

MICRO FINANCE BANK SERVICES AS A TOOL FOR BUSINESS SUSTAINABILITY IN THE 21ST CENTURY.

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ABSTRACT

This paper considers micro finance bank services as a Tool for Business sustainability in the 21st century. The problem of under empowerment in recent times cannot be ignored since it gives room for lack of economic growth and development. Empowerment has become an area of concern by the government and other NGOs/philanthropic organizations and since it requires funding and support, microfinance banks cannot be left out. In this work LAPO microfinance bank in Benin city, Edo state was used as a case study. Questionnaires were used for data collection and the 150 respondents were randomly selected. Descriptive statistical tool was used for the analysis. The findings of this study reveal that increase in the amount of loan given by LAPO microfinance bank expands their businesses and increase in micro savings increases financing. Based on the findings in this work, conclusions are made and it was recommended that microfinance banks should help in providing loans for small businesses so that they can be sustainable, microfinance banks should help in encouraging individuals to save, microfinance banks should help in ensuring that micro loans are properly used, government should introduce more Policies and programmes to influence the establishment of more micro finance banks in both rural and urban communities since this will help in business sustainability.

Keywords: *Microfinance, micro loan, micro savings, sustainability, tool.*

INTRODUCTION

In recent times empowerment issues are very important hence the need for a proper research on the topic. This research is concerned with micro finance bank services as a Tool for Business sustainability in the 21st century and using LAPO microfinance bank in Benin city, Edo state was used as a case study. Micro finance has to do with financial opportunities that can be more useful to less privileged people in the society. Ofoegbu, Akambi and Joseph (2013) described microfinance banks as any financial services that are flexible in structure and processes which are delivered to small scale enterprise as well as low income earners and the poor on a sustainable basis. In Nigeria microfinance banks therefore is seen as poverty reduction strategy that is carried out in providing credit and other financial active and low income households and their businesses Suberu, Aremu & Popoola (2011) also explained that issues related to Small Scale Enterprises cannot be under emphasized as a result of its benefit in the economy. Bauchet *et al* (2011) opined that micro finance loans are given to micro entrepreneurs and this helps in the growth of their businesses while the interest paid helps in the growth of the bank. Taiwo, Onasanya, Agwu and Benson (2016) examined the role of microfinance banks on financing small businesses in Nigeria. Descriptive research design was employed for the study. Primary data was used. The sample size for the study was 150 small businesses across Lagos State using stratified random sampling. The method of data analysis was descriptive and inferential statistics. The analysis of the result revealed that the recapitalization of MFBS has helped in the growth and expansion of small business finance in Lagos. As a result, microfinance institutions helped in financing small businesses in Lagos state. Oleka, Maduagwu and Igwenagu (2014) investigated the impact of microfinance banks on the performance of small and medium scale enterprises in Nigeria. The studies cover the period of 2003 – 2013 (ten years). The method of data collection was primary data and secondary data through the use of questionnaires and annual report of CBN on SMEs. The sample size for the study was 300 SMEs which were selected through simple random sampling. The method of data analysis was through regression analysis. The results of the study revealed that access to microfinance banks significantly enhanced the growth of SMEs in Nigeria and also that business size, business age, business location, loan size, loan maturity are found to have positive effect on business growth. Ekpenyong (1992) defined small scale enterprises as a business that have relatively little capital investment outlay that produces in small quantities as a result of control of a small share of the market and employ not more than fifty workers and the planning and entrepreneurial functions are vested in the hands of the owners. In recent times most micro finance banks are highly interested in savings and tend to mobilize individuals by ensuring that they know the advantage of savings. Yusuf, Amao and Olawale (2014) examined the effects of microfinance banks credit on small scale enterprises in Osun state Nigeria. The area for this study was Irewole local government of Osun state. The study used primary data for sources of data collection. The population of the study was 77,309, stratified and systematic random sampling was used in the selection of the sample size of 120 small scale entrepreneur. Ordinary Least Square (OLS) regression method was used for the method of data analysis. The result of the data revealed that loan repayment period, family size and years in business were the key determinants of business turnover and that the volume of credit available to respondents are affected by repayment period, numbers of sources and interest of loan.

STATEMENT OF RESEARCH PROBLEM

Business sustainability has been considered in literature as a difficult task to achieve as a result of its huge financial implication. Based on the financial implication, many financial bodies come up with different plans as a means of encouragement in this regard. Microfinance banks are recognized for grass root banking in recent times. We see the need for this research work as an enlightenment means for business sustainability.

OBJECTIVES OF THE STUDY

The objectives of this research work is to:

- i. To examine the impact of microfinance bank loan on business sustainability.
- ii. To examine the impact of microfinance bank savings on business sustainability

RESEARCH QUESTIONS

- i. Does increase in micro loan expand their businesses?
- ii. Does increase in micro savings increase business financing?

RESEARCH METHODOLOGY

Questionnaires were used for data collection and the respondents were randomly selected. Descriptive statistical tools were used for the analysis.

DATA ANALYSIS AND INTERPRETATION

RESEARCH QUESTION 1:

Does increase in micro loan expand your business?

TABLE 1:

Percentage of responses on research question 1

Response	Frequency	Percentage (%)
Yes	122	81.3
No	28	18.7

RESEARCH QUESTION 2:

Does increase in micro savings increase business financing?

TABLE 2:

Percentage of responses on research question 2

Response	Frequency	Percentage (%)
Yes	140	93.3
No	10	6.7

DISCUSSION OF FINDINGS

Based on this study, increase in the amount of loan given by LAPO microfinance bank expands their businesses and increase in micro savings increases financing.

CONCLUSION

This study considers the positive contributions of LAPO microfinance bank in promoting small scale businesses in Benin city through micro-loans and micro-savings. It could be seen that there is significant relationship between LAPO microfinance bank and small scale business financing/empowerment. Based on the findings, the study therefore concludes that increase in the amount of loan given by LAPO microfinance bank expands their businesses and increase in micro savings increases financing. It is important to note that the findings in this research work agrees with most findings in literature.

RECOMMENDATION

The following recommendations were made in line with the findings and conclusion of the study:

- 1 microfinance banks should help in providing loans for small businesses so that they can be sustainable.
- 2.microfinance banks should help in encouraging individuals to save.
- 3.Microfinance banks should help in ensuring that micro loans are properly used.
4. Government should introduce more Policies and programmes to influence the establishment of more micro finance banks in both rural and urban communities since this will help in business sustainability.

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