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FINANCIAL INCLUSION AND PERFORMANCE OF MICRO, SMALL AND MEDIUM SCALE ENTERPRISES IN NIGERIA

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Abstract

Financial inclusion assures easy access to financial services by enabling the disadvantaged and vulnerable sections of the society to actively contribute to development and protect themselves against socio-economic shocks. Nigeria has a sizeable rural poor population with limited access to conventional financial institutions or services. This study investigated the impact of financial inclusion on the micro, small and medium enterprises (MSMEs) performance in Nigeria. The survey research design method was used, involving the use of questionnaires, in collecting data from respondents. Data were analyzed using the Pearson Chi-square technique. The results show that, whereas financial inclusion positively and significantly impacts the operations and growth of MSMEs, distance to financial services access points and infrastructural deficiency challenged fast and effective access to financial services by MSMEs in Nigeria. The study recommends that deliberate efforts should be made to spread access points to more rural areas and improve infrastructure to promote FI. This should include a policy roadmap for expanding financial services access points to unbanked and underserved areas using the financial services geospatial map. Furthermore, the digitizing of payments across the country should be prioritized to include enhanced ICT/E-banking tools and a consumer protection framework.

Keywords: Financial Exclusion; Financial Inclusion; Financial Services; Micro; Small and Medium Enterprises; Rural Poor and Infrastructural Deficiency.

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1. Introduction

Financial inclusion has been identified by some researchers (Beck and Honohan, 2009; Onaolapo and Odetayo, 2012; Stephen and Sibert, 2014; Godwin, 2011; Pallavi and Bharti, 2013) as one of the solution to the development of Micro, Small and Medium Enterprises (MSMEs) globally.

Central Bank of Nigeria (CBN) is in the driving seat to achieve financial inclusion. The bank's policy recognizes the role of Microfinance in providing financial access to the MSMEs operators that are usually excluded from or inadequately served by the available financial institutions. It follows that financial exclusion would be deleterious to the growth and development of Micro, Small and Medium Enterprises (MSMEs).

According to Sarma (2008), financial inclusion is a process which ensures easy access to financial services in an economy. According to the author, ease of access is measured by proxies such as number of bank branches or ATMs per 1,000 adult populations. Khan (2011) contended that promoting financial inclusion, in the wider context of economic inclusion, can improve financial conditions and uplift the living standard of the poor and the disadvantaged.

