

**BANK OF INDUSTRY MICRO, SMALL AND MEDIUM ENTERPRISES
FINANCING AND POVERTY REDUCTION IN NORTH-CENTRAL NIGERIA**

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Abstract

The paper studied the effects of the Bank of Industry MSME financing on poverty reduction in North-Central Nigeria. The aim was to determine the effects based (1) on the opinions of male and female stakeholders and (2) their educational qualifications. A descriptive survey technique was espoused, and it was discovered that the Bank of Industry MSMEs financing has a significant effect on poverty reduction in the region. Therefore, the Federal, state, and local governments are encouraged to be deliberate in providing more capital funding through the Bank of Industry to grow the MSMEs sector and minimise poverty, especially in north-central Nigeria.

Keywords: *Poverty, Bank of Industry, MSMEs Financing, MSMEs Growth, North Central Nigeria*

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1. Introduction

Micro, Small, and Medium Enterprises (MSMEs) sector is very important to the economic fortune of a nation. The sector is responsible for contributing immensely as the catalyst to economic rejuvenation due to its capacity to create jobs and increase the gross domestic products of a country. Data from the World Bank attested to the fact that MSMEs account for 40% of national income (GDP), 50% of employment and about 90% of businesses (Gentrit & Pula, 2015). Reports by Price Waterhouse Coopers MSMEs Survey (PwC MSME Survey 2020), Small and Medium Enterprises Development Agency of Nigeria, and National Bureau

of Statistics (SMEDAN/NBS), MSMEs survey (2018) affirmed that 96% of the businesses in Nigeria are MSMEs contributing 50% to the National GDP.

Therefore, growing the MSMEs sector has being the concern of every government most especially in the developing countries. The Sustainable Development Goals (SDG) projection was to eradicate poverty by 2030 and one of the practical ways to achieve this feat is for the government, international agencies and other philanthropists to look for ways to support the massive creation, growth and development of the Micro, Small and Medium Enterprises (MSMEs) sector due to its importance as catalyst of industrial growth, employment generation, poverty reduction and human capital development (SMEDAN, 2018). Whilst the MSMEs are an important part of the business landscape in any country, they are faced with many challenges that inhibit their ability to function and contribute greatly to the economic growth of many African countries. The position in Nigeria is not different from this generalised position (Danaan, 2018).

According to the NBS/SMEDAN (2018), the factors inhibiting the growth of the MSMEs sector in Nigeria include; lack of skilled manpower, multiplicity of taxes, lack of access to quality information and advice, technological disruption (that is, lack of access to technology especially for marketing of products) and high cost of doing business, among others. Bessel, (2015) opined that the MSMEs growth is affected by several problems, some of which include; insufficient income base, inadequate market research, lack of business strategy, inexperience, cut-throat competition, as well as inadequate entrepreneurial skills. Also, access to capital, poor operating environment and high illiteracy rate remain limiting factors.

Poverty can be defined as the inability to meet basic human needs or the state of being impoverished. It can be regarded as a state of need, helplessness or not having access to basic necessities of life that support minimum living standard. Poverty is deep-rooted, endemic and a multifaceted phenomenon; it can be regarded as the oldest and the biggest prevalent ailment that has brought destructive scourge on the growth and development of most countries especially the developing countries of the world (UNDP 2017). This epidemic has killed more people than the world known diseases such as Coronavirus, HIV, Ebola, and Malaria notwithstanding the huge amount of resources and programmes of every government as well as international organisations to eradicate and/or alleviate poverty and its devastating effects on the society (Addae-Korankye, 2014). According to the UNDP (2017) report, one of the crucial hindrances to achieving the Sustainable Development Goals (SDG), principally in the

developing countries is poverty. The factors responsible for high level poverty especially in the developing countries includes; risky rural life, high population growth, fragile and conflict-afflicted states, lack of; education, good health care and skills, limited public drive in extensive agricultural research, lack of or collapse of rural infrastructural facilities and the continuous inequality between men and women (World Bank, 2019).

