

Micro-finance banks, nexus to Nigerian economic growth

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ABSTRACT

Purpose- It is a known fact that microfinance banks contribute greatly to the growth and development of various nations of the world, they do this via the various financial assistance they offer to low-income earners. The reason behind this paper titled “Microfinance Banks, nexus to Nigerian economy growth” is to examine the contributions of microfinance banks to the progress of Nigeria economy. This will help to draw the attention of stalk holders and regulators of the Nigerian economy to pay close attention to microfinance banks in policy formulation. **Design/Methodology/Approach-** The independent variables adopted in this study are; capital growth, interest rate, employment level, business growth and loans. These variables were empirically reviewed so as to find out the contribution of each of them to the growth and development of various economies. The independent variable is Gross Domestic Product (GDP). Data of 2 listed microfinance banks were obtained from annual reports of the microfinance banks as well as the review of the Central Bank of Nigeria from 2005-2019. STATA 13.0 was used to analyzed the data. **Finding-** The research work revealed that capital growth, microfinance interest rate, employment level and microfinance loans contribute significantly to the progress of the Nigerian economy. It also revealed that business growth does not contribute significantly to the expansion of Nigerian economy. **Originality/Value-** This study is different from other studies in various ways: It used secondary data to test the relevance of microfinance banks to the expansion of Nigeria economy. Previous studies on microfinance banks in Nigeria mostly obtained data through administering questionnaires. This study used listed microfinance banks which is a departure from previous studies that mostly used microfinance banks that are not quoted on the Nigerian Stock Exchange. Previous studies on microfinance banks in Nigeria concentrated on the microfinance banks and SMEs while this study concentrate on the contributions of the microfinance institutions to the expansion of the Nigerian economy. This is significant because microfinance banks were established to cater for the need of low-income earners which is believed to eventually add to the expansion of the economy. The research work revealed that microfinance banks is a catalyst to economy growth. Social capital theory is the theory used to underpin the study.

Key words: Microfinance banks, economy growth and Nigeria

1. INTRODUCTION

The quest for economy growth is the major pursuit of every nation in the world, this is because economy growth improves the well-being of the residents of a country as well as placed the country among either developed countries or fast developing countries. This quest is making countries to develop different means or strategies to achieve growth. One of the strategies used to enhance economic growth by various countries is the introduction of micro-finance institutions or micro-finance banks. Micro-finance banks are financial institutions established to cater for the ever-increasing needs of individuals who could not meet the requirements of obtaining credit facilities in conventional banks (Risal & Shahi, 2021). Cole and Akintola (2021), Aladejebi (2019) as well as Onyeze and Ochiaka (2017) sees microfinance as a medium of building financial system that serve the need of the poor.

Microfinance banks came into existence due to the inability of conventional banks to handle the financial needs of rural dwellers in various part of Nigeria (Onyeze & Ochiaka 2017; Obasi, Chukwuka & Akwawa 2014; Ailemen, Asaolu, & Areghna, 2016). Onyeze and Ochiaka (2017) opined that microfinance enhance the socio-economic well-being of the poor and micro small scale businesses in Nigeria. Microfinance banks in Nigeria, emerged as a product of the 1990 economic policy of the apex bank in Nigeria which aimed at encouraging savings (Nwude & Anyalechi, 2018). This is because microfinance banks aid micro-savings, micro-credit and micro-insurance (Asian Development Bank microfinance report, 2012).

The number of microfinance banks (MFBs) in Nigeria stood at 911 as at the end of 2019. This comprised of 10 National MFBs, 135 State and 766 Unit MFBs (Central Bank of Nigeria annual report, 2019). Microfinanza rating (n.d) asserts that the capital requirement for operating a microfinance bank at unit level, state level or national level is N20 million, N100 million and N2 billion respectively.

It is observed by economic parameters like Barometer (2017) that there is a 9% growth of microfinance institutions in the world even though there are still above 2 billion people that don't have access to financial institutions. Nigeria is experiencing a relatively slow growth rate of micro-finance institutions; Central Bank of Nigeria buttress the aforementioned point with her report by saying that there are at least 40 million Nigerians that are yet to access banking services as at 2004. This may be due the numerous challenges confronting the sector in Nigeria.

Micro-finance banks in Nigeria are still faced with the problems of diversion of loan to non-productive ventures, high rate of default in loan repayment, lack of infrastructure and illiteracy among rural populace (Nwude & Anyalechi 2018). Most of the microfinance institutions in Nigeria are in the southern part of the country and this part of the country is said to have less poverty ratio compare to her counterpart in northern Nigeria.

