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MICRO CREDIT INSTITUTIONS AND THE PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES (SMES): A STUDY OF POULTRY FARMERS IN KUJE, ABUJA, FCT

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Abstract
Despite the increasing importance of SMEs in industrial development, access to finance has remained one of the major challenges facing them, especially in less developed countries. This therefore calls for the study of the impact of microcredit on the performance of Small and Medium Enterprises among poultry farmers in

Keywords: Micro credit institutions, micro credit, micro savings, entrepreneurial education and training, SMEs, Kuje, Poultry farmers, Performance

INTRODUCTION
Small and medium enterprises (SMEs) are the backbone of the world economy, accounting for most businesses across nearly every region. On a global scale, small and medium enterprises (SMEs) are recognized for their significant contribution towards fostering grassroots economic development and promoting fair and sustainable growth (Wairimu & Mwilaria, 2022). As highlighted by Chetama, Dzanja, Gondwe & Maliro (2016), a dynamic micro, small, and medium enterprise (MSME) sector plays a crucial role in poverty reduction and economic expansion. Consequently, ensuring their continuity through adequate financing is very essential. However, according to a report by International Finance Corporation (2022), this sector face significantly more constraints than larger firms in accessing finance globally, particularly in emerging markets.

Kuje Area Council, Abuja, Nigeria. This research seeks to evaluate how microcredit institution services influence the performance of SMEs in the poultry farming industry. This study is supported by the Pecking Order Theory, postulating that "firms prefer internal finance over external options due to the potential costs associated with and expected ramifications from external finance, including threats to firm stability.". The study adopted a cross-sectional survey design and sampled 282 respondents from 952 targeted poultry farmers in Kuje Area Council, Abuja using structured questionnaires. Data analysis was done using descriptive statistics, regression analysis, and correlation tests. From the analysis done, it was found that all the independent variables significantly influenced SME performance. Microcredit had a positive and significant effect on SME performance (B = 0.273, β = 0.289, t = 7.820, $p < 0.001$), indicating that increased access to microcredit loans enhances business operations. Micro savings showed a strong positive relationship with performance (B = 0.573, β = 0.499, t = 11.396, $p < 0.001$), demonstrating that savings programs contribute significantly to business sustainability. In fact, entrepreneurial education and training further enhanced SME performance at B = 0.199, β = 0.210, t = 5.109, $p < 0.001$, to further press that skills development is important in managing the business. This regression model was highly explanatory, given that R^2 = 0.921 and the adjusted R^2 = 0.920, meaning the model explained more than 92% of the variance in SME performance. The study concludes by noting that credit facilities, especially loans, training, and savings, have a vital role in increasing the performance of SMEs in the poultry industry in Kuje. Thus, the findings call for concentrated microcredit policies and programs on access to finance with capacity building for SME operators. It is therefore recommended that microfinance institutions in Nigeria should further increase their loan offerings, training programs, and promote savings schemes for SME growth and economic development.

International Finance Cooperation (IFC) estimates that about 43 percent of formal SMEs in developing countries have an unmet financing need of nearly $4.1 trillion. Without access to finance, SMEs cannot grow and create jobs.

The SMEs sector in Africa area are well faced with two significant financing challenges: accessibility and affordability of fiancé. SMEs in the continent are frequently informal and this makes it difficult for them to access financing. Moreover, even those that are formally registered still frequently suffer from a lack of accessibility. Additionally, high interest rates often deter SMEs from even trying to apply for financing, hence making accessible finances unaffordable for them. This is a significant issue because without sufficient working capital, firms are unable to invest and grow. According to Runde, Savoy and Staguhn (2021), only between a third and a fifth of SMEs in sub-Saharan Africa have a bank loan or line of credit. An estimated 28.3 percent of firms in the region are fully credit constrained. Hence, the utilization of microfinance institutions and banks has been instrumental in providing crucial support and microcredit to small-scale enterprises (Al-Absi, 2021).

Nevertheless, in Nigeria, the financial challenge persists for MSMEs to secure sufficient working capital loans for the expansion and enhancement of their businesses through traditional banking institutions. High-interest rates, stringent collateral requirements, and limited credit history make it difficult for these businesses to secure the funds they need (Uchenna, 2023). This situation prompted the government of Nigeria to establish various institutions as well as programmes to provide finance to SMEs, and poor people to be self-reliance and turnout more entrepreneurs than job seekers in the country. Some of the programmes established in the past by the government of Nigeria are Directorate of Food, Roads and Rural Infrastructure (DFFRI), Better life /Family Support Programme, The Family Economic Advanced Programme, Peoples Bank and many others (Abiodun, 2021). However, these programs failed to achieve their objectives due to poor implementation, corruption and host of many other factors. As a result of the failure recorded in the past, government did not relent in their effort to make financial services accessible to the poor and SMEs, thus, the emergence of micro credit institutions such as Microfinance Banks (MFBs) as an alternative credit system for the poor and SMEs in Nigeria came into existence (Abiodun, 2021).

Microfinance (MF) has been established as a leading tool to combat poverty and more specifically aimed at economically empowering the poor and releasing their entrepreneurial potential. Ojo (2017) delineates microfinance as the provision of small-scale financial services to rural and informal small-scale operators involved in various activities such as farming, fishing, trading, and housing construction, as well as other productive and distributive endeavours. In a similar vein, Meehan (2004) characterizes microfinance as the practice of extending banking services to those traditionally considered unbankable, thereby facilitating access to credit, savings, and other essential financial resources for millions of individuals excluded from mainstream banking due to inadequate collateral. It was not prominent before the 1970s but after the emergence of microfinance in Bangladesh, it expanded very rapidly in the world. From this modest beginning, more than 3,000 microfinance institutions now operate around the world, with the Microfinance Summit Campaign Report estimating that microfinance institutions serve more than 128.2 million poor people in developing countries (Reed, 2022).

As at 31st December, 2012 there are over 800 licensed microfinance banks in Nigeria. The micro-credit institutions are meant to empower Micro and SMEs in the rural and urban areas through the provision of micro loans and also guide them in the usage of those loans for the performance of their businesses (CBN, 2020). The loans provided by micro finance institutions primarily target self-employed individuals and small-scale entrepreneurs, including household-based vendors, operators of small retail shops, street vendors, artisans, manufacturers, and service providers. These loans aim to help recipients expand their businesses, thereby enhancing financial inclusion and contributing to increased SMEs performance (Taiwo & Mike, 2020).

