Entrepreneurship Development: The Place of Microcredit Delivery Scheme in Oyo State, Nigeria.

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Abstract
There is general consensus on the need to expand and strengthen microenterprises in Nigeria due to the potential they offer for social and economic growth and development. The development of this sector is largely hindered by its limited access to formal credit which has been a persistent criticism of the financial system around the world. This study examines the effectiveness of loan delivery by microfinance banks (MFBs) and cooperative thrift and credit societies (CTCSs) on the development of microenterprises in Oyo state. Survey design was adopted for the study which used five MFBs and five CTCSs from Oyo state to assess the relationship between their financial services and creation of microenterprises. Only 200 respondents (i.e. 100 clients of MFBs and 100 members of CTCSs) were randomly selected from the total population of 360 microentrepreneurs that initially identified through a preliminary survey. Two different sets of questionnaires were used to source information for the study; the first set solicited information from the micro entrepreneurs and the second set from the managers of the MFBs and CTCSs. The data collected were analyzed using descriptive statistics including percentage distributions, tables and charts. The result of the study showed that microcredit has a positive impact on the performance of microenterprise businesses and there is no significant difference between microentrepreneurs who use MFBs and CTCSs in terms of loans and advances. The paper recommended that microfinance institutions should design specific and adaptable packages for microentrepreneurs involved in microbusiness creation and also encourage solidarity groups' lending.

Keywords: Microcredit, Entrepreneurship development, Microenterprises, Microfinance banks, Cooperative societies and Group lending.

.Introduction

One of the few alternatives to rural-urban migration (with all its attendant problems) management is the promotion of micro-enterprises. The role of the Small Scale Enterprises (SSEs) as a catalyst for economic growth and development has been well documented in economic literature and recognized in most countries. For example, in many of the newly industrialized nations, more than 98 percent of all industrial enterprises belong to the SSEs sector and account for the bulk of the labour force. It enjoys a competitive advantage over large enterprises in servicing dispersed local markets (Sanusi, 2003).

Unfortunately, one major factor of production limiting the entrepreneurial ability of the people, especially the poor is finance, and this inhibits the attainment of development goals in less developed countries. Consequently, potential employment opportunities and household prospects for creating wealth and improving income are lost. Microcredit has been one framework adopted to address this problem. Its evolution reflects acknowledgement of credit market failures especially in the formal financial sector. There has been, therefore, a shift from the formal financial sector to microfinance which incorporates both savings and credit.

In cognisant of this fact, programmes of assistance, especially, in the areas of finance, extension and advisory services, as well as provision of infrastructure, have been designed by the Nigerian government at the Federal, State and Local Government levels for the development of the SSEs. Governments in Nigeria have in the last four decades shown much interest in ensuring adequate financing for SSEs, by establishing various schemes and specialized financial institutions to provide appropriate financing to this sub-sector of the economy.

The two broad sources of finance to the SSEs sector of the economy are formal and informal sources. The formal sources include Deposit Money Banks, MFBs and government loan agencies. While informal sources of finance comprise business owners' savings, ploughed back profit, friends, families, “aro”, “owe”, “esusu” (Siebel, 2006), money lenders, clubs such as CTCSs among others.

Currently, the involvement of the informal sector is quite pronounced in the area of microfinance programme (Ojo, 2007). The key features of informal microfinance schemes are savings and credit components, informality of operations and higher interest rates in relation to the formal banking sector (Majeha and Nwachukwu, 2008). Notwithstanding their high interest rates, groups like Rotating Savings and Credit Associations (RoSCAs) and CTCSs can help reduce costs, mobilize funds, improve monitoring and deploy informal-based enforcement mechanisms (Beatrice-Aghim and Morduch, 2005).

It has been rightly observed that access to financial services can be a first step in breaking the cycle of poverty. So, this makes microfinance an essential underpinning to the Millennium Development Goals (MDGs), as access to financial services acts as a buffer for sudden emergencies and enables the poor to build their own paths out of poverty. More so, SSEs are critical to the success of one of the

Millennium Development Goals (MDGs) of cutting global poverty by half by 2015 (Lemo, 2006).

In this paper a modest effort is made to x-ray the effectiveness of the microcredit delivery scheme of MFBs and CTCSs on microenterprises development in Oyo State, Nigeria.

Statement of the Problem

The major problem confronting the poor and microentrepreneurs is their inability to obtain finance from formal financial sources as banks because these microenterprises were considered to be risky ventures due to high transaction costs, low returns and lack of the provision of collateral. The uneven distribution of microfinance banks and other allied financial institutions across the country also poses a hindrance to financial accessibility by microenterprises as banks are more concentrated in some geopolitical zones than others which investors perceived to possess high business volume and profitability.