Other challenges identified by Microfinanza rating (n.d) are liquidity crisis occasioned by credit lines, intensify competition increased credit risk as many customers of MFBs could not pay back their credit facilities due to the hostile economic condition in the country. High operation cost such as lack of good roads network especially in rural areas is increasing the interest rate charged by microfinance banks to their customers. Another challenge is the large unmet demand for credits due to market forces of demand and supply.

Barometer (2017) asserted that MFIs recorded an annual growth of +9.4% in the loan portfolio and of +9.6% in the number of borrowers. This shows that the number of people looking for credit facilities in the world is exceeded the amount set aside to give out as loans to the public. This problem is mostly visible in developing countries like Nigeria and it is affecting the growth of small businesses in the country. Akinadewo (2020) asserted that the inability of small-scale businesses to access fund is affecting the growth of Nigeria economy. The dilemma faced by small-scale businesses in accessing credit facilities is against the objective of establishing microfinance banks in Nigeria.

This study therefore, investigate the contribution of micro-finance banks to the growth of the Nigerian economy, Nigerian economy is proxy by gross domestic product (GDP). To this end, the study set the following objectives:

1. To determine the influence of capital growth on the growth of GDP in Nigeria.
2. To investigate the influence of business growth on the growth of GDP in Nigeria.
3. To determine the influence of micro-finance loans on the growth of GDP in Nigeria.
4. To examine the influence of MFBs employment level on the growth of GDP in Nigeria
5. To investigate the influence of micro-finance interest rate on the growth of GDP in Nigeria

Independent variables versus dependent variables

The independent variables of the study were discussed in relation to the dependent variable as thus:

i. Capital growth and the growth of GDP: Capital growth is the increase in the value of assets or investment over a period of time. It measured as the difference between the current value or market value of an investment and its purchase price or the value of the investment/assets at the time it was acquired. Capital growth is one of the indicators use to measure the well-being of

an organization as well as the country in general. Increase in the value of assets and investment is an indication of economic growth. The result of the study conducted by Berhe and Kaur (2017) on capital conflicted with the findings of Paul and Mitra (2018). Thus, the first null hypothesis for the study is stated as thus:

H₀₁: Capital growth does not affect the growth of the Nigerian economy.

ii. Business growth and the growth of GDP: Business growth is the expansion of a business in one or more dimensions. It is also seen as a stage where a particular business attains the points of expansion and devise strategies on how to expand her financial base. Business growth is seen in the increase in revenue, sales, company values, number of employees, or number of clients or customers. Businesses that are experiencing growth will also acquire more market shares and hence increase their turnover. Increase in business activities also increase the economic growth of the host country. The study of Ullah, Faisa and Zuhra (2016) is an example of studies conducted in the area of firm's growth. Thus, the second null hypothesis of this study is stated as:

H₀₂: Business growth does not affect the growth of GDP in Nigeria

iii. Micro-finance loans and the growth of GDP: Loan is the total sum of money that individual(s) or organizations borrow from financial institutions so as to meet up with some financial obligations. It also refers to a credit facilitates in which a certain amount of money is lent to a second party with a promise to repay it in future. The payment of the loan is with interest. Both parties agree to the terms of the loan before any payment is made. The purpose of establishing micro-finance banks is to provide an opportunity for the low-incomer earners to access loan facilities to start small businesses, these small businesses help to boost the GDP of the host country. Studies conducted on loans includes; Onyeze and Ochiaka (2017) and Khalet and Saqfalhat (2019). Therefore, the researcher states the null hypothesis for the study as thus:

H₀₃: Micro-finance loan does not affect the growth of GDP in Nigeria.

iv. Employment level and the growth of GDP: Employment level is the total number people engage in any productive activity in an economy. This include the number of people that are gainfully engage in any productive venture due to any credit facility of micro-finance banks. Provision of employment to the able and capable youth in either formal sector or informal sector by MFBs will boost the growth of Nigerian GDP, this is due to the fact that it provides purchasing power for the citizens thereby encourage the production of goods and services (Gonji, Ahan, Zamdayu, & Pam, 2020). Authors that carried out study on employment or unemployment rate or levels are: Iloabuchi (2019) and Ademolar and Badaru. They came up with conflicting result. In view of the forgo, the researcher set the fourth hypothesis as:

