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Effect of Micro-Credit Institution on Small Enterprises Performance in Akure South Local Government, Ondo State, Nigeria

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Abstract
This study examined the effect of micro-credit institution on small enterprises in akure south local government, Ondo State. The research design adopted was the survey method. The population of this study were small scale enterprises at Akure South Local Government, Akure, Ondo State. In this study, 200 small scale enterprises were selected. Majority of the respondents agree that micro finance institution has a significant effect on the profitability of small scale enterprise. Also, many of the respondents agreed that micro finance institution product boost small scale performance thereby result to their growth. The result of the hypothesis showed that there was a positive correlation between bank lending and business growth (r = .0.85%, p<.05) which implies that micro finance institution product has a significant influence on profitability of small scale enterprises at Akure South Local Government, Akure, Ondo State. The study recommends that The interest on loans should be reviewed downward so that the end-users (small scale enterprises) will be able to service the loans and also have some margin on the net returns.

Key words: Micro-Credit Institution; Small Enterprises; Performance; Akure South Local Government; Ondo State; Nigeria

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1. INTRODUCTION

The Nigerian financial system is a complex network that includes receipts and payment mechanisms and lending as well as borrowing funds. It consists of markets, market participants, instrumentalities and institutions that are meant to facilitate the transfer of resources from one unit to another (Suleiman, 2020). One of the ultimate tests of the country's success in its production sector is its role in the development of its small and medium scale business. This can be looked at from the basic productive sectors such as the agricultural sector, manufacturing as well as other services sectors (Iganiga, 2008). The practice of microfinance in Nigeria is culturally rooted and pre-dates the modern banking era. The microfinance banks provide access to credit for rural and urban low-income earners. 50% - 60% of Small and Medium Scale business entrepreneurs in Nigeria rely heavily on the microfinance for funding (Babajide, 2021).

Small and Medium scale Enterprise (SMEs) is one of the widely practiced business in Nigeria but the main problem that the sector been facing for years is the constrained access to money and capital market. This is because project proposal is poorly prepared, financial documentation and inadequate collateral are not provided, as well as the inability of the promoters of Small and Medium scale enterprises to raise the required equity contribution (Ekpete&Iwedi, 2020). Also, high rate of enterprises mortality whereby the incidence of inadequate working capital, which constrains productive capacities of the SMEs as well as the absence of succession plan in the event of the date of the proprietor, lead in many cases to frequent early demise of small and medium scale enterprise.

Moreover, the persistence of unstable macroeconomic environment, arising mainly from fiscal policy excess is often smothering many SMEs (Kongolo, 2020). Also, poor management practices and low entrepreneur skills are one of the major factors that hinder the development of SMEs in Nigeria; this is so because many SMEs do not keep proper record of transactions. This hinders effective control and planning. Moreover, lack of relevant educational background and through business exposure constrains their ability to seize business opportunities that may lead to growth and expansion (Wairimu &Mwilaria, 2020).

In order to enhance the flow of financial services to micro, small and medium businesses in the country, the Federal Government of Nigeria launched the new microfinance policy, regulatory and supervisory framework in December 2005. Microfinance is about providing financial services to the poor who are traditionally not served by the conventional financial institutions. Over the time microfinance has come to include a broader range of services (credit, savings, insurance, etc.) and have come to realize that the poor and the very poor that lack access to traditional financial institutions require a variety of financial products.

The role of Small and Medium Enterprises (SMEs) as a catalyst for economic growth and development has been well documented in the economics literature and recognized in most countries. For example, in many of the newly industrialized nations, more than 98% of all industrial enterprises belong to the SMEs sector and account for the bulk of the labor employement (Nwanyawu 2021). SMEs enjoy a competitive advantage over the large enterprises in serving dispersed local markets. Cognizant of this fact, programmers 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 for the development of the SMEs (Ekpete&Iwedi, 2021).

An effective access to finance and credit plays a significant role in sustaining livelihoods and developing microenterprises. Inaccessibility of such credit continues to hinder this development. The formal financial institutions view these enterprises as risky and unprofitable and are, therefore, hesitant to provide such credit to them (Sanya, & Polly, 2017). The fundamental role of micro-finance banks (MFBs) is that of the provision of financial intermediation. This is the transfer of capital or liquidity from those who are in surplus to those in deficit (Ekpete&Iwedi, 2020).

