Marketing of Non Financial Services of Microfinance Institutions; Impact on Micro Small and Medium Enterprises' Business Performance

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The study investigated how marketing of non-financial services of microfinance institutions impacted the performance of small enterprises in Southwest, Nigeria. The objectives examined the impact of marketing of non-financial services offered on organizational performance; and on kinds of the business practices. Likable variables were examined with the theoretical models of building customer relationship. The findings revealed that marketing of non-financial services had positive impact on organizational performance; while significant impact was revealed among various kinds of business practices. The study recommended marketing of non-financial services, and monitoring the effectiveness of the services in relations to the performance of MSMEs.

INTRODUCTION

There is no doubting the contributions of Micro, Small and Medium Enterprises (MSMEs) to the economic growth and sustainable development of Nigeria (CBN, 2004). Apart from granting of loans and other credit facilities by microfinance institutions to MSMEs, the institutions still have and offer other crucial and valuable services; which, if properly marketed to MSMEs being served will enhance greater performance to the betterment of the country' economy. There have been lots of contentions in literature on the significant of the non-financial services offered by the micro finance institutions. It is not uncommon to find in many microfinance programmes, non-financial services such as advisory services, managerial and technical training, weekly meetings and pre-loan training; to mention only a few rendered as support services to MSMEs. However, these services are poorly provided in Nigeria; as they are mostly very costly to deliver (McKernan, 2002), yet many microfinance programmes consider them an integral part of the success of their programmes. Though the contribution of such non-financial services is not in doubt, the extent of the contributions is yet to be ascertained in Nigeria. Hence, this is the crux of this study; with the objectives (i) to examine the impact of marketed non-financial services of microfinance institutions on organizational performance of micro, small and medium enterprises in Nigeria, and (ii) to investigate the effects of marketed non-financial services of microfinance institutions among various kinds of business practices in Nigeria.