Microfinance is basically an alternative source of finance to the poor especially women who otherwise rely on informal sources of finance. It is crucial to highlight that microfinance banks play a pivotal role in offering financial assistance to marginalized SME groups who encounter challenges in accessing financial services from traditional banks (Yusufu, Suleiman and Saliu, 2020). Consequently, with the establishment of microfinance banks, these underserved groups, predominantly operating in the informal sector of the economy, gain improved access to financial support, enabling their participation in income-generating activities through credit facilities and savings. This study seeks to provide empirical insights into how microfinance institutions impact the performance of SMEs in a region with sparse academic focus, despite the proliferation of microfinance as a tool for economic empowerment. By addressing this research gap, the study will contribute to the literature on microfinance and SME performance while offering practical recommendations for policymakers and financial institutions. the significance of this study lies in its potential to bridge critical gaps in understanding the relationship between microcredit and SME performance, particularly within the context of poultry farmers in Kuje Area Council, Abuja, FCT.

The study is structured as follows: it begins with a review of the literature the relationship between microcredit and SME performance, particularly within the context of poultry farmers in Kuje Area Council, Abuja, FCT, followed by a theoretical framework based on pecking order theory. The study then presents an empirical review, detailing the research methodology, data collection process, and findings related to the role of microcredit and SME performance, particularly within the context of poultry farmers in Kuje Area Council, Abuja, FCT. The study concludes with a discussion of the results, implications for policy and practice, and recommendations for enhancing microcredit capacity to promote SME performance.

Statement of the Problem

There is a rising growth particularly in the less developed countries (LDCs) on small and medium enterprises (SME) for achieving industrial development because of the numerous advantages SMEs have over large-scale industrial establishment. However, factors such as institutional inadequacies and under capitalization affects the financial capability of these institutions (Yusufu, Suleiman & Saliu, 2020). One of the greatest obstacles that Small Medium Enterprises (SMEs) have to deal with is access to finance. This is further compounded by the fact that even where credit facilities are available, little awareness as well as high interest rates and short repayment period. Inaccessibility to microcredit loans can stymie the growth of SMEs (Arinzeh, 2022). This is because without credit, SMEs may be unable to invest in new equipment and production inputs. Additionally, lack of finance may result in SMEs' inability to hire workers, which inhibits the growth and sustainability of their businesses. The lack of productivity, funding, and rising operational costs prevent the majority of SMEs from being profitable, notwithstanding the existence of a sizable market opportunity for SMEs in Nigeria.

While studies have evaluated the importance of micro-financing to SME's performance both in developing and developed countries. These studies have each been differentiated by differences in research settings, definition of both the dependent and independent variables, measuring procedures and data collection method as well as differences in analytical method. However, there is plethora of studies that examine the impact of Microfinance Banks on the performance of Small and Medium Enterprises in Nigeria. Most of these studies have focused on other geographical regions. A research study in Kenya shows that credit has a positive effect on business performance (Peter, 2001), Mutuma, and Omagwa (2019), Amsi et al. (2017) from Kenya. It also has a positive impact on income as well as the wellbeing of women in Uganda (Lakwo, 2007) and Eton et al. (2017). In Nigeria, Khan (2020), (Olu, 2009) and Ofeimun et al. (2018) show how both credit and saving have positive consequences on performance. The positive impact of credit and training has also seen in Tanzania (Kuzilwa, 2005). Moreover, the studies that focus on South-West; Abiola (2012), Odebiyi and Olaoye (2012), Olowe et al (2013), Akingunola and Olowofela (2018), Aladejebi, (2019). Omotayo, et al. (2017) found Credit has significant positive linkage with micro-enterprise. Onyeneke and Iruo (2012) and Oleka, et al. (2014) also focused on states in the eastern part of Nigeria. While, Musa and Aisha (2012), Magaji and Saleh (2010), Bello (2013), Zhiri, (2017), Yusufu et al. (2020) from North have also carried out studies on micro financing and SMEs with emphasis on some Northern states of Nigeria. Despite the breadth of research on microfinance across various regions of Nigeria, there is a noticeable gap in the literature concerning the specific impact of microcredit on SMEs in Kuje Area Council, Abuja, within the Federal Capital Territory (FCT). This gap underscores the need for a focused study to evaluate the effect of microcredit on the performance of SMEs, particularly among poultry farmers in Kuje Area Council, Abuja. Therefore, this study is conducted with specific objectives of:

i. Evaluating the effect of micro credit on the performance of SMEs among poultry farmers in Kuje Area Council, Abuja.
ii. Determine the impact of microcredit institutions' entrepreneurial education and training on the performance of SMEs among poultry farmers in Kuje Area Council, Abuja
iii. Access the effect of micro savings on the performance of SMEs among poultry farmers in Kuje Area Council, Abuja

In line with the stated objectives of the study, the following research questions are put forth by the researcher in guidance of the research conduct:

i. What is the effect of microcredit on the performance of SMEs among poultry farmers in Kuje Area Council, Abuja?
ii. What is the impact of microcredit institutions' entrepreneurial education and training on the performance of SMEs among poultry farmers in Kuje Area Council, Abuja?
iii. What is the effect of micro-savings by microcredit institutions to the performance of SMEs among poultry farmers in Kuje Area Council, Abuja?

Research Hypotheses'

The hypotheses for the study, a testable statement or prediction carved from the research objectives to establishes the basis for investigating the relationship between variables in this study include:

H_{01}: Microcredit has no significant effect on the performance of SMEs among poultry farmers in Kuje Area Council, Abuja.

H_{02}: Microcredit institutions' entrepreneurial education and training has no significant impact on the performance of SMEs among poultry farmers in Kuje Area Council, Abuja.

H_{03}: The provision of micro-savings by microcredit institutions has no significant effect on the performance of SMEs among poultry farmers in Kuje Area Council, Abuja.

Literature Review

This literature review is organized into three sections: Conceptual, Theoretical and Empirical findings, providing a comprehensive assessment on the effect of microcredit on the performance of SMEs.

Conceptual Review

This section of the literature review provides a comprehensive analysis of the key concepts related to microcredit roles on the performance of SMEs.

