

# ASSESSMENT OF THE IMPACT OF MICROFINANCE ON ENTERPRENEURSHIP DEVELOPMENT IN KATSINA STATE

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## ABSTRACT

*This study assessed the impact of microfinance on entrepreneurship development in Katsina State, two research objectives, research question and hypotheses were formulated to guide the study. Descriptive survey was adopted in the study where questionnaire was used to obtain the needed data that assist the researchers to address the research problem, objectives, questions and hypothesis. A sample size of 261 people was chosen and determined using stratified and simple random sampling method. In The data analysis, Multiple Regression Analysis (MRA), and techniques in parametric statics (PPMC) were adopted to show impact, causal/relationship between microfinance and entrepreneurship Development. The result obtain from the finding revealed that there is significant impact of microfinance on entrepreneurship development in Katsina State and there is a significant relationship between level of access to credit facilities and business expansion in Katsina State. Based on the findings, it was recommended that In order to positively encourage the spirit of entrepreneurship among youth, government should strengthened microfinance to address the problem of financing and capital accumulation through increase in it is funding of financial institutions that provide lending to entrepreneurs; Government at all levels (federal, state, and local) should also introduce variety of intervention programs with a mandate of assisting entrepreneurs to overcome problem of capital and required finance for enterprise expansion; The monetary authority (CBN) in collaboration with some development partners should organize training for staff of micro finance institutions. And the institution on their own part should continue to train and retain their human capital, segment and build up in depth knowledge of the market, develop appropriate products and services for small enterprises.*

**Keywords:** Microfinance, Entrepreneurship Development, Small sand Medium Scale Enterprise.

## 1. Introduction

### 1.1 Background to the study

Small scale enterprise is very crucial to the development of a country's economy, especially countries like Nigeria. Entrepreneurship is a tool for national development, poverty eradication and employment generation. It is the bedrock of any nation's industrialization. A number of studies have been carried out on the impact of microfinance on entrepreneurship development in different parts of the world at different time. In fact, academic interest that shows the impact of

microfinance on entrepreneurial development is evidenced by the fact that some academic journals have devoted special attention to researches establishing this linkage.

Some scholars focused on the mechanism by which poverty is reduced. Amin, Rai, and Topa (2003) focus their article on the ability of microfinance to reach the poor and vulnerable. They focus their article in such a manner because of concerns that microfinance is only serving people slightly below or above the line of poverty, however the real poor and destitute are being

systematically excluded. By contrast, Copestake, Halotra and Johnson (2011) analyze the impact of microfinance on firms and individual wellbeing. Copestake et al focus on business performance and household income to establish a link between the availability of microfinance and overall wellbeing of the poor. Evans and Adams (1999) in Syed et al (2018) approach the microfinance question at a slightly different angle. According to Syed, Muzaffar, & Mina, (2018), Microfinance activities usually involve: small loans typically for working capital, informal appraisal of borrowers and investments; collateral substitutes, such as group guarantees and compulsory savings, Access to repeat and larger loans, based on repayment performance, and streamlined loan disbursement and monitoring. Microfinance has gained a universal consensus as an effective tool for alleviating poverty and wellbeing improvement (Ebimobowei, Sophia, & Wisdom, 2012).

The important role that microfinance played in entrepreneurship development made the Central Bank of Nigeria adopts it as the major source of financing entrepreneurship in the country. Despite this, however, finance is still considered as one of the major bottle neck that militates against entrepreneurship development in Nigeria (Ubom, 2003). While government and Non-Governmental Organisations (NGOs) have been engaging a number of programmes and policies to encourage entrepreneurship in the country, Nigeria is still on the list of the poorest countries in the world with unemployment level rising alarmingly (Akinbola, Ogunnaike, & Tijjani 2013).

According to Ikechukwu (2012), Most of the studies on impact of microfinance on entrepreneurship development that have been reported were carried out in industrialized countries. This means that there is a major gap in the relevant

literature on developing countries like Nigeria, which has to be covered by research. Consequently, this research attempts to fill this gap by studying the situation in Katsina State, Nigeria and providing more empirical evidence by making assessment of the extent to which microfinance has impact on entrepreneurial development in Nigeria.

## **1.2 Statement of the problem**

Entrepreneurship development plays a significant role in local and national economies, most especially in developing countries like Nigeria. However, small scale enterprises continue to decline at high rate due to insufficient access to credit facilities, insecurity, inability of the government to create business friendly environment, inadequate policy reform, conservatism, corruption and investment options that facilitate development of small scale enterprises, However, According to Aladejebi (2019), microfinance is unanimously agreed to be a tool that if efficiently utilise, it can proffers solutions to financial challenges that militate against entrepreneurship development.