Review of Related Literature

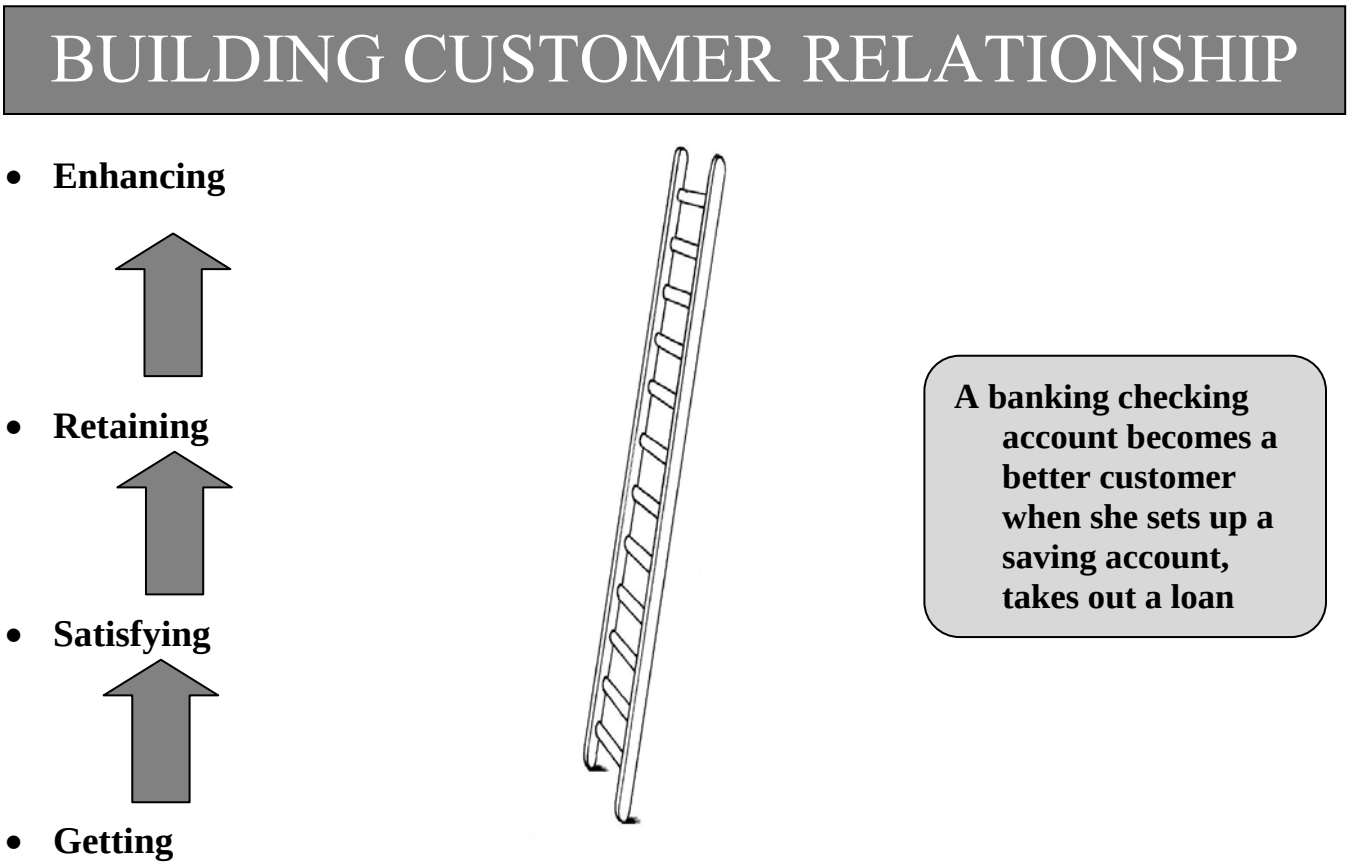
Concepts of Service Marketing

Services, according to Sisodia (2013) include all economic activities whose output is not a physical product or construction, but is generally consumed at the time it is produced, and provides added value in forms such as convenience, amusement, timeliness, comfort or health that are essentially intangible concerns of its first purchaser. The characteristics of service as given by this author are intangibility, heterogeneity, inseparability, perishability, variability and autonomy. The provision of non-financial services of microfinance institutions to enhance the productivity of MSMEs could be achieved by employing customer relationship as depicted by Sisodia's model on the next page. The first step in the marketing drive of the microfinance institutions is to find and acquire the right MSMEs as customers to manage. This is the bottom stage of the ladder (relationship). The second step is to build relationship with the MSMEs and turn them into loyal customers that will generate a growing revenue stream for both themselves and the microfinance institutions. At this stage, the MSMEs are satisfied and accepted the non-financial services as being rendered by the microfinance institutions. The MSMEs businesses are growing in the market places; they are able to with stand the prevailing competition and are contributing to the gross domestic product (GDP) of the country. At the third step, the Microfinance institutions have gained the loyalty of the MSMEs, as the MSMEs are now consistent sources of revenue to the microfinance institutions; since the two parties are tied together in business. Lastly, the performance of MSMEs is enhanced; as the microfinance institutions provide not only credits and loans but also non-financial services to support the operations of micro, small and medium enterprises. This is demonstrated in the figure 1.

Concepts of Microfinance

The Central Bank of Nigeria (CBN, 2005) defines microfinance as the provision of financial services to the economically active poor and low income households. These services include credit, savings, micro-leasing, micro-insurance and payment transfer, to enable them to engage in income generating activities. The Microfinance Policy defines the framework for the delivery of these financial services on sustainable basis to the Micro, Small and Medium Enterprises (MSMEs) through privately-owned Microfinance Bank . In another contribution, Mosley (2001), Ojo (2007), accepted microfinance as small scale financial services that are provided to rural/informal small scale operators for farming, fishing, trading, and building of houses and to engage in any other productive and distributive activities. Microfinance and micro financial institutions are intended to fill a definite gap in the finance market and the financial system respectively, to assist the financing requirements of some neglected groups who may be unable to obtain finance from the formal financial system. These neglected groups that constitute the target users of such microfinance are mainly in the informal sector of the economy and are predominantly engaged in small scale farming, commercial/trading and industrial activities. However, these institutions commonly tend to use new methods developed over the last 30 years to deliver very small loans to unsalaried borrowers, taking little or no collateral. These methods include group lending and liability, pre-loan savings requirements, gradually increasing loan sizes, and an implicit guarantee of ready access to future loans if present loans are repaid fully and promptly. Goetz and Gupta (1996), Costa (2007) explained microfinance as a field that focuses on providing a variety of financial services to the poor. A movement that envisions a world in which low-income households has permanent access to a range of high quality financial services to finance their income-producing activities, build assets, stabilize consumption and protect against minor investment risks. These services are not limited to credit, but include savings, insurance, and money transfers. It is a financial system that relies on the traditional skills and entrepreneurial instincts of the active poor people, mostly women, using small loans (usually less than US$200), other financial services, and support from local organizations called microfinance institutions (MFIs) to start, establish, sustain, or expand very small, self-supporting businesses.

FIGURE 1
BUILDING CUSTOMER RELATIONSHIP



Source: Sisodia. (2013) Service Marketing, p.26

Concepts of Non-Financial Services

Despite all these financial services being rendered, non-financial services of microfinance institutions are paramount to the performance of Micro, Small and Medium Enterprises (MSMEs), and to further success of the operations of the microfinance institutions in Nigeria. According to Westley (2007) "Microfinance Plus" is the provision of non-financial services in addition to financial services provided by the microfinance institutions. Claiming that synergistic approach to microfinance is predicated on the idea that human development and poverty alleviation occur not only through access to financial resources but also through access to basic services that allow poor people to improve their quality of life. The non-financial services of microfinance institutions could be grouped into three as follows: management advisory services, pre-loan training and weekly meetings.

