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CREATING VALUES FOR **NATIONAL TRANSFORMATION**



BOOK OF READING

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**MICRO-FINANCING OF NIGERIAN MICRO AND SMALL ENTREPRENEURS:
CREATING VALUE TO THE NATIONAL PRODUCTIVITY (A STUDY OF SOUTH- WEST NIGERIA)**

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Abstract

The study investigated the impact of micro-financing of Nigerian micro and small entrepreneurs' as a measure of creating value to increasing productivity in Nigeria. Relevant literatures were sourced on how micro and small entrepreneurs' contributions in South-West Nigeria could create value to the national productivity. Theoretical models were reflected and used in developing the two hypotheses investigated through the survey of three hundred and sixty-seven (367) micro enterprises, and one hundred and thirty-five (135) small enterprises which were randomly selected with the aid of multi-stage random sampling technique. Multiple regressions were used to analyze enterprises finance by microfinance banks in Nigeria. Findings revealed that micro-financing of micro and small entrepreneurs enhanced their productivity; and the impact of the finance was felt in their contributions to the growth of the national productivity. It was recommended that microfinance and training supports should be made mandatory to further enhance productivity of micro entrepreneurs in Nigeria.

1.0. Introduction:

Realizing the importance of small businesses as engines for economic growth and development, governments at Federal and State levels took some steps towards addressing the lack of access to finance identified as one of the major constraints to small business productivity, hence growth (Carpenter, 2001, Anyanwu, 2003, Owualah, 2005, Lawson, 2007). Financing of micro and small enterprises is an important means for mobilizing resources for more productive use (Watson and Everett, 1999). The extent to which micro and small enterprises could access fund is the extents to which they can save and accumulate own capital for further production and investment (Anyanwu, 2003, Owualah, 2005). However, micro and small enterprises in Nigeria find it difficult to access formal financial institutions such as commercial banks for funds. The challenges of this study were two folds, (i) the inability of these categories of businesses to meet the standard of the formal financial institutions for loan consideration provided a platform for

informal institutions to attempt to fill the gap usually based on informal social networks, and this was what gave birth to micro-financing, and (ii) with the numerous population of micro and small enterprises in Nigeria; many of them not really active (Ibidunni, 2010), how will the micro-financing of the said entrepreneurs ginger their efforts to the growth of national productivity? The objectives of this study are therefore (i) to show that micro-financing enhances productivity of micro and small entrepreneurs in Nigeria, (ii) to conduct meta-analysis on the impact of micro-finance on the output and productivity of micro and small entrepreneurs in South-West Nigeria as relating to national productivity. The significance of this study could be viewed from different perspective. Micro-financing of micro and small entrepreneurs is billed to support their commercial activities, hence economy in different fields of endeavour. Secondly, the entrepreneurs are being discouraged from pursuing white-collar jobs, rather to become their own managers and directors of businesses. Thirdly, as many micro and small entrepreneurs invest in different areas of the economy; their contributions culminate into growth of gross domestic products.

2.0: Literature Review/Conceptual Framework

Microfinance is the provision of financial services adapted to the needs of low income people such as micro entrepreneurs, especially the provision of small loans, acceptance of small savings deposits, and simple payments services needed by micro-entrepreneurs and other poor people (USAID, 2005). It is the provision of financial services to the economically active people who are hitherto unserved by the mainstream financial service provider. Microcredit is commonly defined in terms of loan amount as a percentage of average per capita income. In the context of Nigeria, with a per capita GDP of N42,000 (about \$300) in

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2003, loans up to N50,000 (about/approximately \$350) would be regarded as micro loans, while micro savings are defined as savings accounts with a balance of less than N8,400 (about \$50), that is less than 20% of the average annual income per capita (USAID, 2005).

Productivity, on the other hand, according to Plenert (2001) is a scientific concept that can be logically defined, empirically observed and measured in quantitative terms, which qualifies it as a variable dealing with relative productivity or as a productivity factor. Plenert (2001) further claimed productivity to be useful as a relative measure of actual output of production compared to the actual input of resources, measured across time or against common entities. As output increases for a level of input, or as the amount of input decreases for a constant level of output, an increase in productivity occurs. Therefore, a "productivity measure" describes how well the resources of an organization are being used to produce input (Inman, 2001). Inman, (2001) furthermore claimed that productivity is usually expressed in one of three forms: (i) partial factor productivity, which considers a single input in the ratio of factors, (ii) multifactor productivity utilizes more than a single factor, and (iii) total productivity utilizes all factors (Stevenson, 1999).