Microfinance is the provision of financial services, particularly microcredit, to people who have been systematically excluded from accessing such services by the formal financial institutions (Consultative Group to Assist the poor (CGAP), 2012). The need for establishment of MFIs is to support the poor in order to proffer solution to their financial constraints, so that they can contribute a productive part of the society to make it sustainable (Oshitola, 2012). However, Taiwo, Onasanya, Agwu, and Benson (2016), Carried out a study on microfinance and concluded that owners of small business prefer their savings and cooperative societies credit instead of microfinance bank loans because of non-accessibility, exorbitant collaterals, and high interest rate. High interest requested by MFBs

has been observed to be the cause of default among the customers.

Moreover, the huge amounts of money the government has been investing on microfinance platform over the years have not yielded any meaningful result. According to Akinbola, Ogunnaike and Tijjani (2013), Poverty is a characteristic of Nigerian households/ individuals, and It has been realized in recent years that there are limits to which government can singly promote development. Most of the traditional functions being carried out by the government ranging from job creation to the provision of economic development are becoming increasingly difficult to accomplish. Nigeria as a nation has numerous developmental challenges because of maladministration, corruption, infrastructural decay, insecurity of lives and properties, unstable macroeconomic regime and unpredictable fiscal and monetary policies by successive administrations (Fasua 2006). Despite their significant contribution in employment creation, poverty reduction and proactive nature, growth of Small and Medium Scale Enterprises (SMEs), have been blighted, because of inadequate access to finance; high interest rate on loan, conservatism, lack of collateral security to access loan coupled with poor production schedules and poor marketing strategy of microfinance institutions (Andrew 2019).

Consequently, this study attempts to examine and assess the impact of microfinance on entrepreneurship development in Katsina State and the rationale for the growing emphasis on microfinance as accelerator of development.

### 1.3 Objectives of the study

The overall objective of the research is to assess the extent to which microfinance can impact entrepreneurial development in Katsina State. The specific objectives therefore are:

1. To determine the impact of microfinance on entrepreneurship development
2. To examine the relationship between level of access to credit facilities and business expansion

### 1.4 Research Question

From the research objectives stated above, the following research questions were formulated in order to give the research a sharp focus and to further guide the researcher in the study:

1. Does microfinance have any impact on entrepreneurship development?
2. Is there any relationship between level of access to credit facilities and business expansion?

### 1.5 Research Hypothesis

The hypotheses formulated for the purpose of the research problem are as follows in a null form;

**Ho1:** There is no significant impact of microfinance on entrepreneurship development in Katsina State.

**Ho2:** There is no any significant relationship between level of access to credit facilities and business expansion in Katsina State.

## 2. Literature Review

### 2.1 Conceptual views

Conceptual views cover the historical background of microfinance in Nigeria, microfinance and economic development, importance of microfinance, concept of entrepreneurship, its development overtime, the relationship between microfinance and entrepreneurship development, the impact of microfinance on entrepreneurship development, as well as the relationship between microfinance and business expansion

### 2.1.1. Microfinance in Nigeria

According to Ubom (2003), microfinance services have evolved to include non-financial services such as micro-insurance, payment services, social intermediation groups, training in financial literacy, and business management. According to the Central Bank of Nigeria (2005), Microfinance is about providing financial services to the poor, who mainly constitute the 65% excluded from access to financial services of conventional banks. Moreover, Imoisi, & Godstime, (2014), postulates that Microfinance refers to a collection of financial services, including credit, advance, money, and insurance cover, accessible by poverty-stricken industrialists and small commercial proprietors who have no security and wouldn't otherwise meet the requirements for an average bank loan.

According to Babajide (2011), the practice of microfinance is rooted in Nigerian culture. Long before Central Bank of Nigeria started the issue of microfinance banking, the informal Self-help Groups (SHGs) or Rotating Savings and Credit Association (ROSCAs) have been providing credit to the rural and urban low-income earners including SMEs. These informal groups are present in every part of Nigeria. The Federal government of Nigeria has initiated many programs and organization to reduce the poverty level in the country, to create employment, raise the level of inclusiveness of poor, rural people and micro and small business in financial services, especially banking. These government organizations include Family Economic Advancement Program (FEAP), Peoples Bank of Nigeria (PBN), Nigeria Agricultural Insurance Corporation (NAIC), The Community Banks (CBs), National Directorate of Employment (NDE) and Nigeria Agricultural and Co-operative Bank (NACB) (Imoisi & Godstime, 2014).