Evolution of Microfinance Bank in Nigeria

The development of microfinance in the 1970s was to break the barrier to access capital for low-income people for the sake of development. It is no exaggeration to say that microfinance strengthens the entrepreneurship that exists among small businesses around the world. Microfinance has the potential to strengthen the microfinance business and encourage SME operators to practice best practices (Adesi, 2015). CBN (2008), cited in Asor, Essien and Ndiyo, (2016) notes that microfinance institutions have evolved due to the failure of formal financial institutions to provide financial services mainly for the poor. Microfinance institutions can be grouped into formal and informal institutions. The first group includes banks, while the second group includes cooperative associations, self-help groups, etc. productive capacity and living standards of the poor. Informal microfinance group including Esusu/Itutu/Adahai, daily/recurring contributions. While the official group includes: Nigeria Industrial and Commercial Bank (NBCI), Industrial Development Bank of Nigeria (NIDB), Nigeria Agricultural and Cooperative Bank (NACB) etc. (Asor, Essien and Ndiyo, 2016).

The establishment of microfinance banks for the purposes according to Central Bank of Nigeria, (2005); provide diversified, affordable and reliable financial services to the working poor; mobilize savings deposits as intermediaries; create job opportunities and increase productivity for the poor workers in the country; strengthen the organized, systematic and targeted participation of the poor in the process of socio-economic development and resource allocation; offers real avenues for administering government microcredit programs and high net worth individuals on a non-recourse basis (Olowe, Moradeyo, & Babalola, 2018).

According to CBN (2005), microfinance policy has the following objectives:

i. Make financial services accessible to a large segment of the productive Nigerian population who have little or no access to financial services;

ii. Promote synergy and integration of the informal sub-sector into the national financial system;
iii. Improve the service provision of microfinance institutions to small and medium enterprises;
iv. Contribute to rural transformation; and promote joint programs between development banks, specialized institutions and microfinance banks (Adeoye and Emmanuel, 2015).

Before the localization decree was issued, loans from foreign commercial banks mainly to local businesses were very low. During this period, the Central Bank, through its Central Bank Credit Guidelines, issued guidance to financial institutions to extend a certain percentage of their total loans to companies in which Nigeria has a capital contribution of not less than 50%. The allocation percentage gradually increased from 35% in the late 1960s to 90% for the financial year 1984 (Adeoye and Emmanuel, 2015).
It has been observed that due to the localization decree, most businesses become owned by at least 60% of Nigerians. As a result, the banks' lending model was manipulated for the indigenous small businesses for which the guidelines were originally issued. Therefore, it is necessary to change the policy. Furthermore, it was noted that while most banks have over the years been able to meet the required lending levels for local borrowers, they have not been able to meet the required percentages. for small companies (Adeoye and Emmanuel, 2015).

Microcredit Institutions
The microcredit institutions also referred to as microfinance banks are described 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 (Ofoegbu, Akambi and Joseph, 2013).
The distinguishing features of microfinance banks according to Olaifa (2017) are stated below:

i. Simple operations for their activities
ii. Giving of small loans and collections of small savings
iii. Removal of collateral security as a condition for loan advances.

According to the Revised Regulatory and Supervisory Guidelines for Microfinance Banks (MFBs) in Nigeria (2012), MFBs are classified into three categories:

1. **Unit Microfinance Bank**: This bank is authorized to operate in a single location, with a required minimum paid-up capital of N20 million. It is prohibited from establishing branches or cash centers.
2. **State Microfinance Bank**: Authorized to operate within one state or the Federal Capital Territory (FCT), this bank must have a minimum paid-up capital of N100 million. It can open branches within the same state or the FCT, but each new branch or cash center requires prior written approval from the Central Bank of Nigeria (CBN).

3. **National Microfinance Bank**: This bank can operate across multiple states, including the FCT, with a minimum paid-up capital requirement of N2 billion. It may open branches nationwide, subject to prior written approval from the CBN for each new branch or cash center.

In Nigeria, microcredit institution are licensed institutions structured as companies, providing essential microfinance services such as microcredit loans, insurance, money transfers, and other support services for low-income individuals and small or micro-enterprises. Emmanuel and Ikenna (2015) noted that encouraging diverse ownership among licensed MFBs helps promote good corporate governance, allowing these institutions to be established by individuals, groups, churches, community associations, private companies, missionaries, and foreign investors.

The micro credit institutions primarily provide financial services to low-income clients, including the self-employed, focusing on savings and loan/credit services (Taiwo and Mike, 2020). Besides financial intermediation, these banks often offer social intermediation services, such as boosting self-confidence and providing training in financial literacy and management skills for their clients.

Micro Credit

Microcredit is a term that refers to low-interest loans made to small producers and businesses in order to enable them to produce or improve their productive activities (Arinzeh, 2022). It consists of loans from N10,000.00 to N100,000.00 made to entrepreneurs such as hairdressers, barbers, auto mechanics and auto electricians, welders, petty traders, palm producers, and small farmers. Generally, there is no upper limit to what constitutes microcredit According to Bauchet, Marshall, Starita, Thomas, and Yalouris (2011), micro-credit is described as the provision of small loans to micro-entrepreneurs who lack access to traditional financial resources. These loans enable borrowers to generate income, repay the loan at a higher interest rate, reinvest in their businesses, and work toward overcoming poverty. Micro-loans are often given in cash but can also be provided in-kind (Taiwo and Mike, 2020). Interest rates vary widely, commonly ranging from 20% to 40% annually. As microfinance banks (MFBs) evolve, they often relax rigid terms, which can lead to reduced interest rates (Abiodun, 2021). While some MFBs initially charge a flat rate on the full loan amount, there is a trend toward interest charges on the declining balance, with variable interest rates that adjust with another rate, often the prime rate.

Generally, there is no upper limit to what constitutes microcredit. The objective of microcredit is to meet the needs of numerous small producers, also known as the active poor, Mohammed & Jannatul (2015) pointed out that microcredit plays an important role in reducing the vulnerability of the poor through asset creation, improved income and consumption, and provision of emergency assistance. and empowering women by giving them control over wealth, self-esteem, and knowledge. Microcredit is a source of livelihood diversification, especially for women, to improve independent income generation, household nutrition and gender inequality (Fidelis et al, 2020). They added that the concept of livelihood diversification is defined as the process by which households build a diversified portfolio of activities and social support capacity to survive and improve living standards.