2.1. Micro and Small Entrepreneurs' Productivity:

Increase productivity of small scale entrepreneurs in terms of output growth could emanate from improvement in technical and a locative efficiency, use of adaptable improve technology and increase in input consumption. This is condition on availability of adequate credit to affect their demand of input and adoption of relevant technologies and tailor made training scheme to keep small - scale business people abreast of relevant technical and managerial skills. The credit constraint and high cost of capital confronting small scale enterprises in Nigeria constrict output growth (Fasoranti, Akinrinola and Ajibefun, 2006). One of the major concerns of policy makers is how to improve technical efficiency of these small scale entrepreneur so as increase their output level. This can only be done when we know the critical factors influencing efficiencies of the small scale entrepreneurs: Vijay and Wisdom (2002) posited that productivity is influenced by human capital variables, which control the decision making process of the entrepreneurs, and socio - economic and institutional variables that could influence an entrepreneurs' capacity to apply his/her decisions at the enterprise level without any constraints. The human capital variables include level of education, business experience and age; socio-economic and

institutional variables are loan interest, loan size, and contact with lender, training programmes and training experience. From the review of above literature, the following hypotheses were formulated:

Hypothesis 1: (Ho) Micro-financing does not enhance productivity of micro and small entrepreneurs in Nigeria.

Hypothesis 2: (Ho) The impact of micro-finance on entrepreneurs' productivity in South-West Nigeria does not create appreciable value to national productivity.

3.0. Research Design and Methodology:

Survey method used was carried out between October and December 2009. The research instrument adopted was the questionnaire; which included open and close ended questions. This enables precision in question delivery and accuracy in answering by respondents. The samples were designed to cover all firms that had stayed with the Microfinance Bank for a period of at least five years and had received microloan at one point or another in the period covered. Multi-stage random sampling technique was used to choose 623 micro and small enterprises, of which the questionnaire was administered. 556 copies were returned, while 502 copied were eventually used. 54 copies of the questionnaire were rejected as a result of impropriety. The data collection combined a survey of small business operators and extracts from bank records collected over a period of five years period. Multiple regressions were used to analyze the data.

3.1. Multiple Regression and Model Specification

To examine the impact of micro-financing on small business output and productivity. Fasoranti, et al (2006) examined the impact of microcredit and training on efficiency and productivity of small scale entrepreneurs. The model was adopted in our model as:

$$Y = \alpha + \beta_1 EAge_1 + \beta_2 EE_2 + \beta_3 HW_3 + \beta_4 BE_4 + \beta_5 ET_5 + \beta_6 Bizform_6 + \beta_7 Bizsize_7 + \beta_8 Bizloc_8 + \beta_9 Bizreg_9 + \beta_{10} LI_{10} + \beta_{11} ML_{11} + \beta_{12} CWL_{12} + \beta_{13} WM_{13} + \beta_{14} WR_{14} + u_1 \quad (3)$$

Y = dependent variable (SMEs productivity). Productivity is measured as output value (sales value) over resource input value. Resource input is measured as cost of capital at time t, wages and salary paid at time t, rent paid at time t, electricity paid at time t, and cost of machine maintenance at time t (Otokiti, 2002).

a = constant

The independent variables which are key predictor of MSE productivity is given as; Where; EAge₁ = Entrepreneur Age, EE₂ = Entrepreneur Education, HW₃ = Hours Worked per day, BE₄ = Business Experience, ET₅ = Entrepreneur Training, Bizform₆ = Business form, Bizsize₇ = Business Size, Bizloc₈ = Business location, Biz reg₉ = Business registration, LI₁₀ = Loan Interest, ML₁₁ = Microloan received by Entrepreneur, CWL₁₂ = Contact with lender

WM₁₃ = Weekly Meetings, WR₁₄ = Weekly Repayment.