In 2005, the CBN commenced the process of reforms in the community banking sector. The latter resulted in the licensing of microfinance banks (MFBs) to replace community banks, with the goal of making MFBs more effective in granting credit to SMEs to develop the sector. Thus, private sector operators were statutorily empowered by the provisions of section 33 subsection (1) (b) of the CBN Act 7 of 2007 to operate MFBs in place of the community banks in Nigeria (CBN, 2008). Presently, there are three categories of microfinance banks (MFBs) in Nigeria, namely The Unit MFBs (Tier1 & 2); State MFBs and National MFBs. A Circular issued to all MFBs by CBN dated March 7, 2019, with reference number FPRD/DIR/GEN/CIR/07/024 titled the 'Review Of Minimum Capital Requirement For Microfinance Banks In Nigeria' the minimum capital requirement for the categories of microfinance banks have been revised as follows:

1. Tier 1 Unit Microfinance Bank  
N200,000,000 (Two Hundred Million Naira)
2. Tier 2 Unit Microfinance Bank  
N50,000,000 (Fifty Million Naira)
3. State Microfinance Bank  
N1,000,000,000 (One Billion Naira)
4. National Microfinance Bank  
N5,000,000,000 (Five Billion Naira)

To aid the process of recapitalization, all microfinance banks are required to comply with the following:

1. Tier 1 Unit Microfinance Banks shall meet a N100million capital threshold by April 2020 and N200 million by April 2021;
2. Tier 2 Unit Microfinance Banks shall meet a N35 million capital threshold by April 2020 and N50 million by April 2021; According to CBN Circular FPRD/DIR/GEN/CIR/07/024 there

are 902 MFBs in Nigeria with about 173 in Lagos State (CBN, 2019).

According to the Central Bank, assets of MFBs increased due to the rise in net loans and advances. The number of licensed MFBs stood at 875 as at end of June 2021, compared with 912 MFBs as at end of June 2020, following the licensing of six new MFBs, conversion of one National MFB to a regional commercial bank, and revocation of 42 MFB licenses. The 875 licensed MFBs comprised nine National MFBs, 132 State MFBs, and 734 Unit MFBs as at end of June 2021. Total assets of the MFBs rose by 91.6 per cent to N1,223.89 billion, from N638.67 billion at end of June 2020. Net loans and advances and balances with banks increased by 125.2 per cent and 103.5 per cent, to N739.00 billion and N171.81 billion, respectively, from N328.18 billion and N84.41 billion at the end-June 2020. The increase was due to the rise in long-term loans on-lending facilities, takings from Banks and deposits, and reclassification of CBN on-lending facilities to NIRSAL Microfinance into their balance sheet. The development was attributed to the CBN intervention funds channeled to the sub-sector through NIRSAL MFB as palliatives to cushion the effect of the COVID-19 pandemic on businesses and households. Investible funds available to the sub-sector in the review period amounted to N585.22 billion, compared with N160.04 billion at end-June 2020. The funds were sourced mainly from an increase in long-term loans (N336.25 billion), other liabilities (N143.38 billion), and deposits (N84.83 billion). The funds were, mainly, for loans and advances (N410.82 billion), placements (N46.39 billion), and balances with banks (N87.40 billion).

According to Ogbe (2015), the major objectives for the increase in capital and establishment of more Microfinance Institutions in Nigeria is to improve the socio-economic conditions of women,

especially those in the rural areas through the provision of loan assistance, skills acquisition, reproductive health care services, adult literacy and girl/child education, to build community capacity for wealth creation among enterprising poor people and to promote sustainable livelihood by strengthening rural responsive banking methodology and to eradicate poverty through the provision of microfinance and skill acquisition for income generation. However, Iganiga (2008) in Mujahid (2018) sums up the objectives of microfinance policy as to make financial service accessible to a large segment of the potentially productive Nigerian population which otherwise would have little or no access to financial services, to promote synergy and mainstreaming of the informal sub sector into the national financial system, to enhance service delivery by microfinance institutions to micro, small, and medium entrepreneurs, contribute to rural transformation and promote linkage programmes between universal/development banks: specialized institution and microfinance banks.

### **2.1.2. Services offered by Microfinance**

Generally, Microfinance is known as a provision of a wide range of financial services such as credit, insurance, savings, deposit, and payment services to poor and low-income households who are excluded from conventional financial services for lack of collateral together with non-financial services (Al-Shami, Majid, Abdul Rashid & Abdul Hamid, 2014; Gyimah & Boachie, 2018).

**Microloan:** Microloan is an important aspect of microfinance, and it has been described as the premise of microfinance institutions (Alhassan, Hoedofia & Braima, 2016). These are funds that are given to small enterprises or individuals business owners over a period of time. The terms microloan and microcredit are

used by SMEs to increase their working capital, which leads to an increase in turnover and growth in terms of profit, and size of the firm.

**Micro-savings:** Long before the advent of MFIs, individuals and small businesses have been engaged in daily, weekly, and monthly contributions referred to as "Esusu." Even many MFBs in Nigeria are still engaged in this micro savings, whereby the officers of the MFBs go out to collect contributions daily, weekly, and monthly from individuals and small businesses. Often banking products are developed for these micro savings. MFBs take care of the Micro savings needs of the small businesses in the informal markets and rural areas to help them save, invest, and grow their businesses (Gyimah & Boachie, 2018).