According to him, financial inclusion can both improve the efficiency of intermediation between savings and investments and facilitate change in the financial system configuration. In view of Aduda and Kalunda (2012), financial inclusion is the process of ensuring access to financial products and services needed by all sections of the society in general, but particularly, the vulnerable, weaker sections and low income groups, fairly, transparently at an affordable cost in mainstream institutional players. Understood in this sense, financial inclusion has continued to assume increasing interest among policy makers, researchers and development oriented agencies, across the globe. Accordingly, countries are devising various regulatory strategies and frameworks to ensure that all populations excluded from financial services are reached and served. According to the CBN (2012), access to financial services mobilizes greater household savings (enabling such persons to invest in themselves and families), leverages capital for investments and expands the class of entrepreneurs. Financial inclusion offers incremental and complementary solutions to tackle poverty, promote inclusive development and achieve the UN Sustainable (Millennium) Development Goals (MDGs). It aims at drawing the unbanked population into the formal financial services net so they have the opportunity to access the whole gamut of appropriate financial services. The CBN believes that "financial inclusion is achieved when adult Nigerians have easy access to a broad range of formal financial services that meet their needs at an affordable cost" (CBN, 2011, p.vii). Such financial services include, but not limited to: payments, savings, loans, and insurance and pension products. Financial inclusion, which in this paper will be construed as access to appropriate, fair and affordable financial services, varies widely across the globe. According to Demirguc-Kunt and Klapper (2012), survey data suggest that, even in advanced economies, almost one in five adults have no bank account or other form of access to the formal financial sector such that in many emerging and developing economies, the share of unbanked adults can be as high as ninety percent. In the same vein, in Nigeria, a total of 39.2 million adults, representing 46.3 per cent of adult population, were exclude from financial services in Nigeria as at 2010, out of which women, young adults (under 45years) and adults with no formal education accounted for 54.4 percent, 73.8 percent and 34 percent respectively (EFInA, 2013). In Nigeria, inclusion is likely to keep expanding in the coming years, supported by economic development and initiatives of the CBN and other policymakers. These initiatives (CBN, 2015) include nation-wide sensitization campaigns to enlighten the public on financial inclusion, geospatial mapping of financial Access Points, in collaboration with the Bill & Melinda Gates Foundation, to develop a business case for service providers on expanding access points to unbanked and under-served areas was completed. Further work to be done include leveraging on the outcome of 2014 Geospatial mapping survey to develop a business case for service providers on expanding access points to unbanked and under-served areas. Others are: the digital finance inclusion project, executed by the Federal Ministry of Finance, the Central Bank of Nigeria and the Bill & Melinda Gates Foundation to increase the level of financial inclusion in Nigeria and to help achieve the target seventy per cent payments by the 2020. Also, CBN's Financial Inclusion Secretariat has worked with McKinsey & Co on a proof-of concept (POC) to assess deployment of E-Wallets to farmers, under which payments to farmers were made electronically, with the project providing an opportunity for enrollment of farmers on the Bank Verification Number (BVN) platform. This is in addition to the drafting and release of terms of reference for three research studies on National Savings Mobilization, Scaling up Agent Banking Adoption and Financial Inclusion Product Launch for people living with disabilities (PLWD), among other financial literacy activities. These initiatives are in alignment with the position of Yunus and Weber (2007) that the basic ingredient of overcoming poverty is packed inside each poor person and all we need to do is to help these persons unleash this energy and creativity. For the central monetary authority, financial inclusion matters for several of reasons. Firstly it would afford access to appropriate financial platforms which would allow the poor or otherwise disadvantaged to invest in physical assets and education, thus reducing income inequality and enhancing economic well-being. This would impact on financial development which would invariably aid poverty reduction and long-term economic growth (Burgess and Pande, 2005) and Levine (2005).Secondly, if greater financial access results in rapid credit growth or the expansion of relatively unregulated parts of the financial system, it may expose banks to financial risks as appropriate support capacity may be unavailable for the new level of operations and outreach (Nwanko and Nwanko, 2014). Therefore, to ensure that economic growth performance is inclusive and sustained, financial inclusion is necessary. This is because financial inclusion refers to the totality of initiatives that make formal financial services available, accessible and affordable to all segments of the population (Triki & Faye, 2013). This position implies that financial inclusion dictates deliberate attention to the historically excluded portions of the population from the formal financial sector due to their income levels and volatility, gender, location, type of activity or level of financial literacy.

MSMEs have played a major role in employment generation, poverty reduction and globally advancing economic development. MSMEs are fundamental as part of developing countries' economic fabric and they play a crucial role in furthering growth, innovation and prosperity. In this sense, Palmarudi and Agussalim (2013), state that MSMEs have historically been the main players in domestic economic activities, especially as providers of employment opportunities, and hence generators of primary and secondary sources of income for many households. Ojokuku and Sajuyigbe (2014) confirmed that MSMEs has been recognized globally as the engine of economy growth and development, providing solutions to the problem of slow economic development among developing countries. The contribution of MSMEs to Nigeria economy has not been heavily felt because, according to Olowe, Moradeyo and Babalola (2013), many MSMEs in Nigeria do not reach the growth stage of their life cycle due to lack of access to finance. Credit to MSMEs is limited, particularly when compared to loans granted to larger firms. This is because MSMEs are strongly restricted in accessing the capital that they require growing and expanding, with nearly half of MSMEs in developing countries indicating access to finance as a major constraint especially in Nigeria (Olowe, Moradeyo and Babalola, 2013). Their inability to access finance from both deposit money banks and microfinance banks due to high administrative costs, high collateral requirements and lack of experience within financial intermediaries is generally implicated. Also in developing economies most MSMEs are owned by individuals or group of individuals; therefore, the more person that are financial included the more MSMEs would be able to access funds.

The general objective of this work is to examine the influence of financial inclusion on micro, small and medium enterprises' performance in Nigeria. To achieve this objective the following hypothesis were formulated and tested.
Ho1: Financial inclusion does not impact the growth of micro small and medium scale enterprises in Nigeria.
Ho2: Financial inclusion does not significantly impact on micro, small and medium enterprises' operation
Ho3: Distance to financial access points (banks) does not impact micro, small and medium enterprises' access to financial services
Ho4: Infrastructural deficiency does not impact micro small and medium enterprises' access to financial services