Micro finance banks play important roles in the economic growth and development of any government because of their potentials in poverty reduction (Adama, Duru, &Diyoke, 2021). Globally, SMEs are known for their leading role in promoting grassroots economic and equitable sustainable development (Wairimu &Mwilaria, 2020). According to Chetama, Dzanja, Gondwe &Maliro, (2020), a vibrant micro, small, and medium enterprise (MSME) sector is key to poverty alleviation and growth in, especially in sub-Saharan Africa.

Microfinance institutions and banks have been used as a tool to provide support and microcredit to small businesses (Al-Absi, 2022). Spinelli & Adam (2021) observed that most of the big businesses available are assumed to have been started as a small business. Microfinance is widely recognized as a crucial tool for poverty alleviation and socio-economic well-being (Sultakeev, Karymshakov, &Sulaimanova, 2120). SMEs play a significant role in stabilizing and in the development of emerging economies. Access to financial services is important to their growth and performance.

According to Abu, &Ezike (2021), the experience of many countries indicate that entrepreneurship which manifests in the form of SMEs can meaningfully contribute to the attainment of the country's economic development objectives. These objectives include employment generation, income redistribution, output expansion, promotion of indigenous entrepreneurship and technology, location of industries among regions of a country, production of intermediate goods to strengthen, inter and intra industrial linkages. Owners of small businesses source their capital from personal savings, funds from friends and families, cooperative societies, business associates and partners, various financial institutions including deposit banks and MFBs. Small business finds it difficult to meet the collateral requirements of deposit banks compared to large companies (Babajide, 2020). To deepen the level of financial inclusion, the Central Bank of Nigeria (CBN) seems to be paying more attention to the performance of the MFBs, and their impact on empowering the MSMEs access to capital (Eigbiremolen, &Anaduaka, 2021).

According to Syed, Muzaffar, & Mina, (2022), 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 continuous 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, 2019).

Statement of Problem

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), 2020). There is comparatively little convincing evidence in the grand claims about the success effects of microfinance on small businesses because high cost of over 60% Annual interest rate on microloans in developing nations means that high returns to capital are needed to improve on tangible outcomes of such business income (Attefah, Mintah, & Amoako-Agyeman, 2020) while Ngehnevu&Nembo (2020) carried out a study on a microfinance institution named Camccul, and its customers in Cameroon and concluded that there is a positive impact of microfinance on the development of the SME. SMEs are at a disadvantage compared to big firms in terms of accessing loans from commercial banks. Access to capital is critical to the development of SMEs (Pei-Wen, Zariyawati, Diana-Rose, &Annuar, 2021). Owners of small business prefer their savings and cooperative societies credit instead of MFBs and deposit banks loans because of non-accessibility, exorbitant collaterals, and high-interest rates. High interest requested by the microfinance banks has been observed to be the cause of default among the customers (Taiwo, Onasanya, Agwu, & Benson, 2021). Therefore, this study will be conducted to assess the effect of LAPO micro finance bank on the profitability of selected small enterprises evidence from lapo in akure south local government, Ondo State.The following questions are therefore raised to be used in the course of the study.

i. Does LAPO micro-credit institution product has impact on small enterprises performance in Akure south local government, Ondo State: ? and;

ii. Which of these LAPO micro-credit institution product has most impact on small enterprises in Akure south local government, Ondo State: ?

The study therefore hypothesised that

LAPO Micro-credit institution does not have a significant effect on the profitability of small scale enterprises in Akure south local government, Ondo State

Significance of the Study

The findings of this study will be of immense benefit to the government, policy makers, business owners as well as academicians, consultants, and researchers in the area of economic development in Nigeria. It is expected that the outcome of this research will go a long way in ensuring a turnaround of Nigeria's SME sub-sector. The research would come up with a set of recommendations for various stakeholders for implementations. With the concerted efforts of all and sundry including governments at all levels, SME promoters, Agencies and Departments of Governments involved in the SME sub-sector, Non GovernmentalOrganisations (NGOs), Multilateral Agencies, Banks, Financiers, Investors, etc, it is hoped that the fortunes of SMEs in Nigeria would dramatically improve. Above all, this study would assist in expanding the scope of existing literature on SME growth and development in Nigeria. Finally, the study is important also as it will serve as a reference point to future researchers.