3.2. Methodology and Model Specification:

Multiple Regression Analysis II - Entrepreneurs

productivity

The general form for the model is:

$Y = f(X_1, \dots, X_n)$(3) Where, Y = is the dependent variable, Entrepreneur productivity. Productivity is measured by output over resource input. 'Sales' is used as proxy for output while input is taken as cost of capital at time t, rent at time t, cost of machine maintenance at time t, cost of electricity and other utilities at time t.

f = a function to be specified X = explanatory variables of key predictor of Entrepreneur's productivity included are EAge₁, EE₂, HW₃, BE₄, ET₅, Bizform₆, Bizsize₇, Bizloc₈, Bizreg₉, LI₁₀, ML₁₁, CWL₁₂, WM₁₃, WR₁₄, Where EAge₁ = Entrepreneur Age, EE₂ = Entrepreneur's Education, HW₃ = Hours Worked per day, BE₄ = Business Experience, ET₅ = Entrepreneurial Training, Bizform₆ = Business form, Bizsize₇ = Business Size, Bizloc₈ = Business location, Biz reg₉ = Business registration, LI₁₀ = Loan Interest, ML₁₁ = Microloan received by Entrepreneur, CWL₁₂ = Contact with Lender WM₁₃ = Weekly Meetings, WR₁₄ = Weekly Repayment.

In specific form, equation 3 translates into equation 4
 $Y = a + b_1X_1 + b_2X_2 + b_3X_3 + \dots + b_nX_n + e$(4)

Where,

Y = dependent variable (Entrepreneur productivity)

a = constant

$x_1, x_2, x_3, \dots, x_n$ (EAge₁, EE₂, HW₃, BE₄, ET₅, Bizform₆, Bizsize₇, Bizloc₈, Bizreg₉, LI₁₀, ML₁₁, CWL₁₂, WM₁₃, WR₁₄, Where EAge₁ = Entrepreneur Age, EE₂ = Entrepreneur Education, HW₃ = Hours Worked per day, BE₄ = Business Experience, ET₅ = Entrepreneurial Training, Bizform₆ = Business form, Bizsize₇ = Business Size, Bizloc₈ = Business location, Biz reg₉ = Business registration, LI₁₀ = Loan Interest, ML₁₁ = Microloan received by Entrepreneur, CWL₁₂ = Contact with lender, WM₁₃ = Weekly Meetings, WR₁₄ = Weekly Repayment).

To examine the impact of micro-financing on small business output and productivity. Fasoranti et al (2006) examined the impact of microcredit and training on efficiency and productivity of small scale entrepreneurs. The model was adopted in our model as:

$Y = a + \beta_1 EAge_1 + \beta_2 EE_2 + \beta_3 HW_3 + \beta_4 BE_4 + \beta_5 ET_5 + \beta_6 Bizform_6 + \beta_7 Bizsize_7 + \beta_8 Bizloc_8 + \beta_9 Bizreg_9 + \beta_{10} LI_{10} + \beta_{11} ML_{11} + \beta_{12} CWL_{12} + \beta_{13} WM_{13} + \beta_{14} WR_{14} + u_1$ (3)

Y = dependent variable (SMEs productivity). Productivity is measured as output value (sales value) over resource input value. Resource input is measured as cost of capital at time t, wages and salary paid at time t, rent paid at time t, electricity paid at time t, and cost of machine maintenance at time t Otokiti (2002).

a = constant

The independent variables which are key predictors of MSE productivity is given as;

Where;

EAge₁ = Entrepreneur Age, EE₂ = Entrepreneur Education, HW₃ = Hours Worked per BE₄ = Business Experience, ET₅ = Entrepreneur Training, Bizform₆ = Business form, Bizsize₇ =

Business Size, Bizloc₈ = Business location, Biz reg₉ = Business registration, LI₁₀ = Loan Interest, ML₁₁ = Microloan received by Entrepreneur, CWL₁₂ = Contact with lender, WM₁₃ = Weekly Meetings, WR₁₄ = Weekly Repayment.

