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# The Impact of Microcredit on the Micro, Small and Medium Enterprises (MSMEs) Sector in Cross River State (CRS), Nigeria

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**Abstract:** The thrust of this study was to determine the impact of micro credit on the MSMEs sector in CRS, Nigeria. Three hypotheses were formulated from the research questions and tested by using chi-square statistic to validate the truth or otherwise of the hypotheses. Ex-post factor research design was adopted and a sample size of 158 respondents was selected and used for the study. A structured questionnaire was used in obtaining the data. In testing the hypotheses, all the calculated chi-square values were greater than the critical chi-square value at the given level of significance and degree of freedom. This resulted in rejecting the null hypotheses while the alternate hypotheses were retained. The results indicated that micro credit programmes have significant effect on MSMEs in CRS. Equally, credit administration has a significant effect on the performance of microcredit programmes and that collateral requirements on MSMEs have significant effect on obtaining credit from microfinance institutions in CRS. Arising from the findings, the study recommends that government should make more microcredit programmes available for the development of MSMEs in CRS. There should be efficiency in credit administration on the part of both government and the private sector so as to enhance the performance of microcredit programmes in CRS and also collateral requirements should be minimized, while low interest rate should be charged on micro, small and medium enterprises so as to enhance obtaining of credit facilities from microfinance institutions in the State.

**Keywords:** Microcredit; MSMEs; Microcredit programmes; Credit administration; Collateral requirement.

## 1. Introduction

Cross River State, with a landmass of 98,000 sq.km, is one of the 36 federating States that make up Nigeria. It lies majorly in the coastal area and is strategically located with full access to the northern and eastern parts of the country. The State hosts the trans-African highway, with land and sea routes to Cameroon as well as sea routes to Equatorial Guinea and Gabon. CRS has a projected population of 3,769,445 (2015) with a population density of 20 persons per sq.km, out of which 75% live in the rural areas. The State gross domestic product (GDP) on the purchasing power parity basis is $9.29m, on a per capita income of about $3,000 but with 50% living below $2 per day. The main economic activity is agriculture, which accounts for about 42% of the State GDP making her the largest producer of palm oil in Nigeria. She also produces sizeable amounts of yam, banana, plantain, cassava, rice and cocoa. Cross River has oil and gas deposits and supplies limited services to the oil and gas industry. The business climate has improved significantly with ongoing efforts to upgrade infrastructure and adopt investment-friendly policies. These coupled with its advantageous location, semi-skilled labor force, and reputation for being a peaceful place makes CRS a prime location for investment. The economy is public-sector driven, while the private sector is dominated by primary production and petty trading. Since the advent of democracy, there has been an appreciable development of the tourism in the State. Federal Allocation accounts for about 80% of its revenues, while internally generated revenue makes up the rest. Presently, manufacturing, infrastructure, agriculture, oil and gas are attracting mega investors (CRS Facts and Figures, 2011).

As is the case in other parts of the country, the MSMEs which are the lower rung businesses has provided multiple employment opportunities to the youths who are engaged in one activity or the other and hence contributed their quota to the economic fundamentals. This is predictable as MSMEs have been recognized as socio-economic and political development catalysts in both developed and developing economies. In view of the financial challenges faced by MSMEs in the State, microcredit has been identified as a veritable source of affordable and sustainable finance in addressing a critical challenge in the sector (Mwangi, 2011).

MSMEs relying heavily on micro-credit are generally regarded as the driving force of economic growth, job creation, and poverty reduction in developing countries like Nigeria. They have been the means through which accelerated growth and rapid industrialization have been achieved in other climes (Koech, 2011). Micro credit consists of small loans provided by both formal and informal service providers to micro enterprises for their businesses and other needs. As a source of business financing, it dates back in the 19th century when money lenders were informally performing the role now played by formal financial institutions. The informal financial institutions are made up of village banks and non-bank institutions, cooperative credit unions, family and friends and social venture capital funds, while the formal channels are made up of State owned and other incorporated financial institutions.

Recently researchers have examined the role of micro-credit in achieving the millennium development goals (MDGs) and sustainable development goals (SDGs), since they mobilize rural savings and have simple and straight forward procedures that originate from local cultures and are easily understood by the populace. Through these, MSMEs were found to have very limited access to deposits, credit and other financial services provided by formal financial institutions. Quaye (2011) argues that this is because, generally MSMEs lack the necessary collateral security and other demands by financial institutions who also, find it difficult to recover the high cost involved in doing business with these firms. In addition to these, the associated risks involved in lending to the sector makes it unattractive to the banks.