**Micro Insurance:** This is the insurance of the activities of the customers of microfinance banks (Oscar & Abor, 2013). Mathur (2012) defines micro insurance as a low-value product that requires different design and distribution schemes low premium that is based on community risk rate. Microfinance insurance involves life, health, property, and other valuable items of business (Gyimah & Boachie, 2018).

**Basic financial education:** MFBs provide educational training to small and medium entrepreneurs through efficient utilization of resources, inventory management, and record keeping. MFBs also trains their customers in many areas; accounting, marketing, writing of business plans, cooperation among customers of the same trade, the formation of cooperative societies. These are non-financial services provided by MFBs (Gyimah & Boachie, 2018). During educational training and workshops, MFBs recommend solutions to the challenges of business owners that could eventually help their businesses to grow (Sorpong-Danquah, Gyimah, Poku & Osei-poku, 2018).

### 2.1.3. The Clients of Microfinance

The microfinance clients are low income persons that do not have access to formal financial institutions. Microfinance clients are typically self-employed, often household-based entrepreneurs. In rural areas; they are usually small farmers and others who are engaged in small income-generating activities such as food processing and petty trade. In urban areas, microfinance activities are more diverse and include shopkeepers, service providers, artisans, street vendors, etc. Microfinance clients are poor and vulnerable non-poor who have a relatively stable source of income (Akingunola, 2013), Women constitute greater proportion of client base of most microfinance providers. There are number of explanations and opinions for this disproportionate representation of women in client base of most microfinance institutions. Many practitioners are of the opinion that female clients exhibit better credit discipline than their male counterparts therefore microfinance institution seek them, and also it is believed women could be easily intimidated to comply with repayment undertaking (Akingunola, 2013).

Experience shows that microfinance can help the poor to increase income, build viable businesses, and reduce their vulnerability to external shocks. It can also be a powerful instrument for self-empowerment by enabling the poor, especially women, to become economic agents of change (Adeyemi, 2008). By providing access to financial services, microfinance plays an important role in the fight against the many aspects of poverty (Adeyemi, 2008) in (Imoisi & Godstime, 2014). For instance, income generation from a business helps not only the expansion of the business activity but also contributes to household income and its attendant benefits on food security, children's education, etc. Moreover, for women, who in many contexts are secluded from

public space, transacting with formal institutions can also build confidence and empowerment.

Recent research has revealed the extent to which individuals around the poverty line are vulnerable to shocks such as illness of a wage earner, weather, theft, or other such events. These shocks produce a huge claim on the limited financial resources of the family unit and absent of effective financial services can drive a family so much deeper into poverty that it can take years to recover. Microfinance increasingly refers to a host of financial services savings, loans, insurance, and remittances from a broad of other products. It is hard to imagine that there would be any family in the world today for which some type of formal financial service could not be designed and made useful.

Microfinance serves best those who have identified an economic opportunity and who are in a position to capitalize on that opportunity if they are provided with a small amount of ready cash. Thus, those poor who work in stable or growing economies, who have demonstrated an ability to undertake the proposed activities in an entrepreneurial manner, and who have demonstrated a commitment to repay their debts (instead of feeling that the credit represent some form of social re-vindication), are the best candidates for microcredit.

#### **2.1.4. Entrepreneurship development**

To fully understand the concept of entrepreneurship development, understanding the concept of entrepreneurship is paramount if not necessary. UNDP (2010) defined entrepreneurship as the process of using private initiative to transform a business concept into a new venture or to grow and diversify an existing venture or enterprise with high growth potential. Entrepreneurs identify an innovation to seize an opportunity, mobilize money and management skills, and take calculated risks to open markets for new products, processes and services. It is

unanimously agreed that entrepreneurship is a derivative word from entrepreneur.

To Babajide (2011), entrepreneurship is the act of being an entrepreneur, which can be defined as "one who undertakes innovations, finances and displays business acumen in an effort to transform innovations into economic goods". This may result in new organizations or may be part of revitalizing mature organizations in response to a perceived opportunity. The most obvious form of entrepreneurship is that of starting new businesses (referred to as Start up Company); however, in recent years, the term has been extended to include social and political forms of entrepreneurial activity. When entrepreneurship is describing activities within a firm or large organization, it is referred to as intra-preneurship and may include corporate venturing, when large entities spin-off organizations. Garba (2010) asserted that the term entrepreneurship means different things to different people and with varying conceptual perspectives. He stated that despite of these differences, there are some common aspects such as risk taking, creativity, independence and rewards.

The concept of entrepreneurship has a wide range of meanings. It was first used in the early 18<sup>th</sup> century by an Irish man by name Recharad Cantillon who was then living in France. On the extreme, it is a term used broadly in connection within the innovation of modern industrial business leader, which describe an originator of a profitable business idea (Akanni, 2010). According to Joseph Scheumpeter, an Australian economist, the single function which constitute entrepreneurship concept is innovation, such as: new products, new production method, new market and new forms of organisation. Wealth is created when such innovation results in new demand. Entrepreneurship is therefore a process

which involves the creation of an innovative economic organisation for the purpose of gain or growth under condition of risk and uncertainty (Dollinger, 2001 quoted in Akanni, 2010).