Wood (2007) wrote on the need for financial institutions to offer management advisory services to small firms that loom large in the national economy. In manufacturing, he argued that over 90 percent of the 90,000 establishments employ fewer than 200 people each. Between them, these small firms employ nearly a third of the manufacturing labour force. In other industries, such as retail trades, motor transport, motor trades, building and construction, hotel and catering and miscellaneous services, small firms play an even bigger part. Kent (2011) explained the relevance of advisory services, as some of the large firms seek Management Advisory Services (MAS) from their external auditors and other consultants, as

opposed to assembling MAS internally within the company. He reiterated that the small firms are to follow the examples of the big firms, as current general management level in small firms is not commensurate with the market demand.

On training, Khawaja (2012) asserted that the world is changing rapidly, and with businesses required to be more competitive, the need for employees to be on top of their job, has increased. Change is the order of the day, working methods and techniques are witnessing a change giving birth to the need for employees to learn continuously. The objective for the organizations is to improve business processes through enhanced learning that stimulates better performance. The intent for any business entity is to create an engaged and committed employee base resulting in better performance of the individuals and business. Hence, Khawaja (2012) emphasized that employee training is not only linked to improved business results but is also a powerful factor in shaping employee attitudes; creating a motivation for increased discretionary behaviour and a satisfaction with career development that ultimately leads to increased job satisfaction. Jobs with high scope and associated potential development lead to enhanced motivation, job satisfaction and performance. Furthermore, training acts as a pathway for learning, more so when the training contents are satisfactory to the trainees; delivering current and globally accepted issues, with the trainer performing up to expectations.

Figure 2 below shows the model of the financial and non-financial services offered by microfinance institutions. Most microfinance institutions combined both financial and non-financial services to enhance productivity and improve organisational performance. As observed in the model below, the financial services are never offered alone rather, they are combined and marketed along with the non-financial services of the microfinance institutions.

From the literature explored therefore, the following two hypotheses were formulated:

H_o – The provision of non-financial services by microfinance institutions does not have significant impact on the performance of MSMEs in Nigeria.

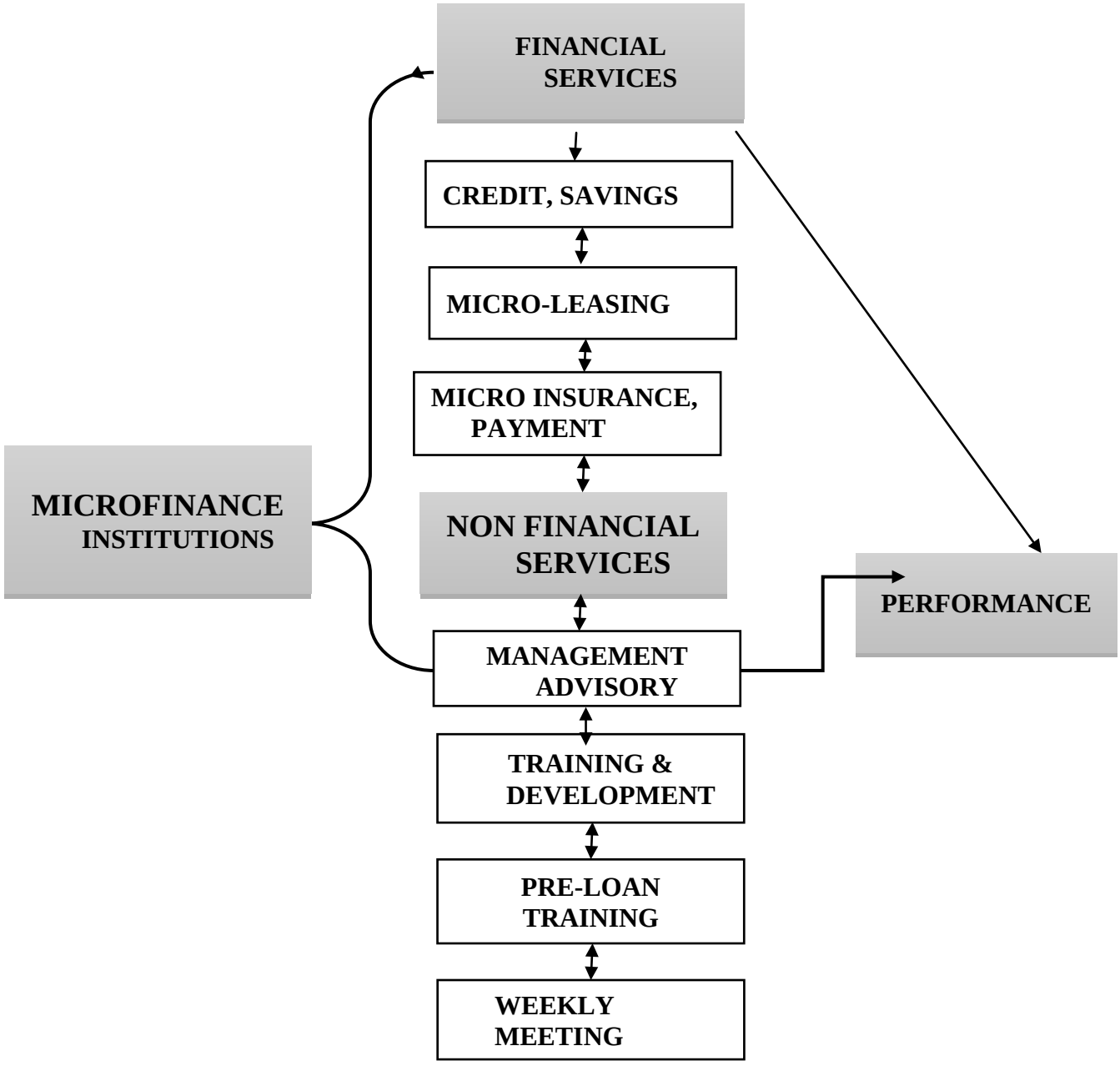
H_o – **N**on-financial services provided by microfinance institutions do not have significant effect on business performance of various kinds of business practices in Nigeria,

