

## **The Promotion of Entrepreneurship Business in Nigeria: Microfinance Contribution**

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### **ABSTRACT**

*Entrepreneurship is the key to economy development of any nation. It leads to the growth and development of any economy. As the bedrock to economy growth and development, is not without problems. Entrepreneurship is faced with so many problems; hence this study seek to face the problems encountered by entrepreneurship business as well as the contribution of microfinance banks in financing it; during this recession in Nigeria. There is the need to ensure the survival of entrepreneurship business in this recession period. We adopted a survey approach with the aid of sample design, area of study, population of study, sample size and secondary sources. Questionnaires are administered on business owners and on the contributions of microfinance banks, and this was supported by interview method. Information were gathered from the banks with respect to their support in promoting entrepreneurship business.*

**Keywords:** Microfinance, Promoting, Sources of funds, Economic Development, and Recession

### **INTRODUCTION:**

#### **Preamble:**

The extent to which entrepreneurship business are aware of the available sources of funds, the sources, utilization and the bottlenecks in accessing the sources is paramount in this work.

There is no gain saying that finance is the key to all entrepreneurship business, as such finance should be made available to all entrepreneurs. Entrepreneurs should be linked to all the available sources of fund.

There is great interest in the promotion of entrepreneurship business; planners in Nigeria have noted this; the role it is playing in the social and economic development of Nigeria, as it relates to job creation; local resources mobilization, reducing rural-urban migration and the strategic positioning of enterprise business in the country.

All these roles cannot be achieved except there is better assistance with respect to financial, technological, marketing and selling as well as management.

Entrepreneurship can only be promoted where there is sufficient financial support. Thus, the promotion of enterprise business is achieved through financing from the banks.

#### **Research Problem:**

The main crux of any enterprise business about promotion and development is the finance. There should be proper funding to improve the firm position. Funding is required to purchase raw materials, machinery, to settle employees' salaries and a whole list of transaction in the business.

In this period of recession, the country's naira has depreciated heavily, and it has hiked production cost and distribution. This depreciation in naira has serious negative impact on enterprise business. There is decline in the demand for goods and services due to increased cost of production and reduced customer's income; as such

we have huge finished goods in the warehouse.

Enterprise business are finance by microfinance banks, depending heavily on mortgage, there are lines of credit from microfinance banks but there is no funds for permanent growth (Osaze and Anao, 1990).

However, the major problems facing enterprise business in Nigeria from obtaining loans from microfinance bank are:

1. Not able to provide guarantor/collateral security.
2. Not able to provide good feasibility study.
3. Not able to keep proper books of accounts.
4. Lack of information as it relates to sources of funds.

This study seeks the contribution of microfinance in the promotion of Enterprise business.

### **Research Objective:**

In line with the research problem, the objectives of this study are:

1. To know if business enterprise has collateral security to secure loans.
2. To know if business enterprise cannot prepare feasibility study and if it is a setback to get loans.
3. To know if improper account record keeping affect business in getting loans from microfinance banks.
4. To know if the enterprise business is aware of funds/sources of funds that are available.

### **The Scope of the Research Study:**

This research study covers all entrepreneurship business which includes manufacturing, services, fabrication, weaving, woodworks, and general processing. In this study, attention is paid to banks in Warri with keen consideration of Wetland Microfinance Bank, Warri. In this study, other sources of finance that available are considered and the extent to which entrepreneurship business are using them as well as the reasons behind the sources.

### **The Significance of the Research Study:**

Most of the enterprise business are not aware of the available sources of finance to them for usage; and some conditions need to be met before funds can be accessed by entrepreneurs; and some of them are illiterate. Thus, this study helps to bring out all the sources of funds available to enterprise business as well as the contributions of microfinance bank to them.

The study will bring out all the survival strategies in this recession period. This study will be useful to public and private enterprises, potential entrepreneur other developing countries, policy makers, and it close information gap and financial problem will be resolved.

### **Research Hypothesis:**

Entrepreneurs decision to approach microfinance banks for business loan is independent of their perception of their requirement with respect to collateral security, account record keeping, and the awareness of available sources.