2. Literature Review

2.1.Concept of MSMEs

The definition of MSMEs varies from country to country. The European Union (EU), for instance, defines a small enterprise as one which has a headcount of less than fifty employees and a balance sheet and turnover each of not more than ten million Euros. A medium-sized enterprise has headcount of less than two hundred and fifty, and a turnover of not more than fifty million Euros or a balance sheet of not more than forty three million Euros. Value of assets refers to the balance sheet of the enterprises which reflects the overall wealth of the enterprise, whereas turnover or sales simply refers to annual sales volumes minus discounts and sales taxes in a given accounting period. In Great Britain, Small Scale industries include those with an annual turnover of two million pounds or less and with less than 200 paid employees with no reference made to capital investment. In Indonesia, micro enterprises with household industries made up of three employees or less (including non-paid laborers), small enterprises employ of five to nine employees and two hundred million Indonesian Rupiah (IDR) in net assets, and medium enterprises consisting of twenty to ninety nine employees and between five hundred million IDR and ten billion IDR (SMRJ, 2008). In the USA, according to the Small Business Administration (SBA) Size Standard Office, a firm with less than 500 employees is considered a small business (SBA, 2009). In Kenya, a firm that employs between 5 and 50 persons is defined as small, while one that employs 50 to 200 is a medium-size enterprise. Egypt defines MSMEs as having more than 5 and fewer than 50 employees, Vietnam considers MSMEs to have between 10 and 300 employees. The World Bank defined MSMEs as those enterprises with a maximum of 300 employees, $15 million in annual revenue, and $15 million in assets (World Bank, 2012). Based on nuanced assessment of existing national peculiarities, the National Policy on MSMEs defines MSMEs (which, according to SMEDAN, represents 90% of the enterprises in Nigeria) based on the dual perspective of employment and assets (excluding land and buildings) (SMEDAN, 2009). According to this policy, a micro enterprise is defined as an entity employing less than ten persons with less than five million Naira value of assets. Further, while a small enterprise has 10 to 49 employees and between five and fifty million Naira assets, a medium enterprise employs 50 – 199 persons and posts assets worth of between N50 and N500 million. Because spiraling inflationary pressures make the employment-based criterion more stable than the asset-based definition; where there is a conflict between the criteria, the employment-derived definition takes precedence. Culkin and Smith (2000) also found that small businesses employ 53% of the private workforce and accounts for 47% of sales and 15% of private sector gross domestic product. They also argued that MSMEs make up the largest business sector in every world economy. According to Okeyo, Gathungu and K'Obonyo (2014) the introduction of the micro-finance services follows the recognition of the role of small business development as a way of boosting employment and income for the majority poor and low income earners by governments, development agencies and researchers over the years. Yet MSMEs tend to face significant constraints in accessing credit and other financial services, owing to several non-financial factors such as lack of education, inadequate technical skills, geographical distance from financial centres, unaffordability and poor access to financial markets, lack of information and collateral, poor or nonexistent credit history, unreliable infrastructure and other non-price barriers (McVay & Miehlbradt, 2002).

2.2.Concept of Financial Inclusion

Financial inclusion is viewed as the ability of some individual to accessand use basic financial services like savings, loans and insurance designed in a manner that is reasonably convenient, reliable and flexible. According to Nwanko and Nwanko (2014), the traditional idea of financial inclusion is the provision of access to and usage of diverse, convenient, affordable financial services. Access to and use of financial services is one of the major drivers of economic growth (Sharma, 2016). Financial Inclusion covers sustainable, relevant, cost effective and meaningful financial services for the financially underserved population especially rural dwellers. World Bank (2012) described financial inclusion as the range, quality and availability of financial services to the underserved and financially excluded.According to FATF (2011), financial inclusion is about providing access to an adequate range of safe, convenient and affordable financial services to disadvantaged and other vulnerable groups, including low income, rural and undocumented persons, who have been underserved or excluded from the formal financial sector. It is also, on the other hand, about making a broader range of financial services available to individuals who currently only have access to basic financial products. Centre for Financial Inclusion (2013) also described financial inclusion as a state in which all people who can use financial services have access to a complement of quality financial services, provided at affordable prices, in a convenient manner and with dignity for the clients. Clark (2013) asserted that financial inclusion helps people to diversify or increase income stream in the house, provides liquidity/cash flow; absorbs shock of adversity by building assets which enables client to cope with loss through consumption smoothing, thus avoiding the sale of productive assets. It increases income when the credit is used for an income-generating activity and that activity generates returns in excess of the loan installment repayments, while it builds asset when the credit-financed investment does not generate a significant net profit but create an asset since the investment remains with the clients (Nwanko and Nwanko, 2014).Access to safe, affordable credit and other financial services by the poor, vulnerable groups, disadvantaged areas and lagging sectors is recognized as an essential condition for accelerating economic growth, reducing income disparities and poverty. According to Agarwal (2014), easy access to a wellfunctioning financial system, by creating equal opportunities, enables economically and socially excluded people to integrate better into the mainstream and actively contribute to development and protects themselves against economic shocks crisis. So, financial inclusion means to bring disadvantaged and vulnerable sections of the society within the ambit of formalized and standardized financial system because "financial Inclusion is the process of ensuring access to financial services (basic banking, insurance, post office scheme, Micro finance, mortgage, etc., timely and adequate credit) where needed by vulnerable groups such as weaker sections and low income groups at an affordable cost" (Rangarajan, 2008; p.9). According to Kumar and Sheel (2015) the achievement of full financial inclusion is indicated by the five A's of availability, awareness, affordability, adequacy and accessibility.