Micro Savings

Recently, savings mobilization has gained recognition as a significant component of microfinance. Historically, microfinance focused heavily on credit, while savings were often overlooked. Today, deposit services, including stand-alone savings accounts and savings accounts linked to credit, are more commonly offered. Savings may be required for loan access or can be part of a group savings intervention, where members save collectively and borrow from the shared pool. Micro-savings services vary across providers and are designed for both protection (to cushion against financial shocks) and promotion (to build an asset base), as outlined by Arinzeh (2022).

Again, Micro savings refers to small-scale savings services offered by financial institutions, such as microfinance banks, to individuals or businesses, enabling them to deposit and accumulate funds incrementally for future use or investment. Fidelis et al (2020) define saving as unspent income or deferred consumption. Savings mobilization has recently been recognized as a key strength of microfinance. Microfinance savings is money received as a deposit in a bank and can be withdrawn without notice. Microfinance institutions in Africa and elsewhere are demonstrating that the poor can save cash. A microfinance loan is a loan issued by a microfinance institution to a microenterprise, used to grow the borrower's small business. Small loans are used as working capital to buy materials and goods for micro businesses, as capital for construction or to buy fixed assets for production, etc. In Nigeria, microsavings is defined as a savings account with a balance of less than 8,400 naira (about 50 USD), or less than 20% of annual per capita income (Chant, 2018).

Entrepreneurial Education and Training

Entrepreneurial Education (EE) has come to symbolize all forms of knowledge delivery that seek to inspire individuals to create real wealth in the economic sector, thereby furthering the cause of development of the nation. Bassey and Archibong (2019), maintained that the objective of entrepreneurship education is meant to empower graduates regardless of their areas of specialization, with skills that will enable them to engage in productive economic activities. This is not just when they are unable to get conventional jobs in the public or private sector, but also with them pursuing it as a viable alternative career option. In other words, it is a process of reorientation from job seekers to job creators. Entrepreneurship education is widely recognised as an essential or necessary condition for the entrepreneurial journey or process towards producing entrepreneurial graduates. Developing entrepreneurial graduates is, therefore, essential to our future success (Gibb, 2019).

Furthermore, EE has been widely acknowledged and captured as playing an important role in enhancing the entrepreneurial skills, attitudes and intention of individuals in different contexts- especially among students (Uyogi, 2018). Global Entrepreneurship

Monitors-GEM (2017) define entrepreneurship education as a process of "building knowledge and skills either "about" or "for the purpose of" entrepreneurship generally, as part of recognized education programs at primary, secondary or tertiary-level educational institutions." Researchers like Nabi & Holden (2018) observe that there is a propensity for a debate or variance in opinion on the concept of "enterprise" and "entrepreneurship", and similarly between "enterprise" and "entrepreneurship" education. Whilst enterprise (and enterprise education) is often used in a wide sense to refer to a set of life skills for students (e.g. coping with uncertainty) representing an "enterprise for life" approach that most students should possess, regardless of discipline as reflected in university-wide enterprise agendas for lifelong learning (QAA, 2018).

Small and Medium Enterprises

The concept of Small and Medium Enterprises (SMEs) is one of the most reviewed topic in management due to the importance attached to it by various scholars and its impact in an economy like ours in the country. Worldwide, SME is seen as the engine room of economic growth and development (Suberu, Aremu & Popoola, 2018). The meaning of SSEs varies from one country to another, institutions to institutions and years to years. Sometimes, in the literature, small scale business, small scale industries and small-scale entrepreneurship are majorly used interchangeably to mean SMEs

According to Sule, as cited in Tabet and Onyeukwu (2019), a small-scale enterprise is defined as an entity employing between 1 and 100 workers or with a total investment not exceeding ₦50 million (approximately 122,000 USD), inclusive of working capital but exclusive of land costs. In contrast, a medium-scale enterprise employs between 101 and 300 workers or has a total investment of more than ₦50 million but not exceeding ₦200 million (about 490,000 USD), also inclusive of working capital but excluding land. The study further mentions that around 50% of these enterprises engage in distributive trade, 10% in manufacturing, 30% in agriculture, and the remaining 10% in services.

Additionally, the Finance Act (2020) defines small businesses for corporate tax purposes as those with an annual gross turnover of N25 million (approximately 61,000 USD) or less, while medium-sized companies are defined as those with an annual gross turnover between N25 million and N100 million (around 244,000 USD). This study adopts the definition provided by Sule, as referenced in Tabet and Onyeukwu (2019), and will base its survey, findings, and conclusions accordingly.

Nigerian National Council on Industry defines a Small and Medium Enterprise (SME) as a business with between ten and three hundred employees. SMEs are currently classified based on their size, but additional criteria exist. According to Khan (2020), SMEs in Nigeria are businesses with a total capital investment of not less than N1.5 million but not exceeding N200 million, including working capital but excluding land costs, or with a staff strength of not less than ten but not more than three hundred employees, or a combination of both.

Table 1: Nigeria Deposit Money Banks' SME Definition

Enterprise Type	Maximum Turnover Threshold (N'Million)
	Median
Micro Enterprise	10
Small Enterprise	60
Medium Enterprise	480

Source: Adapted from Berg and Fuchs, 2013

Despite variations in definitions, leading SME-focused organizations in Nigeria, such as the Bank of Industry (BOI) and the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN), have provided specific categorizations that are widely adopted in studies.

Table 2: BOI Definition for SMEs

Enterprise Indicator	Micro Enterprise	Small Enterprise	Medium-sized Enterprise
Number of Employees	≤ 10	>11 ≤ 50	> 51 ≤ 200
Total Assets (N)	≤ 5 million	> 5 ≤ 100 million	> 100 ≤ 500 million
Annual Turnover (N)	≤ 20 million	≤ 100 million	≤ 500 million

Source: PricewaterhouseCoopers, 2020.