Therefore, the state of poverty in the North-Central Nigeria is a mirror of the entire country. The North-Central Nigeria is made up of: Plateau, Niger, Nasarawa, Kwara, Kogi, and Benue. According to the United Nations' Multi-Dimensional Poverty Index (2017); the region is among the poorest with a poverty level of 45.7%, a figure very close to the National poverty average of 46% and one of the most difficult places to live and invest in Nigeria. The National Bureau of Statistics 2019 poverty and inequality in Nigeria survey conducted using consumption aggregate of the value in naira of household consumption of food and non-foods goods and services such as amount expended on food, schooling and education, health care, house rent, clothing, not too flashy home appliances, fuel, relaxation, repairs, and so on indicated that 20.35% to 66.11% of the population of people living in the North Central states live below the poverty line, the highest state been Niger state with a 66.11% and the lowest was Kwara state with a 20.35% (NBS, 2020).

Combating poverty with its attendant effects on crime and other social ills has been one of the major concerns of every individual, government as well as the world international agencies. Since Nigeria attained independence in 1960, considerable efforts have been made towards industrial growth. For example, since the return to democratic rule, the government of Nigeria has been concerned about diversifying the economy of the country and growing the MSMEs sector (Inam, 2015). Some strategic moves by the government of Nigeria involve the formation of the Small and Medium Enterprises Development Agency (SMEDAN), execution of the National Enterprise Development Programme (NEDEP), formation of the National and State Councils for the Small and Medium Enterprises, YOUWIN, and other funding opportunities provided by the Central Bank of Nigeria and some development banks (SMEDAN, 2018).

According to the PWC MSMEs Survey (2020), other attempts by the government at growing the MSMEs sector and alleviating poverty in the country include; the year 2020 Federal Government of Nigeria N75 billion MSMEs Survival Funds to support and cushion the effect of the Coronavirus pandemic (COVID 19) on businesses, the signing into law of the Finance Act 2020 that exempt MSMEs of below N25 million actual turnover from paying taxes, the

signing of the CAMA 2020 amendment act, and the Executive order of the Ease of doing business.

Despite this attention and huge investment by the Federal, State and Local Governments, also multilateral organisations and philanthropists to reduce the level of poverty in the country through the creation of so many avenues for MSMEs owners to access funding especially with the formation of the Bank of Industry in 2001 to provide cheaper, easier, accessible, affordable and acceptable financing alternative(s) as well as technical assistance to grow the MSMEs sector in order to sustain their operations with its attendant positive impacts, the North-Central Nigeria is still ravaged by high level poverty rate and low level industrialisation when compared to other regions in the country especially the Southern regions as many households still earn income below what is required to maintain basic living standards (Ndanusa, 2017). The rate of growth of MSMEs in the region is still being hampered by a lack of access to finance, as many of them (MSMEs) lack the necessary capital to either start or grow their businesses to achieve the required level of economic diversification, possibly due to apathy in using BOI services or a lack of required level of awareness or education (illiteracy) to use such services, untidy record keeping (especially accounting record), ineffective management, poor financial and investment management (Akoja, 2010; Adeoti, 2012; Okonkwo & Obidike (2016). As a result, this study investigated the impact of Bank of Industry MSMEs financing on poverty reduction in North-Central Nigeria by determining the impact of the Bank's MSME financing based on the perspectives of male and female BOI service stakeholders, as well as the relationship between stakeholders' educational qualifications and the impact of BOI MSMEs financing.

2. Literature Review

2.1. Concept of Poverty

The complexity surrounding the meaning of the word 'poverty' has made it difficult to have a generally accepted definition of the concept as different schools of thought have come up with several definitions of the word poverty (Philip & Sanchez-Martinez, 2014). According to Eva and Kate (2007), poverty can be expressed in several dimensions. Though classically, the word poverty is used in relation to income and such believe still subsist even till date. The inability of a person to possess the fund to meet the basic needs of life was seen as poverty. The notion can be traced to the 19th century in which the mentality then was having a means of livelihood.

However, Philip & Sanchez-Martinez (2014) opined that there is a change in orientation regarding viewing poverty from the monetary perspective to include expanded variables such as political participation and social inclusion.