Vanderwerf and Brush (1989 quoted in Akanni, 2010), after reviewing twenty-five definitions, concluded that entrepreneurship is a business activity consisting of some intersections of the following behaviours: creativity, innovation, general management, risk bearing and intention to realise high levels of growth. Therefore, entrepreneurship is a continuous process of creating something different that has value to the users. Abianga (2010) defined development as the actor process of growth, progress and improvement within a physical setting. Hornby (2006) similarly defined development as the gradual growth of something so that it becomes more advanced and stronger.

A worldwide consensus on the critical role of competitive markets and entrepreneurs in economic development has emerged in the last decade. In developing countries, the primary barrier to economic growth is often not so much with a scarcity of capital, labour or land, but it is the scarcity of both the dynamic entrepreneurs that can bring these together and the markets and mechanisms that can facilitate the min this task. Relating all the earlier three definitions of an entrepreneur, entrepreneurship and development, UNDP (2010) then defined entrepreneurship development as referring to the process of enhancing entrepreneurial skills and knowledge through structured training and institution-building programmes. According to UNDP, entrepreneurship development aims to enlarge the base of entrepreneurs in order to hasten the pace at which new ventures are created. This accelerates employment generation and economic development.

Entrepreneurship development focuses on the individual who wishes to start or expand a business. Furthermore, entrepreneurship development concentrates more on growth potential and innovation.

The Federal Government of Nigeria recognized the role entrepreneurship could play in jumpstarting the growth and development of the economy decided on two things in 2009, one, that entrepreneurship education should be made a general studies course for all undergraduates of the tertiary institutions. The second was that a centre for entrepreneurial development be established in each of the tertiary institutions where different skills would be taught. At the end of their programme of study, graduates of the tertiary institutions would be able to setup their own businesses with a view to contributing to the economy.

## **2.2. Theoretical framework**

### **2.2.1 Early Theories of Entrepreneurship**

Richard Cantillon (1680-1734) was the first of the major economic thinkers to define the entrepreneur as an agent who buys means of production at certain prices to combine them into a new product. He classified economic agents into landowners, hirelings, and entrepreneurs, and considered the entrepreneur as the most active among these three agents, connecting the producers with customers. Jean Baptise Say (1767-1832) improved Cantillon's definition by adding that the entrepreneur brings people together to build a productive item.

Frank Knight (1885-1972) first introduced the dimension of risk-taking as a central characteristic of entrepreneurship. He adopts the theory of early economists such as Richard Cantillon and J B Say, and adds the dimension of risk-taking. This theory considers uncertainty as a factor of production, and holds the main function of the entrepreneur as acting in anticipation of future events. The

entrepreneur earns profit as a reward for taking such risks.

Alfred Marshall in his Principles of Economics (1890) held land, labor, capital, and organization as the four factors of production, and considered entrepreneurship as the driving factor that brings these four factors together.

### 2.2.2. Economic Theories

Entrepreneurship and economic development are interdependent. Economic development takes place when a country's real national income increases overall period of time wherein the role of entrepreneurship is an integral part. Schumpeter's theory is a pioneering work of economic development. Development in his sense implies that carrying out of new combination of entrepreneurship is basically a creative activity. According to Schumpeter an entrepreneur is one who perceives the opportunities to innovate, i.e. to carry out new combinations or enterprise. In his views, the concept of new combination leading to innovation covers the introduction of new goods: that is the one with which consumers are not yet familiar, of a new quality, the introduction of new method of production, the opening of new market as well as the conquest of new source of supply of raw material and the carrying out of new organization

In view of the above, Schumpeterian theory of entrepreneurship has got the following features-

1. Distinction between invention and innovation Schumpeter makes a distinction between innovation and invention. Invention means creation of new things and innovation means application of new things onto practical use.
2. Emphasis on entrepreneurial function- Schumpeter has given emphasis on the role of entrepreneurial functions in economic development. In his

views, development means basic transformation of the economy that is brought about by entrepreneurial functions.

3. Presentation of disequilibrium situation through entrepreneurial activity-the entrepreneurial activity represents a disequilibrium situation, a dynamic phenomenon and a break from the routine or a circular flow or tendency towards equilibrium.
4. Entrepreneurialism dream and the will to found a private kingdom- the motives of creating things and applying these things into practice inspire the entrepreneur to undertake innovation.

Critical evaluation of Schumpeter's theory of innovation is criticized on the following grounds

- a. The theory has the scope of entrepreneurism in the sense that it has included the individual businessman along with the directors and managers of the company.
- b. Schumpeter's innovating entrepreneurs' enterprise with the R & D and innovative character. But developing countries lack these characters.
- c. the theory emphasizes on innovation and excludes the risk taking and organizing aspects
- d. Schumpeter remained silent about as to why some economics had more entrepreneurial talent than others. However, despite the above criticism, Schumpeterian theory is regarded as one of the best theories in the history of entrepreneurial development.