MSMEs in general lack the necessary financial services, especially credit from commercial banks because they are considered light weight and not credit worthy. Consequently they depend majorly on informal sources to fund their businesses. In Nigeria, credit has thus been recognized as an essential tool for promoting MSMEs. The Federal and State governments have recognized the role of MSMEs in sustainable growth and development and hence their financial empowerment is seen to be vital. In CRS particularly, the government recognizing the role of microcredit in addressing the challenges of funding for MSMEs have developed several microcredit schemes. To coordinate these schemes and provide other intervention services for this sector, the microfinance and enterprise development agency (MEDA) was established by the CRS Law No. 8 of 2010 with a mandate of supporting the growth and development of MSMEs through financial empowerment. It is envisaged that if this growth strategy is adopted and the latent entrepreneurial capabilities of this large segment of the people is sufficiently stimulated and sustained, then positive multipliers will be felt throughout (Ndife, 2013).

### 1.1. Statement of the Problem

One of the challenges faced by MSMEs in Nigeria and CRS in particular is that of finding affordable and sustainable finance. In CRS, for example, access to fund has posed major challenge for starting up, survival and growth of MSMEs. Lack of credit has hampered their contribution to economic growth and development of the State. In spite of the intervention strategies of government and other development partners, through direct grants, lending or credit guarantee programmes, the growth and development of entrepreneurship remains observably low. For instance, while Nigeria remains listed among the poorest countries of the world, with unemployment and poverty levels rising increasingly (World Bank, 2010), CRS remains one of the poorest in the country. This is indicative of the inefficacy of micro and small businesses in helping to address the challenges of poverty headlong. Specifically, micro credit programmes are perceived to be poorly administered and coordinated. The credit administration mechanisms used for intervention programmes are considered to be weak and non-responsive to the challenges of monitoring and controlling of the lent funds (CRS Facts and Figures, 2011).

### 1.2. Objectives of the Study

The main objective of this study is to determine the impact of microcredit on MSMEs in CRS. The specific objectives are;

i). To establish the nexus between microcredit and MSMEs in CRS.
ii).To assess the effect of credit administration on the performance of micro credit programmes in CRS.
iii).To ascertain the impact of collateral requirements on MSMEs in obtaining credit facilities from microfinance institutions in CRS.
iv).To make recommendations based on the findings of the study.

### 1.3. Research Hypotheses

To assess the impact of microcredit on MSMEs in CRS, the following research hypotheses were proposed.

$HO_1$**:** Microcredit programmes do not have a significant effect on MSMEs in CRS.
$HO_2$**:** Credit administration does not have a significant effect on the performance of microcredit programmes in CRS.
$HO_3$: Collateral requirement on MSMEs do not have significant effect on obtaining credit from Micro credit institutions in CRS.

## 2. Literature Review and Theoretical Framework

This study is premised on the theory of entrepreneurial innovation, developed by David Alois Schumpeter. The theory identified innovation as a function specific to all entrepreneurs, suggesting that the entrepreneur uses new combinations of the existing resources in the production of new goods. They use new methods of production, open new market, exploit new sources of raw material and reorganize the industry. In the theory, economic development occurs through the activities of entrepreneurs in a dynamic process of boom and depression in an uneven and disharmonious process that ebbs and flow like the waves at the sea side. By this theory a pragmatic philosophy of entrepreneurial programme that is qualitative, purposeful and encourages skills acquisition, self-reliance and self-employment will increase the pool of private enterprise through MSMEs growth. This growth would ultimately result in the growth in the relevant economic indices of the region or territory (Meier and Baldwin, 1986).

## 2.2. Conceptual Definitions

The types of businesses that constitute MSMEs are country specific as their definitions differ between countries. Each country uses indices like employment, investment or asset base to categorize and classify them. In Nigeria, MSMEs are defined by the national policy on MSMEs by their asset base or employment capacity. According to the policy, a microenterprise is any business employing less than 10 employees or with an asset base below N5m (excluding land and buildings). A small enterprise employs between 11 and 50 employees or has an asset base between N5m – N50m, while a medium enterprise employs between 51 and 200 employees or has an asset base of between N50m – N500m (SMEDAN, 2007).