Luciano (2018) defines poverty as the failure of a person to reach the least standard of living which can be viewed from the inability to afford the basic things of life such as food, clothing, good health care, shelter, clean water, education and other fundamental infrastructures to live a normal life. However, to critically examine what the concept of poverty actually means has to do with who is asking the question, how is the question being understood and who is responding to the question and this can be explained from five different interrelated perspectives. According to Daouda (2015); Robert (2006), the first is income-poverty which can also be referred to as consumption poverty for ease of measurement, this is the perspective of the economists on what poverty is. The second is material lack or want. This refers to the inability to possess basic physiological needs including good food, shelter, clothing, television or radio, the means to move from one place to the other and means to quality services. The third is capability deprivation. This explains what a person can or cannot do and/or be. It bothers more than material incapability or desire to incorporate human accomplishments such as skills and physical potentials and self-esteem among the community of people. The fourth encompasses a predominantly complicated perspective of impoverishment with the three earlier discussed as physical yardsticks to measure the level of poverty. The Fourth explanation of the word 'poverty' is the proclamation of one's level of education, training, psyche, exposure, and ruminations. This underscores the intellectual capabilities to make judgments in line with one's knowledge.

The fifth perspective of the word poverty is being poor, marginalised, vulnerable, excluded or deprived. Therefore, being poor entails all the above and all efforts at alleviating poverty has yielded minimal results because even if people are provided the basic necessities of life, what about their level of reasoning, exposure, and judgments of issues? This means, any attempt to reduce poverty must be all-encompassing to incorporate all the above (UNDP, 2017).

2.2. Overview of the MSMEs

Micro, Small, and Medium Enterprises can be defined based on peoples' opinion of the concept which varies from one country to the other; while some consider total revenue as the basis for explaining the concept; others looked at the total number of employees as a basis for

categorisation (Babajide, 2012). According to the World Bank (2019), micro enterprises have between one to nine employees, small enterprises have ten and less than fifty employees and medium enterprises have fifty and less than two hundred and fifty employees. The European Union defined an enterprise with 250 employees as a medium-sized enterprise, while small and micro enterprises have 50 and 10 employees respectively. Qualitative Criteria for measuring SMEs in line with the World Bank standard include; aggregate employees; aggregate assets (in \$) and yearly trading (in \$) (Gentrit and Pula (2015). In Nigeria, in line with the 2019 Finance bill, any organisation with not up to N25 million yearly sales is considered a small enterprise while any enterprise with yearly sales between N25 million to N100 million is categorised as a medium enterprise (Ebube, 2019). From the above, it can be summarised that the parameters for defining MSMEs include; capital outlay; aggregate employees, and volumes of manufacturing or sales of business.

2.3. Theoretical Review

The level of poverty in Nigeria is peculiar and multifaceted. The cause of poverty ranges from low per capita income to low level of savings, low level of education and nutrition, lack of basic infrastructural facilities. Also, lack of transparency in government which is responsible for high level of corruption by the few privileged public officials to politically motivated poverty in which the political class deliberately refused to provide the needed public amenities for the public good only to come every election year to use same as campaign slogan to sway the people to vote for them thereby keeping the larger proportion of the population in perpetual poverty. Therefore, the poverty theory that was reviewed for the purpose of this study is the Vicious Cycle of Poverty.

The Vicious Cycle of Poverty Theory

This theory asserted that the fundamental basis for poverty is traceable to the level of the per capita income. According to Aseel, Madya, and Mashitah, (2017) poverty in the developing countries is a vicious cycle from inability to live on balance diet which results in health challenges and since the level of income is low that will lead to the inability to afford the basic medical care which will invariably affect the level of productivity and may ultimately lead to death. Also, looking at it from the educational angle, the inability to earn enough income to save and invest in education will lead to the inability to afford the cost for basic education which will ultimately lead to lack of employment and the final result will be poverty. There is

multiple poverty cycle in Nigeria as the same person who could not afford education whether at the conventional or technical level may also not be able to afford basic healthcare system as well as enjoy the basic infrastructures like good shelter, electricity, clean water and so on to live a manageably comfortable life. Therefore, in order for Nigeria to solve this problem of the vicious cycle of poverty in line with the recommendations by Rohima, Agus, Asfi, and Khusnul, (2013), the government should embark on huge investment or expansionary fiscal policies that are capable of creating employment opportunities as results of government spending. This deliberate attempt should be directed at increasing the purchasing power of the people with the target of breaking the vicious cycle of poverty. In achieving this there should be adequate measures put in place to curb corruption and as well as the level of insecurity in the country.