2. LITERATURE REVIEW

This section presents the conceptual review, theoretical review and empirical review relevant to the study.

2.1 Conceptual Review of Literature

2.1.1 Overview of Microfinance Banking in Nigeria

According to Ubom (2021), Micro Finance Institution (MFIs) 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 Imoisi, *et a*l (2014), 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 the Central Bank of Nigeria (2020), Microfinance is about providing financial services to the poor, who mainly constitute the 65% excluded from access to financial services of conventional banks. According to Babajide (2021), 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, 2019).

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 microfinance banks, to replace community banks, with the goal making MFBs more effective in granting credit to SMEs to develop this 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, 2021). Presently, there are three categories of microfinance banks (MFBs) in Nigeria, namely 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 Bank\ ` s In Nigeria' the minimum capital requirement for the categories of microfinance banks have been revised as follows:

1. Tier 1Unit Microfinance Bank ₦200,000,000 (Two Hundred Million Naira)

2. Tier 2 Unit Microfinance Bank ₦50,000,000 (Fifty Million Naira)

3. State Microfinance Bank ₦1,000,000,000 (One Billion Naira)

4. National Microfinance Bank ₦5,000,000,000 (Five Billion Naira)

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

i. Tier 1 Unit Microfinance Banks shall meet a ₦100million capital threshold by April 2020 and ₦200 million by April 2021;

ii. Tier 2 Unit Microfinance Banks shall meet a ₦35 million capital threshold by April 2020 and ₦50 million by April 2021;

2.1.2 Microfinance Bank Products for Small Businesses

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, 2019; Gyimah &Boachie , 2021). Microfinance Product/Service 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 microinsurance 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). Education: MFBs provide educational training to SMEs 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 nonfinancial 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 Background of Lift Above Poverty Organisation (LAPO)Microfinance Bank

Lift Above Poverty Organisation (LAPO) Microfinance is a national financial institution with headquarters in Benin city, Edo state and a branch in Lagos state. It aims at reducing poverty with a pro-poor movement which is done by empowering low- income individuals socially and economically through accessibility to sustainable financial services.

Lift Above Poverty Organisation (LAPO) started as a non-profitable and non-governmental organization with the aim to help the poorest and vulnerable people in the country. Since 1993 it works as a partner of Grameen Bank. In 2000 LAPO transformed into a micro-finance bank.

This microfinance bank focuses on assisting the poor, especially the women, in raising their socio-economic statuses by providing opportunities for them to learn income generating skills such as sewing, food processing and the likes. It not only acts as a microcredit institution, but also assists clients in overcoming problems beyond the lack of funds (Business capital), such as illiteracy and environmental degradation (which often aggravates poverty). The bank provides micro-credits, but it also helps people in some aggravating situations

2.1.4 LAPO Microfinance Bank Services

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).

2.1.5 Concept of Small Scale Enterprise

According to Akingunola (2020). Small, and medium and enterprises are now recognized worldwide as key source of economic growth and development. Akoma L., Adeoye, A. Binuyo, B., &Akinwole, O. (2019).) contends that small and medium scale enterprises play a very important role in developing economies. This view appears to be supported by Hassan &Olaniran S.O. (2021). when they argue that the promotion of micro enterprises in developing countries is justified in their abilities to faster economic growth, alleviate poverty and generate employment.

According to the Nigeria's national Council on Industry; an SME is defined in terms of employment i.e. as one with between 10 and 300 employees. Currently small and medium sized enterprises are defined by their size. In the European Union, SMEs are defined as small or medium sized if it has not more than 250 employees and not more than 50 Million Euros turnover respectively, a balance sheet total of less than 43 Million Euro and if not more than 25% of the shares of such an enterprise are in the ownership of another enterprise. The Small and Medium Industries Equity Investment Scheme (SMIEIS) in Nigeria, defines small and medium enterprises (SMEs) as "enterprises with a total capital employed of not less than ₦1.5 million, but not exceeding ₦200 million, including working capital, but excluding cost of land and/or with a staff strength of not less than 10 and not more than 300". The benefits of SMEs cannot be overemphasized they include; contributions to the economy in terms of output of goods and services, and creation of jobs at relatively low capital cost. It is a vehicle for the reduction of income disparities thus developing a pool of skilled or semi-skilled workers as a basis for the future industrial expansion; improve forward and backward linkages between economically, Socially and geographically diverse sectors of the economy provide opportunities for developing and adapting appropriate technological approaches and also offer an excellent breeding ground for entrepreneurial and managerial talent.