This study has the below hypothesis:

- There is no collateral involved in obtaining microfinance bank loan by entrepreneurs.
- Enterprise business do not require feasibility study to obtain bank loan.
- Good book-keeping is not required to obtain loan from microfinance.
- Enterprise businesses are not aware of the available sources of funds for investment.

## **REVIEW OF LITERATURE:**

### **Introduction:**

We review literatures as it relates to the features of Microfinance, Entrepreneurship, Overview of Microfinance bank in Nigeria, the importance of Microfinance Banks in promoting Entrepreneurship business, challenges of microfinance banks and the relevance of Enterprise business.

### **The Features of Microfinance:**

Microfinance is a complex whole that resolves the problem of having loan credit by entrepreneurs who are not buoyant, or able to provide tangible assets for loan or to obtain loan, not having assets as a collateral security to obtain loan credit (Jamil, 2008).

It is the whole structures and processes involved in obtaining financial services and giving financial services to potential and existing entrepreneur with respect to sustainability. Of course, it is the provision of loans, savings and other financial services to the low income potential entrepreneurs. It is a practice based on sustainability, in giving financial services to low income entrepreneurs or potential entrepreneurs; thus, helping them to operate

micro, small, medium and large enterprise. The concept of micro, small, medium and large enterprise is found in the definition of Entrepreneurship business (Money, 2017).

Loan Credit to entrepreneurs be it micro, small, medium and large, are assumed important in the rural areas with respect to the need of the low-income entrepreneurs.

Olajide, (1980) is of the view that, access to formal loan credit is a major challenge facing the entrepreneurs because of the prevalence of delay in loan disbursement on the part of the financial institutions and beneficiary's defaults in payments. However, the purpose of microfinance is to extend loan credits to all beneficiaries, to promote entrepreneurship business and to boost the local financial markets that will provide sustainable access to financial services through the creation of beautiful relationship between those holding the financial resources and those that need the finances.

Loan credit in Nigeria has been recognised as an essential tool for the promotion of entrepreneurship business. As a result of this, government have instituted various policies to improve the local/rural entrepreneurs or enterprise production (Olaitan, 2006), (Olayemi, Iwaoye 2008).

### **Entrepreneurship:**

Entrepreneurship is the process of creating something new with value by devoting the necessary time and effort, assuring the accompanying financial psychic, social risks and receiving the resulting rewards of monetary and personal satisfaction and independence (Kola-Ere, 2015).

Entrepreneurship is again the process of running a business of one's own (Okoro & Ofishe, 2011). It is a common tool for wealth creation and economic enhancement, restricted to legal ventures. It is a complex whole which include micro, small, medium and large enterprise with respect to capital base and labour force (Money, 2016). (Anyanmu, 2008), is of the view that entrepreneurship in Nigeria characterised with: -little or no knowledge of bank assistance; fear and ignorance of having loans from microfinance bank; difficulties in obtaining loans from microfinance banks; and owner handles a whole lot of managerial functions.

### **Nigerian Microfinance Bank: An Overview:**

In Nigeria, we have two forms of microfinance banks, the microfinance banks licensed to operate as a unit, and licensed to operate in a state.

All licensed community banks in Nigeria that meet Central Bank guidelines are transformed to microfinance bank. Microfinance banks licensed to operate as a unit, are community banks licensed to operate branches, and or cash centers with respect to meeting the prescribed prudential requirements, and availability of free funds for opening branches or cash centers. The required minimum paid-up capital is twenty million naira per branch/centre. While the microfinancebanks licensed to operate in a state, operates in all part of the state at once without any recourse to gradually cover as in microfinance banks. When the prescribed prudential requirements and free funds are available, then branches are opened. One billion naira is the minimum paid-up capital.

It is interesting to note that over one thousand community banks have become microfinance banks to this date, and so many have been licensed to operate in the Country. (CBN, 2015).