In Nigeria, efforts at serving the poor by microfinance institutions have been dogged by institutional weaknesses, maladapted oriented staff, low capacity base and expertise, operational challenges and loan defaults that have been the reduction of community banks from about 1,500 to less than 800 and the collapse of the Peoples Bank of Nigeria that ought to have replicated Grameen's experience (Ojo, 2007). Also, the impact of the few NGOs and community banks that have successfully metamorphosed into full-fledged MFBs is still low to have any meaningful impact on the poverty stricken economy as a whole (Ojo, 2007).

In addition, the impact of microfinance on microenterprises development has not received adequate research attention in Nigeria. This means that there is a major gap in the relevant literature which has to be covered by research. Given the sharp differences from studies on microcredit, this work will examine the role of microcredit on development of microenterprises.

Research Question

The following questions will form the basis of this investigation.

(a) What is the impact of MFBs and CTCSs microcredit scheme on microenterprises development in Oyo State?
(b) What are the factors inhibiting MBFs and CTCSs in financing microenterprises development in Oyo State?

The rest of this paper is organized as follows; Section 2 deals with literature review. Section 3 presents the methodology used in the study while section 4 contains analysis. Finally, section 5 spells out summary, conclusion and recommendations.

Literature Review

Conceptual Framework

Entrepreneurship has been defined in different ways by different researchers. Schumpeter (1935, 1939) defines entrepreneurship as the innovation in product, technology, market and in economic organizations. Also, Bygrave (2003) defines entrepreneurship as the creation of economic organisation, while Verstraete and Fayolle (2005) define entrepreneurship as the identification of a business opportunity, the creation of value, the creation of organisations and the innovation.

Furthermore, entrepreneurship is the dynamic process of creating incremental wealth. The wealth is created by individuals who assume the major risks in terms of equity, time and/or career commitment or provide value for some product or service. The product or service may or may not be new or unique, but value must somehow be infused by the entrepreneur by receiving and locating the necessary skill and resources (Hirsrich , Peters and Shepherd, 2008).

Many microenterprises highlight certain common problems: undercapitalization and low ability to command loan finance due to insufficient collateral, track records or financial expertise, lack of broad-based management skills, inadequate understanding of cash flow management and heavy dependence on local markets and a limited number of customers. But the latent capacity of the poor for entrepreneurship would be significantly enhanced through the provision of microfinance to enable them engage in economic activities and can be self-reliant, increase employment opportunities and create wealth (CBN, 2003).

Generally, microfinance refers to loans, savings opportunities, insurance, money transfers and other financial products targeted at the poor. Eluhaiwe (2005) opined that microfinance is the provision of thrift, credit and other financial services and products in very small amounts to the poor to enable them raise their income levels and improve their standard of living. Microfinance has also been defined as the provision of very small loans that are repaid within short periods of time and is essentially used by low income individuals and households who have few assets that can be used as collateral (Ukeje, 2005).

Microfinance, as defined by the Central Bank of Nigeria (CBN, 2005) is the provision of financial services to economically active poor and low-income households. These services include credit, savings, microleasing, microinsurance and payments transfer, to enable them engage in income generating activities. Ogunleye (2009) is of the opinion that microfinance is about providing financial services to the poor, who are traditionally not served by the conventional financial institutions. Littlefield and Hshemi (2003), in their opinion, identified microfinance as a critical factor with a strong impact on the Millennium Development Goals (MDGs) with one of the goals being poverty alleviation through microenterprises development.

The liberalization of the economy since the introduction of the structural adjustment programme in 1986 has tended to exacerbate financial problems of the microenterprises; loanable funds from government sources have dwindled considerably. The cost of borrowing has multiplied several folds irrespective of the scale of operation. Consequently, only a limited number of entrepreneurs are in a position to meet their financial requirements. These problems have led to the demise of many farmers, artisans and others with private initiative. (Ezema, 2007).

According to Muktar (2009), credit has been recognized as an essential tool for the promotion of small scale enterprise. Over the years, several traditional microfinance institutions such as self-help groups, esusu and RoSCAs have been in existence in Nigeria to provide credit to microentrepreneurs. However, they are only able to service a small proportion of these micro-entrepreneurs due to inadequate financial strength.

Besides, it has been identified that traditional financial institutions find serving the poor risky and expensive. The poor are often illiterate, have limited collateral and no official credit histories, and are often dispersed across the rural geography (Boros, Murray and Sisto, 2002). Moreover, they operate in the informal economy and start businesses that are often unregistered and untaxed (Castells & Portes, 1989; de Soto, 2000; Schneider, 2005; Portes & Haller, 2005; Webb, Tihanyi, Ireland, & Sirmon, 2009). This leads to agency and transaction cost problems that traditional banks have a hard time overcoming. Microfinance institutions were established to fill the gap created by the formal financial sector by improving the socio-economic condition of the poor and also their income generation activity.