4.0. Results and Discussion:

4.1. Multiple Regression Analysis of Effect of Microfinance on Small Business Operators Productivity by Category.

Table 1 below presents results from the regression of micro-financing variables on Entrepreneur's productivity. The result in column I of the table represents the total sample. In columns II and III, we split the sample into small and micro firms. Column II presents observations for small firms (i.e. firms with more than 10 employees) and column III presents observations for micro firms (i.e. firms with less than 10 employees). The constant, which was also the intercept, reveals that when all the variables were zero, the entrepreneur's productivity will be 37.7% for the total sample and 17.9% and 8.6% for small and micro firms respectively. The result obtained was significant at 1%. The coefficient for entrepreneur's age was negative and significant at 1% for the total sample and 5% for small firms and micro firms. This was expected: as the entrepreneur advances in age, he becomes less productive. The result shows that when an Entrepreneur's education increases by one unit, his productivity will increase by 7.7 units for the total sample and by 6.2 and 8.6 unit for small and micro firms respectively. The result obtained was significant at 1% for the total sample and small firms and was significant at 5% for micro firms. This implied that education has a positive correlation with productivity; the significance of education hinged on the fact that it enhanced the stock of human knowledge and management skills which consequently enhanced productivity. This confirms the findings of Fasoranti, et al., (2006) that the entrepreneur's level of education enhances productivity. On hours worked per day, the result showed that if the number of hours worked per day was increased by an hour, the entrepreneur's productivity will decrease by 0.09 for the total sample and by 0.04 and 0.3 for small and micro firms respectively. This implied that the more hours for an entrepreneur spends on his business, the less productive he becomes; the entrepreneur therefore needs to find the optimal number of hours that must he needs to commit to his work. The result was expected and confirmed past empirical research (Shiferaw, 2007). The coefficient for business experience which was a proxy by number of years in business was positive and significant at 5% for the three models. This implied that the longer the years of experience of an entrepreneur, the more productive he is (Shiferaw, 2008). The magnitude of beta coefficient of entrepreneurial training for all the three models was high, positive and statistically significant at 1% for the total sample and 5% for small firm and micro firm samples. This implied that entrepreneurial training significantly enhanced small business productivity.

Table 1: Multiple Regression Analysis of Effect of Microfinance on Small Business Operator Productivity by Category.

	Column I Total Sample Coefficient t- stati	Column II Small Firms Coefficient t- stati	Column III Micro Firms Coefficient t- stati
Constant	37.709* 3.962	17.907* 7.184	8.692* 5.008
Owners Characteristics			
Entrepreneur's Age	-0.152* -1.813	-2.217** -1.958	-0.195** -1.737
Owners Education	7.752* 3.613	6.266** 1.618	8.695** 1.577
Hours work per day	-0.098* 1.592	-0.049* -3.162	-0.395*** -1.924
Business experience	0.624** 1.773	1.477** 2.117	0.861** 1.791
Entrepreneurial training	12.601* 3.411	6.801** 1.996	4.232** 2.331
Firm Characteristics			
Form of Business	-0.010 -1.121	-0.524* -1.902	0.512*** 1.714
Business Size	0.313** 1.383	1.021* 1.612	1.381* 1.546
Business location	0.003* 2.169	0.058* 1.725	1.019 1.164
Business registration	1.026* 3.152	0.092** 2.041	1.065 1.003
Microfinance Characteristics			
Loan interest	0.030 1.393	0.165 0.611	1.014** 2.598
Micro loan received	2.003*** 1.887	1.802 1.448	1.108* 1.972
Contact with lender	0.079* 4.128	1.811** 1.721	0.006** 1.714
Weekly meetings	-1.448 -1.512	-0.046 -1.031	1.041* 7.116
Weekly repayment	-0.027** -1.686	-1.057* -2.781	2.014** 6.123
R - squared	0.297	0.196	0.301
Adjusted R-Squared	0.211	0.156	0.271
No. of Observation	502	135	367
F-test statistics	3.819(0.000)	1.218(0.081)	2.113(0.000)

Source: Field survey, 2009. Note* =1% level of significance, ** = 5% level of significance, *** = 10% level of significance

Productivity was measured as output over resource input at time t. In table 1 above, the result of the total sample is presented in column I, the data was later split into two, result of firms with equal or more than 10 employees is presented in column II i.e (small firms), while result of firms with less than 10 employees (i.e micro firms) is presented in column III. On firms' level characteristics, form of business formation showed a negative and significant impact for small firm sample, and positive and significant impact for micro firm samples.