Microfinance banks have the following roles in the promotion of entrepreneurship business:

- Credit delivery (Anyanwu, 2008)
- Boasting the enterprises
- Generating employment (Seltiz, 2006)
- Improvement in Skills Acquisition (www.African.com, 2006)
- Alleviating poverty (Ekhaton, 2001)
- Reorientation of the rural people: financial practices
- Reproductive health care
- Encouraging female child education

The challenges facing microfinance banks in Nigeria includes:

- The high cost of operation/the high operating cost
- The repayment problem of loan, (Akintola, 2008)
- Inadequate experienced credit staff
- The problem of illiteracy: Its effect on record keeping
- Non-monitoring or inadequate monitoring of enterprise business by banks.

It is interesting to know that enterprise businesses are the seedbeds for innovation and entrepreneurship and facilitate local raw material usage. They are resilient and flexible and can adopt unexpected change in the market. The individualized requirements of a variety of industrial institutional and business customers frequently called for fast execution.

The benefits of the enterprise business in Nigeria are:

- The stimulation of indigenous entrepreneurship
- The creation of greater employment per unit of capital investment, (Kocic, 2010)
- The development of local technology (Money, 2016)
- The mitigation of rural-urban migration
- The promotion of effective resources utilization
- It facilitates managerial training for all workers (Seltiz 2006)
- Producing intermediate product for other industries, (Money & Odibo, 2016)

## **METHODOLOGY:**

### **Introduction:**

This research work adopted the survey approach as it relates to entrepreneurship promotion and the contribution of microfinance banks. It is made of sample design, its sources of data collection. Percentages and t-test (Statistical inference) are used in this research study with respect to questionnaire distribution.

### **Sample Design and Data Collection:**

For convenience, use is made of non-probability sample design. A sample of (50) fifty enterprises in Warri, Delta State was selected and it includes: - Woodwork, Metal fabrication, Printing press, Service delivery, Cake and Baking. In this sample design, we considered the area of study – enterprises in Warri, the population of study – registered and unregistered enterprises in Warri, Delta State, Nigeria; sample size and techniques – fifty enterprise business; and based on interview method of questions and answers with Wetland Microfinance Bank in Warri. Consideration was given to twenty questions while three (3) questions were rejected. Data collection are based on two sources: - Primary and Secondary data.

## **DATA PRESENTATION, ANALYSIS AND INTERPRETATION:**

### **Introduction:**

In this research work, fifty questionnaires were issued to enterprise business in Warri, Delta State, Nigeria; of which, twenty-three (23) questionnaire were returned, standing at seventy two percent (72%). For the twenty-three respondents, three were rejected, as such twenty were used for analysis. Rejection was based on incomplete information.

### **Data Presentation and Analysis:**

**Table 1: Forms of Business Ownership**

<b>Forms</b>	<b>Respondents</b>	<b>Percentage (%)</b>
Sole trader	19	63.3
Partnership	6	20.0
Cooperative Group	NIL	NIL
Company	5	16.7
<b>Total</b>	<b>30</b>	<b>100.0</b>

**Source:** Survey Work (2017).

The table above shows sample of the forms of business as presented.

**Table 2: Number of Employees in The Firms**

<b>Employees</b>	<b>No of Firms</b>	<b>Percentage (%)</b>
0 – 5	10	33.3
6 – 10	8	26.7
11 – 15	5	16.7
16 – 20	2	6.7
Above 20	5	16.7
<b>Total</b>	<b>30</b>	<b>100.0</b>

**Source:** Survey Work (2017).

The table 2 above shows the employees in the firms as presented.



**Table 6: Why Entrepreneurs do not approach Bank for Loan**

Code	SA	A	D	DA	SDA	YES	NO	Total
1	5	9	1	2	1	14	3	17
2	1	11	2	4	NIL	12	4	16
3	1	4	5	7	1	5	8	13
4	Nil	7	2	8	1	7	9	16
5	Nil	8	4	4	2	8	6	14
6	2	12	3	1	Nil	14	1	15
7	1	5	3	9	Nil	6	9	15
8	Nil	Nil	8	5	5	Nil	10	10
9	Nil	Nil	4	7	7	Nil	14	14

Source: Survey Work (2017)

If nis the total number of firm i.e. observed

P is the proportion of the yes response

t is the table – the value of (n-1, 95) degree of freedom

n – L at 5% level of significance

S is 5%.