In Nigeria, credit has been recognized as an essential tool for promoting micro-enterprises especially with about 70 per cent of the population engaged in the informal sector or in agricultural production. The Federal and State governments have recognized that for sustainable growth and development, the financial empowerment of the rural areas is vital, being the repository of the predominantly poor in society and in particular, micro-enterprises. If this growth strategy is adopted and latent entrepreneurship capabilities of this large segment of the people is sufficiently stimulated and sustained, then positive multipliers will be felt throughout the economy. To give effect to these aspirations, various policies have been instituted over time by the Federal Government to improve rural enterprise production capabilities (Olaitan, 2006).

The evidence from the literature also shows that adequate credit aids entrepreneurship performance (Peter, 2001; Gatewood et al., 2004 Kuzilwa, 2005). The result of such credit assistance to entrepreneurs is often seen as improved income, output, investment, employment and welfare of the entrepreneurs (Martins, 1991; Kuzilwa, 2005; Lakwo, 2007). In addition, it is evident that credit had a positive impact on the business performance in Kenya (Peter, 2001), income and well-being of women in Uganda (Lakwo, 2007), also credit and savings had positive impact on the performance of entrepreneurs in Nigeria (Ojo, 2009). Arising from the facts stated above, microcredit and its impact on the performance of entrepreneurs cannot be underestimated.

Theoretical Framework

The relevant theory to this study is innovation theory of trade cycle associated with Schumpeter. According to Schumpeter (1939), innovations in the structure of an economy are the source of economic fluctuations. Trade cycles are the outcomes of economic development in a capitalist society. Schumpeter's approach involves the development of his model into two stages. In this paper we are more concerned with the first stage which deals with the economic system in equilibrium with every factor fully employed. This equilibrium is characterized by Schumpeter as the “circular flow” which continues to repeat itself in the same manner year by year.

Schumpeter's model starts with the breaking up of the circular flow by an innova-

tion in the form of a new product by an entrepreneur for earning profit.
Schumpeter assigns the role of an innovator not to the capitalist but to an entrepreneur. The entrepreneur is not a man of ordinary ability but one who introduces something entirely new. He does not provide funds but directs their use. To perform his economic function, the entrepreneur requires two things; first the existence of technical knowledge in order to produce new products, and second, the power of disposal over the factors of production in the form of bank credit.

According to Schumpeter, a reservoir of untapped technical knowledge exists in a capitalist society which he can make use of. Therefore, credit is essential for breaking the circular flow. The innovation entrepreneur is financed by expansion of bank credit. Since investment in an innovation is risky, he must pay interest on it. With his newly acquired funds, the innovator starts bidding away resources from other industries. Money incomes increase and prices begin to rise thereby stimulating further investment.

Overall, the entrepreneur has been a fundamental agent in most production, distribution and growth theories (Sanyang and Huang, 2010). Even, Hermert (2008) submits that over time, different economic theories have supported the idea that entrepreneurship and innovation are essential for spurring economic growth. This is also supported by the current theories on microfinance which postulate that microfinance structures are essential for development which is based on three basic assumptions: one is that poor populations possess the capacity to implement income generating activities. Two is the idea that poor people, given access to capital and guided properly, are in a position to implement and manage income-generating business enterprises. Three is that once the financial systems are established, the poor people are able to use it (the financial tools) for productive purposes and progressively incorporate themselves into the financial milieu, repaying the loans, and accumulating savings for the promotion of enterprises.

Empirical Review

A number of studies have been carried out on the impact of the microcredit delivery scheme on entrepreneurial development and with mixed results. Bolnick and Nelson (1990) find that microfinance institutions' assistance to enterprises had a positive impact on enterprises that were typically small, labour intensive and growing, despite the fact that the impact was not uniform across the samples and target variables.

In their own study, Copestake, Halotra and Johnson (2001) analyze the impact of microfinance on firms and individual wellbeing. The study focused on business performance and household income to establish a link between the availability of microfinance and the overall wellbeing of the poor. Copestake et al. find that borrowers who were able to obtain two loans experienced high growth in profits realized by their microenterprises and in household income compared to a control sample.

Also, Sharmina et al. (2008) carried out a study on a multivariate model of micro credit and rural women entrepreneurship development in Bangladesh to identify the factors related to the development of entrepreneurship among rural women borrowers through microcredit programmes. A multivariate analysis technique like factor analysis was conducted to identify the entrepreneurship development-related factors, while structural equation modelling was used to develop a model of micro credit program and the development of rural women entrepreneurship in Bangladesh. The results of their study showed that the financial management skills and group identity of the women borrowers have significant relationship with the development of rural women entrepreneurship in Bangladesh. However, it is perceived that microcredit programmes help rural women borrowers to survive only and do not help them to develop entrepreneurial capabilities.