Table 3: Categorization Adopted by SMEDAN National Policy on SMEs

Size Category	Employment	Assets (N' Million) (excluding land and buildings)
Micro Enterprise	< 10	< 5 million
Small Enterprise	10 to 49	≥ 5 < 50 million
Medium Enterprise	50 to 199	≥ 50 < 500 million

Source: SMEDAN, 2017

Major Challenges of SMEs in Nigeria

However, Daniel (2019) argued that small and medium-scale enterprises (SMEs) in Nigeria face several challenges including:

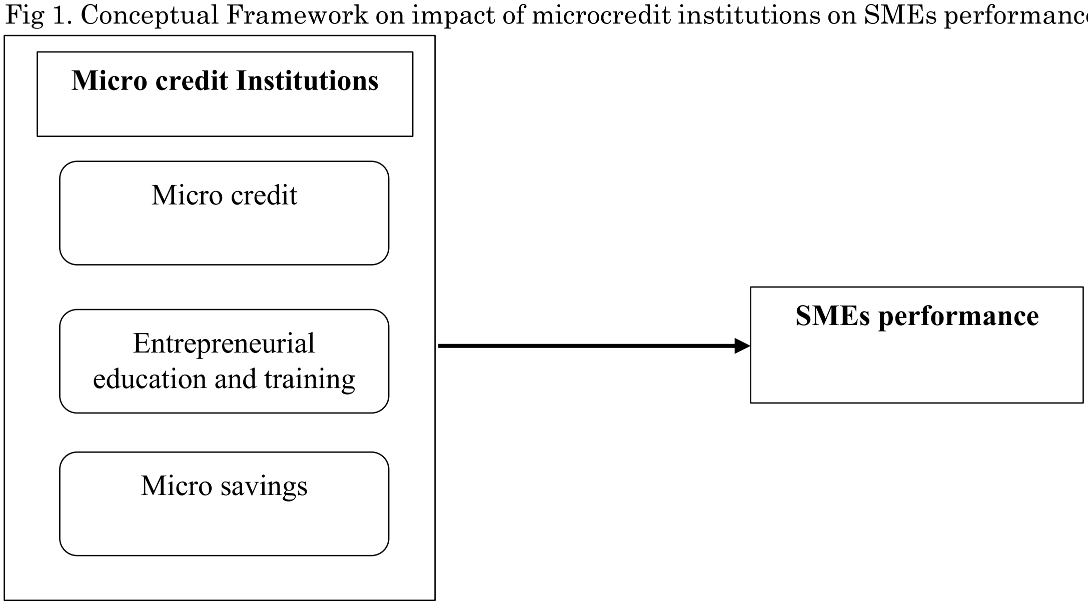
i. **Inadequate Basic Infrastructure**: The government has not sufficiently fostered an environment conducive to the growth of SMEs. Issues like insufficient water supply, poor transportation systems, unreliable electricity, and ineffective waste management hinder their development. The underdeveloped state of Nigeria's physical and social infrastructure significantly restricts the growth of SMEs, which rely on these inefficient public services and are unable to afford alternative solutions.

ii. **Multiple Taxation**: This has emerged as a significant issue, particularly due to tax consultants and agents employed by local governments, who often operate in a grossly ineffective manner. Their excessive tax assessments negatively impact the production process as they attempt to generate revenue without considering the repercussions for household incomes and employment (Okolo, Okpalaojiego & Okolo, 2016). Compounding the problem is the issue of multiple taxes imposed on the same goods and services by various government bodies, discouraging business activity. Paying regular taxes in one region does not guarantee an exemption from similar taxes on goods as they traverse the country (Oseni, 2014).

iii. **Financial Challenges**: Approximately 80% of SMEs struggle due to inadequate financing and related issues. The challenge lies not in the availability of funding sources but in the accessibility of those funds. Key barriers include the stringent requirements set by financial institutions, insufficient collateral and credit history, and the costs associated with obtaining financing. (Yusufu, Suleiman, & Saliu, 2020; Arinzeh, 2022; Akinboade, 2021).

iv. **Socio-Cultural Challenges**: Many Nigerian entrepreneurs lack a culture of reinvesting profits back into their businesses. Some may divert essential funds and energy toward social and political ambitions, resulting in waste. (Akinyemi & Olufemi, 2020). Additionally, there is a notable bias against locally produced goods, as many Nigerians show a strong preference for imported products over their domestic counterparts. (Ogunyemi, 2021; Dada & Ihenyen, 2022).

Fig 1. Conceptual Framework on impact of microcredit institutions on SMEs performance



Source: Author's variable (2025).

Figure 1 depicts the conceptual framework for how microcredit institutions can affect SMEs' performance as deduced by the author for the year 2025. The framework highlights variables such as microloans, savings programs, and financial training that are the critical elements of microcredit services that may influence SMEs performance outcomes, for example, profitability, sales growth, and creation of employment. It gives an idea of the interaction that occurs between access to adequate financial services and operational success in SMEs. This thus provides a basis on which an analysis of how such dimensions of microcredit contribute to the development of sustainable business growth and economic development in SMEs, hence highlighting the need for increasing financial inclusions in improving their performances.

Theoretical Foundation

Pecking Order Theory

The Pecking Order Theory of capital structure was developed by Myers and Sanders in 1984. This theory suggests that businesses, particularly small and medium-sized enterprises (SMEs), address their financing needs in a hierarchical manner (Myers, 1984). Initially, firms rely on self-generated funds as their primary source of financing. As the need for additional funds increases, the next preferred source becomes debt. Only when the funding requirement exceeds the available debt capacity do firms turn to external equity. In this context, SMEs often experience a negative impact on profitability and external borrowing due to their reliance on internal and debt financing.

Moreover, the debt-equity mix should be largely influenced by long-term financing decisions, as outlined by the pecking order theory. This theory posits that businesses have a preference for using internal funds. When internal funds are insufficient, firms are more inclined to raise funds through debt rather than issuing equity. The firm's financial health can be gauged by examining its debt-to-equity ratio. Additionally, when managers issue new shares, it often signals to the public that they believe the company is worth more than its actual value, leading to investor skepticism. As a result, the value of new shares typically declines compared to previous ones. According to the theory, older firms are expected to have accumulated more internally sourced funds, such as retained earnings, which can be used to support business growth.

Holmes and Kent (1991) further observed that SMEs strictly adhere to the pecking order due to the challenges they face in obtaining external financing. SME financing is largely dependent on private markets, which limits their access to a variety of financing options. This constraint, combined with their preference for internal funding, results in a unique capital structure for small enterprises. Figure 1 below illustrates the pecking order theory as it relates to SME capital structure.