H₀₄: Employment level does not affect the growth of GDP in Nigeria.

v. Interest rate and the growth of GDP: Interest rate is the amount of money a lender (Micro-finance banks) charges his/her borrower and is mostly the percentage of the principal amount borrowed. It can also be seen as the amount earned at a financial institution as a result of the deposit made in that financial institution. The interest rate charge to an amount lent to the clients of a financial institution depends on the level of risk involve in the loan. Gonji, Ahan, Zamdayu, and Pam, (2020) opined that high interest rate discourages low-income earners from borrowing money for investment purposes and hence, affect the growth of the economy negatively, vice visa. Nyandema and Layat (2016) and Murad and Ideweale (2017) are some of the authors that carried out studies on interest rate. The fifth null hypothesis is:

H₀₅: Interest rate does not affect the growth of GDP in Nigeria.

Theoretical Framework: Social Capital Theory

The underpinning theory for this research is social capital theory. The theory asserts that tangible and intangible gains are obtained from social interactions and connections. The main focus of the theory is that social capital resources are contained within, available through and obtained from social network of interconnected people, groups or nations (Bolino, Turnley, & Bloodgood, 2002; Inkpen & Tsang, 2005) as cited by Miles, (2012). The study used social capital theory as it underpinning theory because micro-finance banks are part of the organizations that interact with the Nigeria society, the networking aspect is the effect or impact of the activities of micro-finance banks on the economic growth of the any society and the microfinance sector. These activities include their interest rate, creation of employment, credit facilities inform of loans, helping businesses to grow as well as making capital available for prospective investors. The combination of these activities affects the Nigerian economy growth in various ways.

Empirical Review

To give this study a good footing, previous related studies were empirically reviewed, the review is mostly in line with the variables under consideration. For instance, Onyeze and Ochiaka (2017) examined microfinance institution and their potentials in

Nigeria. The research obtained data through the use of questionnaire administered to 50 respondents in LAPO microfinance bank, Udenu, Enugu state. Using Chi-square to test the stated hypothesis, the study concluded that the rate at which rural dwellers repay their loans is low, the study therefore concluded that microfinance institutions have strong relationship with the development of rural areas in Nigeria. The underpinning theory of the study is financial modernization theory. Murad and Idewe (2017) examined the impact of microfinance institution in the Nigerian economy from 1992-2012. The variables piked and used for the investigation are change in per capital consumption, microfinance loan, microfinance investment, microfinance deposit, inflation rate and agricultural production. Using E-views 8.0, the study discovered that microfinance loans have a significant and positive impact on the short run economic performance in Nigeria. It also discovered that microfinance loans enhance consumption per capital income in short run. It is a panel study. The underpinning theory for the study is the neo-classical and endogenous growth theory. Khalaf and Saqfalhait (2019) studied the effect of microfinance institutions activities on economic growth in Arab countries. The data used for the investigation are gross loan portfolio per-capital (GLP), borrowers (BOR), assets (ASS) and rGDP which is the proxy. The result of their study portrayed that microfinance institutions have no effect on improving economic growth in Arab countries.

In relation to studies on capital, Berhe and Kaur (2017) investigated the key factors that affect the profitability of insurance companies in Ethiopia. Capital adequacy is among the internal variables used in the investigation. The result revealed that capital adequacy significantly affects the profitability of insurance companies in Ethiopia. Similarly, Paul and Mitra (2018) examined the analysis of the effect of working capital management on profitability of firms in India from 2000–2016. The study revealed that working capital significantly affect the profitability of firms in India. The study of Arulvel and Ajanthan (2013) studied the relationship between capital structure and financial performance of trading companies that are listed on CSE (Colombo Stock Exchange) from 2007 to 2011. The study conclude that capital structure is negatively related to financial performance of Colombo Stock Exchange.

On employment level, Iloabuchi (2019) investigated the effect of unemployment on the economic growth of Nigeria from 1999-2017. Using OLS and pair-wise granger causality to analyzed the data obtained from the apex bank in Nigeria (CBN), the study revealed that unemployment does not affect Nigerian economy (GDP). Ademola and Badaru (2016) examined the impact of unemployment and inflation on economic growth in Nigeria from 1981 – 2014. Using ordinary least square (OLS), the study revealed that unemployment affects the growth of Nigerian economy for the period under consideration.

