6	3.83	Positive	(83.3) (16.7)
Your institution gives out different types of loan	4	2	-	-	6	4.83	Positive	(1.6)(0.8)
People demand for Special/Small Business Loan (SBL), Agric Loan, and Sophi/SME Loan more than other loans	4	2	-	-	6	4.83	Positive	(66.7) (33.3)
Your institution has more than 200 loan beneficiaries	6	-	-	-	6	4.33	Positive	(100)

Source: Extracted from Questionnaire Assessment Survey 2025.

The results for the predictors of the dependent and independent variables were presented using mean (averages). The mean shows the level of agreement of the respondents with the questions. For small business loan, it has the mean value between (M=4.24-4.33); agric loan has mean value of between (M=1.59-2.59) and sophi loan has (M=4.50-4.62) indicating that the MFB give out small business loan and sophi loan more than agric loan. The outcome on business growth shows that these loans has actually led to growth of the SMEs confirmed by the mean between (M=4.59-4.62) respectively.

2. Regression Analysis

The hypotheses stated in this study were tested using regression model on the effect of micro finance on business growth of SMEs in Benue State, Nigeria. The result of the model summary in Table 2 explains the relationship between the dependent and the independent variables. The R²-value shows the strength of the relationship between the variable which is a very strong going by the value of 0.997. The adjusted R² value of 0.974 indicates the variation between the variables entailing that 97.4% of SMEs business growth was explained by predictor variables which

include small business loan, agric loan and sophi loan. The remaining 2.6% is explained by other factors not included in the model. Durbin-Watson (DW) statistic was also used to test for the presence of serial correlation or autocorrelation among the error terms.

The null hypothesis is:

$H_0: \rho = 0$ That is, the μ^i 's (random variables) are not auto-correlated with first order scheme. This hypothesis is tested against the alternative hypothesis;

$H_1: \rho \neq 0$ That is, the μ^i 's are auto correlated with a first-order scheme.

Therefore, if there is no autocorrelation, $\rho = 0$ and $DW \approx 2$.

The model also indicates the alternative hypothesis (H₁) is accepted, indicating that there is no autocorrelation among the variables as captured by Durbin-Watson (DW) statistic of 1.793 (slightly turning to 2). It shows an unbiased estimate and the model could be used for policy decisions and no multicollinearity in the data since the condition index and Variance inflation factors are within acceptable intervals i. e C. Is < 30 and VIFs < 10.

The value of Durbin Watson which is 0.209 indicated the absence of autocorrelation in the model.

Table 2: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.999 ^a	.997	.974	0.149	1.793

Source: SPSS regression output version 26.0, 2025.

a. Predictors: (Constant), Sophi Loan, Agric Loan, Small Business Loan. b. Dependent Variable: Business Growth

The result of the Analysis of Variance (ANOVA) in Table 3 describes the effect of the independent variables on the dependent variable. The F value was more than 1.98 and the

significance level is less than 0.05 (F=3111.55; Sig=0.000). This is an indication that the independent variables jointly have significant effect on the dependent variable.

Table 3: ANOVA for the overall significance of the model

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	2079.1016	3	693.005	31111.549	.000 ^b
Residual	5.502	247	0.022	—	—
Total	2084.518	250	—	—	—

Source: SPSS regression output version 26.0, 2025.

a. Dependent Variable: Business Growth. b. Predictors: (Constant), Sophi Loan, Agric Loan, Small Business Loan

Table 4 presents the result of regression coefficient, hence taking all other independent variables at zero, a unit change in small business loan would lead to a 99.3% increase in business growth of the SMEs, a unit increase in agric loan would lead to 0.005 % change in business growth of the

SMEs while a unit change in sophi loan affects SMEs business growth by 73%. Overall, the result implies that micro finance has effect on business growth of the small and medium enterprises in Benue State Nigeria.

Table 4: Regression Coefficient Result

Model	Unstandardized Coefficients (B)	Std. Error	Standardized Coefficients (Beta)	t	Sig.	VIF
(Constant)	.370	.095	—	3.879	.000	—
Small Business Loan	1.000	.004	.993	6.367	.000	1.653
Agric Loan	.005	.003	.005	1.381	.168	1.177
Sophi Loan	.017	.005	.073	3.274	.001	1.442

a. Dependent Variable: Business Growth

Test of Hypotheses and Discussion of Findings

The test of hypothesis one states that small business loan has no significant effect on business growth of SMEs in Benue state, Nigeria. Regression analysis was used in testing the hypothesis at 0.05 level of significance and the p-value was less than 0.05 ($p=.000<.05$), hence the null hypothesis was rejected and we conclude that small business loan has significant positive effect on business growth of SMEs in Benue state, Nigeria. The finding of this study agrees with

Adesina *et al.* (2021)^[2] who found a positive and significant effect. This shows that MFBs grant small business loans to SMEs to help improve their businesses. It also explains why there is proliferations of SMEs in Benue State recently, increase in residential houses, shops and business premises. Hence improvement of standard of living, increased government revenue and economic growth.

The result of the second hypothesis indicates that agric loan has no significant effect on business growth of SMEs in Benue state, Nigeria ($p=.168>0.05$), hence the null hypothesis was accepted and we conclude that agric loan has no significant effect on business growth of SMEs in Benue State Nigeria. The findings of this study are not in tandem with that of Babbuli (2020)^[4] who assessed the effect of microfinance banks on the financial performance of famers and small-scale enterprise in Mubi and found positive and significant effect. This shows that farmers in Benue state do not request for agric loan which explains why farming activities are still at the subsistence level. Most farmers cultivate only for family consumption hence cannot contribute to the growth of the state.

Hypothesis three test whether there is a significant effect of sophi loan on business growth of SMEs in Benue state, Nigeria and the result were that ($p=.001<0.05$), hence the null hypothesis was rejected. This implies that MFBs give SMEs loan to expand their businesses, improve their products as well as establish branches in all the states in Benue. Owners of SMEs through accessing sophi loan are able to improve their business, maximize profit, improve their welfare and pay their taxes without defaulting. The evidence can be seen in the current road constructions and provision of infrastructures by the government which has transformed the entire state. The findings are in line with those of other authors who conducted similar studies in other countries. For instance, the study of Onyeiwu *et al.* (2021)^[12] who examined the impact of SME/Sophi loan and its debt servicing on the profitability of SMEs in Alimosho Local Government Area, Lagos State, Nigeria. Also, Yusufu (2020)^[15] findings provided empirical evidence about the involvement of sophi loan to SMEs in Wuse Abuja which has positive effect on business growth.

Conclusion and Recommendations

Conclusion

Based on the findings of this study, it is concluded that the small business loan and sophi loan have significant effect on

business growth while agric loan has no significant effect on SMEs business growth in Benue state Nigeria.

Recommendations

Based on the findings of the study, the following recommendations were put forward.

1. To improve the sales growth, small and medium enterprises should be sensitized to form unions and register under micro finance banks so as benefit from their credit facilities. SMEs should utilize small business and sophi loan (credit facilities) offered by micro finance banks especially among the market traders. This will help them to grow and then contribute meaningfully to economic growth and development.
2. Government should sensitize and educate the rural farmers on the need to access agric loan to expand their farm cultivation through mechanized agriculture. This will help to improve their harvest, increase their sales volume and expand their agricultural cultivation. Government should also encourage cooperatives and individuals to establish more micro finance institutions so as to reach the poor traders who lack finance to improve their business.
3. The poor business men and women should also be made to understand that borrowing loan from the micro finance banks is not as tedious as borrowing from the conventional banks. This will encourage them to access the credit facilities offered by the non-financial institutions.

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