Figure 1: Illustration of Pecking Order Theory

Empirical Review

Microcredit and SMEs Performance

Eton et al. (2017) analyzed how financing affects the performance of SMEs in Lira Municipality, studying a sample of 120 respondents. Their results showed that providing credit to SMEs helps them access vital resources, diversify their businesses, and enhance productivity, leading to increased profitability. Similarly, Robin et al. (2015) explored the impact of micro-credit on borrowers' poverty levels, utilizing an unbalanced panel data set of over 600,000 borrowers alongside a fixed-effects regression analysis. Their findings indicated that microfinance loans contribute to a modest yet significant reduction in poverty among borrowers.

Wakaba (2014) investigated the relationship between micro-finance credit and the financial performance of SMEs in Kiambu, Kenya. Using a survey design, the research found a direct correlation between the amount of credit received and the financial performance of businesses, concluding that microfinance loans are beneficial for these enterprises.

Jean and Jaya (2016) examined village savings and loan associations' effects on SME growth in Rwanda. Their descriptive analysis revealed that the Kayonza district offers various credit and loan services, including investment training and capital formation, which positively impact SME growth.

Jeremiah (2014) assessed microfinance's effects on SMEs in Zimbabwe, collecting data from 105 randomly selected SMEs via questionnaires. The study revealed that most SMEs accessed MFI loans, though few secured the full amounts they needed. It also highlighted the positive impacts of such loans on product quality, branch expansion, cash flow, and market share.

In Uganda, Nzibonera and Waggumulizi (2020) studied the influence of financial loans on small-scale enterprises' growth, employing a cross-sectional design with quantitative methods. Their analysis of closed-ended questionnaire data showed a significant positive relationship between micro-credit and SMEs' performance.

Srimoyee and Tarak (2017) investigated the impact of microfinance on women empowerment with evidence from west Bengal. They concluded that the issue of empowerment especially for women is very important to the economy. This paper attempted to comprehend the role of MFIs and its associated factors towards empowerment in Paschim Medinipur district of West Bengal. It used primary data of 220 borrowers collected through structured questionnaire and personal observations from the specified area. Applying ordered logistic regression, it has been observed that MFIs do act as a supportive tool for psychological, economic and social empowerment of women borrowers of the selected district. The results show there is difference in the expenditure level in the pre and post loan phase of the respondents as last value is statistically significant at 1% level.

Moreover, a study in Kenya by Peter (2001) found that micro-credit positively impacts business performance, indicating that secured and working capital loans significantly support small-scale enterprises' growth. Prior studies (Oleka et al., 2014; Bello, 2013; Odebiyi & Olaoye, 2012; Olowe et al., 2013) also documented the significant effects of micro-credit on SMEs' performance. Given the robust evidence linking micro-credit and SME performance in the reviewed literature, the current study proposes the null hypothesis in the context of North-East Nigeria.

Entrepreneurial Education and SMEs Performance

Microfinance institutions are increasingly offering non-financial services (Robinson, 2001), such as skill development and acquisition. Barine (2021) examined the entrepreneurial traits and performance of small and medium-sized enterprises (SMEs) in Port Harcourt Metropolis. The research utilized a structured questionnaire within a survey design, targeting 200 SME owners. The results indicated that entrepreneurial skills have a significant positive impact on the performance of SMEs.

Additionally, Nnaugwu and Gladys (2019) explored how entrepreneurship education affects the performance of SMEs in Enugu State, Nigeria. Their findings revealed that entrepreneurial training significantly enhances SME performance, while the lack of training and vocational facilities impedes entrepreneurship development in the country.

Deebom and Baridoma (2017) conducted a comprehensive study. Their research aimed to delve deeper into the specific role of practical skills acquisition within entrepreneurship education programs and its impact on reducing graduate unemployment. Employing a mixed methods approach that combined quantitative data analysis and qualitative interviews with graduates and entrepreneurship educators, Deebom and Baridoma's study revealed insightful findings. Their analysis demonstrated a statistically significant relationship between acquiring practical skills through entrepreneurship education and increased self-employment rates among Nigerian graduates.

Mazanai, Thembinkosi, Caleb, and Dhoro (2020) embarked on a crucial exploration: examining the potential of entrepreneurial activity to fuel economic growth and tackle the complex challenges of unemployment, poverty, and inequality in South Africa. Their research unveiled a powerful message - prioritizing initiatives to boost entrepreneurial skills and encourage entrepreneurial activity could be the key to unlocking the nation's immense potential. The study sheds light on the cyclical nature of the challenges faced by South Africa. High unemployment rates perpetuate poverty and inequality, further hindering economic growth. This creates a stagnant environment where individuals struggle to find opportunities to rise above their circumstances. Mazanai and his colleagues propose that by breaking this cycle through entrepreneurship, South Africa can create a more equitable and prosperous future for all its citizens.

Chimucheka (2013) studied the influence of entrepreneurship training on the establishment and sustainability of small, micro, and medium enterprises (SMMEs) in South Africa's Buffalo City Metropolitan Municipality. This research incorporated both primary and secondary data, employing a quantitative approach. A simple random sampling method was used to select participants, and primary data were collected through a self-administered questionnaire. The research findings demonstrated...

The study conducted by Acquah, Ojong, and Bassey (2019) focused on entrepreneurship and employment generation in Nigeria. The researchers aimed to explore the relationships between effective entrepreneurship administration, funding of entrepreneurship programs, training, and the efficient use of funds in the context of Nigerian entrepreneurs. The research utilized several statistical methods, including the Chi-square statistical analysis, correlation coefficient, and the student "t" distribution, to analyze the data collected from 130 entrepreneurs. The participants were asked to respond to three research questions, which centered on funding, training, and the efficient use of funds in their entrepreneurial endeavors. The findings of the study revealed that there were significant relationships between effective entrepreneurship administration and both adequate training and funding of entrepreneurship programs.