Nyandema and Lagat (2016) examined the influence of foreign exchange rate fluctuations on the financial performance of commercial banks quoted on Nairobi Stock Exchange from 2006-2013. Interest rate is one of the variables used in the study. Using multivariate linear regressions, the study revealed a negative influence of interest rate on the performance of commercial banks in Kenya. In another study, Kemuna (2015) examined the effect of foreign exchange rate on volatility on profitability of insurance firms in Kenya. Some of the independent variables used for the study are interest rate and rate of productive workforce (employment level) while return on asset (ROA) is the dependent variable. Using SPSS to analyzed the data obtained from Kenya central bank statistical report, the study revealed that interest rate and productive workforce affect the ROA of insurance firms in Kenya.

Ullah, Faisal, and Zuhra, (2016) examined the factors determining profitability of the insurance Industry of Bangladesh. Using premium growth and asset growth as some of the independent variables with return on asset (ROA) as the dependent variable, the study obtained data from eight (8) insurance companies from 2004-2014. Using OLS regression model, the study revealed a significant and positive relationship between premium growth and asset growth, with the profitability of insurance firms in Bangladesh. Note, premium and asset growth are the major items that constitute business growth in the insurance industry. It therefore implies that business growth affects the profitability or growth of insurance firms in Bangladesh.

Research Gap

The above empirical reviewed portray some striking facts. The first one is that most of the researches on micro-finance banks in Nigeria obtained their data via the use of questionnaires. Most studies did not consider the contribution of micro-finance banks on economic growth. It also shows that the variables used by this study are scarcely used by most studies despite their relevance, the studies that used the same variables were conducted in a different industry not microfinance banks. This study therefore used secondary data to investigate the contribution of microfinance banks to the growth of Nigerian economy from 2005-2019.

2. METHODOLOGY OF THE INVESTIGATION

The design used in this investigation is the panel research design. The panel design is selected because it involves the collection of data from across large population at different time. The panel design is suitable for the study because micro-finance banks in Nigeria have similar characteristics. The panel data was used not only to describe the influence of the independent variables (capital growth, employment level, business growth, loans and interest rate) on the dependent variables (Gross Domestic Product) but to also investigate the contribution of the set of independent variables on the dependent variable (GDP). Both simple and multiple regressions were employed to analyze the data collected. In our data analysis, ordinary least simple regression was used to test each hypothesis of the study. A statistical/econometrics package STATA 13 was the tool used to analyze the data for this study. The researcher used micro-finance banks listed on the Nigeria stock exchange. There are only two microfinance banks listed on the NSE as at the time of conducting this research, the MFBs are; Fortis microfinance bank and NPF Microfinance Bank (NSE CEO's speech, 2012). The data used for the study was obtained from the statistical bulleting of the Central Bank of Nigeria as well as the National Bureau for Statistics. The research is for fifteen years period (2005-2019).

Model Specification:

The model adopted for this research work is that of Gonji, Dapim and Obande (2021). The model was adopted because it describes the connectivity between the micro-finance banks in Nigeria and the Nigerian economy. Little modification was made to the model. The modification is in the variable used for the investigation. The researchers used external debt, external reserve and foreign reserve as the independent variable with real Gross Domestic Product (rGDP) as the dependent variable. The independent variable for this research work is capital growth, micro-finance interest rate, level of employment, business growth and loans while GDP is the dependent variable. The model is stated as follows:

$$GDP_{it} = \beta_0it + \beta_1CAPTGit + \beta_2INTERit + \beta_3EMPLit + \beta_4BUSGit + \beta_5LOAit + \epsilon_{it}$$

Where, Gross Domestic Product (GDP) is the proxy for economy growth, β_0 = constant, $\beta_1 \dots \beta_3$ = the slope which represents the degree in which economy expansion changes as the independent variable change by one unit variable. CAPTG = Capital growth, INER = interest rate, EMPL= employment level, BUSG= business growth, LOA= micro-finance loan, ϵ = error term, t = measure of time, i = number of insurance firm observations.

3. RESULT AND DISCUSSION

This section is structured in various sub-sections which include: presentation and analysis of descriptive statistics, presentation and analysis of regression and summary of findings.

Descriptive Statistics

The table below presents the mean, standard deviation, minimum and maximum for the dependent and independent variables of the model. It shows the average indicators of variables computed from the financial statement.