This may be due to the fact that the majority in the total sample was* of sole proprietorship business formation which may not suit small business, but may be suitable for micro firms. The coefficient for business size showed a positive and significant impact on entrepreneur's productivity. This implied that the larger the firm, the more productive the entrepreneur and the chances of survival for the enterprise (Bernard and Jensen, 2007). Business location was positive and significant at 1% respectively for the total sample and small firm sample, but not significant for micro firms. The effects of registration of business tend to be size-based. The coefficient for business registration was positive

and significant for the total sample and small firms at 1% and 5% significance level, but positive and insignificant for the micro firm sample. In small firms, registration enhances credibility, opens up access to rationed resources and reduces transaction cost, thus enhancing the growth and productivity of the firm. In micro firms on the other hand, registration may not enhance productivity appreciably. For instance, operating outside the purview of government affords firms more flexibility in input use as local conditions change (Sleuwagen and Goedhuys, 2002).

On micro finance loan interest variable, the coefficient for loan interest was positive and significant for micro firm sample but positive and insignificant for total sample and small firm sample. This implied that the interest rate charged by the Micro Finance Banks was only tolerable for micro firms and this could mean because the micro firms do not have other access to fund except by this means. The coefficient for micro loan received was positive and significant for total sample and micro firms at 10% and 1% respectively. The result showed that the use of micro loan significantly affected the Entrepreneur's productivity in the total sample and micro firm's sample, but it was insignificant in the small firm's sample. This implied that the amount of loan given was not commensurate to the business activities of small firm operators. The result obtained on contact with the lenders showed positive and significant effect for the

three models. This implied that contact with the lenders enhanced entrepreneurs' productivity positively and the result obtained was significant at 1% for the total sample and 5% for small firms and micro firms. The result on weekly meetings showed a negative relationship between weekly meetings and entrepreneurs' productivity. The result for the total sample showed that as the weekly activity increased the entrepreneur's productivity decreased by 1.44% for the total sample, and 0.049% and 1.04% for small and micro firms respectively. The result obtained was statistically significant for the total sample and micro firms at 1%, but not statistically significant for small firms. Wole (2004) found frequency of meeting to have a negative impact on business performance for repeat and continuing client. Also, result for weekly repayment showed a negative relationship between entrepreneur's productivity and weekly repayment. The result showed that as repayment activities increased, entrepreneur productivity dropped by 0.02 for total sample and 1.05 and 2.014 for small and micro firms respectively. The result obtained was statistically significant at 1% for small firm sample, and 5% for total firm and micro firm samples. This implied that the weekly repayment schedule was too frequent for all entrepreneurs and it affected productivity negatively.

The coefficient of determination, that is, the adjusted R^2 for the three samples were 0.21, 0.15 and 0.27 for the total sample, small firm and micro firms respectively. This was acceptable for a cross-sectional data, like we have for this study. The overall statistic was significant at 1% for the three columns. The decision rule is that when calculated F-value is significant we reject the null hypothesis and accept the alternative hypothesis. We therefore conclude that, microfinance enhances productivity of micro entrepreneurs and the factors that positively affect entrepreneur's productivity were entrepreneurs' education, business experience, business registration, contact with lender, and micro loan received while other factors such as weekly meetings, and frequency of loan repayment did not enhance entrepreneur's productivity in South West Nigeria. This was in line with the conclusion reached by Frazer, (2005), Fasoranti, et al (2006) that the significant determinants of technical efficiencies of bakers, furniture makers and burnt brick makers were age of operators, business experience, and level of education, training experience, credit access, working capital and initial capital outlay. And that well structured entrepreneurship training programmes complemented with easy credit access can facilitate the desired improvement in the efficiencies of small scale business people.