In India, the MSME act defines MSMEs by sector. For the manufacturing and production sector, a microenterprise is one with investment in plant and machinery is less than 25 lakh (2,500,000) rupees, small enterprise is one whose similar investment is more than 25 lakh but less than 5 crore (50,000,000) rupees, while medium enterprises investment is more than 5 crore but less than 10 crore rupees. For the service sector, micro enterprises are those with investment in equipment less than 10 lakh rupees, small enterprises are those whose similar investment is more than 10 lakh but less than 2 crore and medium enterprises have similar investment more than 2 crore but not up to 5 crore rupees (MSMED Act, 2006). Other countries have their own definitions.

Microcredit as a means of business financing is a new phenomenon, which was not known before the 1970s. The movement for microcredit assumed global advocacy through the microcredit summit held in Washington DC, USA. In simple terms microcredit is defined as credit for self employment, financial and other business services, including savings and technical assistance. Microcredit therefore refers to short term lending of very small amounts of money at low interest rates to new and existing microenterprises and persons to either start or improve their business operations. These businesses typically lack a verifiable credit history and thus cannot meet the collateral and other requirements by the banks to qualify for regular loans. Microcredit has become very important for both urban and rural development as it induces financial inclusion among rural economic operators (Abiola, 2011).

## 2.3. Characterization of MSMEs in Nigeria

MSMEs are foremost in the provision of goods and services in all sectors of the economy and exist in all nooks and crannies. According to SMEDAN, there were 17,000,000 MSMEs in the country as at 2010, distributed as follows;

- Micro enterprises are 17.26m with an estimated employment of 32.41m persons. They are informal wholesale and retail traders, artisans, mechanics and other repairers, transporters, vendors of various wares, farmers, building construction workers etc. Micro enterprises are usually unskilled labour dependent, with little or no technology and with very low output.
- Small enterprises are engaged in the same range of businesses as the micro though on a slightly bigger scale. They are mostly sole proprietors and a few partnerships and registered companies and are more sophisticated in deployment of skilled manpower and technology. The 2010 survey estimated the number of small enterprises in the country to be 21,264.
- Medium enterprises are relatively well organized with appreciable access to funding, technology, government patronage and represent the formal face of the private sector. They are about 1,654, and are mostly in agro-allied, oil and gas, information and communication technology, banking/finance, manufacturing, tourism and hospitality (SMEDAN, 2010 & 2012).

From the report, MSMEs account for 20% of the GDP and their productivity and growth potential is acutely limited in Nigeria. In addition to the intrinsic infrastructure deficit, the growth rates of MSMEs are further hampered by the lack of entrepreneurial skills, in particular the ability to identify opportunities and tap into lucrative businesses.

Credit per se does not bring about economic development, though it is recognized that it is a critical input in any business enterprise. In countries making the transition to the free market, microcredit plays a key role in ensuring that the shift to privatization and commercialization benefits the under privileged, especially the unemployed and women other than the powerful or connected elites. Poor nations often have the challenge of how to reduce poverty through MSMEs. This is what has attracted attention to microcredit schemes which seems to have been successful in raising income levels in countries where they are implemented. The provision of financial support through credit is thus crucial to increase prosperity and productivity. In fact, microcredit has been identified as an indispensable tool in development as lack of it is an obstacle to the production, service delivery, development of wealth and promotion of human dignity. Microcredit not only increases the income levels of the poor, but it also has the tendency of raising their standard of living as measured through the human development index (HDI). It provides financial assistance to the poor, especially in rural areas where banking services are lacking, thereby freeing them from the vagaries of unconventional loan sharks who charge prohibitive interest rates along with other very stringent conditions (Atsu and Ojong, 2014).

Lack of credit is one of the factors constraining the poor, who possess potentials that if tapped, could lead to economic growth. The poor can work, given an enabling environment and they are desirous of doing something for themselves if adequate support is given to them. Even though, their requirements for capital is small, yet it is not readily available. Where available, it is not affordable. From experience, it has been observed that microcredit can play an important role in providing access to basic social services, enhancing the well being of poor people and productivity. Because of its importance, managers of microcredit are supposed to understand the peculiar socio-cultural environment of the community and have the passion for addressing the associated needs of the people. These entities act as catalysts and when their capacity is strengthened, it arouses the financial interest of rural economic operators, facilitates financial inclusion and enhances monetary policy impulse. A microcredit entity if well organized is therefore expected to impact on its environment (Agba and Ushie, 2012).