Kolawole (2020) suggests five essential and inter-related gaps in small enterprise performance comparing stylized enterprises in developing and industrialized economies. These five "gaps" needs to be addressed in order to improve prospects for high-impact small enterprise development in developing economies: Role of entrepreneurship. In many developing countries, "necessity entrepreneurship" prevails, versus greater levels of "opportunity entrepreneurship" in industrialized countries, which tend to be led by higher skilled and better capitalized entrepreneurs. Firm growth and upgrading. In many developing countries, only a small proportion of micro and small firms grow beyond a certain threshold, due mainly to lack of specific management and/or marketing skills. The lack of trust in society is another impediment, limiting many small firms to what their families and immediate communities can control or supervise. The result is a lack of more specialist and sophisticated medium-sized companies, often called the 'missing middle.' Technological capabilities. Small enterprises in developing countries mostly focus on low-tech routine operations and use mature technologies as blue prints. On average, compared to their industrialized economy counterparts they are less capable of creating knowledge, applying new technologies and rarely performing R&D, often due to the lack of human capital, business competencies and skills. Export competitiveness. In developing countries, the export share of small enterprises tends to be much lower than in industrialized countries, with a few remarkable exceptions in Asia such as China, Taiwan and increasingly, Vietnam. This situation reflects the technology gap, and in turn, results in small enterprises being excluded from international best practices and sources of knowledge.

2.2 Theoretical Review of Literature

2.2.1 Micro Credit Theory

The birth of microcredit emanates from the early writings of Adam Smith in his unpopular philosophical masterpiece titled, "Theory of the Moral Sentiments" and the emphasis was morally induced. Smith posited that the source of moral judgment is deep-rooted in the concept of sympathy. Smith added that the selfishness of human being constant; there is an undisputed innate interest in the fortunes of their fellow human beings. This view further solidifies an assertion that human nature, most notably human qualities such as compassion for the misery of others affect their operation. An opposing and distinctive view stemming from the economic masterpiece written by Adam Smith and titled; "An Inquiry into the Nature and Causes of Wealth of Nations," proposes that selfish human nature is central to material progress in non-communist states. However, the existence of charitable organizations reinforces the empirical observation of sympathy as an essential element of human nature. Therefore, self-driven interests and selfish nature of humans will have an impact on the miserly class through the auspices of compassion.

A more recognised and recent advocate of this discourse is Yunus (2019) from Jobra, Bangladesh; he advanced the micro-credit theory focusing on building capitalism driven by social awareness. Yunus (2019) argued that variants of private profit-oriented businesses could be envisioned with a welfare priority for its customers. Furthermore, private firms' impact on their clientele increases the association with the firm's profit. Yunus (2019) adjudged the neo-classical theory of production incomplete and unfit to be the general model of capitalism owing to the exclusion of individuals who are more concerned with the welfare of others. He put forward a more accepted general model specifying that entrepreneurs are constrained to either financial return-oriented or social return-oriented organisations. The third group is sacrosanct to this study as it incorporates entrepreneurs that consider both rates of return in making critical decisions to generate a positive return on investment. This group houses socially-inclined microfinance entrepreneurs eager to affect their local communities positively as regards social and economic problems.

2.3 Empirical Reviewof Literature

Taiwo, Yewande, Edwin, & Benson (2020) analyzed the role of microfinance institutions in financing small businesses. They used primary data obtained in an interview in 15 small businesses across Lagos state. Their finding revealed that microfinancing significantly promoted businesses by reducing the resource gap for small businesses.

Quaye (2021) made a study on selected SMEs in the Kumasi metropolis. The research findings revealed that the MFIs had helped SMEs by providing greater access to credit in comparison to traditional banks. Also, SMEs were found to deal with more than one MFI. The credit has helped to boost their capital and expand their businesses. The research mentioned challenges: the inability of clients (customers) to repay the loans, the misappropriate rate of credit, and the request of collateral security, which negatively affect SME as some cannot provide them. The research indicated that MFIs have a positive effect on the growth of SMEs. The results of a research carried out by Obokoh, Monday &Ojiako (2016) on microfinance banks and SME: the Nigerian experience revealed that there is a positive contribution of microfinance lending to the development of SMEs.