Following the theories, we deduce that for entrepreneurship development, the characteristics of a successful entrepreneur include: thorough

understanding of the industry, financial requirement for capitalization, technical know-how of factors of production, good leadership skills, foresight on demand and supply changes and the willingness to act on such risky foresights. Success of an entrepreneur however depends not on possession of these skills, but on the economic situations in which they attempt their endeavors. Many economists have modified Marshalls Theory to consider the entrepreneur as the factor production itself instead of the organization that coordinates other activities like institutions.

### 2.3. Review of Empirical Studies

Many studies are conducted on different aspects of microfinance and entrepreneurship in different countries using different methodology, but the results and findings are mostly contradicting and inconclusive to inform policy and decision. For example, Idowu, Ambali and Otunaiya (2008) empirically examined the effect of microfinance on piggery business in Osun State, Nigeria. The study employed descriptive statistics and Tobit regression techniques in a sample of three hundred and twenty (320) pig farmers from Osun State. The study found that majority of the pig farmers were still in their active age and they sourced for loan through cooperative society and have stocking of pens as primary motive. The Tobit result revealed that level of education, years of experience in piggery farming and number of pigs had significant positive effect on fund security.

Madole (2013) examined the impact of microfinance credit on the performance of SMEs in Tanzania. Qualitative research methodology was used and the study found that credit obtained from microfinance institutions in Morogoro have been able to improve businesses in term of; increased sales turnover, increased employees, increased business profit, increased business

diversification, increased business capital and assets, and poverty reduction among customers surveyed. The findings also indicate that collateral, age or experience of the SMEs owners, and, size of the firm influence the access of credit. The study concludes that bank loan from microcredit scheme plays a very crucial role to promote small business growth. Although some of the small businesses fail to repay bank loan due to various reasons such as grace period, moral hazard and high interest rate. It was recommended that microfinance institutions should increase credit and enhances participation in SMEs financing, in order to sustain the growth and maximal contribution to economic growth and development of the nation.

Waithanji (2014) investigated the effect of microfinance credit on the financial performance of small and medium enterprises in Kiambu county, Kenya. The study was conducted using survey design of 60 sampled SMEs. The study found that a direct relationship between access to credit and financial performance of the sample companies. The finding also reveals that the SMEs benefit from loans and financial assistance from the MFIs due to interest rate, easy loan repayment and amount offered. The study concludes the need to provide an enabling environment for SMEs to grow and thrive.

Joana (2016) answer the central question, can microcredit be considered as an entrepreneurial activity capable of creating innovative and value-added businesses rather than a self-employment movement with few effects on economic development. The study concludes that although microcredit does not nurture highly innovative businesses, it can in fact be considered as an entrepreneurial activity capable of creating value-added businesses that can have a role on job creation as well as in lessening of social exclusion, positively affecting economic development.

Murad, & Idewe, (2017), examined the impact of microfinance institution on economic growth of a country using Nigeria as a case study. The study employs the multiple regression analysis, given that the data are cross-sectional and time series in nature. Secondary data of all commercial banks were extracted from the Central Bank of Nigeria statistical Bulletin and Annual Reports. Data used in the model are time series secondary data for the period 1992 to 2012. Their findings revealed that microfinance loans have a significant positive impact on the short run economic performance in Nigeria, and that Microfinance loans enhanced consumption per capita in short run with an impressive coefficient. Moreover, they found that Microfinance investment has a significant impact on economic performance in Nigeria in the long run even though micro finance loans are relevant in growth process in Nigeria, other measures such as boosting agricultural production and taking appropriate steps to enhance per capita income are equally important in boosting the Nigerian economic growth. They recommend that, microfinance institutions should provide loan to improve consumption in the short run, while the long run goal should be to improve investment and other capital accumulation.

Sade (2018) assessed the problems and prospects of microfinance institutions on Micro and Small Enterprises (MSEs) development in North Western Nigeria. The study adopted descriptive statistics and survey of two hundred and eighty-four (284) micro enterprises and one hundred and ten (110) small enterprises were randomly selected using purposive sampling technique. The study found that microfinance and micro financing has the potential to enhance survival of Micro and Small Enterprises (MSEs) but not sufficient for growth and expansion of such Micro and Small Enterprises due

to low patronage and proper guidance on credit facility utilization.

Olufemi Aladejebi (2019) studied the impact microfinance on the growth of Small and Medium Enterprises (SMEs) in Lagos metropolis. The study adopted descriptive method and 209 owners of SMEs that had accounts with microfinance banks in Lagos metropolis were selected for data collection, the data of the collected was analyzed using the SPSS package, the outcome revealed that the savings among SMEs are encouraging because of higher interest rates compared to other banks and that majority of SMEs experienced financial growth using MFB products.