## 2.4. Role of Microcredit in Sub-National Units in Nigeria

In recognition of the place of MSMEs in employment creation, governments at the federal and sub-national levels have began doing things to promote the growth and development of this sector. This has resulted in several States in Nigeria taking a cue from the federal government by promoting microcredit in various sectors of their economies. States like Delta, Bayelsa, Rivers, Lagos, Ogun and so forth have set up institutional and legal frameworks to deliver these and similar services to their people to promote agriculture, artisan and vocational trade, merchandizing. In CRS the microfinance and enterprise development agency (MEDA) was set as an intervention platform to facilitate the provision of microcredit to MSMEs amongst other functions (MEDA Law, 2010). Since inception, the agency has collaborated with banks and other financial institutions to facilitate access to affordable and sustainable finance.

**Table-1.** MEDA's intervention in the provision of microcredit to MSMEs in CRS

| S/N | Programme | Period | Number of Beneficiaries | | | Amount (~~N~~) |
|---|---|---|---|---|---|---|
| | | | Male | Female | Total | |
| 1. | Yam intervention | 2012-2013 | 153 | 48 | 201 | 37,960,000 |
| 2. | MYSD-Microcredit | 2013 | 88 | 113 | 201 | 33,600,000 |
| 3. | CRSG-BOI | 2013-2016 | 19 | 7 | 26 | 153,800,000 |
| 4. | CRSG-BOA | 2012-2015 | 459 | 2,073 | 2,532 | 193,200,000 |
| 5. | MEDA-EDC | 2013-2015 | 101 | 112 | 213 | 80,000,000 |
| 6. | MSMED FUND | 2014-2015 | 348 | 150 | 498 | 1,500,000,000 |
| TOTAL | | | 1,168 | 2,503 | 3,671 | 1,998,560,000 |

**Source:** MEDA (2017).

Table 1, shows the types and volume of microcredit facilitated by MEDA in CRS. From the table, slightly less than N2 billion was provided as microcredit in collaboration with the ministry of youth and sport development (MYSD), Bank of Industry (BOI), Bank of Agriculture (BOA), entrepreneurship development centre (EDC) and the MSME development fund (MSMEDF) in the State between 2012 and 2016.

Despite this effort, it is recognized that microcredit schemes in most places is bedeviled by challenges within the institutional framework, service providers, processes, delivery and the capacities of those accessing the service. Some of these include inadequate awareness and capacity, lack of collateral, poor loan repayments, socio-cultural practices, limited number of microfinance outlets, poor staffing, and inadequate business plans. Others are poor business strategies, ineffective oversight, improper planning, and limited financial base of MFIs. There also include limited access to land and poor monitoring and evaluation by stakeholders (Nwigwe *et al.*, 2012).

Corruption by service providers is also a major impediment to microcredit schemes implementation in Nigeria. It undermines the goals and weakens the effectiveness of institutions that could have enabled the efficacy of microcredit schemes in the country. It is thus largely responsible for the failure of policies and programmes that would have graduated poor households from poverty. Inadequate and lack of skilled personnel constitute another high profile challenge to microcredit schemes in Nigeria. Also, the lack of technically skilled and well experienced personnel impedes the smooth running of programmes that are meant to alleviate poverty among a large number of poverty stricken Nigerians (Agba and Ushie, 2012).

Omorodion (2007) posited that limited number of microfinance institutions limit the effectiveness of microcredit schemes as supposed beneficiaries have to travel long distances before accessing the services of microfinance banks/microcredit institutions. In CRS almost 50% of the LGAs do not have microfinance banks. Residents are thus compelled to travel to other LGAs to access such services. Other challenges to the scheme include lack of voice or advocacy from the end of the disadvantaged groups in the state and nation at large. Another major challenge is cultural practices that put women at a disadvantaged position in accessing credit.

## 2.5. Importance of MSMEs to Economic Development

Historically, MSMEs have been responsible for the growth of the human development indicators of many economies around the world, especially in USA, Europe, Latin America and more recently to significant parts of South and East Asia. Currently, over 90% of companies in the world estimated to be MSMEs account for up to 80% of total employment prospects (SMEDAN, 2007).