2.3.Challenges of Financial Inclusion

The centre for financial inclusion has issued a challenge to the world to achieve full financial inclusion around the globe, namely, to help realize its vision of a financial inclusive world in which all people who can have access to a full suite of quality financial services, provided at affordable prices in a convenient manner and with dignity for the client. According to Pallavi and Bharti (2013), major reasons for financial exclusion are:

1. High cost: Providing and utilizing financial services is not free of cost both to the service provider and service user. To the service provider setting up of branches in rural areas is generally not advantageous due to high cost and low business. On the other hand, from the point of the service user, it has been observed that the poor living in rural area are reluctant to use these services due to high cost like minimum balance requirements in saving account, fixed charges in credit cards and debit cards, loan processing charges etc.
2. Non price barriers: Access to formal financial sources requires documents of proof regarding person's identity, postal address, income, etc. poor people generally do not have these documents and thus are excluded from financial services. World Bank (2012) also argued that more than half of the world's poor adults don't have a bank account, leaving them vulnerable to resource loss, theft and exploitation. Kempson, Atkinson and Pilley (2004) agreed that in Africa, many people who have bank account do not use them, adding that "financial services accessibility is good but the best inclusive financial economy is the one in which financial service are both adequately utilized and are adequately available".

Bureaucracy, travel distance and cost are some of the identified barriers to access banking and other financial services by more than half of the world's population, particularly those living in rural areas. In the same vein, the argument of Hia and Shidedah (2015) supports the thesis that, at least, six types of financial exclusion scenarios exist, namely:

i. Physical access exclusion, occasioned by the closure of local banks or building societies branches/outlets and reliable transport to reach alternatives is lacking.
ii. Product or service access exclusion: This type of access is restricted through risk assessment, with people being denied a product or service on the basis of high risk perception (i.e. they are perceived to come with high risks features).
iii. Condition exclusion due the attachment of conditions to products or services which make them inaccessible to some potential clients.

iv. Price exclusion, which occurs when products are available but at a price that is unaffordable.
v. Marketing exclusion, where sales and marketing activity is targeted on some groups, or areas, at the expense of others.
vi. Self-exclusion, when individuals do not seek financial products and services for personal reasons including fear of failure/loss, fear of temptation or lack of awareness.

In Nigeria, these scenarios are accentuated by the following peculiar challenges include:

- Absence of a market delivery model: Banks are yet to commit to a single most suitable FI delivery model which is not only sustainable but customer-centred and also scalable.
- Tardy financial infrastructure: Existing financial infrastructure are used in such tardy manner that not only restricts the potential benefits that could accrue from increased financial access, but also reduces the viability of financial inclusion initiatives; thereby, curtailing their replication potential, and
- Digital/physical connectivity: Regular complaints of poor digital or physical connectivity of technology based devices/platforms, coupled with delays in issuance of smart cards, reliability of backup hardware infrastructure and privacy issues, pose challenges to the quick roll out of affordable and relevant financial services.