Methodology

With a well pre-tested and structured questionnaire, the study used survey method, employing in-depth interview to obtain information needed on the business performance of the micro, small and medium entrepreneurs. This was combined with secondary data obtained from the microfinance institutions clients' membership data, which keeps record of the entrepreneur business progression as they receive and pay back the loan. Bartlett, et al (2001) sample size population model for determining a continuous and categorical data like the data employed in this study was used to determine a total sample size population of six hundred and twenty-three (623). Copies of the questionnaire were administered across the six States namely Lagos, Ogun, Oyo, Osun, Ondo and Ado-Ekiti, in the South-west Nigeria which form the study area. The Central Bank of Nigeria data base on Microfinance Institution geographical spread in Nigeria was used as a guide for administration of the questionnaire. The CBN records at March 2009 provided useful insights into the geographical spread of Microfinance Banks (MFBs) across the South-west of Nigeria; with particular reference to Microfinance Banks operating within the ambit of the law that governs their operations. The records also show that there were 169 Microfinance Banks with a final license operating in South-West geopolitical zone.

A total of 274 copies of the questionnaire, representing 44% of the total sample size were administered in Lagos State. However, 219 copies, representing 38.5% were adequately completed and returned. In Ogun State, 106 copies of the questionnaire, representing 17% were administered. But 83 copies, representing 13.8% were returned. In Oyo State, 96 copies, representing 15% were administered. 84 copies, representing 13.7% were adequately completed and returned. In Osun State, 88 copies, representing 14% of the total sample were administered. 63 copies, representing 10.5% were adequately completed and returned. In Ekiti and Ondo States, 26 and 33 copies of the questionnaire were administered respectively.

FIGURE 2
THE MODEL OF THE FINANCIAL AND NON-FINANCIAL SERVICES OF MICROFINANCE INSTITUTIONS.



Source: Developed by the Researchers, 2014

These represented 4% and 5% of the total sample size. 23 and 30 copies were adequately completed and returned; these represented 4 and 5 percent response rates respectively. The result of the Scale reliabilities calculated using Cronbach's Alpha obtained was .72. Over 90% of the items had moderate or

better levels of reliability (consistency over time). In all, predictive form validity of the instrument was recorded at 0.84. A total of 502, out of 623 copies of the questionnaire administered were returned from the six states. This represented 80.5% response rate; which was good for the research. A total of 106 Microfinance Banks were used for the study and the copies of questionnaire were distributed at an average of six (6) copies of questionnaire per bank.

Model Specification - Non Financial Services Effects on Small Business Performance

To measure the impact of non-financial services of microfinance institutions on MSMEs performance, Karlan and Valdivia (2006) examined the impact of business training on microfinance Clients and Institutions. The model used in this study was adopted with modification as follows:

$$SBP = f(OX, FX, MFX) \quad (3)$$

Where:

SBP = Small Business Performance

OX = Owner's characteristic variables (Entrepreneurs age, Entrepreneurs Education, Marital Status and training Experience)

FX = Firm Characteristic variables (Business age, Form of Business, Business size, Business location, Business Registration)

MFX = Microfinance characteristic variables (Advisory Services, Pre-loan training, Group membership, Cross guaranteeship, Networking Meetings)

Hence the equation is re – written as: α

$$SBP = \delta_o + \delta_1 EAge_1 + \delta_2 EE_2 + \delta_3 EG_3 + \delta_4 TE_4 + \delta_5 Bizage_5 + \delta_6 Bizform_6 + \delta_7 Bizsize_7 + \delta_8 Bizloc_8 + \delta_9 Bizreg_9 + \delta_{10} AS_{10} + \delta_{11} PT_{11} + \delta_{12} GM_{12} + \delta_{13} CG_{13} + \delta_{14} NW_{14} + U_1 \quad (4)$$

Where;

SBP is proxied by gross profit margin. Gross profit margin is defined as gross profit over sales multipled by 100 (Pandey, 1987). Gross Profit itself is total sales minus cost of goods sold.