Deriving largely from the role of industrialization in the economic development process, Agba and Ushie (2012) enumerated the importance of MSMEs to include the fact that they are a catalyst for technical progress and innovation. They also maintained that MSMEs provide training for the creation of future entrepreneurs, provide opportunities for talented, enterprising individuals to engage in activities with preference for working in small units and are also a major source of job creation because their modes of operation are more labour intensive. MSMEs are also a major source of domestic capital formation through their mobilization of private savings and channeling of such into productive investment. They are an avenue for the provision of intermediate/semi-processed goods for use by large-scale firms. MSMEs assist in redistributing wealth and improving the standard of living of the citizenry and checking rural-urban migration.

According to SMEDAN, MSMEs account for approximately 90% and 99.8% of all businesses in developing countries and the European Union (EU) respectively. They also are responsible for 47%, 77% and 62% of all employment in United States of America, the EU and Japan respectively. Other studies have also shown that in high income countries such as Britain and USA, MSMEs contribute over 55% of GDP and over 65% of total employment. In the low income countries like Nigeria and Burkina Faso the sector accounts for about 60% of GDP and 70% of total employment, while in middle income countries such as India, Brazil, China, Mexico it contributes over 70% of GDP and 95% of total employment (SMEDAN, 2010 & 2012).

## 2.6. Challenges and Prospects of MSMEs in Nigeria

The challenges that MSMEs content with in Nigeria are not different from those in similar developing countries. The fact that MSMEs have not made the desired impact on the Nigerian economy in spite of all the efforts and support of succeeding administrations gives a cause for concern. It underscores the belief that there exists fundamental issues which confront MSMEs but which hitherto have not been wholesomely tackled. A review of existing issues threw up challenges to include prejudice from banks averse to lending to MSMEs especially start-ups, high cost of producing appropriate business proposals, uneven competition arising from import tariffs, which favour imported finished products. Others are lack of access to appropriate technology as well as absence of research and development, weak demand for products, arising from low purchasing power, lack of patronage of locally produced goods, unfair trade practices characterized by dumping and importation of substandard goods by unscrupulous businessmen. Weakness in governance, marketing, data-usage, processing and retrieval, accounting records and processing, etc. arising from the dearth of appropriate skills are also enumerated (Nnana, 2001).

A review of other literature reveals inadequate and non-functional infrastructural facilities, which tend to escalate cost of operations. MSMEs resort to private provision of utilities such as road, water, electricity, transportation, communication. There is bureaucratic bottlenecks and inefficiency in the administration of support facilities provided by the government. Reluctance of banks to extend credit owing to poor business plans, inadequate collateral, high cost of administration and management of small loans as well as high interest rates are other challenges faced by MSMEs in Nigeria (Fabunmi, 2004). According to Obitayo (2001) MSMEs contend with multiplicity of regulatory agencies, multiple taxes and levies that result in high cost of doing business, widespread corruption and harassment by some agencies of government, lack of technological processes, inability to meet international quality standards, etc.

The challenges of MSMEs notwithstanding their prospect cannot be overlooked, given the crucial role they play in the economic growth of developing countries like Nigeria. Apart from government's concerted efforts towards revamping and sustaining the vibrancy of this sub-sector, the private sector as well as professional groups and associations are also not relenting in their own vital contributions to the development of the subsector. The current thrust of SMEDAN at the federal level gives hope and optimism that going forward, government's attention would be attracted to the MSME subsector. Given its mandate of initiating and articulating MSMEs policy as well as promoting and supporting services to accelerate the development of MSMEs, other intervention agencies needs to work with SMEDAN.

To understand the peculiarities and proffer the way forward, SMEDAN did a survey of the sector in 2010, by disaggregated MSMEs by sectors such as agriculture, manufacturing, services, trade, construction, mining, technology, etc, by their location as well as the level of vertical and horizontal linkages within various sectors of industry. The survey enabled her determine and assess the major operating difficulties relating to market functions (such as demand-pricing factors, supply factors, raw materials, technology infrastructure, etc) and policy environment as it relates to regulatory, advisory, incentive and support regimes. The benefits of the survey hinges on the expected data and information, which SMEDAN would employ for policy formulation, implementation and intervention, effective developmental planning, vital advice on new investments, raw materials availability as well as available technology, markets, sources of funds and assistance. It also equipped SMEDAN with strategies for reinvigorating the MSMEs sub-sector through advising on policy formulation and execution, recommended the right operators for various incentives, funding and support by government. It identified projects, especially those with export potentials local and foreign investors and offered relevant advisory services to States and other intervention agencies on how best to support and invigorate MSMEs bearing their peculiarities and circumstances in mind. Another success was detection of key requirements in capacity building, skills gap, knowledge, skills and process and liaise with the relevant institutions and agencies of government like the National Poverty Eradication Programme, the Centre for Management Development, the National Directorate of Employment, etc. Finally, the survey called for the establishment of a business support centre for each State and the promotion and government patronage of quality local products of MSMEs for either local consumption or export or both (SMEDAN, 2010 & 2012).