2.4. Empirical Review

Abdelbary (2019) reviewed competitions, opportunities and threats confronting the small and medium enterprises especially the type of support offered by government of some countries to promote the growth of the sector especially in Egypt and how the SMEs in those countries have been able to harness those opportunities for their development and that of the country. The paper proposed that the problems confronting the SMEs in Egypt can be solved with proper policy articulations and implementations.

Cullen, Calitz and Gaga (2014) conducted an exploratory study of twenty MSMEs in the manufacturing sector in Pretoria, South Africa to ascertain their best financing options. The study revealed that most SMME owners did not depend on bank loans and government funding to begin their enterprises and recommended that government should put in place mechanism to persuade the commercial banks to give loans to the SMMEs also educate the SMME owners on the need to patronise the commercial banks and government funding options so as to grow this very important sector of the economy.

Dzuljastri, Moha and Arif (2018) conducted an investigation into the problems confronting the development of the SMEs in Turkey and Malaysia. The study identified the three major variables affecting the development of SMEs in the selected countries as funding, effect of knowledge-driven economy and effect of assistance in terms of marketing. Secondary data and literature review were employed to analyse these variables. The findings revealed that both countries were been affected by same problems though differ in degree. The study

recommended that for rapid growth of the SMEs, the government of both countries should mobilise all resources at their disposals to assist in financing the SMEs which can be achieved by creating the required avenue for SMEs owners to have access to bank loans, increase the education on international trading and equity capital, increase the awareness on the use of technology, provide assistance in terms of research. Also, SMEs should be trained on basic management, accounting and marketing principles.

Suleiman (2004) conducted a random sampling of 10 formal and informal finance sources and 20 SMEs in Kaduna and Abuja. Simple Chi-square and correlation coefficient statistical analysis were used to explain the rate at which the disbursement of Bank credit facilities were related to Small and Medium enterprises growth. The study revealed that the problem of SMEs financing in the country was not due to lack of funds as there were several financing options available in the country, but accessing the funds despite several government initiatives has been the challenge as a result of inadequate and clear guidelines on the disbursement of funds which has given rise to the growth of the informal sources of financing the MSMEs. The study recommended the encouragement of saving in the informal sector through proper regulation, government intervention through active involvement of banks in local business associations which will help to grow the informal sources and increase their capacity for micro financing.

Babajide (2012) used Panel data and multiple regression analysis to investigate the five hundred and two selected enterprises funded by microfinance banks in Nigeria. The result showed that location and size of an enterprise directly affect enterprise growth than access to microfinance. Babajide (2012) recommended the restructuring of the capital structure of the bank and upgrade their scope to provide the needed assistance to growing the MSMEs.

Nwakoby and Okoye (2014) examined the reason(s) SMEs could not access funding from the capital market, also, determining the requirements that would qualify them for such exposure. Descriptive statistic survey was adopted, eighty SMEs in Anambra state (40 SMEs each from Onitsha and Nnewi) were sampled. Questionnaires were administered to business owners and/ or their representatives. Data generated were analysed using simple tabulation, percentages and Chi- Square (X^2) statistical methods. The results of the analysis showed that almost all SMEs owners have little or no knowledge of the activities of the capital market and the potential benefits it carries for the sustenance of their businesses, even the few numbers that were seemingly aware were not keen at approaching the capital market in order to still continue to retain the total control of their businesses. The study recommended for fair and not too stringent

regulatory requirements from the Nigerian Stock Exchange to guarantee a friendly investment climate that would make SMEs operators and/or investors comfortable to approach the capital market for long term financing.

Furthermore, in recognition of the indispensable role of MSMEs in economic rejuvenation of the country especially the need to put in place strategies and structures to guarantee the growth of the SMEs, Okonkwo (2016) adopted a descriptive survey method to examine some of the government interventions in SMEs growth in terms of institutions, policies and programmes and how much of those interventions have rubbed off positively on the SMEs sector. Okonkwo (2016) research revealed that many SMEs were unable to access the intervention funds due to unfavourable conditions attached to them and ambiguous guidelines, and, therefore recommended that all banks participating in the disbursement of intervention funds to aid SMEs growth should synchronise the applicable guidelines for accessing such funds in order to make them same and investors friendly.