4.2. Multiple Regression Analysis of Effect of Microfinance on Small Business Operators Productivity by Legal Status of Business

Table 2 presents the results of the effects of micro-financing on entrepreneur's productivity; but split into registered businesses (column I) and unregistered businesses (column

II). The constant, which was the intercept of the equation, showed that when all the variables (X) were zero, the value of (Y), that is the dependent variable: (Entrepreneur's productivity) were 27.7 and 13.8 for registered and unregistered businesses respectively. The result obtained for registered businesses was significant at 1%, while that of unregistered businesses was not significant. The result showed there was an inverse relationship between entrepreneur's age and his productivity as obtained in the category Table 2 below. It is expected that as the entrepreneur grows older, his productivity will decrease. The result also showed that there was a positive correlation between entrepreneur's productivity and his level of education. As the entrepreneur's education increased by a level, his productivity increased by 2.1% for registered businesses and .02% for unregistered businesses. The result for registered businesses was significant at 5% while the result obtained for unregistered businesses was significant at 1%. On hours worked per day, the result obtained shows an inverse relationship between hours worked per day and productivity and this is in line with the theory of productivity, which posits diminishing return of labour. The result showed that if number of hours worked per day increases by one hour, the entrepreneur's productivity will decrease by 0.3% and 0.1% for registered and unregistered businesses respectively. The result was also statistically significant at 1% for registered businesses, but not (statistically significant) for unregistered businesses. This means that increase in the number of hours worked for registered business does not increase the entrepreneur's productivity. The coefficient for business experience showed a positive correlation between business experience obtained by the entrepreneur and entrepreneurs' productivity. As business experience increased productivity also increased. The coefficient for entrepreneurial training was also high, positive and significant at 1% and 5% respectively. Result obtained on firm characteristic variables was similar to that obtained in the category table above. Business size, business location and business registration all have positive relationship with entrepreneurs' productivity except for business size for unregistered business which has a negative relationship with entrepreneur's productivity. Results obtained for interest on loan revealed that as loan interest increased by a percentage, entrepreneur's productivity decreased by 0.03% for registered business and 0.06% for unregistered business respectively. Both results were not statistically significant; hence they could not be used to make inferences. On weekly meetings, the results obtained for registered and unregistered businesses showed a negative correlation with entrepreneur's productivity for both registered businesses and unregistered businesses and they were both statistically significant at 10% and 1% respectively. The results on weekly repayment of loan received by the entrepreneurs also showed an inverse relationship with entrepreneurs' productivity.

Table 2: Multiple Regression Analysis of Effects of

Microfinance on Small Business Operators Productivity by Legal Status of Business

In table 2 below, productivity was measured as output over resource input at time t. The data was split into two; the result of registered business is presented in column I, while that of unregistered business is presented in column II for both registered and unregistered businesses and they were both statistically significant at 5% and 1% for registered and unregistered businesses respectively. Contact with lender showed a positive relationship with entrepreneurs' productivity and was significant at 5% significant level for both registered and unregistered businesses. Micro loan received by the Entrepreneurs also showed a positive correlation with entrepreneurs' productivity and was statistically significant at 5% for both registered and unregistered businesses.

The coefficient of determination, that is, the adjusted R² for registered and unregistered business was accepted at 0.12 and 0.16 for cross-sectional data as in this study. The main focus of interest was the impact of each independent variable on the dependent variable as specified in the equation. The calculated F-statistics of 2.819 and 1.991 were significant at 1% therefore we rejected the null hypothesis and accepted the alternative hypothesis, which states that microfinance impact on entrepreneurs' productivity in South-West Nigeria was significant as it contributed to national productivity.

5.0. Conclusion and Recommendations:

Microfinance and Entrepreneurs' Productivity

The findings of this study were similar to those of Fasoranti et al. (2006), Soderbom, Teal, and Harding. (2006) which identified the significant determinants of the technical efficiencies of bakers, furniture makers and burnt brick makers to be the age of operators, business experience, and level of education, training experience, and access to credit, working capital and initial capital outlay. They also found that well structured entrepreneurship training programmes complemented with easy credit access facilitated the desired improvement in the efficiencies and productivity of small scale business operators. The result obtained on this aspect of the study showed the magnitude of beta coefficient for all the owners' characteristics variables, some firm characteristics variables and other microfinance variables such as, contact with lender/loan officer in that order as significant determinants of entrepreneurial productivity for the total sample in South-West Nigeria. When the sample was split into small firms and micro firms, the same variables were seen to have significant impact on entrepreneur's productivity, but the order of impact varied significantly. Entrepreneurial training, owner's education, business experience, business size, business location, business registration and contact with lender/loan officer in that order were found to have significant impact on small firm entrepreneur's productivity. The same order was obtained for micro loan operators except that weekly