The independent variables are MFBs non-financial services such as Advisory service, pre-loan training as listed below: Where;

$EAge_1$ = Entrepreneur Age, EE_2 = Entrepreneur Education, EG_3 = Entrepreneur Gender
TE_4= Training Experience, $Bizage_5$ = Business Age, $Bizform_6$ = Business form
$Bizsize_7$= Business Size, $Bizloc_8$= Business location, $Bizreg_9$ = Business Registered,
AS_{10} = Advisory Service, PT_{11} = Pre-loan Training, GM_{12}= Group Membership, CG_{13} = Cross Guaranteeship, NM_{14} = Networking Meetings.
U_1 = Error term
A priori $\delta_1 < 0; \delta_2 > 0; \delta_3 < 0; \delta_4 > 0; \delta_5 > 0; \delta_6 < 0, \delta_7 > 0, \delta_8 < 0, \delta_9 > 0, \ldots\ldots \delta_{14} > 0$

TABLE 1
MEASUREMENT OF VARIABLE – HYPOTHESIS 1

S/N	Variable	Measurement	Expected Sign on impact	Apriori
	SBP – Small Business Performance – Dependent variable	Gross profit margin was used as proxy for small business performance. It is calculated as gross profit divided by sales multiplied by 100. Actual figure on profit for the immediate past financial year was obtained divided by total sales in the same year multiplied by 100.		
	Independent Variables are:			
1.	Owners Age	actual age at last birthday	$\pm$	$\delta_1 > 0, _1\ \delta < 0$
2.	Owner's education	0 if no formal education and 1 was assigned to primary education completed, if not completed 0, and 2 for secondary education completed, 1 if not completed. The value of 3 was given to OND and NCE completed, value of 4 assigned to HND/B.Sc completed and value of 5 given to above B.Sc.	+	$\delta_2 > 0$
3.	Marital Status	Dummy variable; Single 1; 0 = otherwise married = 1;0 = otherwise, divorced 1; 0 = otherwise, Seperated 1; 0 = otherwise, widowed 1; 0 = otherwise	$\pm$	$\delta_3 > 0, \delta_3 < 0$
4.	Training experience	likert scale coding of 1 to five of strongly disagree to strongly agree.	+	$\delta_4 > 0$
5.	Business age	actual business age	+	$\delta_5 > 0$
6.	Form of business	Dummy variable; Sole proprietorship 1; 0 = otherwise	$\pm$	$\delta_6 > 0, \delta_6 < 0$
7.	Business size	Current number of employees	+	$\delta_7 > 0$
8.	Business location	1 is assigned for urban area because of accessibility to microfinance banks, 0 is assigned for rural area.	$\pm$	$\delta_8 > 0, \delta_8 < 0$
9	Business Registration	1 is assigned if business is registered and 0 otherwise, 1 is assigned if business not registered and 0 otherwise.		
9.	Advisory services	1 was assigned if advisory services given were considered to have significant impact on business performance as perceived by the entrepreneur and 0 was assigned if otherwise.	+	$\delta_9 > 0$
10.	Pre-loan training	1 was assigned if pre loan training was given, and 0 if otherwise	+	$\delta_{10} > 0$
11.	Group membership	1 was assigned if membership of a group is mandatory before loan was obtained, and 0 if otherwise,	+	$\delta_{11} > 0$
12.	Cross guaranteeship	1 was assigned if cross guarantee was pre-requisite for loan and 0 was assigned if otherwise.	+	$\delta_{12} > 0$
13.	Networking meetings	1 was assigned if advisory services given was considered to have significant impact on business performance as perceived by the entrepreneur and 0 was assigned if otherwise.	+	$\delta_{13} > 0$

Source: Authors' compilation, 2009

Hypothesis 1 – MSMEs' Performance and Non – financial services offered by Microfinance Banks

Result, Interpretation and Discussion

TABLE 2
RESULT OF MULTIPLE REGRESSION ANALYSIS OF EFFECT OF NON- FINANCIAL SERVICES OF MICROFINANCE BANK ON SMALL BUSINESS PERFORMANCE BY CATEGORY