S is the standard deviation, U is the mean

t-Cal is the calculated test for t

**Table 7: Computation for “t-test Compared with the “t-test from the table.**

P	Q	$S = \sqrt{\frac{npq}{n}}$ $17 \times .75 \times .25 =$ $\frac{N_{2.4709}}{1.5719}$	$t_{cal} = \frac{pdf}{S = \sqrt{\frac{npq}{n}}}$ $\frac{8.235 -}{51.5719N_{17}}$	0.8481	DF	50% Level
.8255	1745				16	2.12
.75	.25	$16 \times .75 \times .25 =$ 1.73205	$\frac{75 -}{51.73205N_{16}}$	0.5774	15	2.131
.3846	.6154	$N_{13} \times .3846 \times .6154$ = 1.7541	$\frac{.3846 -}{51.5719N_{17}}$	0.2372	12	2.179
.4375	.5625	$N_{16} \times .4375 \times .5625$ = 1.7541	$\frac{4375 -}{51.7541N_{16}}$	-0.126	15	2.131
.5714	.4286	$N_{14} \times .5714 \times .4286$ = 1.8517	$\frac{5714 -}{51.8517N_{14}}$	0.1443	13	2.160
.9333	.0667	$N_{15} \times .9333 \times .0667$ = 0.9663	$\frac{9333 -}{50.9663N_{15}}$	1.7367	14	2.145
0.4	.6	$N_{15} \times 0.4 \times 0.6$ = 1.8974	$\frac{0.4 - .51}{1.8974N_{15}}$		14	2.145

Source: Money’s Computation(2017)

Table 7 shows the computed t-test compared with t-table as presented, it implies that all the null hypothesis is accepted because tcal is less than t-tab @ 5% level of significance. Thus, entrepreneur’s decisions to approach banks for loan is independent of their perception of banks requirement as indicated.

We therefore accept the null hypothesis because collateral, feasibility report, recordkeeping and non-awareness of process shows no significant difference at 5% level. To approach bank for loan is not depending on them.

**FINDINGS:**

In this research work, banks do not play any major role in making available initial capital, working capital cum capital for enterprise expansion. Interview reviews that advance payments and trade credits by customers make up huge sources of financing working capital. Available sources of finance to entrepreneurs are: Personal savings, loans from relatives and friends as well as retained earnings.

**CONCLUSION:**

Promoting entrepreneurship business in Nigeria, in this current recession, government should make available or consider the following:

- To continue programme of enlightenment to attract entrepreneurs to its technical services.
- To institute scheme for bank loans to entrepreneurs without collateral security through Central Bank or Nigerian Bank for Commerce and Industry.
- To review Nigeria Bank for Commerce and Industry policy with respect to credit, to ensure that nonviable project is not considered for lack of finance.
- To speed up the legal framework for bank participation in entrepreneurial business equity.
- Central bank of Nigeria to recognised microfinance as an important tool for poor alleviation through the entrepreneurs; be it micro, small, medium, and large. (Money, 2016). To promote entrepreneurship business in Nigeria, government need to support the programmes of microfinance bank with respect to their contributions. This is very necessary in this period of recession and after recession.

### RECOMMENDATION:

The contribution of microfinance banks cannot be overemphasized, as they should encourage the formation of cooperation's among entrepreneurs to reduce the likelihood for borrowers to default. There should be more establishment of microfinance banks in the communities, to promote entrepreneurial businesses.

This research work therefore, suggest the following:

- The banks should go into joint venture with the entrepreneurs. They should supervise the implementation of the projects to completion, where they have invested, to reduce default.
- Banks should relax the security requirements for credit facilities; they should accommodate some risks.
- Better flow of management information can replace collateral security. Management information system should be demanded by banks in place of collateral security.
- Entrepreneurs should avoid diversion of loans and meet up payments and as at when required.
- Entrepreneurs should show genuine demand for loan.
- Entrepreneurs should be sincere and truthful in their dealings.
- The banks should relax higher level of appraisal techniques and embrace simplest level appraisal methods for analysing enterprise business. (Money, 2917).

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