## 2.7. Review of Empirical Studies

Quaye (2011) in studying the effects of Microfinance Institutions (MFIs) on the growth of MSMEs in the Kumasi, Ghana, reveals that MFIs have a positive effect on the growth of MSMEs. He opined that in order to enhance a sustained and accelerated growth in the operations of MSMEs, credit should be client-oriented and not product- oriented and that proper monitoring should be provided for clients who are granted loans. Chijoriga (2000) evaluated the performance and financial sustainability of MFIs in Tanzania, in terms of the overall institutional and organizational strength, client outreach, and operational and financial performance. 28 MFIs and 194 MMSEs were randomly selected and visited in Dar es Salaam, Arusha, Morogoro, Mbeya and Zanzibar regions. The findings revealed that, the performance of MFIs in Tanzania is poor and only few of them have clear objectives, or a strong organizational structure. In conclusion, the author pointed to low population density, poor infrastructure and low house hold income levels as constraints to the MFIs performance.

Amin *et al.* (2003) used a unique panel dataset from northern Bangladesh with monthly consumption and income data for 229 households before they received loans. They found that while microcredit is successful in reaching the poor, it is less successful in reaching the vulnerable, especially the group most prone to destitution. Abiola (2011) in his impact analysis of microcredit in Nigeria applies the financing constraints approach to investigate whether microcredit institutions improved access to credit for microenterprises in Nigeria or not. According to this approach, MSMEs with improved access to credit rely less on internal funds for their investments. Thus, investment sensitivity to internal funds in Lagos State (with significant MFIs) was compared to Ekiti State (with limited MFIs) using a cross sectional survey method and MFI location data. Results showed that MFIs improve access to credit in Nigeria.

Ndife (2013) analyzed the effect of microfinance institutions on the development of MSMEs in Anambra State. The study was aimed at determining the impact of microcredit institutions in starting up, survival and growth of MSMEs as well as the effect of collateral requirements in obtaining microcredit in Anambra State. Although a significant relationship was observed between microcredit institutions and MSMEs development, the small degree of association that exist suggests that microcredit is a major factor that affect MSMEs in the study population.

Yusuf *et al.* (2014) examined the effects of micro credit on small scale enterprises in Osun State, Nigeria. Descriptive statistics and econometrics (regression analysis) were employed as tools for the analysis. Results showed that out of the 120 respondents that were sampled, 105 were credit users. The regression revealed that loan repayment period, family size and years in business were the key determinants of business turn over. On the other hand, volume of credit available is affected by repayment period, sources and the pricing of the loan.

Alhassan *et al.* (2016) examined the effects of microcredit on profitability and the challenges of women owned MSMEs in Ghana. They found that women enterprises have limited access to capital as banks shy away from them due to the high risk associated with lending to MSMEs. The enterprises were randomly selected from 5 MFIs and categorized based on their activities using stratified sampling. Semi structured interview checklist was used to survey the women owned MSMEs whilst questionnaires were administered to the MFIs. A paired sample t-test was employed to determine the changes in profit over time after which effect of size was also determined. The results indicate a significant increase in the average monthly profit over time as a result of availability of microcredit.

# 3. Methodology

This study employed questionnaires in gathering data for the various microcredit programmes, credit administration and collateral requirements and the performance of MSMEs. The ex-post factor research design was adopted in this study. This is because the researcher had no control over the variables in the study since they had already occurred. The population of the study is made up of MFIs that provide microcredit to MSMEs in CRS. The sample was randomly selected from the list obtained from the business premises registration office of MEDA an agency of the State Government, whose mandate involves facilitating access to affordable and sustainable finances for MSMEs in the State. Structured questionnaire was therefore used to generate data from individuals, MSMEs and other groups such as the BOI, BOA, MYSD, MEDA. Data collected was analyzed using chi-square statistical tool.