	Column I Total Sample		**Column II Small Firms**		**Column III Micro Firms**	
	Coefficient	**t-stat**	**Coefficient**	**t- stat**	**Coefficient**	**t-stat**
Constant	73.342*	2.661	19.502*	1.518	32.921**	2.813
Owners Characteristics						
Entrepreneur's Age	-0.125*	-5.681	-0.215**	-1.859	-0.505**	-2.637
Education- no formal	0.015	0.655	0.265	1.016	0.615	1.051
-Primary Education	0.008	0.522	0.018	0.913	1.112	0.815
-Secondary Education	0.087	0.712	0.221	1.250	0.341	1.315
-OND/NCE	0.038	1.111	0.043	1.383	0.932**	1.813
-B.Sc	0.132	1.444	1.822***	1.501	1.011	1.227
-M.Sc/Ph.D	0.001	1.127	1.161	0.120	0.012	1.135
Gender – Male	1.012	1.318	0.072	1.391	1.006	0.609
Female	0.094**	2.082	0.042***	1.812	1.021**	3.108
Training experience	5.424**	1.873	1.074**	2.897	3.861**	1.975
Firm Characteristics						
Business age	-0.650*	-3.812	-0.008**	-1.725	-1.004*	-4.812
Form of Business – Sole proprietorship	-0.210	-1.121	-0.624*	-4.702	-1.112***	-1.614
Partnership	0.021	0.188	0.341	0.899	1.016	0.781
Family	0.018	1.088	0.231	1.015	0.090	1.118
Business Size	0.316**	1.883	1.211*	6.876	1.812*	7.761
Business location- Urban	0.030*	4.159	1.055*	5.565	0.017**	1.764
Business location – rural	1.078	1.022	1.015	0.713	1.212	0.715
Business registration	1.026*	5.152	0.092**	1.941	-0.075*	-5.503
Microfinance Characteristics						
Advisory service	1.843**	1.871	0.421	1.042	2.264**	2.334
Pre-loan training	7.913*	6.906	0.580*	4.132	0.796*	5.584
Group membership	4.502***	1.798	0.051	1.128	4.319***	1.811
Cross guaranteeship	10.448**	2.834	-1.801***	-1.995	1.024**	2.061
Networking Meetings	0.025**	3.518	1.306**	3.619	1.501*	4.119
R – squared	0.412		0.230		0.332	
Adjusted R-Squared	0.382		0.198		0.291	
No. of Observation	502		135		367	
F-test statistics	4.182 (0.000)		2.912(0.0108)		1.998(0.000)	

Source: Field survey, 2009

Due to constraint on space only the Microfinance characteristics was discuss in this analysis. The result obtained revealed that the magnitude of the beta coefficient for advisory service is consistent with microfinance theory and significant at 5% for the total sample. The result implies for one additional unit of advisory service received by the entrepreneurs, the gross profit margin, which is the proxy for performance, increased by 1.84%. The data when split into small firms and micro firms, the result obtained shows that a unit increase in advisory services increases the level of performance for small business operators by 0.4%, but the result is not significant. The result also shows that a unit increase in advisory services increases the performance for micro entrepreneurs by 2.2%; the result is also statistically significant at 5% for micro firms. Small firm operators may consider advisory services offered by MFBs as not so relevant to their level of business operations.

The study found the result on pre-loan training to be positively correlated with business performance. The result revealed that an increase in pre-loan training will bring about 7.9% increases in business performance for the total sample and 0.5% and 0.7% for small firm and micro firm respectively. This is statistically significant at 1% and confirms the prior empirical findings of Ogunrinola and Alege (2008).
The result on group membership also shows a positive correlation between business performance and group membership. The magnitude of beta coefficient for group membership is consistent with microfinance theory and significant at 10% for the total sample and micro firms but not statistically significant for small firms. The result shows that group membership practice enhances business performance by 4.5% for the total sample and 0.05% and 4.3% for small firms and micro firms respectively. On cross guaranteeship of members by other members of the group, the result obtained revealed that cross guaranteeship enhances performance by 10.4% for the total sample and by 1.0% for micro firms and small firms, they are both statistically significant at 5%. The result obtained for the small firm sample shows a negative correlation between cross guaranteeship and business performance of small firm operators. The result revealed that as cross guaranteeship is enforced, business performance drops by 1.8%; the result is statistically significant at 10%. This may be due to the level of business of small firm operators. Most small scale enterprises operate on a level higher than micro enterprises hence; micro financing may not be the most appropriate method of financing such enterprise. The results obtained on group membership and cross guaranteeship confirm the findings of Anderson et al., (2002), that group membership and guaranteeship stand as a form of social capital and enhance accessibly and efficiency of funds among small business operators.

Many MFBs organize meetings to pull people in the same line of business together so that they may share experience to enhance business growth. The result obtained confirmed that such meetings enhance business performance for MSMEs Entrepreneurs. The magnitude of beta coefficient of networking meetings is consistent with microfinance theory and business practice. The result obtained revealed that a unit increase in networking meetings increases gross profit margin by 0.02% for the total sample and 1.3% and 1.5% for small firms and micro firms respectively. The results obtained are all statistically significant at 5%. The coefficient of determination adjusted R^2 of 0.38, 0.19 and 0.29 shows the fitness of the estimated model. The F-statistics of 4.182, 2.912 and 1.998 show the overall fitness of the estimate and because the estimate is statistically significant at 1%, we rejected our null hypothesis and accepted our alternative hypothesis which implies that the non-financial services rendered by MFBs to their clients enhance their business performance.