Mujahid (2019) study Small and Medium Scale Enterprises (SMEs) Financing, the project adopted correlation research design using secondary data for a period of 20 years (1999-2019). Autoregressive Integrated Moving Average (ARIMA) model was applied in the analysis, the study found that aggregate commercial banks financing of SMEs has significant positive impact on the economic growth and development of Nigeria. The study also found that Microfinance banks' financing in the area of transportation and commerce, manufacturing and food processing and other activities have significantly impacted on economic growth and development of Nigeria during the period. The paper concludes that SMEs financing could significantly improve entrepreneurship in Nigeria and the economic development in return.

Edafiaje (2021) conducted a study on the role of Microfinance Banks (MFBs) in small scale enterprises financing in Ozoro and Warri areas of Delta State by using descriptive statistics. The study found that Microfinance service, particularly, those sponsored by government, has resulted in an increased level of credit disbursement and gains in agricultural production and other activities. A similar study conducted by Onyeneke and Iruo (2022) in Imo state

on the effect of microfinance on small-scale poultry production, using descriptive statistics and regression analysis revealed that microfinance contributes positively to poultry production in Imo State.

**3. METHODOLOGY**

This research is a descriptive survey study conducted for the purpose of making descriptive assertions about some population on the impact of microfinance on entrepreneurship development in Katsina. Descriptive survey was adopted because a questionnaire was used to obtain the needed data that assist the researchers to address the research problem, objectives, questions and hypothesis. The study has a geographical coverage of selected entrepreneurs and microfinance banks in Katsina State, Nigeria. According to CBN, there are 21 microfinance banks in Katsina state as at June 2022, Katsina State has 34 local government areas, the potential scope being very broad, a sample size of 270

entrepreneurs who patronize at least one (1) of the twenty one (21) microfinance banks situated in the state were selected using stratified and simple random sampling based on the heterogeneous nature of entrepreneurs. Multiple Regression Analysis (MRA) method and techniques in parametric statics (PPMC) are used in the analysis of the data collected.

**3.1 Model Specification**

The model used in this research is developed by the researchers base on the literatures reviewed on microfinance and entrepreneurship development. In the model, Microfinance Financial Services (MFS), Microfinance Technical Support (MTS), Microfinance Basic Financial Education (MBFE), Microfinance Credit Facilities (MCF) and Business Expansion (BEXP) will be regressed on Entrepreneurship Development (ED); in order to explore the impact of the explanatory variables (MFS, MTS, MBFE, MCF and BEXP) on the explained variable. (ED).

Mathematically we can express the relationship in the following form:

$$(ED) = f (MFS, MTS, MBFE, MCF, BEXP) \text{ ----- (I)}$$

Hence,

$$ED = \beta_0 + \beta_1 MFS + \beta_2 MTS + \beta_3 MBFE + \beta_4 MCF + \beta_5 BEXP \text{ ----- (II)}$$

In econometric form, the model is transformed to:

$$ED = \beta_0 + \beta_1 MFS + \beta_2 MTS + \beta_3 MBFE + \beta_4 MCF + \beta_5 BEXP + \mu \text{ ---- (III)}$$

Where:

- ED = Entrepreneurship Development
- (MFS)= Microfinance Financial Services
- (MTS)= Microfinance Technical Support
- (MBFE)= Microfinance Basic Financial Education
- (MCF)= Microfinance Credit facilities
- (BEXP)= Business Expansion
- $\beta_0$  = intercept/constant
- $\beta_1, \beta_2, \beta_3, \beta_4$  and  $\beta_5$ , are the coefficients or slopes
- $\mu$  = stochastic or random error term

## 4. Data Analysis and Discussion

### 4.1 Impact of microfinance on entrepreneurship development

The data collected on the impact of microfinance on entrepreneurship development in Katsina state is presented in the Multiple Regression Analysis (MRA) tables below:

Variables	R-square	Coefficients (Beta-B)	F-values	Durbin-watson	Standard Error	Sign.
(Constant)	0.972	0.869	2.135	0.068	2.14259	0.004
MFS		3.114				
MTS		0.524				
MFS		0.472				
MBFE		0.344				
BEXP		0.330				
		0.107				

$$ED = 3.114 + 0.524\beta_1 + 0.472\beta_2 + 0.344\beta_3 + 0.330\beta_4 + 0.107\beta_5 + \mu$$

The above model shows that there is an increase of (3.114) in entrepreneurship development (ED) in Katsina state when the predictors Microfinance financial services (MFS), Microfinance Technical support (MTS), Microfinance credit (MFC), Microfinance Basic Financial Education (MBFE) and Business Expansion (BEXP) are held constant. And also, a unit change in  $\beta_1$  i.e. Microfinance Financial Services (MFS) will increase entrepreneurship development (ED) by (0.524) similarly, a unit change in  $\beta_2$  i.e. Microfinance Technical Support (MTS) will lead to an increase in entrepreneurship development (ED) by (0.472), a unit change in  $\beta_3$  i.e. Microfinance Basic Financial Education (MBFE) increase entrepreneurship development (ED) by (0.344), a unit change in  $\beta_4$  i.e. Microfinance Credit facilities (MCF) contributes to entrepreneurship development (ED) by (0.330) and a unit change in  $\beta_5$  i.e. Business Expansion (BEXP) increase entrepreneurship development (ED) by (0.107) respectively.