In addition, Ojo (2009) investigates the impact of microfinance on entrepreneurial development. Three different hypotheses were formulated and tested using various statistical tools such as chi-square test, analysis of variance and simple regression analysis. The study reveals that (i) there is a significant difference in the number of entrepreneurs who use microfinance institutions and those who do not use them; (ii) there is a significant effect of microfinance institutions activities in predicting entrepreneurial productivity; and (iii) that there is no significant effect of microfinance institutions activities in predicting entrepreneurial development. The researcher concludes that the microfinance institutions and their activities go a long way in the determination of the pattern and level of economic activities and development in the Nigerian economy.

Furthermore, Messomo Elle (2010) examines the role of microfinance institutions on creation and expansion of microenterprises in Cameroon using the Schumpeter model and the Verstraete and Fayolle (2005) model of definitions of entrepreneurship. The results of the study show that microfinance institutions that boost entrepreneurship in Cameroon prefer to finance expansion than creation and also prefer to supply lending, savings and money transfer services than microinsurance and training services to microentrepreneurs.

Idolor and Imhanlahimi (2011) took a critical look at the access and impact of microfinance banks on the entrepreneurial and economically-active rural poor in Nigeria using Edo State as a case study. The result from their field survey indicated that there was very minimal impact of micro finance banks on the livelihood of entrepreneurial and economically-active rural poor.

Kounouwewa and Chao (2011) added a perspective by conducting a survey on financing constraint determinants in 16 African countries including Nigeria. The results indicate that the sizes of firm and ownership structures are factors responsible for small and medium enterprises growth. These factors also limit their access to capital and consequently financial constraints. They conclude that there must be efficient financial institutions to tackle problems of financing constraints in entrepreneurship and MSMEs.

Akande (2012) examines the impact of Microcredit on the performance of women-owned microenterprises in Oyo state. The result showed that there was little significant effect of microcredit on the performance of women micro enterprises in Oyo state due to high interest rates and short repayment periods.

Aribaba (2012) also carried out a study on the effect of funds provided by Cooperative Thrift and Credit Societies (CTCS) on the performance of small-scale businesses in Nigeria. The result of the study showed that CTCS funding has affected positively the performance of small-scale businesses.

Kanayo; Jumare and Nancy (2013) investigated why many entrepreneurs in Nigeria cannot access loans given the high levels of poverty. The paper argues that microenterprise finance cannot be financially viable because small loans are too costly to administer and the profits from such lending too meager to permit profitability. Based on content analysis of available literature, it is found that microfinance institutions are not effective in the delivery of microcredits in Nigeria due to poor loan quality, default in loan repayment, high transaction costs, widespread delinquency, and management deficiencies. Given these challenges, the study recommends that microfinance institutions should add savings services to their operations and other measures as practised in places like Indonesia and Bangladesh. These will enable microfinance institutions to be self-sustaining and to increase outreach.

The contribution of microfinance institutions on entrepreneurship development in Tanzania was also examined by Kushoka (2013). The study employed both descriptive and explanatory approaches to seek answers to the research question. The study reveals that there is an increase in the number of employees and amount of working capital of entrepreneurs after using the services of Microfinance Institutions (MFIs).

There are serious disagreements among experts on the validity of methodologies used in some of the published studies. Added to this is the fact that many people, especially the poorest of the poor, are usually not in a position to undertake an economic activity, partly because they lack business skills and even the motivation for business. In spite of this emphasis, current research did not provide sufficient justification for the link between Microfinance Institutions (MFIs) and development of microenterprises and besides, the empirical evidences emerging from various studies about the effect of microfinance on entrepreneurship development have so far yielded mixed results that are inconclusive and contradictory. Thus, the question of whether Microfinance Institutions improve or worsen entrepreneurial development is still worthy of further research such as the one being undertaken in this study.

Methodology

This research examines the effect of microfinance supplied by MFIs and CTCS on microenterprise development in Oyo state. In this research, microentrepreneurs are defined as owners of very small units of production operating in the informal sector. The assessment of lending and savings services are done by measuring the provision of the loan and the savings services to micro entrepreneurs, the minimum amount of loans that is granted to microentrepreneurs, the minimum deposit amount that is required from micro entrepreneurs in order to get loans, the waiting time required by microfinance institutions before providing loans to microentrepreneurs. The expansion of microenterprises by microentrepreneurs is related to existing microentrepreneurs and is defined in this research as microenterprise value creation, microenterprise opportunity identification and microenterprise innovation. The creation of microenterprises by microentrepreneurs is defined in this research as business organization creation by microentrepreneurs.

In this study survey research design was adopted. The study used five MFBs and five CTCSs from Oyo state to assess the relationship between their services and creation of microenterprises. Only 200 respondents were randomly selected from the total population of 360 entrepreneurs who were initially identified through a preliminary survey. The research made use of both primary and secondary sources to collect data. For the primary source, a structured questionnaire was used to elicit the data from respondents.