2.4.Empirical Review

Hariharian and Marktanner (2012) concluded that financial inclusion is a huge prerequisite for economic growth and development based on its ability to enhance capital creation, finance sector savings and intermediation and by implication investment. Nwanko and Nwanko (2014) also examined the sustainability of financial inclusion to rural dwellers in Nigeria using descriptive study and content analysis. The study observed that the sustainability of financial inclusion to rural dwellers in Nigeria remains the mainstream for economic growth in any country. Waihenya (2012) investigated the relationship between agent banking and financial inclusion in Kenya. Their study utilized descriptive survey research method. The study investigated agent banking in Kenya with emphasis on the factors contributing to financial exclusion, both natural barriers such as rough terrains and man-made barriers such as high charges on financial services and limited access due to limited bank branches. The study found out that agent banking is continuously improving and growing and as it grows, the level of financial inclusion is also growing proportionately. Ibeachu (2010) also did a comparative study of financial inclusion in Nigeria and the United Kingdom, using a deductive approach. He measured financial inclusion, accessibility and the quality of bank services in Nigeria by analyzing responses from survey questionnaires administered. From his findings, financial inclusion was more market driven in terms of consumer behavior and customer satisfaction from the offering of financial services. In their study, Bertram, Nwankwo and Onwuka (2016) identified full financial inclusion as a prerequisite for inclusive economic development in Nigeria. Using the descriptive survey methodology, they employed questionnaires to generate data on financial inclusion from stakeholders such as Banks, Insurance, Regulators, and Telecom firms providing every household with access to a suite of modern financial services, including savings, credit, insurance, and payments, as well as sufficient education and support to help customers make good decisions forthemselves. The study revealed that financial inclusion is a bold step towards inclusive economic development. Accordingly, they concluded that all initiatives that make formal financial services available, accessible and affordable to all segments of the population should be encouraged to achieve inclusive economic development

3. Methodology

3.1.Research Design

The survey research design method was used in this study, involving the use of questionnaires in collecting data from respondents. This method is considered useful for studies on non-observable events such as opinions, attitudes, preferences and dispositions, given the time and personal constraints in such population studies (Ryan and Ryan, 2002; Soyombo, 2002). The population of study consisted of MSME operators and financial services clients, who were offered complete anonymity in order to enhance the response rate, reliability, originality and reduce response bias.

3.2.Method of Data Collection

A total of 600 questionnaires were administered across the three senatorial districts of Cross River State, out of which 596 were returned, resulting in a response rate of 99.33 per cent. The questionnaire administration and retrieval were done within the period of four months. Cochran technique (1977) was used to calculate a sample size of 400 followed by stratification by senatorial districts and then, random sampling technique was used to arrive at the final list. The research instrument contained seven closed ended and thirteen open-ended questions on access and relevance of financial inclusion to MSMEs. Respondents were required to indicate their level of agreement on a five-point Likert Scale (from 5= strongly agree to 1= strongly disagree).

3.3.Method of Data Analysis

The data obtained were analyzed using both descriptive and inferential statistics. The descriptive statistics used included simple percentages, arithmetic mean and standard deviation, while the inferential tools were the Pearson Chi-square tests, using IBM SPSS Statistics 21.0 software.

4. Presentation of Data and Results

Presented below are the results of the data analysis relating to the postulated hypotheses, based on the responses of participants classified by gender.

4.1.Status/Characteristics of Respondents

This section presents the gender and other characteristics of all respondents.

4.1.1. Gender Characteristics of Respondents

Table 4.1: Distribution of respondents by gender

		Frequency	Percentage	Valid %	Cumulative %
Valid	**Male**	245	61.25	61.25	61.25

	Female	155	38.75	38.75	100
	Total	400	100	100	
Missing	**System**	0	0		
Total		400	100		

Table 4.1 shows that 245 (or 61.25%) of the four hundred respondents are male, while 155 (or 38.75) are female. The table shows all data were effectively captured with no missingdata.

4.1.2. Ownership of Small Businesses by Respondents

To reassure that participants in this study are persons who actually owned businesses as desired for the relevance of the results, they were asked whether they owned a micro small and medium scale enterprises small business. The result of their responses were analysed and shown in Table 4.2.

Table 4.2: Analysis of respondents by small business ownership

GENDER	Do you run a small business?				Total	%
	YES	%	NO	%		
MALE	183	45.75	62	15.5	245	61.25
FEMALE	112	28.00	43	10.75	155	38.75
Total	**295**	**73.75**	**105**	**26.25**	**400**	**100**

Chi-Square Tests

	Value	df	**Asymp. Sig. (2-sided)**
Pearson Chi-Square	**.291**	**1**	**.590**
Continuity Correction	.179	1	**.672**
Likelihood Ratio	.290	1	**.590**
Fisher's Exact Test			**.590**
Linear-by-Linear Association	.290	1	
N of Valid Cases	400		

Table 4.2 indicates that a total of 295 (73.75%) of the respondents run a small business, while 105 (or 26.25%) did not currently own a business. Similarly, the independence chi-square test result (the Pearson Chi-Square) show a value of $X^2 = 0.291$, $p = 0.590$, indicating that there is a significant association between gender and running of small businesses in study population ($p>0.05$).