Ilori and Adesheye (2015) conducted a critical assessment to review the various funding arrangements available to SMEs; how such arrangement have been able to meet the finance and development requirements of the SMEs sub-sector in Nigeria and offer suggestions on the ways to ensure the financing of the SMEs. The study showed that several programmes were instituted by government, funding organisations as well as non-governmental organisations to boost SMEs financing in Nigeria, but not too many positives can be seen in the sector. The study therefore, agreed with the recommendation of Suleiman (2004) for the encouragement of saving at the informal sector through proper Philip & Sanchez-Martinez, regulation, government intervention, and involvement of banks in local business associations to grow the informal sources of financing the SMEs.

3. Methodology

Descriptive statistical research method was adopted for this study. The population of the study include the MSMEs owners in Kwara and Kogi States of north-central Nigeria, the staff of the Bank of Industry in Kwara and Kogi States under consideration. Percentage of the total number of MSMEs operating in the two states was taken as sample size. Therefore, a sample size of 70 respondents was randomly selected in Kogi State and 52 in Kwara State. The total sample size for this study was 122, but because of attrition, 130 respondents were sampled.

The questionnaire titled “The effect of Bank of Industry MSMEs Financing on Poverty Reduction (EBIMFPR) was administered. The questionnaire was divided into Parts A and B. Part A contained respondents’ demographic profile while Part B posed questions directly related to the research stated purpose. Respondent demographic profile was analysed with the use of percentage, while the independent t-test and One-way ANOVA were used to test the formulated hypotheses at 0.05 level of significance.

4. Results

Table 1: Distribution of the Respondents by Gender

Gender	Frequency	Percentage (%)
Male	50	38.5
Female	80	61.5
Total	130	100.0

Source: Author Computation 2021.

From Table 1, total population was 130 respondents; 50 (38.5%) males, and 80 (61.5%) females. More females responded than males.

Table 2: Distribution of the Respondents by Educational Qualification

Educational qualification	Frequency	Percentage (%)
Primary Education	36	27.7
Secondary	58	44.6
Tertiary Education	36	27.7
Total	130	100.0

Source: Author Computation 2021.

From Table 2, out of 130 respondents, 36 (27.7%) had primary school education only, 58 (44.6%) had secondary school education, while 36 (27.7%) had tertiary education. This shows more of the respondents in this study had secondary school education.

Research Question 1: What is the effect of Bank of Industry MSMEs financing on poverty reduction North Central Nigeria?

Participants’ responses to the above question were collated. The minimum score, maximum score and range score of the respondents were 12, 48 and 36. The range was divided by the two level of effects (high and low) and the cut off was 12. Respondents who scored from 12 – 30 were assumed to have low level impact, while respondents with scores from 31 – 48 were credited to have high level effect respectively. The result is presented in Appendix 1. The result presented in Appendix 1, indicated a total population of 130 respondents. Responses revealed a weighted mean score of 39.15 as against the benchmark weighted mean score of 30.0 which means there is a high level of effect of Bank of Industry MSMEs financing on poverty reduction in North Central Nigeria

H0₂: Perspectives of male and female stakeholders have no relationship with the effect of Bank of Industry MSMEs financing.

Respondents’ responses regarding questions related to the above were organised by gender to test for the research hypothesis. The data analysis is contained in Table 3.

Table 3: A t-test analysis of the difference in male and female opinions of the effect of Bank of Industry MSMEs financing on poverty reduction in North Central Nigeria

Gender	No	Mean	Std.	df	Cal.t-Value	Sig. (2-tailed)	Decision
Male	50	40.02	4.43				H₀₁
				128	2.07	.04	Rejected
Female	80	38.60	3.38				

p<0.05

Source: Author Computation 2021.

From Table 3; t-value = 2.07 with p-value = .04 < 0.05 alpha level. Since .04 is lower than 0.05 alpha level, hypotheses two is rejected as it indicates a significant difference in the male and female opinions of the effect of Bank of Industry MSMEs financing on poverty reduction in North Central Nigeria. The result favours the male respondents with a mean score of (40.02) greater than the mean score of (38.60) of female respondents (40.02 > 38.60).