There were two different sets of questionnaires; the first set solicited information from the entrepreneurs and the second set from the managers of the MFBs and CTCSs in Oyo State. The instrument elicited information on the socio-demographic background of the MFBs, CTCSs and small-scale entrepreneurs, the sources of funds to MFBs and CTCS, sources of finance available to microenterprises, effect of MFBs and CTCSs loans on microenterprises performance, problems encountered by the MFBs and CTCS in financing microenterprises, and the specific problems facing microenterprises in getting the needed funding from the MFBs and CTCS. The secondary sources used included the records of some of the micro-enterprises under study as well as related literature. The data collected were analyzed using descriptive statistics including percentage distributions, tables and charts.

The five MFIs' and five CTCSs' names have been codified for reasons of confidentiality. Thus, the new names of the microfinance institutions are MFI 1, MFI 2, MFI 3, MFI 4 and MFI 5 while for cooperative thrift and credit societies are CTCS 1, CTCS 2, CTCS 3, CTCS 4, and CTCS 5.

Analysis

Oyo State, with a population of over 5.5 million has 42 MFBs and many CTCSs. The state is basically poor in terms of the living standard of the people and business activities. The income distribution is highly skewed and rural households in particular are very poor. The five microfinance institutions (MFIs) and five cooperative societies (CTCS) used in the study were grouped by their lending technology and geographic market niche.

In lending technology, MFIs lend to groups and few individuals, while CTCS lend both to groups and individuals depending on their demands. In geographical market niche, MFIs are mostly urban while CTCS are both urban and rural depending on the membership spread. Most of the MFIs lending are towards urban groups and individuals while CTCS directs majority of their lending to rural groups and individuals. The five MFIs have some traits in common because they work in niches untouched by traditional banks. All five grant small loans to first-time borrowers and make bigger loans to repeat borrowers. They also charge high prices, and keep arrears and loan losses low with various mixes of screening, monitoring, and contract-enforcement. In addition they have received free technical assistance and low-priced loans from donors (NGOs), but they also made progress toward sustainability. Compared with CTCS all five have uncommon outreach and sustainability, but they charged low prices and provide flexible loans to borrowers. Majority of them do not receive any assistance from donors (NGOs). In a nutshell, the CTCS are flexible in their loans disbursement and have wider outreach than the MFIs.

Data Presentation and Analysis

Analysis of the Performance of MFIs in funding microenterprises

Table 1: Awareness of MFB microcredit scheme by microenterprises

Responses	Frequency	Percentage
Aware	39	39%
Not Aware	61	61%
Total	100	100%

Source: (Author's field survey 2013)

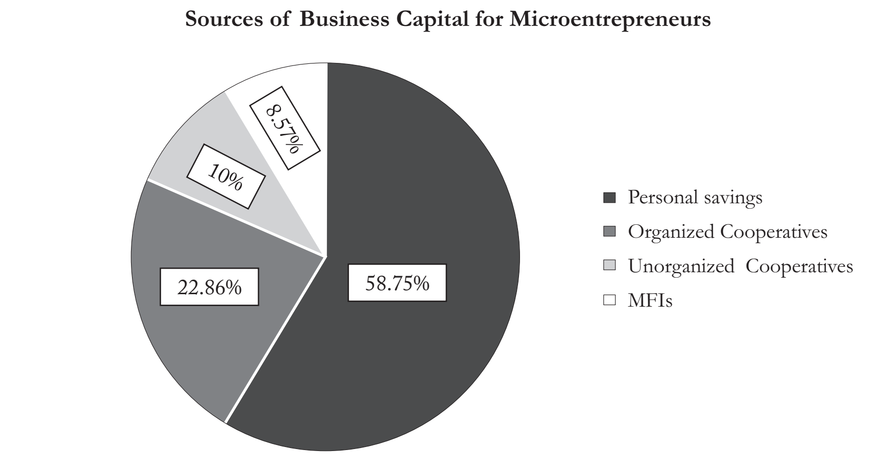
From the table above 39% were aware of the MFI micro credit scheme while 61% were not. It follows, therefore, that most of the entrepreneurs were not aware of the facility with the MFIs. This might not be unconnected with the fact that many of them are used to the contribution methods of sourcing for funds as well as the use of Cooperative societies.

Table 2: Factors influencing Micro-finance banks financing of micro-enterprise

Factors	Yes	No
Applicant's gender	-	No
Profitability of business	Yes	-
Repayment ability	Yes	-
Preference for micro-enterprises	Yes	-
Formal registration of business	-	No
Collateral/guarantor	-	No
Age of business	-	No

Source: Author's field survey (2013)

In table 2 above, the factors influencing microfinance banks' financing of microenterprises were analyzed/displayed. The microfinance banks were influenced by factors such as profitability of the business, repayment abilities and preference for microenterprises. The microfinance banks were willing to help the microentrepreneurs unlike the commercial banks that may not respond to applications for loans to finance them. Moreover, the microfinance banks do not make applicants' gender, formal registration of business, provision of collateral and age of business important factors in deciding on a loan application. This makes it easier for microentrepreneurs, especially those who have been marginalized, to source their business finance from microfinance banks. This will go a long way in helping the entrepreneurs and also improve their performances.