# 4. Data Presentation, Analysis and Discussion of Findings

The tables below contain the analytical details relating to the findings from the respondents. 200 copies of the questionnaires were distributed to the respondents, 158 copies were filled and returned by them, representing 79% response rate, and hence used for the analysis.

**Table-2.** Demographic distribution of respondents

| Sex | No. of Respondents | Percentage (%) |
|---|---|---|
| Male | 95 | 60.2 |
| Female | 63 | 39.8 |
| Total | 158 | 100 |
| Age | No. of Respondents | Percentages (%) |
| Less than 30 | 49 | 30.9 |
| 31-50 | 64 | 40.6 |
| 51-60 | 29 | 18.4 |
| 61 and above | 16 | 10.1 |
| Total | 158 | 100 |
| Educational qualification | No. of Respondents | Percentages (%) |
| FSLC | 12 | 7.6 |
| WAEC/NECO | 13 | 8.2 |
| OND/NCE/HND | 60 | 38.0 |
| B.Sc./BA/B.Ed. | 37 | 23.4 |
| MSC/MA/M.ED/PhD | 36 | 22.8 |
| Total | 158 | 100 |
| Marital Status | No. of Respondents | Percentages (%) |
| Married | 73 | 46.2 |
| Single | 85 | 53.8 |
| Total | 158 | 100 |
| Working/business Experience | No. of Respondents | Percentages (%) |
| 1-5 years | 36 | 22.7 |
| 6-10 years | 41 | 25.9 |
| 11-15 years | 31 | 19.6 |
| 16-20 years | 26 | 16.4 |
| 21 years and above | 24 | 15.2 |
| Total | 158 | 100 |

**Source:** Field work, 2017

Table 2 indicates the sex of respondents, showing 60.2% male and 39.8% female. The age distribution shows 30.9%, 40.6%, 18.4% and 10.1 had ages less than 30, 31-50, 51-60 and 61 and above respectively. Hence, most of the respondents fall within the active working age bracket. The table equally disaggregated respondents by educational background. 7.6% and 8.2% had FSLC and WAEC/NECO certificates respectively, while 38%, 23.4% and 22.8% were holders of OND/NCE/HND, first degree and higher degrees respectively. On marital status, 46.2% were married while 53.8% were single. 22.8% and 25.9% had spent 1-5years and 6-10years working or doing business respectively. 19.6% had spent 11-15years in working or doing business, while 16.4% expended 16-20 years in working or doing business. Only 15.2% had put in 20 years and above.

## 4.1. Test of Hypotheses

All the hypotheses formulated were tested using chi-square statistical technique and the results are presented below.

Hypothesis one: Microcredit programmes do not have a significant effect on MSMEs in CRS.

**Table-3.** Chi-square analysis of the relationship between microcredit and MSMEs in CRS

| Responses | Positive | Negative | Total | Cal $X^2$ | Critical $X^2$ | df |
|---|---|---|---|---|---|---|
| Agreed | 50(41.01) | 31(39.99) | 81 | 8.19 | 3.84 | 1 |
| Disagreed | 30(38.98) | 47(38.01) | 77 | | | |
| Total | 80 | 78 | 158 | | | |

N=158, significance level = .05; df =1

The results as presented above indicates that the $X^2$ value of 8.19 is greater than the critical value of 3.84 at .05 level of significance with 1 degree of freedom. This means that the $X^2$ value is statistically significant. Thus, the null hypothesis is rejected while the alternate hypothesis is retained. This implies that microcredit have significant effect on MSMEs in CRS.

Hypothesis two: Credit administration does not have a significant effect on the performance of microcredit programmes in CRS.

**Table-4.** Chi-square analysis of the relationship between credit administration and the performance of microcredit programmes in CRS.

| Responses | Positive | Negative | Total | Cal $X^2$ | Critical $X^2$ | df |
|---|---|---|---|---|---|---|
| Agreed | 52(44.65) | 33(40.35) | 85 | 5.52 | 3.84 | 1 |
| Disagreed | 31(38.35) | 42(34.65) | 73 | | | |
| Total | 83 | 75 | 158 | | | |

N =158; significance level =.05; df=1

The results of the analysis as presented in the table indicates that the calculated chi-square value of 5.52 is greater than the critical value of 3.84 at .05% level of significance with 1 degree of freedom. This means that the $X^2$ value is statistically significant. Thus, the null hypothesis is rejected while the alternate is retained. This implies that there is a significant relationship between credit administration and the performance of microcredit programmes in CRS.