> *Hypothesis 2: The effect of marketed non-financial services of microfinance institutions among various kinds of business practices in Nigeria.*

Multiple Regression Analysis of Effects of Non- Financial Services of Microfinance Bank on Small Business Performance by Kinds of Business Activities

On the microfinance variables, the result obtained for advisory service shows a positive correlation between advisory service and business performance for all kinds of business activities except for manufacturing and agricultural activities. Among traders, advisory services enhanced business

TABLE 3
MULTIPLE REGRESSION ANALYSIS OF EFFECT OF NON- FINANCIAL SERVICES OF MICROFINANCE BANK ON SMALL BUSINESS PERFORMANCE BY KINDS OF BUSINESS

	Column I Trading		Column II Artisan		Column III Manufacturing		Coulmn IV Agriculture		Coulmn V Service	
	Coef	t-stat	Coef	t-stat	Coef	t-stat	Coef	t-stat	Coef	t-stat
Constant	10.931	8.191	16.550	2.291	26.002	1.492	33.85	1.592	-1.050	-1.278
Owners Characteristics										
Entrepreneur's Age	1.181	1.005	-0.309	-0.189	-1.513**	-1.915	-0.504*	-4.784	-0.864*	-5.890
Owners Education	0.881	1.211	1.812	0.899	1.012	1.808	0.045	1.088	1.011	1.411
Primary Education	0.102	1.511	0.032	0.611	0.056	1.551	0.090	1.448	0.332	1.421
Secondary Education	0.301	1.103	0.214	0.810	0.122	1.128	1.033	0.491	0.086	0.811
OND/NCE	0.331**	1.653	1.034**	1.628	0.122**	1.815	0.118*	5.162	0.301**	1.661
Graduate Education	0.010	1.621	0.606	1.302	1.003*	1.758	0.052	0.174	0.055	0.694
Professional Educ	0.221	0.778	0.322	0.567	1.201	1.047	1.321	0.731	0.456	0.651
Gender – Male	0.102	1.411	0.032	0.611	0.056**	1.551	0.090	1.448	0.332	1.421
Female	0.301***	1.603	0.214	0.810	0.122	1.128	1.033	0.491	0.086**	2.811
Training experience	0.602**	1.860	0.001	1.370	0.020**	1.923	0.721**	1.811	0.025**	1.720
Firm Characteristics										
Business age	-0.005	-1.002	-1.330**	-1.622	-0.013**	- 2.11	-0.037*	-4.728	-0.003**	-1.832
Form of Business	0.000	1.021	0.206	1.102	1.005**	1.858	0.552	0.184	0.065	0.641
Partnership	0.110	1.221	0.066	0.302	1.003	1.158	0.512	1.174	1.055	1.194
Family Business	0.222	0.178	0.322	0.367	1.001	1.147	0.321	0.131	0.654	0.511
Business Size	0.019*	4.613	0.035**	2.402	0.314*	3.678	0.231	0.180	0.040	1.673
Business location- Urban	0.516*	5.216	1.000*	3.885	0.230**	1.582	0.121**	2.676	0.185*	3.991
Business location- Rural	0.615*	1.216	1.088	1.415	0.023	1.022	0.321	0.776	0.185	1.091
Microfinance Characteristics										
Advisory service	10.676***	2.143	0.996**	1.904	-7.735	-0.978	-2.620	-0.477	1.511*	4.191
Pre-loan training	10.138**	2.581	1.591**	1.522	3.718**	1.613	0.078**	1.600	0.198	1.007
Group membership	0.187**	1.698	0.019*	4.418	-0.151**	-1.595	0.081**	2.191	0.039**	1.660
Cross guaranteeship	1.581**	1.915	-0.015**	2.136	-0.017**	-1.575	-0.915**	-1.631	0.008	0.419
Networking Meetings	0.017**	2.007	-0.052***	-1.641	-1.967	-1.217	-1.690***	1.569	0.005**	2.569
R – squared	0.33		0.29		0.26		0.17		0.28	
Adjusted R-Squared	0.28		0.19		0.21		0.14		0.22	
No. of Observation	238		86		54		89		33	
F-test statistics	4.912 (0.000)		5.182 (0.000)		2.251 (0.000)		5.250(0.000)		1.125(0.900)	

Source: Field survey, 2009

performance by 10.6%, which implies that a unit increase in advisory service will increase business performance by 10.6%; and it is statistically significant at 10%. Also, among the artisans, it brought about 0.9% increase in performance and statistically significant at 5%, while in the services industry, performance increased at 1.5% and statistically significant at 5%. For manufacturing activities and agriculture, there was a negative correlation, but the two are not statistically significant; hence it cannot be relied upon for any meaningful conclusion.

The result obtained for pre-loan training shows a positive correlation for all the five sectors except the service industry, where the result obtained was not statistically significant. Group membership before loan can be granted shows a positive correlation with business performance for all types of business activities, except manufacturing activities. This was contrary to microfinance theory which posits that belonging to a group helps to enhance business performance and increases the repayment rate for the loan collected.

The cross guaranteeship result also shows a positive correlation for trading, artisans and service industry, but a negative correlation for manufacturing and agriculture; this result also negates the microfinance theory. The result obtained for networking shows that a unit increase in networking meeting increases gross profit margin by 0.01% units for the trading sector and 0.005% for the service industry; they are both statistically significant at 5%. The result obtained for artisans, manufacturing and agriculture sector shows a negative correlation and is statistically significant at 10%, except for manufacturing which is not statistically significant.