Babajide (2021) investigated the effects of microfinance on the growth of SMEs in Nigeria. The research used multiple regression analysis. It measured the 502 randomly selected financial enterprises by MFBs. The study revealed that access to microfinance did not enhance the growth of small business in Nigeria. Microfinance lending in Nigeria has not been positive, as shown in the formal model approach examined by Arogundade, (2020). Some literature has shown that microfinance has a positive impact on SMEs through participation in microcredit schemes because of less stringent loan conditions, which makes SME make optimal use of resources, thereby increase revenue, profit and employment generation (Field et. al; 2021; Wang, 2020; Buera et al.; 2021).

Okafor, Ezeaku&Ugwuegbe (2021) examined the impact of microcredit on poverty reduction in Nigeria for the periods 1999 to 2014. The results showed that microfinance has a negative and nonsignificant effect on poverty reduction in Nigeria. Based on the findings, they concluded that microcredit had not played any vital role in alleviating poverty in Nigeria. A study conducted by Adebusuyi, Sere-Ejembi, Nwolisa and Ugoji (2008) stated that financial services provided to the economically active poor by MFBs drive economic activities and employment generation by contributing to the commencement or expansion of income generating ventures.

Nwakwo, Olukotu, and Abah (2022) asserted in a research carried out on the impact of Microfinance on rural transformation in Nigeria that microfinance banks have difficulties in loan repayment, illiteracy among the poor and inadequate monitoring of loans of SMEs by MFBs. Empirical evidence from the study carried out by (Apere, 2021) in Nigeria shows that the activities of MFBs can influence the entire economy if it is well coordinated. Also, the results of the study indicate that MFB loans and domestic investment significantly and positively affect the growth of Nigeria's economy.

Onwuka, Udeh&Nwannebuike, (2022) investigated the impact of rural credit facilities of MFBs on poverty alleviation in Nigeria for the periods 2005 to 2012 in Anambra, Enugu, and Imo states of Nigeria. The study showed that deposits mobilized from rural communities by MFBs were siphoned out of the communities by way of fixed deposits with commercial banks usually located outside the communities thereby defeating the sole idea of financial intermediation within the communities.

3. METHODOLOGY

This study adopted survey method. The population of this study are business men/ at Akure South Local Government, Ondo State. A total number of 200 respondents were selected. The respondents were selected using simple random sampling technique. The data was collected using the questionnaire as a research instrument. The questionnaire was designed by the researcher. Data analysis was done after the data gatheredarecodedandmanagedusing the Statistical Package for Social Sciences (SPSS). Data analysiswasdoneusinginferentialanddescriptive statistics. The descriptivestatisticswasusedbecause it involvessimple percentages, frequencies, bars which usually indicate the composition of respondents in the population with specifi cresponsesintoiithegivenquestions in either questionnaires administered. Also, hypothesis was tested using linear regression Analysis.

4. DATA AND RESULTS

A total of 200 questionnaires were administered and 186 copies of questionnaire administered were returned

Table 1
Which of the following MFBs product you consume most

S/N	Research question	Frequency	Percentage	Ranking
1	Microcredit	89	47.8	1st
2	Advisory services	49	26.3	2nd
3	Micro saving	48	25.8	3rd
Total		138	100	

Source: Field survey, 2023

From Table 1, the tables shows that 89(47.8%) of the respondents indicated that they consume microcredits product of micro finance institution most, 49(26.3%) of the respondents indicated that they consume advisory services of micro finance institution most while 48(25.8%) of the respondents indicated that they consume micro saving product of micro finance institution most. Also, microcredits is ranked first, advisory services is ranked second and micro saving is ranked third this means microcredits has larger effect on small scale enterprises in Akure South Local Government, Ondo State.