The overall impact of microfinance on entrepreneurship development revealed in the analysis ( $R^2=0.972$ ) that, the

predictors have explained about 97 % variation in the dependent variable (ED), and statistically, at 5% level ( $P < 0.05$ ) ( $0.000 < 0.05$ ), as such the model is fit, also the adjusted coefficient of determination gives 0.869 or 86%, meaning that the variation in the dependent variable (ED) is 86% attributable to the changes in the independent variable (Microfinance)

The calculated F-value (2.135) is greater than the critical value (1.000)  $P$  ( $F > 1.000$ ) and statistically significant at 5% level, meaning that Microfinance significantly impact entrepreneurship development in Katsina state, as such the null hypothesis that say There is no significant impact of microfinance on entrepreneurship development in Katsina State is rejected and we accept the alternative hypothesis. The standard error of the model estimates is (.0004), this implies that the overall regression and the relationship between microfinance and entrepreneurship development in Katsina State is significant. The Durbin-Watson is 0.68 which reveals that there are some degree of autocorrelation between entrepreneurship development and microfinance in Katsina State

## 4.2 Relationship between level of access to credit facility and business expansion

Correlations			
		Level of access to credit facilities	Business expansion
Level of access to credit facilities	Pearson Correlation	1	.911**
	Sig. (2-tailed)		.000
	N	261	261
Business Expansion	Pearson Correlation	.911**	1
	Sig. (2-tailed)	.000	
	N	261	261

\*\* . Correlation is significant at the 0.01 level (2-tailed).

The above analysis shows Pearson correlation coefficient of 0.911 @ 0.0001 significant values, this implies that there is a significant relationship between level of access to credit facilities by entrepreneurs and their business expansion, as such we rejected the null hypothesis that say there is no any significant relationship between level of access to credit facilities and business expansion in Katsina state and we accept the alternative hypothesis. Business expansion in this study is measured by increase in number of staffs, sales and profitability of the enterprise. It was discovered that entrepreneurs with higher access to credit facilities experience larger expansion in terms of increase in sales volume, productivity and profitability due to increase in their scale of operation that result from accessing credit facilities. This finding is in agreement with Akinbola and Ogunnaike (2013), who were of the view that micro credit facilities plays a major role in enhancing productivity, customer satisfaction, increase sales volume, profitability and overall expansion of business. This also corroborate Mujahid (2018), Who opined that micro credit facilities has the potential to innovate, accelerate, enrich and deepen skills, motivate and engage entrepreneurs to

efficiently expand their business to its full potential.

### 4.3 Summary of Major Findings

1. There is significant impact of microfinance on entrepreneurship development in Katsina State.
2. There is a significant relationship between level of access to credit facilities and business expansion in Katsina State.

### 5. Conclusion

This finding of this research shows that microfinance is a crucial tool for entrepreneurship development through the provision of financial services that includes credits, savings, insurance and payment services, provision of basic financial education and technical support to young entrepreneurs as well as placing resources in the hand of the poor who are economically active in the society. Microfinance has the potential to allow people who have been traditionally excluded from the financial system to have access to credit and escape from the vicious circle of exclusive interest rates, promote equal rights for women, helps to overcome some of the failings in the traditional banking system and provides a financial safety. However, Despite the significant contribution of microfinance in promoting entrepreneurship

development in Nigeria, it bedevils with so many challenges ranging from inadequate staff training to handle lending to small and medium enterprises, policy conflicts resulting from numerous alternative sources of credit with different interest rate, poor marketing strategies of microfinance institution, inability of borrowers to offer acceptable collateral for large loans which places a limit on their probable scale of operation and problems of illiteracy and conservative attitude of local entrepreneurs which affects record keeping and decision making ability of borrowers.

### 6. Recommendations

Based on the findings of this paper, the following recommendations were made:

1. In order to positively encourage the spirit of entrepreneurship among youth, government should strengthen microfinance to address the problem of financing and capital accumulation through increase in it is funding of financial institutions that provide lending to entrepreneurs,
2. Government at all levels (federal, state, and local) should also introduce variety of intervention programs with a mandate of assisting entrepreneurs to overcome problem of capital and required finance for enterprise expansion.
3. Microfinance institution should from time to time organize seminars and capacity building workshop training for their clients on loan usage, management and repayment to increase patronage of their services, reduce loan losses and poor utilization. The training should come in form of counseling, mentoring, and other form of support.

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