The adjusted R^2 of 0.28, 0.19, 0.26 and 0.17 is acceptable for trading, artisans, manufacturing and agricultural business respectively, the F-statistic is also statistically significant. The adjusted R^2 for the service industry is 0.22 but the F-statistics obtained is not statistically significant. Hence we rejected our null hypothesis for trading, artisans, manufacturing and agricultural business respectively and accepted our alternative hypothesis which states that non-financial services provided by microfinance institutions have significant effect on business performance of trading, artisans, manufacturing and agricultural business kind of business practices in Nigeria. For the service industry, we accepted our null hypothesis and rejected the alternative hypothesis which implies that non-financial services provided by microfinance institutions do not have significant effect on business performance of entrepreneurs in the service industry.

Findings and Conclusion

Non – Financial Service of Microfinance Banks and Business Performance

The findings of the study revealed a positive correlation between non – financial services offered by Microfinance Banks especially and pre-loan training on business performance of Microfinance Bank clients/customers. When the result was split into small and micro firms' category, networking meetings and pre-loan training was found to have the highest coefficient among small firm operators. This is an indication that the non-financial services provided by MFBs affect business performance in different magnitudes and this will aid policy formulation for MFBs in the development of programmes targeting both small and micro firms.

Lastly, when the data was split by kind of business activities, the result obtained reveals variation in the magnitude of beta coefficient as it relates to business performance. In the trading sub-sector, advisory services, pre-loan training, cross guaranteeship, group membership and networking meetings are the most significant non-financial services that affect business performance of MSE entrepreneurs in South-West Nigeria. The null hypothesis was also rejected for this sample, leading to the acceptance of the alternative hypothesis. Among the artisan entrepreneurs, pre-loan training exerts the most significant influence on business performance. This is not surprising because the pre – loan training is not only mandatory, it is also the starting point for all MFB clients as evidence of joining the bank. Other variables of significance are advisory services and group membership. Cross guarantee, and networking meetings exert negative influence on business performance. This is understandable since among artisans, the kind of training and meetings required by each group will be different. May be an in-depth study of different groups will generate a different kind of result.

In the manufacturing sector, the findings reveals that advisory services and pre-loan training are the most significant factors that impact significantly on business performance. Most of the entrepreneurs in this category are probably small scale business operators who may not found the idea of group lending, cross guaranteeship suitable for their level of business. In the agricultural sub-sector, networking meetings, group membership, and pre-loan training all exert positive significant impact on entrepreneurs' business performance. The alternative hypothesis was accepted for the two sectors. In the service sub-sector, advisory service, group membership, and networking meetings in that order are the non-financial factors that contribute significantly to business performance. The null hypothesis was accepted for this sample and the alternative hypothesis was rejected. This implies that the non-financial service of microfinance institutions do not enhance the business performance of MSMEs in the service sector in South-West Nigeria.

When properly harnessed and supported, microfinance can scale-up beyond the micro-level as a sustainable part of the process of economic empowerment by which the poor improve their situation. Based on findings from this study, the use of MFBs has potentials for enhancing the performance of small businesses in three major ways- regular participation in micro-financing, offering of non – financial services, and established bank-customer relationship as a means of enhancing entrepreneurs' productivity.

If we consider the variation in impact of these factors on the intensity of MSE growth and survival within any one sub-sector, it is possible to define a common series of critical factors for sub-sets of firms. This suggests that policies aimed at promoting the performance of micro and small enterprises should adopt a sectoral approach. Thus, approaches and resources should address the most critical determinants of performance in focal sub-sectors, aiming to augment access to critical resources and, perhaps, overcome the disadvantages that cannot be easily varied.

Based on the findings of the study, the following recommendations are suggested;

Microfinance institutions must take it as a matter of policy to market alongside the provision of funds and other credits, the non-financial services to the micro, small and medium enterprises in Nigeria. The relevance of these non-financial services must be clearly shown to the operations of the clients.

1. In terms of policy on support services, MFBs should assist their clients by providing training on credit utilization and provide information on government programmes to MSME operators in the country. Such MSMEs support and training institutions should be strengthened and properly funded while the services should be properly delivered too. MFBs can partner with relevant technology enterprise development organizations/skills training institutions to provide client-focused skills training to their clients.
2. The CBN should not adopt a blanket financing option for all categories of businesses and sectors within the economy. Rather, policies aimed at promoting the performance and growth of micro and small enterprises should adopt a sectoral approach. Thus, resources for each sector would address the most critical determinants of performance and growth in focal sub-sectors.
3. Government should establish relevant well adapted and appropriately structured institutions and organizations to provide support for MSMEs in such aspect as; procurement, supply and distribution of raw material, supply of local/imported machines for use on concessional terms, training in several technical grades, and create favourable market conditions. They should also set up Tool Design Institute and Testing Centers for raw materials and produced goods/service institute as earlier suggested by Ojo (2006).
4. CBN should carry out frequent and thorough institutional appraisal of the microfinance industry. This will allow for better assessment of the industry and enable the regulators take prompt corrective action when necessary.
5. Periodical impact of the nonfinancial services to the performance/ growth of the micro, small and medium enterprises should be quantified and the results should be shown to operators of micro, small and medium enterprises.

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