Hypothesis three: Collateral requirement on MSMEs do not have significant effect on obtaining credit facilities from microcredit institutions in CRS.

**Table-5.** Chi-square analysis of the relationship between collateral requirement and its effect on obtaining credit facilities from micro credit institutions in CRS

| Responses | Positive | Negative | Total | Cal $X^2$ | Critical $X^2$ | df |
|---|---|---|---|---|---|---|
| Agreed | 54(45.19) | 31(39.81) | 85 | 7.94 | 3.84 | 1 |
| Disagreed | 30(38.81) | 43(34.19) | 73 | | | |
| Total | 84 | 74 | 158 | | | |

N = 158; Significance level = .05; df =1

The results of the analysis indicate that the $X^2$ value of 7.94 is greater than the critical $X^2$ value of 3.84 at 0.05% level of significance with 1 degree of freedom. This means that the $X^2$ value is statistically significant. Thus, the null hypothesis is rejected while the alternate hypothesis is retained. This implies that collateral requirement on MSMEs has significant effect on obtaining credit facilities from microfinance institutions in CRS.

### 4.2. Discussion of Findings

The finding from the first hypothesis showed that microcredit programmes have significant effect on MSMEs in CRS. This was empirically authenticated when the calculated $X^2$ value of 8.19 was found to be greater than the critical $X^2$ value of 3.84 at .05% level of significance with 1 degree of freedom. This finding is in line with the views of Sifunjo and Naomi (2014) that the provision of financial support through microcredit and savings for the acquisition of capital goods is crucial for effective economic management, the aims of which are to increase prosperity, equity and sustainability.

The finding from the second hypothesis indicated that credit administration has a significant effect on the performance of microcredit programmes in CRS. This was proved when the calculated $X^2$ value of 5.52 was found to be greater than the critical $X^2$ value of 3.84 at .05% level of significance with 1 degree of freedom. This finding is in line with the views of Abiola (2011) who opined that MFIs improve access to microcredit in Nigeria.

Test of hypothesis three revealed that collateral requirement on MSMEs has significant effect on obtaining credit from MFIs in CRS. This was authenticated when the calculated $X^2$ value of 7.94 was found greater than the critical $X^2$ value of 3.84 at .05% level of significance with 1 degree of freedom. This agrees with Ndife (2013) who asserted that collateral requirement has effect on obtaining credit from microfinance institutions in Anambra State, Nigeria.

## 5. Summary of Findings, Conclusion and Recommendations

The major thrust of this study was to determine the impact of microcredit on MSMEs in CRS, Nigeria between 2012 and 2016. Three hypotheses were formulated for the study and were tested by using chi-square statistic to justify the truth or otherwise of the hypotheses. The ex-post factor research design was adopted and a sample size of 158 respondents was randomly drawn from the population. A well structured questionnaire was used in obtaining the data. The results revealed that:

a). Microcredit programmes have significant effect on MSMEs in CRS.
b). Credit administration has a significant effect on the performance of microcredit programmes in CRS.
c). Collateral requirement has significant effect on obtaining credit from MFIs in CRS.

### 5.1. Conclusion

Predicated on the findings from the analysis of the hypotheses, it could be concluded that microcredit programmes have significant effect on MSMEs in CRS. The implication is that increase in the number of microcredit programmes by Government and private providers will help to enhance the performance of MSMEs for sustainable growth. The findings also lead us to conclude that credit administration has a significant effect on the performance of microcredit programmes. Hence, an efficient administration of available credits will impact on the performance of microcredit programmes in the State. Furthermore, the findings revealed that collateral requirement have significant effect on obtaining credit facilities from microfinance institutions in CRS.

### 5.2. Recommendations

Predicated on the findings of the study, the following recommendations are made:

i). Government should continue to make microcredit programmes available for the development of MSMEs in CRS. Microcredit has received extensive recognition as a strategy for poverty reduction and economic empowerment. Microfinance is a way of fighting poverty particularly in rural areas where most of the poorest people live. Hence, its sustainability should be institutionalized in CRS and Nigeria.

ii). There should be efficiency in credit administration on the part of both government and private sector practitioners so as to enhance the performance of microcredit programmes in CRS.

iii). Collateral requirement should be eliminated or minimized on MSMEs so as to enhance obtaining of credit facilities from microfinance institutions in CRS. Accessing credit at reasonable interest rates gives people opportunities to set up or expand their own businesses.

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