Micro-savings and SMEs Performance

Omuron (2024) investigated the impact of microfinance services on the performance of small and medium-sized enterprises (SMEs) in Tororo Municipality, focusing on the relationships between micro loan services, micro savings deposits, and financial training with SME `. Employing a cross-sectional research design and a quantitative approach, data were collected from 70 SMEs using simple random and purposive sampling techniques, with analysis conducted through Statistical Packages for Social Sciences (SPSS). The findings demonstrated a significant positive effect of micro loan services, micro savings deposits, and financial training on SME performance, highlighting the strong predictive power of these microfinance dimensions in enhancing SME outcomes. The study concludes by emphasizing the critical role of microfinance services in improving SME performance and recommends prioritizing these services for sustainable development in the sector.

Thapa, Pandey, and Pathak (2024) explored the impact of microfinance services on the performance of small and medium enterprises (SMEs) in the Rupandehi district of Nepal. Using structured questionnaires, data were collected from 385 purposively selected SME clients of Microfinance Institutions (MFIs). The study employed Structural Equation Modeling (SEM) via SmartPLS to analyze the effects of microfinance dimensions microloans, micro savings, and skill development training on SME performance indicators such as profit, sales growth, and employment creation. The findings revealed a positive and significant impact of tailored microfinance services, particularly savings programs and training, on enhancing financial stability, business practices, and overall sustainability. The study underscores the critical role of integrated microfinance programs in boosting SME profitability and sustainability, providing actionable insights for policymakers, practitioners, and SME stakeholders to strengthen support mechanisms for small businesses.

Methodology

This study adopted a quantitative approach, utilizing a survey strategy to investigate the effect of microcredit on the performance of small and medium enterprises (SMEs) in the poultry farming sector in Kuje Area Council, Abuja, FCT. Data were collected using a self-structured questionnaire designed with a five-point Likert scale to capture respondents' perceptions and experiences. From a population of 952 poultry micro, small, and medium farmers in Kuje, 282 respondents were selected using cluster probability sampling. The sampling frame was derived from local poultry farmer registries and cooperative societies operating in the area. Descriptive statistics were used to analyse demographic information, while inferential statistics including correlation and linear multiple regression analyses were employed to test the study's hypotheses.

Kuje Area Council, is located in the Federal Capital Territory (FCT) of Nigeria, is a rapidly growing area known for its vibrant agricultural sector, particularly poultry farming. The region is home to numerous small and medium-scale poultry enterprises that contribute significantly to the local economy by providing employment opportunities and ensuring a steady supply of poultry products. Kuje's proximity to the capital city, Abuja, enhances access to markets and microcredit institutions, making it an ideal location for this study. The area has well-established farmer cooperatives and microfinance institutions that actively support agricultural businesses. This study focuses on Kuje Area Council due to its high concentration of poultry farmers, accessibility, and potential for insights into the relationship between microcredit and SME performance.

Results and Discussion

This section reviews the result and analysis of qualitative data, presentation and interpretation of the findings. The profile is presented in table 2.

Table 2: Personal Profile of Respondents

Variables	Frequency	Percent	Valid Percent	Cumulative Percent
Age Group				
18 – 29	65	23.0	23.0	23.0
30 – 39	108	38.3	38.3	61.3
40 – 49	66	23.4	23.4	84.8
50 – 59	43	15.2	15.2	100.0
Total	**282**	**100.0**	**100.0**	
Gender				
Male	206	73.0	73.0	73.0
Female	76	28.0	23.0	100.0
Total	**282**	**100.0**	**100.0**	
Highest Level of Education				
NCE/ND	55	19.5	19.5	19.5
HND/BSC.	157	55.7	55.7	75.2
MSc/MBA	41	14.5	14.5	89.7
PhD	29	10.3	10.3	100.0
Total	**282**	**100.0**	**100.0**	
Marital Status				
Single	144	51.1	51.1	51.1
Married	138	48.9	48.9	100.0
Total	**282**	**100.0**	**100.0**	
Business Experience				
2 - 3 years	62	22.0	22.0	22.0
4 - 7 years	128	45.4	45.4	67.4
8 - 10 years	59	20.9	20.9	88.3
> 11 years	33	11.7	11.7	100.0
Total	**282**	**100.0**	**100.0**	

Source: Field Study (2025).

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Table 2 depicted the demographic profile of the 282 respondents reveals that the largest age group, comprising 108 individuals (38.3%), is aged 30–39, followed by 66 respondents (23.4%) aged 40–49, 65 respondents (23.0%) aged 18–29, and 43 respondents (15.2%) aged 50–59. Regarding gender distribution, 206 respondents (73.0%) are male, while 76 (27.0%) are female. Educational attainment is highest among respondents with HND/BSc degrees, accounting for 157 individuals (55.7%), followed by 55 respondents (19.5%) with NCE/ND, 41 respondents (14.5%) with MSc/MBA, and 29 respondents (10.3%) with PhDs. Marital status is almost evenly split, with 144 respondents (51.1%) single and 138 (48.9%) married. In terms of business experience, the majority, 128 respondents (45.4%), have 4–7 years of experience, while 62 respondents (22.0%) have 2–3 years, 59 respondents (20.9%) have 8–10 years, and 33 respondents (11.7%) have over 11 years. These data provide a comprehensive insight into the diverse characteristics of the respondents.

Test of Hypothesis

Ho: Miro credit, entrepreneurial education and training and micro savings provided by micro credit institutions does not have.

Table 2: Multiple Regression Analysis Result

Model		**Unstandardized Coefficients**		**Standardized Coefficients**	**t**	**Sig.**	
		B	**Std. Error**	**Beta**			**Significance**
1	(Constant)	-.216	.086		-2.508	.013	**Significant**
	Micro credit	.273	.035	.289	7.820	.000	**Significant**
	Micro Savings	.573	.050	.499	11.396	.000	**Significant**
	Entrepreneurial education and training	.199	.039	.210	5.109	.000	**Significant**
	R	.960a	-	-	-	-	-
	R Square	.921	-	-	-		-
	Adjusted R	.920	-	-	-	-	-
	F-value	1075.878	-	-	-	-	**Significant**
	Durbin-Watson	.697	-	-	-	-	

P< 0.05

Dependent Variable: SMEs Performance

Source: (Field work 2024)

The results from the multiple regression analysis indicate that all the independent variables—microcredit, micro savings, and entrepreneurial education and training—have a significant positive relationship with the dependent variable, suggesting that they all contribute to enhancing SME performance. Specifically, microcredit has a standardized coefficient (Beta) of 0.289, micro savings has a Beta of 0.499, and entrepreneurial education and training has a Beta of 0.210. The significance levels for each of these variables are all below 0.05 (with p-values of 0.000), confirming their impact on the performance of SMEs. The R-square value is 0.921, indicating that 92.1% of the variance in SME performance is explained by the independent variables, which is a very high proportion. The F-value of 1075.878 and its significance further support the model's overall validity.