Table 1 Descriptive Statistics

Variable	Obs.	Mean	Std. Dev.	Min	Max
GDP	15	383.6383	107.7512	176.1341	568.499
Capital Growth	15	2257.378	518.8521	1268.383	3222.694
Interest Rate	15	16.75	1.243147	13.5	18.99
Employment	15	1.71e+07	5661230	1.27e+07	3.33e+07
Business Growth	15	37292.27	5661230	21871	51243
Loans	15	23011.19	13517.98	11307.8	51102.4

The mean of GDP was 383% and the standard deviation was 107%. This means that micro finance banks, under the period of the investigation had GDP of 383%. The highest credit risk for this was 568% and in the same way the minimum in a year was 176%. The standard deviation implies that GDP can deviate from its mean by both sides of 107%.

In the study period, the mean of capital growth was 2257% and the standard deviation was 518%. This means that micro finance bank in Nigeria had capital growth of 2257%. The highest capital growth for this was 3222% and in the same way the minimum in a year was 1268%. The capital growth can deviate from it mean to both sides by 518%.

Similarly, the mean of interest rate was 16.75% and the standard deviation was 1.2%. This means that interest rate under the period of study was 16.75%. The highest interest rate for this was 18.99% and in the same way the minimum in a year was 13.5%. The standard deviation implies that interest rate can deviate from its mean by both sides of 1.24%.

Consequently, the mean of employment level was 1.71e+07% and the standard deviation was 5661230%. This means that micro finance bank had an employment level of 1.71e+07%. The highest employment level for this was 3.33e+07% and in the same way the minimum in a year was 1.27e+07%. The employment level of the banks can deviate from it mean to both sides by 5661230%.

The mean of Business Growth was 37292% and the standard deviation was 13517%. This means that micro finance bank had a Business Growth of 37292%. The highest business growth for this was 51243% and in the same way the minimum in a year was 21871%. The business growth of the banks can deviate from it mean to both sides by 13517%.

Finally, the mean of loan was 23011.19% and the standard deviation was 13517%. This means that micro finance bank gave out loan of 23011.19%. The highest economy growth for this was 51102.4% and in the same way the minimum in a year was 11307.8%. The loan of the banks can deviate from it mean to both sides by 13517%.

Correlation

Table 2 Correlation Matrix

	Capital Growth	GDP	Interest Rate	Employment	Business Growth	Loan
Capital Growth	1.000					
GDP	0.9399	1.000				
Interest Rate	-0.2918	-0.3707	1.000			
Employment	0.0111	0.2420	0.0321	1.000		
Business Growth	0.8221	0.7735	-0.1118	-0.2292	1.000	
Loans	-0.6566	-0.5782	0.3447	0.1057	-0.5515	1.000

The output of the correlation obtainable in table 2 shows that capital growth is positively correlated to GDP same with employment level and business growth while it negatively correlated to interest rate and SMEs loan. Equally, GDP is positively correlated with employment and business growth while it is negatively correlated with interest rate and loan. Similarly, interest rate is positively correlated with employment and loans and negatively correlated with business growth. Employment is positively correlated with loans but negatively correlated with business growth. Lastly, business growth is negatively correlated with loan.

Multicollinearity Test

In order to make better the validity of all statistical inferences to be deduced for the study, this section presents the result of robustness test conducted. The robustness test included is multicollinearity test.

Table 3 Multicollinearity Test

Variable	VIF	1/VIF
Capital Growth	4.79	0.208688
Business Growth	4.05	0.246870
Loans	1.88	0.531514
Employment	1.26	0.793133
Interest Rate	1.24	0.807937

The tolerance value and the variance inflation factor (VIF) are two advanced measures of assessing multicollinearity between the explanatory variables. The variance inflation factor and tolerance are computed using STATA 13; they were found to be consistently smaller than ten (10) and one (1) respectively, indicating absence of multicollinearity (Neter, Kutner, Nachtsheim, & Wasserman, 1996; Cassey & Anderson, 1999). This shows the appropriateness of fitting the study model with four independent variables. The absence of multicollinearity between the explanatory variables were further substantiated by the tolerance values which were consistently smaller than 1.00. (Tobachnick & Fidell, 1996).

Test of Hypotheses

The regression result for this study is presented below;

Table 4 Regression Result

	Coef.	Std. Err.	t	P>t
Capital Growth	.1427401	.0254876	5.60	0.000
Interest Rates	-14.55878	5.406424	-2.69	0.025
Employment levels	5.71e-06	1.20e-06	4.77	0.001
Business Growth	.0034268	.0013259	2.58	0.029
Loan	.0004796	.000613	0.78	
R ²	0.9717			
Adjusted R ²	0.9560			
F-statistic	61.83			
P-value	0.0000			

The R² of the estimated model shows about 0.97 or 97% of the variation in Nigerian GDP is explained by the combined effects of all the predictor (capital growth, interest rate, employment levels, business growth and loans) while the remaining 3% is due to the unexplained variation that is the variables not captured in this model.