4.1.3. Ownership of Bank Accounts by Respondents

Further, we analyzed the respondents to find how many have a bank account and the cross tabulation and chi-square results are shown on Table 4.3, below:

Table 4.3: Analysis of respondents by bank account Ownership

Gender	Have Bank Account?							
	YES	%	NO	%	Missing	%	Total	%
Male	220	55	25	6.25	0	0	245	61.25
Female	124	31	29	7.25	2	0.5	155	38.75
Total	**344**	**86**	**54**	**13.50**	**2**	**0.5**	**400**	**100**

Chi-Square Tests Result

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	9.308	3	.025
Likelihood Ratio	9.794	3	.020
Linear-by-Linear Association	6.167	1	.013
N of Valid Cases	400		

Table 4.3 indicates that a total of 344 (86%) of the respondents have a bank account, while 14% either have no bank account or failed to provide an answer. Of the respondents with a bank account, 220 (55%) are male and 124 (31%) are female.
The independence chi-square test result (the Pearson Chi-Square) show a value of $X^2 = 9.308$, $p = 0.025$, indicating that there is a no significant association between gender and owning a bank account.

4.1.4. Influences on Respondents Banking Behaviour

The cross tabulation and Chi-Square results for the factors that influence respondents' uptake of financial services are presented in Table 4.4.

Table 4.4: Analysis of influences on respondents banking behaviour

GENDER	Why did you not own a bank account?					Total
	0	DISTANCE OF BUSINESS TO BANK	DELAY IN BANKING TRANSACTION	SATISFACTION WITH ALTERNATIVE(S)	OTHERS	
MALE	219	11	9	1	3	245
FEMALE	125	15	5	8	4	155
Total	**344**	**26**	**14**	**9**	**7**	**400**

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	14.758	4	.005
Likelihood Ratio	14.974	4	.005
Linear-by-Linear Association	5.957	1	.015
N of Valid Cases	400		

The result in Table 4.4 show that of the 56 participants who have no account (including the two missing), they were discouraged by distance to bank (over 46%), delay in transacting banking business (25%), satisfaction with alternatives (16%), while other constraints account for only 12.5 per cent. *The* Pearson Chi-Square result is $X^2 = 14.758$, $p<.05$, which tells us that there was a significant effect for gender on the operation of a bank account by the factors studied, with women more affected.

4.2.Findings and Discussions

4.2.1. Relationship Between Financial Inclusion and the Growth of Micro Small and Medium Scale Enterprises in Nigeria

Participants were asked whether successful implementation of financial inclusion policy would stimulate the growth of MSME's and their views were collated and analysed with the Chi-square results displayed on Table 4.5.

Table 4.5: Successful implementation of financial inclusion policy would stimulate the growth of MSME's bank services

Gender	Successful implementation of financial inclusion policy would stimulate the growth of MSME's					
	SA	A	N	D	SD	Total
MALE	121	75	12	11	26	245
FEMALE	69	53	10	8	15	155
Total	190	128	22	19	41	400

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	1.443	4	.837
Likelihood Ratio	1.436	4	.838
Linear-by-Linear Association	.142	1	.706
N of Valid Cases	400		

Table 4.5 indicates that a total of 318 or 79.5 per cent of the respondents agree that FI, if successfully implemented, would grow MSMEs, 60 respondents or 15 per cent disagree while 5.5 percent were undecided. In which direction, this growth will come, respondents attribution was improved profits (71.5%), operational help (78.5%) and improved customer service (69.25%). The independence chi-square test result (the Pearson Chi-Square) show a value of $X^2 = 1.443$, $p = 0.837$, indicating that there is a no significant association between MSMEs and owning a bank account.

4.2.2. Financial Inclusion and Operations of SMEs

The study sought the views of participants on the impact of financial inclusion on the operations of their businesses. Their responses are analysed and exhibited in Tables 4.6a and 4.6b.