Based on these results, we can confidently reject the null hypothesis (Ho), which stated that microcredit, entrepreneurial education and training, and micro savings provided by microcredit institutions do not have an effect on SME performance. The analysis reveals significant and positive effects of these factors on SME performance, indicating that they play an important role in enhancing the success of SMEs, particularly in the context of poultry farmers in Kuje, Abuja.

Discussion

This subsection discusses the results on the impact of microcredit institution (micro credit, entrepreneurial education and training and micro savings) on SMEs performance.

Micro credit

The results from the multiple regression analysis, which show a significant positive relationship between microcredit and SME performance (Beta = 0.289, p = 0.000), align with numerous empirical studies that emphasize the vital role of microcredit in enhancing SME success. Eton et al. (2017) found that credit financing enables SMEs to access essential resources, diversify their operations, and boost productivity, which ultimately leads to increased profitability. Similar findings by Wakaba (2014) and Jeremiah (2014) highlight that microfinance loans directly correlate with better financial performance and expansion opportunities for SMEs. In particular, microcredit has been shown to improve cash flow, product quality, and market share (Jeremiah, 2014), factors that are crucial for business growth. Furthermore, the research by Robin et al. (2015) and Nzibonera and Waggumulizi (2020) confirms that microcredit loans help reduce poverty and foster the growth of small businesses. These findings support the current study's results, indicating that microcredit is a significant driver of SME performance, particularly for the poultry farmers in Kuje Area Council, Abuja.

Microcredit Institution Entrepreneurial Education and Training

Entrepreneurial education and training have also demonstrated a significant positive impact on SME performance (Beta = 0.210, p = 0.000). This finding is consistent with studies by Barine (2021) and Nnaugwu and Gladys (2019), who highlighted that acquiring entrepreneurial skills through education significantly boosts the performance of small businesses. Nnaugwu and Gladys (2019) found that the lack of training facilities hampers entrepreneurial development, while training programs empower SME owners with the necessary skills to navigate business challenges. Deebom and Baridoma (2017) further supported this by showing that practical skills acquisition within entrepreneurship programs leads to increased self-employment opportunities and a more robust business environment in Nigeria. The current study mirrors these conclusions, as the significant effect of entrepreneurial education emphasizes its crucial role in fostering SME growth and sustainability. This underscores the importance of enhancing entrepreneurial education and training programs to improve the performance of SMEs in the region.

Micro Savings

The analysis reveals a strong positive relationship between micro savings and SME performance (Beta = 0.499, p = 0.000), suggesting that micro savings programs are instrumental in improving the financial stability and growth of SMEs. Empirical studies have consistently supported this conclusion. For instance, Omuron (2024) found that micro savings deposits, along with other microfinance services, have a significant positive effect on SME performance in Tororo Municipality. Similarly, Thapa, Pandey, and Pathak (2024) demonstrated that micro savings, when combined with micro loans and skill development training, contribute to better business practices, financial stability, and overall sustainability of SMEs. The positive impact of micro savings on profitability and business practices in the current study aligns with these findings, reinforcing the importance of integrating micro savings services into microfinance programs. This highlights the need for SME owners to utilize micro savings to build financial resilience and foster long-term sustainability.

Conclusion

The present study analyzed the impacts of microcredit, entrepreneurial education and training, and micro savings on SMEs performance in Kuje Area Council, Abuja, using the poultry farming business. From the results presented, it is revealed that microcredit, entrepreneurial education and training, and micro savings all contribute significantly to guaranteeing SMEs improved performance. Microcredit enhances the activities of SMEs through facilitation by way of finance that enables them to broaden their scope of activities and become more productive. These skills garnered through entrepreneurial education and training help the owner-manager cope with various business challenges, while micro-savings contribute to stability in their finances for the longer term. These results thus correspond to and enforce several of the earlier writings, evidencing that those microfinance services may particularly foster the development of the SME segment.

Recommendations

Based on the study findings, the following recommendations are proposed to improve the performance of small and medium enterprises (SMEs), particularly among poultry farmers in Kuje Area Council, Abuja:

1. Enhancing Microcredit Accessibility for Poultry Farmers ***(Objective: Evaluating the effect of microcredit on SME performance)***

- Microfinance institutions (MFIs) should **increase the availability of microcredit** for poultry farmers by offering **low-interest loan schemes** with **flexible repayment structures** tailored to the seasonal nature of poultry farming.

- **Reduce collateral requirements** for small-scale poultry farmers to enable greater access to credit facilities.
- **Introduce specialized poultry farming loan packages**, allowing farmers to access funds for purchasing feed, veterinary services, and farm expansion.
- Strengthen monitoring and **post-loan support programs** to ensure effective loan utilization and business growth.

2. Strengthening Entrepreneurial Education and Training for SME Owners ***(Objective: Determining the impact of entrepreneurial education and training on SME performance)***

- Microcredit institutions should **expand training programs on financial literacy, business management, and strategic planning** for poultry farmers to **improve financial discipline and operational efficiency**.
- **Collaborate with agricultural extension services** and industry experts to offer **practical business training**, including farm budgeting, risk management, and poultry disease control.
- Implement **mentorship programs** where experienced poultry farmers guide new entrants on **best farming and business practices**.
- Integrate **digital training programs** for poultry farmers to improve their access to online markets and digital financial services.

3. Promoting Micro-Savings as a Tool for Business Sustainability ***(Objective: Assessing the effect of micro savings on SME performance)***

- Microfinance institutions should **develop micro-savings schemes** specifically for poultry farmers to encourage **business reinvestment and financial stability**.
- Establish **savings-based credit access**, where farmers who consistently save become eligible for larger loan amounts at **lower interest rates**.
- **Create incentives for savings**, such as **higher interest rates** or government-backed financial rewards for consistent savings behavior.
- **Encourage group savings models** where poultry farmers collectively save and access loans through cooperative funding.

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