The F-statistic of 61.83 is significant at less than 1 percent level, as the p-value estimate of 0.0000 has indicated. The F-statistics shows that the explanatory variables are jointly significant in explaining the economy growth (dependent variable). It shows that there is a linear relationship between the dependent variable and at least one of the independent variables.

Capital growth has a significant and positive influence on the GDP in Nigeria. This is evidenced from positive coefficient value of 0.1427401 with the p-value of 0.00 less than 5% significance level. This implies that for every unit increase in capital growth, Nigerian economy (GDP) will increase at 14% and vice versa. Therefore, the study fails to accept the null hypothesis which says "capital growth does not influence the expansion of the Nigerian economy. This result is in agreement with the studies of Berhe and Kaur (2017) and Paul and Mitra (2018) but contradict the finding of Arulyel and Ajanthan (2013).

Interest rate has negative but significant influence on the GDP in Nigeria. The result of the output shows that interest rate has a negative and statistically significant relation with economy expansion in Nigeria. This is evidenced from negative coefficient value of -14.55878 with the p-value of 0.02 less than 5% significance level. This shows that for every unit increase in the interest rate, Nigerian economy will decrease by 14%. We therefore fail to accept the null hypothesis which says "interest rate does not affect the GDP of Nigeria". This conclusion is in line with the finding of Kemuna (2015) but negate the study of Nyandema and Lagat (2016).

Employment level has a positive and significant influence on the GDP in Nigeria. This is evidenced from positive coefficient value of 5.71e-06 with the p-value of 0.00 less than 5% significance level. This implies that for every unit increase in employment level will increase the Nigeria economy by 5.71e-06 %. Therefore, the study fails to accept the null hypothesis which say "employment level does not affect the GDP of Nigeria". This negate the study of Illoabuchi (2019) but agrees with the study of Ademula and Badaru (2016).

Business growth has a positive significant effect on the GDP in Nigeria. This is evidenced from positive coefficient value of 0.0034268 with the p-value of 0.02 less than 5% significance level. This shows that for every unit increase in the business growth, Nigerian economy grow by 0.3%. We therefore fail to accept the null hypothesis which says "business growth does not affect the GDP in Nigeria. It agrees with the finding of Ullah, Faisa and Zuhra (2016).

Microfinance loan has an insignificant effect on the GDP in Nigeria. This is evidenced from positive coefficient value of 0.0004796 with the p-value of 0.4 greater than 5% significance level. This implies that for every unit increase in Microfinance loan to SMEs and individuals will decrease Nigerian GDP by 0.04%. The study therefore accepts the null hypothesis which say 'microfinance loan does not affect Nigerian GDP. This agrees with the study of Onyeze but contradict the findings of khalet & Saqfalhad (2019) but did not support the finding of Murad and Idewe (2017).

4. CONCLUSION

This study titled: Microfinance banks nexus to economy growth in Nigeria investigates the influence of business growth, microfinance capital growth, microfinance interest rate, microfinance employment level and microfinance loans on the economy

growth (GDP) of Nigeria. The study obtained data from the Central Bank of Nigeria and other relevant authorities. Various tests were carried out to ascertain the accuracy of each independent variable on the dependent variable. The study conclude that microfinance banks affect the growth of the Nigerian economy in a significant way. STATA 13 was used to run the analysis.

RECOMMENDATION

The study recommends that:

1. Government and other stakeholders should encourage the activities of microfinance banks in view of its relevance to the growth of the economy in Nigeria.
2. Management of microfinance banks should introduce strategies that can increase the productivity of microfinance banks thereby encourage the growth of the Nigerian economy.
3. Managers of microfinance banks and their clients should ensure that loans are return as at when due.

SUGGESTIONS FOR FURTHER STUDY

This study focused on the contribution microfinance banks to the economy growth of Nigeria, further research can be conducted in this area using different variables. Further studies can also be conducted on the influence of macroeconomic variables on the survival of microfinance banks in Nigeria.

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Conflicts of interests

The authors declare that there are no conflicts of interests.

Data and materials availability

All data associated with this study are present in the paper.

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