Table 4.6a: FI would help the operations of my business

	Financial inclusion would help the operations of my business					Total
	SA	A	N	D	SD	
MALE	112	82	25	10	16	245
FEMALE	61	59	13	11	11	155
Total	**173**	**141**	**38**	**21**	**27**	**400**

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	3.475	4	.482
Likelihood Ratio	3.439	4	.487
Linear-by-Linear Association	1.061	1	.303
N of Valid Cases	400		

Table 4.6b: FI policy is impacting on SME's operation positively

	Financial inclusion policy is impacting on SME's operation positively					Total
	SA	A	N	D	SD	
MALE	86	87	40	15	17	245
FEMALE	61	56	11	13	14	155
Total	**147**	**143**	**51**	**28**	**31**	**400**

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	8.053[a]	4	.090
Likelihood Ratio	8.575	4	.073
Linear-by-Linear Association	.046	1	.829
N of Valid Cases	400		

Table 4.6a indicates that a total of 314 or 78.5 per cent of the respondents agree that Financial inclusion would help the operations of their businesses, 48 respondents or 12 per cent disagree while 9.5 percent were undecided. In which direction, this help will manifest, respondents view it would be positive by over 72.5 per cent. The independence chi-square test result (the Pearson Chi-Square) show a value of X^2 = 3.475, p = 0.482, indicating that there is a no significant association between financial inclusion and the operations of MSMEs.

4.2.3. Distance to Finance Houses (Banks) and Micro Small and Medium Scale Enterprises' Access to Financial Services

On the challenges to financial services access by participants posed by distance to financial services points, their responses are analyzed and presented in the Table 4.7.

Table 4.7: Access to more financial services has been hampered by distance to finance houses (Banks).

	FI hampered by distance from financial houses					Total
	SA	A	N	D	SD	
MALE	75	88	28	26	28	245
FEMALE	49	58	16	24	8	155
Total	**124**	**146**	**44**	**50**	**36**	**400**

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	6.141	4	.189
Likelihood Ratio	6.439	4	.169
Linear-by-Linear Association	.725	1	.394
N of Valid Cases	400		

Two hundred and seventy participants, representing 67.5 per cent see distance from financial services dispensing points as a key inhibitor of their uptake of financial services. Eighty six or 21.5 per cent disagree. This aligns with the findings in 4.4, that fifty six (over 46%) of the participants who have no account (including the two missing), were discouraged by distance to banks. The Pearson Chi-Square analysis revealed that $X^2 = 6.141$, $p = 0.189$, indicating that there is a significant association between financial inclusion and distance from financial services access points. Accordingly, 321 participants (80.25%) opined that banks can achieve financial inclusion by spreading to more areas so as to reduce the distance to access points.

4.2.4. Infrastructural Deficiency and Micro Small and Medium Scale Enterprises' Access to Financial Services

Participants' responses to whether infrastructural deficiency does not impact micro small and medium scale access to financial services were evaluated and Table 4.7 is what was found.

Table 4.8: Access to more financial services has been hampered by infrastructural deficiency.

Gender	Access to more financial services has been hampered by infrastructural deficiency					Total
	SA	A	N	D	SD	
MALE	84	73	35	27	26	245
FEMALE	55	60	13	14	13	155
Total	**139**	**133**	**48**	**41**	**39**	**400**

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	5.909	4	.206
Likelihood Ratio	6.025	4	.197
Linear-by-Linear Association	1.773	1	.183
N of Valid Cases	400		

Gender	Access to more financial services has been hampered by infrastructural deficiency					Total
	SA	A	N	D	SD	
MALE	84	73	35	27	26	245
FEMALE	55	60	13	14	13	155

Two hundred and seventy two participants, representing 68 per cent see infrastructural deficiency as a key challenge to their uptake of financial services. Eighty or 20 per cent disagree, while 48 (12%) were unresponsive. The corresponding Pearson Chi-Square analysis revealed that $X^2 = 5.909$, $p = 0.206$, indicating that there is a significant association between infrastructural deficiency and financial inclusion. This confirms respondents' view (307 or 76.75% of them) that improved financial infrastructure will promote financial inclusion.

4.3.Test of Hypotheses

Hypothesis One:

Ho1: There is no significant relationship between financial inclusion and the growth of micro small and medium scale enterprises in Nigeria.

Decision Rule

Accept H_0: if calculated value of X^2 – value > tabulated X^2 value

Reject H_0: if calculated value of X^2< tabulated X^2 value

From the regression result,

Calculated value of $X^2 = 1.443$

Tabulated value of $X^2 = 9.488$

Since the calculated value of X^2 of 1.443 is less than the table value of 9.488 at the five per cent level of significance, we reject the null hypothesis and accept the alternative that there is significant relationship between financial inclusion and the growth of micro, small and medium scale enterprises in Nigeria.