Table 2
Assess the profitability of small scale enterprises with specific reference to the contribution of LAPO microfinance banks

Variable	SA	A	N	DA	SD	Total	Mean	Ranking
The amount of business capital was more in 2022 than in 2021 as a result of using LAPO micro credit microfinance products	179 (96.2%)	4 (2.2%)	3 (1.6%)	- -	- -	186	4.95	1st
The amount of business capital was more in 2022 than in 2021 as a result of using LAPO advisory services microfinance products	168 (90.3%)	15 (8.1%)	3 (1.6%)	- -	- -	186	4.67	3rd
The amount of business capital was more in 2022 than in 2021 as a result of using LAPO micro saving microfinance products	166 (89,2%)	3 (1.6%)	3 (1.6%)	3 (1.6%)	11 (5.9%)	186	4.89	2nd

Source: Field survey, 2021

Table 2 shows that 179(96.2%) of the respondents strongly agreed that the amount of business capital was more in 2022 than in 2021 as a result of using LAPO micro credit microfinance products. Also, about 4(2.2%) of the respondents agreed while 3(1.6%) are undecided. 168(90.3%) of the respondents strongly agreed that the amount of business capital was more in 2022 than in 2021 as a result of using LAPO advisory services microfinance products. Also, about 15(8.1%) of the respondents agreed while 3(1.6%) are undecided. Furthermore, 166(89.2%) of the respondents strongly agreed that the amount of business capital was more in 2022 than in 2021 as a result of using LAPO micro saving microfinance products, about 3(1.6%) of the respondents agreed, 3(1.6%) are undecided, 3(1.6%) disagreed while 115.9%) strongly disagreed.

Table 3
Evaluate the impact of LAPO micro-credit institution product on small scale enterprises in Akure south local government

Variable	SA	A	N	DA	SD	Total	Mean
The duration to receive loans from the LAPO MFBs affect the financial performance of the business	133 (71.5%)	42 (22.6%)	1 (0.5%)	7 (3.8%)	3 (1.6%)	186	4.59
Long term loans offered by the LAPO MFBs affect the financial performance of the business	112 (60.2%)	68 (36.6%)	1 (0.5%)	2 (1.1%)	3 (1.6%)	186	4.53
Medium term loans provided by the LAPO MFBs affect the financial performance of the business	166 (89,2%)	3 (1.6%)	3 (1.6%)	3 (1.6%)	11 (5.9%)	186	4.57
Short term loans provided by the LAPO MFBs affect the financial performance of the business	124 (66.7%)	58 (31.2%)	2 (1.1%)	1 (0.5)	1 (0.5%)	186	4.59
The security required for loans by the LAPO MFBs affects the financial performance of the business	146 (77.4%)	6 (3.2%)	12 (6.5%)	11 (5.9%)	13 (7.0%)	186	4.75
The rate of interest on loans offered by the LAPO MFBs affects the financial performance of the business	134 (72%)	34 (18.3%)	1 (0.5%)	5 (2.6%)	3 (1.6%)	186	4.61
The mode of disbursement of loans from the LAPO MFBs affect the financial performance of the business	179 (96.2%)	4 (2.2%)	- -	- -	3 (1.6%)	186	4.91
The repayment period of loans offered by the LAPO MFBs affect the financial performance of the business	167 (89.8%)	14 (7.5%)	3 (1.6%)	- -	2 (1.1%)	186	4.85
The maximum lending limit provided by the LAPO MFBs affect the financial performance of the business	148 (79.6%)	38 (20.4%)	- -	- -	- -	186	4.80

Source: Field survey, 2021

Table 3 evaluate the impact of LAPO micro-credit institution product on small scale enterprises in Akure south local government and it shows that 133(71.5%) of the respondents strongly agreed that the duration to receive loans from the LAPO MFBs affect the financial performance of the business, about 42(22.6%) of the respondents agreed, 1(0.5%) are neutral, 7(3.8%) disagreed while 3(1.6%) strongly disagreed. 112(60.2%) of the respondents strongly agreed that long term loans offered by the LAPO MFBs affect the financial performance of the business, 68(36.6%) of the respondents agreed, 1(1.5%) are neutral, 2(1.1%)

disagreed, while 3(1.6%) strongly disagreed. 166(89.2%) of the respondents strongly agreed that medium term loans provided by the LAPO MFBs affect the financial performance of the business, about 3(1.6%) of the respondents agreed, 3(1.6%) are undecided, 3(1.6%) disagreed while 115.9%) strongly disagreed

Also, 124(66.7%) of the respondents strongly agreed that short term loans provided by the LAPO MFBs affect the financial performance of the business, 58(31.2%) of the respondents agreed, 2(1.1%) are neutral, 05(0.1%) disagreed, while 1(0.1%) strongly disagreed. 146(77.4%) of the respondents strongly agreed that the security required for loans by the LAPO MFBs affects the financial performance of the business, about 6(3.2%) of the respondents agreed, 12(1.6%) are undecided, 11(5.9%) disagreed while 13(7.0%) strongly disagreed. 134(72%) of the respondents strongly agreed that the rate of interest on loans offered by the LAPO MFBs affects the financial performance of the business, 34(18.3%) of the respondents agreed, 1(0.5%) are neutral, 5(2.6%) disagreed while 3(1.6%) strongly disagreed.