Source: Author's field survey (2013)

The exploded pie chart above revealed that a large (58.57%) amount of business capital of most entrepreneurs came from personal savings, followed by the ones sourced from organized cooperatives (22.86%) and (10%) sourced from unorganized cooperatives while only a small amount (8.57%) came from Microfinance Banks. This might not be unconnected to their ignorance of the existence of the microcredit scheme of the MFIs and high interest rate charged by MFIs.

Table 3: Minimum loan amounts for microenterprise creation and expansion provided by MFI in Nigeria

Microfinance Institutions (MFI)	Minimum loan amount for microenterprise creation	Minimum loan amount for microenterprise expansion
MFI 1	> N35,000	> N210,000
MFI 2	> N25,000	> N60,000
MFI 3	> N110,000	> N110,000
MFI 4	> N60,000	> N110,000
MFI 5	> N110,000	> N110,000

Source: Author (2013), from MFI brochures and field studies

Table 3 presents the minimum loan provided to microentrepreneurs by microfinance institutions in the sample studied. The loans are of two types; loans for creation of microbusiness units and loans for expansion of microbusiness units. Loans for creation range between more than N25, 000 and more than N110, 000. Loans for expansion range between more than N60, 000 and more than N210, 000. All the five microfinance institutions studied provide loan services for creation and expansion.

Table 4 below shows the minimum deposit amount and time required by microfinance institutions to provide loans to microentrepreneurs either for creation or expansion. The minimum deposit amount required from microentrepreneurs by microfinance institutions studied to get a loan for creation ranges between N25000 and N110,000; and the time required by microfinance institutions to get that loan is between 3 and 6 months. As for the expansion the minimum deposit ranges between N60,000 and N210,000 and the time required by microfinance institutions to get that loan is between 3 and 6 months.

Table 4: Minimum deposit amount and time required to get loan for microenterprise creation and expansion

(MFI)	Minimum deposit amount required for microenterprise loan creation	Minimum time required for microenterprise loan creation granting	Minimum deposit amount required for microenterprise loan expansion	Minimum time required for microenterprise loan expansion granting
MFI 1	N30,000	3 months	N210,000	6 months
MFI 2	N25,000	3 months	N60,000	3 months
MFI 3	N110,000	6 months	N110,000	6 months
MFI 4	N60,000	6 months	N110,000	3 months
MFI 5	N110,000	3 months	N110,000	3 months

Source: Author (2013), from MFI brochures and field studies

Table 5 below presents other microfinance services provided by microfinance institutions to microentrepreneurs. From table 5, it is seen that only two microfinance institutions over five do provide microinsurance to microentrepreneurs. The microinsurance policies provided to microentrepreneurs are against credit default, disability and death. In respect of money transfer services to microentrepreneurs, the service is highly provided to microentrepreneurs. All the five microfinance institutions in the sample provide that service to microentrepreneurs. This service is provided to microentrepreneurs only within the country. Lower amounts are charged higher rates while higher amounts are charged smaller rates.

Microfinance institutions also provide training services to microentrepreneurs. Only one microfinance institution studied provides that service to microentrepreneurs. The types of training service provided to micro entrepreneurs are business management, funds management, computer skills management, project evaluation and market feasibility studies. The training charges are embodied in the loan amount granted to microentrepreneurs by microfinance institution.

Table 5: Other microfinance services provided to microenterprises by MFI

(MFI)	Micro-insurance Provision	Types of Micro-insurance provided	Method of payment of the micro-insurance	Money transfer Service provision	Types of money transfer services	Method of payment of the money transfer service	Training service provision	Types of training service	Method of payment of the training service
MFI 1				Yes	Within Nigeria	Fee charges depending on the amount			
MFI 2	Yes	Credit default, disability through sickness, death	Premium paid on the amount of the loan provided Opening of specific fixed Savings Accounts	Yes	Within Nigeria	Fee charges depending on the amount			
MFI 3				Yes	Within Nigeria	Fee charges depending on the amount	Yes	Business Manage-ment, Funds Manage-ment	Training fees are embod ied in the loan granted
MFI 4				Yes	Within Nigeria	Fee charges depending on the amount			
MFI 5	Yes	Credit default	Premium paid on the amount of the loan provided	Yes	Within Nigeria	Fee charges depending on the amount			

Source: Author (2013), from MFI brochures and field studies

Microfinance institutions at times do lend large amounts to microenterprises but to lend such an amount, microfinance institutions required from microentrepreneurs high liquid collaterals. Such collaterals are mostly savings of microentrepreneurs. The savings amount required for a particular loan is generally at least two-quarter of the lending amount (Camilleri, 2005). This explains then why in table 3, in relation to table 4, the minimum loan amounts are greater than the minimum savings amounts.