Hypothesis Two:

Ho2: Financial inclusion policy does not significantly impact on micro small and medium scale operation

Accept H_0: if calculated value of X^2 – value > tabulated X^2 value

Reject H_0: if calculated value of X^2< tabulated X^2 value

From the regression result,

Calculated value of $X^2 = 3.475$

Tabulated value of $X^2 = 9.488$

Since the calculated value of X^2 of 3.475 is less than the table value of 9.488 at the five per cent level of significance, we reject the null hypothesis and accept the alternative that financial inclusion policy significantly impacts on the operations of micro, small and medium scale enterprises.

Hypothesis Three:

Ho3: Distance to finance houses (banks) does not impact micro small and medium scale enterprises access to financial services

Decision Rule

Accept H_0: if calculated value of X^2 – value > tabulated X^2 value

Reject H_0: if calculated value of X^2< tabulated X^2 value

From the regression result,

Calculated value of $X^2 = 6.141$

Tabulated value of $X^2 = 9.488$

Since the calculated value of X^2 of 6.141 is less than the table value of 9.488 at the five per cent level of significance, we reject the null hypothesis and accept the alternative that distance to finance houses (banks) does impact micro, small and medium scale enterprises' access to financial services

Hypothesis 4:

Ho4: Infrastructural deficiency does not impact micro small and medium scale access to financial services

Decision Rule

Accept H_0: if calculated value of X^2 – value > tabulated X^2 value

Reject H_0: if calculated value of X^2< tabulated X^2 value

From the regression result,

Calculated value of $X^2 = 5.909$

Tabulated value of $X^2 = 9.488$

Since the calculated value of X^2 of 5.909 is less than the table value of 9.488 at the five per cent level of significance, we reject the null hypothesis and accept the alternative that infrastructural deficiency does impact micro small and medium scale access to financial services in Nigeria.

Policy Implications

The findings from this study imply that regulators should prosecute the FI programme by ensuring that the driving policy has in-built strategies to spread out to more areas and improve financial and general infrastructure nationwide.

5. Discussions, Conclusion and Recommendations

5.1.Discussions

The results confirm support for the effect of financial inclusion on the performance of MSMEs and agree with the findings of some past scholars (Garang, 2014, Ibeachu, 2010; Onaolapo and Odetayo, 2012; Stephen and Sibert, 2014; Godwin, 2011; Pallavi and Bharti, 2013) who identified financial inclusion as one of the solutions to the growth and development of Small and Medium Enterprises. Further the findings corroborate those of Beck, Demirguc-Kunt and Levine (2005) that access to financial and non-financial banking services (called business development services) could be crucial ingredients in realizing MSMEs potentials towards creating jobs, alleviating poverty and spurring economic growth at the long end. Further, the results of the analysis of the participants' responses confirm that Miehlbradt and Mcvay (2003;1) are right in their realization that "small businesses are constrained by several non-financial factorssuch as lack of education, inadequate technical skills, poor access to markets, lack of information and unreliable infrastructure", which factors could be overcome through financial inclusion resulting in improved productivity, market access and profitability.

5.2.Conclusion

Financial inclusion requires particular attention to specific portions of the population historically excluded from the formal financial sector either because of their income levels and volatility, gender, location, type of activity or level of financial literacy. This study concludes that there is significant relationship between financial inclusion and the growth of micro small and medium scale enterprises in Nigeria. That financial inclusion policy significantly and positively impacts on the operations of micro, small and medium scale enterprises. However, distance to finance financial services access points and infrastructural deficiency could challenge how fast and effectively micro, small and medium scale enterprises would access financial services in Nigeria.

5.3.Recommendations

Accordingly, this study recommends the following:

1) Deliberate efforts should be made to improve public infrastructure such as power, transportation, mobile communication networks, etc to promote financial services uptake;
2) Financial sector regulators should evolve policies which require financial services providers to spread to more areas. This should include speeding up the development of an implementation roadmap for expanding financial services access points to unbanked and under-served areas on the basis of the national financial services geospatial map. This will overcome the identified challenges of distance, cost and access.
3) The digitizing of payments across the country should be prioritized, including improved ICT/E-banking tools as well as a consumer complaints/protection framework, to bolster confidence and increase financial inclusion in Nigeria.
4) Fast-track the implementation of the agent banking framework on shared infrastructure, partnerships, etc, to promote a strong uptake of payment and savings services.

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