	Column I Registered Business Coefficient t-statistic	Column II Unregistered Business Coefficient t-statistics
Constant	27.717 3.171	13.860 0.120
Owners Characteristics		
Entrepreneur's Age	-1.558 -1.482	-0.687* -1.734
Owners Education	2.157** 1.819	0.020* 1.662
Hours work per day	-0.382* -2.122	-0.139 -1.212
Business experience	1.062** 2.713	1.442 2.014
Entrepreneurial training	22.012* 4.119	16.018** 6.343
Firm Characteristics		
Business age	-0.004 -1.612	1.131** 1.715
Form of Business	-0.110 -1.121	-0.245* -1.802
Business Size	1.233** 2.743	-0.322* -1.612
Business location	0.133* 1.569	2.189* 2.035
Business registration	1.020* 2.122	0.052** 2.241
Microfinance Characteristics		
Loan interest	0.034 1.393	0.067 0.711
Micro loan received	1.403 1.871	1.085 1.648
Contact with lender	1.191 1.528	1.711 1.721
Weekly meetings	-0.008*** 1.712	0.861* 1.131
Weekly repayment	-0.020** 1.586	1.057* 1.681
R - squared	0.175	0.125
Adjusted R-Squared	0.120	0.169
No. of Observation	171	331
F-test statistics	2.819 (0.000)	1.991 (0.000)

Source: Field Survey, 2009

meetings and weekly repayment were found to have positive correlation with entrepreneur's productivity. The overall statistics of 3.819, 1.218 and 2.113 for total sample, small firm and micro firm respectively led to our decision to reject our null hypothesis for total sample and micro loan and accept the alternative hypothesis. Our null hypothesis states that microfinance does not have significant impact on the level of productivity of micro and small enterprises operators in South-West Nigeria.

When split by legal status, the result was found to be similar and in the same trend with the result obtained by category. For registered business; entrepreneurial training, owner's education and business experience are variables that were significant under owner's characteristics variable for both registered and unregistered businesses. For firm characteristics variables; business size and business location were the relevant variables, and for microfinance variables, the only relevant variable was contact with lender. These findings corroborated those of Tunkella (2003), Karlan and Valdivia (2006) which revealed entrepreneurship training to be a highly significant determinant of the entrepreneur's efficiency. The findings for unregistered business showed similar trend except that weekly repayment was positive and significant. Despite the findings on individual variable determinants, the overall f-value statistics were also significant and that led to our rejection of the null hypothesis for the two samples and the acceptance of the alternative hypothesis for the two which states that microfinance impacts significantly on the level of productivity of micro and small entrepreneurs in South-West Nigeria contributing to national productivity.

When the sample was split according to kind of business activities, the significant variables were a little different for the kind of trade and this was very important for policy formulation. The findings implied that different efficiency and productivity strategies may be emphasized for the different sub-sectors of the micro and small enterprises sector. Our findings revealed that micro loan, entrepreneurship training, entrepreneur's education, business experience, business size, business location, loan interest, micro loan received, and contact with lender in that order were the significant determinants of entrepreneur's level of productivity in the trading sub-sector. Among artisans, the most significant determinants were entrepreneurial training, business experience, business size and business location, regular contact with lender/loan officer, and micro loan. In the manufacturing sector, regular contact with lender/loan officer was found to be the most significant factor; other factors of significant impact were weekly repayment of loan, business size, entrepreneur's training, owner's education and business experience in that order. In the agricultural sub-sector, entrepreneur's training was found to be the most important contributory factor into entrepreneur's level of productivity, followed by contact with lender, business location, business size, business experience, owner's education and business age. In the

service sub-sector, loan interest, contact with lender, entrepreneurial training, weekly meetings, business location, business size, business experience, owner's education and business age in that order were found to be the most important contributory factor to entrepreneur's level of education. Despite the contributory power of each variable and judging by the overall fitness of the estimated equations, the null hypothesis was rejected for only the trading and the service industry sub-sector, while the null hypothesis was accepted for the manufacturing, agriculture and artisan sub-sectors. The findings implied that microfinance does not impact significantly on the productivity of entrepreneurs in the manufacturing, agricultural and artisan sub-sectors.

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