In addition, the account must have been opened for a period of at least three months in order for the microfinance institutions to know the microentrepreneur to whom the loan is granted. So they need a time to collect information on the borrower-microentrepreneurs. This contributes to reduce the asymmetric information between the microentrepreneur and the microfinance institution. It also contributes to reduce the rate of credit default faced by microfinance institutions related to microentrepreneur lending. This supports Armendariz de

Aghion and Morduch's (2005) assertion that credit risk results from moral hazard ex-ante and ex-post of microentrepreneurs.

Also, microfinance institutions are reluctant to provide loans to microentrepreneurs for creation or when they do so, they will ration the amount granted in size. This helps microfinance institutions to minimize the effect of credit risk default on the microfinance institution financial sustainability. This also explains why the size of the minimum loan granted to micro entrepreneurs for creation is lower than the size of the minimum loan granted for expansion in table 3. When the unit of production already exists, the microfinance institutions are more ready to provide funds to microentrepreneurs because the risk associated to existing units is lower than the risk associated to potential units of production.

According to Ledgerwood (1998), the loan granted to micro entrepreneurs is to enable them to acquire new assets or mostly new equipment to run their business efficiently on a day-to-day basis. These new assets acquired produce operating leverage effects on the microenterprise production. The operating leverage effect reduces the cost per unit of production. This helps microentrepreneurs to increase their value and carry out innovation in terms of product, market, process and in terms of the microenterprise business organization by restructuring the microenterprise in relation to growth and expansion of the microenterprise. This expansion and growth will go also with new business opportunity identifications.

Table 5 shows that few microfinance institutions provide micro insurance service to microentrepreneurs. The reasons are firstly, the microfinance institutions in Nigeria do not yet master adequately the technology of microinsurance; secondly, the cost associated to the provision of microinsurance to microentrepreneurs is very high for both the microentrepreneur and the microfinance institution. This then justifies why only two microfinance institutions in table 5 supply microinsurance service to microentrepreneurs and why microfinance institutions limit themselves mostly to the management of the microcredit granted to microentrepreneurs. Microfinance institutions use more of the traditional approach of supply of microinsurance to microentrepreneurs by requesting them to open specific savings accounts against the unexpected that can generate microcredit default granted by microfinance institutions. These specific accounts are accounts against sickness, disability, death.

In practice, out of lending and savings services and money transfer service generates high revenues to microfinance institutions in Nigeria. This reflects the general dis-position of all microfinance institutions in providing money transfer service to microentrepreneurs. The microentrepreneurs make use of the money transfer service locally to effect their business operations or to generate finances. Training service is not highly provided by microfinance institutions to microentrepreneurs because of the cost it generates to microfinance institutions in the provision of such a service. To provide training to microentrepreneurs, microfinance institutions must hire human resources from a specialized training unit or firm which will affect their financial sustainability. This explains then why only one microfinance institution provides training to microentrepreneurs in table 5.

Analysis of the Performance of CTCS in funding micro enterprises

The analysis of the performance of the CTCS in funding microenterprises is hinged on these broad areas: (1) Effectiveness of the loans; (2) Adequacy of the loans in meeting the needs of the micro entrepreneurs; (3) loan recovery; (4) speed at which loans are obtained; and (5) loan monitoring by the CTCS.

The analysis in table (6a) below showed that majority (48%) of the respondents believed the CTCS has performed effectively well in its duties of financing members' businesses; while 36 (36%) said the CTCS has performed effectively, 7(7%) of the respondent believed that the CTCS has performed averagely in the funding of the microenterprises.

Table 6a: Performance of the CTCS in funding microenterprises

Parameter	Frequency	Valid Percentage
Effectiveness:		
Not effectiveness	1	1
Effective	2	2
Averagely Effective	7	7
Very effectively	36	36
Strongly effective	48	48
No Response	6	6
Total	100	100

Source: Field Survey, 2013

Table (6b) below explained the adequacy of the loan granted by the CTCS to meeting the needs of the microentrepreneurs; opinion differs on the adequacy. Majority of the respondents (47%) said the loan granted were very adequate, while (30%) just said it was adequate. Eight (8%) averagely believed on the adequacy of the loans in meeting the needs of entrepreneurs. Six (6%) of the respondents said it has little effect, while there was no response on whether the loans were not adequate.

Table 6b: Performance of the CTCS in funding microenterprises

Parameter	Frequency	Valid Percentage
Adequacy:		
Not adequate	-	-
Low	6	6
Average	8	8
Adequate	30	30
Very adequate	47	47
No Response	8	8
Total	100	100

Source: Field Survey, 2013

In table (6c) below many of the respondents (52 %) said the CTCS are very effective in loan recovery, while 33% believed the CTCS has performed averagely in funding microenterprises. Nine (9%) of the respondents reported that the CTCS are not effective in loan recovery, while 5% believed that they are slightly effective.