H0₃: Education qualifications of stakeholders have no relationship with the effect of Bank of

Industry MSMEs financing on poverty reduction in North Central Nigeria

Respondents' responses regarding questions related to the above were organised by educational qualifications to test for the research hypothesis. The data analysis is contained in Table 4.

Table 4: ANOVA Summary of the relationship between the education qualifications of stakeholders and the effect of Bank of Industry MSMEs financing on poverty reduction in North Central Nigeria

Source of Variance	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	22.79	2	11.39	.76	.47
Within Groups	1901.44	127	14.97		
Total	1924.22	129			

$\rho > 0.05$

Source: Author Computation 2021.

From Table 4, F-value is .76, calculated significant .47 at 0.05 alpha level. Calculated significance .47 is greater than 0.05 alpha level, hypothesis two is hereby accepted. That is; no relationship existed between stakeholders' education qualifications and the effect of Bank of Industry MSMEs financing.

5. Discussion of Findings

Finding shows that;

The effect of Bank of Industry MSMEs financing on poverty reduction is high even in North-Central, Nigeria. This revelation reflects Cullen, Calitz and Gaga (2014) submission that MSMEs can significantly bring down poverty level in the country if operators have access to affordable capital through government funding and patronising the commercial banks. This

was also supported by Thorsten, Asli and Ross (2005) that affirmed that, SMEs growth directly correlate with GDP per capita growth.

Divergent views exist between male and female opinions of the effect of Bank of Industry MSMEs financing on poverty reduction in North-Central Nigeria.

No consequential correlation between the education qualifications of stakeholders and the effect of Bank of Industry MSMEs financing on poverty reduction in North Central Nigeria.

6. Conclusion and Recommendations

To lessen the level of poverty in the country, it is important to grow the MSMEs sector and this can be achieved by making finance available to MSMEs operators at an affordable rate. The study strongly affirmed that MSMEs owners in the states sampled have increased as many people are beginning to come to terms with the fact that that is the only way to grow a virile economy. Conclusively, it is important to encourage and promote the establishment of more MSMEs in Kwara and Kogi States of North-Central Nigeria to provide more jobs, reduce hunger, the level of dependency on the federal government, violence and change the narration of the states from civil service states to producing states. It is, therefore, proposed that the federal, state and local governments should support the growth of the MSMEs by providing more capital funding through the Bank of Industry and even the microfinance banks. More people in the region should be empowered to create jobs through the MSMEs no matter their level of education and reduce the level of poverty. Also, banks should be encouraged to support MSMEs enlargement through reduction in loan interest/charges. Owners of MSMEs in Kwara and Kogi States should be trained to boost their business performance. In the future, more research into how the environment affects the success of the Bank of Industry's operations and poverty alleviation in north-central Nigeria should be undertaken.

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Appendix 1

Cumulative Mean of the effect of Bank of Industry MSMEs financing on Poverty Reduction in North Central Nigeria

S/N	Effect of Bank of Industry MSMEs Financing on Poverty Reduction	Mean
1	Deliberate allocation of credit facilities to MSMEs can help grow the sector and reduce unemployment	3.59
2	Access to funding by MSMEs owners can increase their income	3.45
3	Intentional support granted the MSMEs enhance business growth and minimise failures	3.55
4	Bank of Industry MSMEs financing help breaks the domino effects of poverty	3.13
5	Bank of Industry MSMEs technical support services contribute to MSMEs risk management system, business survival and success.	2.70
6	Monitored financial support granted by BOI to the MSMEs can ease working capital limitation, guarantee steady income and controlled consumption, thereby, enhancing the welfare of the poor.	3.43

7	BOI proper management of the MSMEs can help develop more microfinance banks to attend to the growing sector and rejuvenate the economy of the country	3.13
8	Bank of Industry empowers the financially disadvantaged MSMEs	3.19
9	Bank of Industry have the window to support micro enterprises by given them micro credit and high-yielding assets	3.52
10	Bank of Industry helps to harness the untapped capacity of the customers for entrepreneurial growth	3.50
11	Bank of Industry MSMEs financing encourages the poor people to engage in economic activities	2.81
12	Financing of the MSMEs by the Bank of Industry MSMEs helps the disadvantaged to be self-sustaining, guarantee household income and assist in generating wealth	3.15
	Weighted Mean Score	39.15