Furthermore, 179(89.2%) of the respondents strongly agreed that the mode of disbursement of loans from the LAPO MFBs affect the financial performance of the business, 4(2.2%) of the respondents agreed, while 3(1.6%) strongly disagreed. 167(89.8%) of the respondents strongly agreed that the repayment period of loans offered by the LAPO MFBs affect the financial performance of the business, 14(7.5%) of the respondents agreed, 3(1.6%) are neutral, while 2(1.1%) strongly disagreed. Finally, 148(79.6%) of the respondents strongly agreed that The maximum lending limit provided by the LAPO MFBs affect the financial performance of the business while 38(20.4%) strongly disagreed.

Table 4
Significant relationships among micro credits, advisory services, savings, and profitability

Model	Sum of sq	df	Mean sq	F	Sig
Regression	2.913	3	.971	5.671	.001b
Residual	31.163	182	.171		
Total	34.076	185			

Model indices: $R=.292^a$ $R^2=.0.85$, Adj. $R^2=.070$, Std. Error=.414
Source: Field survey, 2023

Table 4 showed that there is a joint significant relationship between micro credits, advisory services, micro savings and profitability of small scale enterprises in Akure South Local Government, Akure, Ondo State. This is justified since the p-value which is 0.001 is greatly less than 0.05 (critical value).

The coefficient of determination (R^2 0.85) in Table 4 showed that continuous increase in MFB's product account for 85% variation in profitability of small scale enterprises in Akure South Local Government, Akure, Ondo State . While the remaining 15% account for other factors factors that are not included in this study.

Decision Rule: Since analysis of variance (ANOVA) depicts that the combined effects of micro savings, advisory services and micro savings was statistically significant in explaining the effect of micro finance institution on small enterprises performanace in Akure South Local Government, Akure, Ondo State. This demonstrated by a significant value of 0.001 which is less the acceptable significant value of (0.05). Therefore, since micro finance institution products are considered to have a significant influence on profitability of small scale enterprises in Akure South Local Government, Akure, Ondo Sate. Hence H_0: LAPO Micro-credit institution does not have a significant effect on the profitability of small scale enterprises in Akure south local government, Ondo State.

The result obtained from this research corroborates the studies carried out by Maruthi, Smith and Laxmi, (2019), Quansah et al., (209), Abiola, et al., (2020), Abiola, Iyoha and Joseph (2020), Ranjani, (2020), Chiyah and Forchu, (2020), Simeyo et al., (2021), Muritala, Awolaja and Bako, (2021), Ofoegbu, et al., (2021), Taiwo et al., (2020) and Duru et al., (2021) who discovered that microfinance is a major determinant of SMEs growth globally. However, findings from this study contradict with the study of Afolabi (2022) who found an indirect relationship between interest rates charge by MFBs and SMEs growth in Nigeria.

5. CONCLUSION

It can therefore be concluded that the various services provided by the MFBs to small scale enterprises in Akure South LGA has contributed significantly to improved profit, this demonstrated by a significant value of 0.001 which is less the acceptable significant value of (0.05).

From the conclusion above, the study therefore recommends that:

i. Small scale enterprises should apply for MFBs loans to boost their business activities. This will lead to an increase in the volume of capital available for business activities and probably lead to higher profitability;

ii. The interest on loans should be reviewed downward so that the end-users (small scale enterprises) will be able to service the loans and also have some margin on the net returns;

iii. The microfinance banks should at all-time give professional advice to small scale enterprises. Proper professional advice would come from proper appraisal of the loan and this will inform the lending microfinance banks whether the amount the enterprise requested for is too much for the project or less;

iv. Seminars and workshops should be organized by the MFBs to educate small scale enterprise in Akure South LGA operators on their policies and on judicious use of funds

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