Table 6c: Performance of the CTCS in funding microenterprises

Parameter	Frequency	Valid Percentage
Loan Recovery:		
Not effective	9	9
Effective	5	5
Average Effective	33	33
Very Effective	52	52
No Response	1	1
Total	100	100

Source: Field Survey, 2013

Table (6d) below explained the speed in obtaining loans from the CTCS, majority 51 (51%) of the respondents opined that CTCS has been effective, while 24% said they have been highly effective in speed of giving loans. Sixteen (16%) of the respondents rated the CTCS averagely in loan disbursement, 6% said they were grossly ineffective, while three (3%) of the respondents said the CTCS has been ineffective in its disbursement of loans.

Table 6d: Performance of the CTCS in funding microenterprises

Parameter	Frequency	Valid Percentage
Speed of obtaining Loans:		
Grossly ineffective	6	6
Ineffective	3	3
Average effective	16	16
Effective	51	51
Highly effective	24	24
Total	100	100

Source: Field Survey, 2013

Table 7: Descriptive Analysis of the Performance of the CTCS in funding microenterprises

Parameter	N	Mean
Rate of the effectiveness of the CTCS	93	3.2974
Rate of the adequacy of the CTCS	88	3.1158
Rate of the society in recovery loan granted	16	3.1248
Rate of the speed in which loan can be observed from CTCS	95	3.0945
How effectively does your CTCS monitor loans	94	2.8994

Source: Field Survey, 2013

In table (7) above the result of the descriptive analysis on the performance of the CTCS in funding microenterprises showed that all the parameters (effectiveness of the CTCS, adequacy of the CTCS, loan Recovery and speed in obtaining loans) except one (monitoring of loans) showed an average performance of the CTCS with a mean of 3.2974, 3.1158, 3.1248 and 3.0945 respectively, while the monitoring of loans by the CTCS was rated below average with a mean value of 2.8994. The above analysis has showed that the CTCS has performed creditably well in the funding of entrepreneurs' businesses. This is very good for the micro enterprise sector of the economy because CTCS is more accessible for loan/funding that will further develop the microenterprise sub-sector.

In table 8 below, inadequate fund and poor loan recovery were identified as lending constraining factors of the CTCS in financing microenterprises. Other constraints include: poor economic down turn, bad leadership, misappropriation of capital, poor accounting system, poor state of infrastructure, and business wound-up, favoritism and high demand for loan.

Table 8: Problems of the CTCS in financing microenterprises

Parameter	Frequency	Valid Percentage
Inadequate fund	70	64.3
Bad leadership	15	14.75
Poor loan recovery	52	48.99
Misappropriation of microenterprises capital	12	10.21
Economic downturn	25	23.00
Poor state of infrastructure	4	3.98
Closure of microenterprises	3	3.00
Favoritism in loan abasement	3	3.00
Poor accountancy system	8	7.15
Demand for loans is much	3	3.00

Source: Field Survey, 2013

Summary, Conclusions and Recommendations.

Summary and Conclusions

The study examined the effectiveness of microfinance provided by microfinance institutions and cooperative thrift and credit societies on microenterprises development in Oyo State, Nigeria. The study found that most microfinance institutions are charging higher interest rates while some are still reluctant to finance microenterprise creation. Also, they focus their services on expansion-oriented microenterprises as opposed to start-up microenterprise. Also, they focus their services on expansion-oriented microenterprises as opposed to start-up microenterprise.

The study revealed that majority of the respondents (50%) believed the CTCS has performed effectively well in its duties of financing members businesses. The results also showed that the CTCS are very effective (52%) in its loan recovery (see Table 6c). In terms of the performance of the CTCS in funding microenterprises it showed average performance on: effectiveness, adequacy, loan recovery and speed in obtaining loans with a mean of 3.2974, 3.1158, 3.1248 and 3.0945 respectively (see Table 7). The findings on the problems faced by the CTCS in financing business of members showed that the major (48.99%) problem was poor loan recovery (see Table 8).

Despite the fact that microcredit provided by MFBs and CTCSs has a positive impact on the performance of microenterprises, MFBs still charge high interest rates while CTCSs do not have sufficient funds at their disposal to lend.

Recommendations

Based on the study and results obtained, the following recommendations are made:

- Microfinance institutions should design specific and adaptable packages for microentrepreneurs involved in microbusiness creation. It is from microbusiness creation that microenterprises can gain the opportunity to expand, thus migrating from the informal to the formal sector of the economy and ultimately boosting entrepreneurship in Nigeria.
- Microfinance institutions should not neglect training since it develops the human capital of microentrepreneurs. This development in human capital of microentrepreneurs by microfinance institutions will help them better manage their micro units of production, to grow and to reduce the credit risk associated to microentrepreneurship.

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