# IMPACT OF MICRO FINANCE BANK LOAN ON THE PERFORMANCE OF SMALL-SCALE BUSINESSES IN MAIDUGURI METROPOLIS, BORNO STATE, NIGERIA

**Samuel Tashiwa Pukuma**
samuelpukuma@gmail.com

## ABSTRACT

The Importance of Small Scale Businesses has been stressed globally especially in creating jobs and wealth among the poor. However the Deposit Money Banks have not being able to support SSBs financially due to collaterals, this was why Micro Finance Banks were created to fill this gap. Microfinance bank loan is paramount to the performance of small scale businesses as small scale business sector is globally regarded as an important tool for driving economic growth and employment creation in both developing and developed economy. It is against this background that the study assesses the impact of microfinance bank loan on the performance of small scale businesses in Maiduguri Metropolis. Survey method was used to obtain data from the owners of small scale businesses through questionnaire administration while regression analysis was used in analyzing the data. Findings of the study submits that there exist a significant relationship between micro finance bank loan and the profitability of Small Scale Businesses (SSBs); findings also revealed that a significant relationship exist between Micro finance bank loan and the sales volume of SSBs and that the relationship of micro finance bank and capitals employed is highly significant. The study recommended that government and stakeholders should make provision for training and enlightenment of owners of small businesses in the area of capital expansions so as to help them maximize their loan opportunities and also increase labour employments, the study also recommended that

government should improve on the state of infrastructural facilities to reduce the transactional cost associated with the administration of micro credit in the country so as to assist small scale businesses.

## INTRODUCTION

The efforts of the Federal Government of Nigeria in promoting the development of small scale businesses over the years and till date are mainly in the areas of developing monetary, fiscal, industrial and financial policies. This has led to the establishment of various schemes and institutions like; Small Scale Industry Credit Scheme (SSICS), Nigerian Industrial Development Bank (NIDB), Nigerian Bank for Commerce and Industry (NBCI), and National Directorate of Employment (NDE). As laudable as these programs were, quite a few were able to have reasonable impacts on the development of SSBs. One of the newest initiatives is the Small and Medium Industries Equity Investment Scheme (SMIEIS). This was initiated by the Central Bank of Nigeria as a means of providing long-term finances and professional guidance through participating Nigerian banks that commits 10 percent of their annual pre-tax profits to equity investment in the SSBs.

In Nigeria, credit has been recognized as an essential tool for promoting Small and Medium Enterprises (SSBs). About 70 percent of the population is engaged in the informal sector or in agricultural production. The Federal and State governments have recognized that for sustainable growth and development, the financial empowerment of the people is vital. If this growth strategy is adopted and the latent entrepreneurial capabilities of this large segment of the people is sufficiently stimulated and sustained, then positive multipliers will be felt throughout the economy. To give effect to these aspirations, various policies have been instituted over time by the Federal Government to improve rural and urban enterprise production capabilities (Olaitan, 2006).

Successive governments have come up with special programs, whose principal targets are the overall empowerment of low-income earners in rural and urban centers. These programmes range from Agricultural Development Projects (ADPs), the establishment of Agricultural Credit Banks to Better Life Programme for Rural Women and the like. Unfortunately, most of the programmes failed to achieve the desired result. That led to the emergence of microfinance banks, which aimed at extending credits to micro enterprises and encouraging entrepreneurship.

There are various definitions of the term "microfinance" that have been provided by scholars, academics as well as various organizations. According to Opportunity International, Microfinance can be defined as the stipulation of monetary services such as credit, funds, assurance and guidance to persons dwelling in poverty. Micro finance has become so important to most countries in the world that it has now grown to an industry of its own.

The Nigerian Microfinance industry has come a long way; it boasts of all the four well-known models in the industry. A CBN study identified, as of 2001, 160 registered MFIs in Nigeria with aggregate savings worth N99.4 million and outstanding credit of N649.6 million, indicating huge business transactions in the sector (Anyanwu, 2004). Institutional structures for the provision of micro credit vary and may be any of the following: government or public sector-oriented, NGO supported, traditional or a mixture of two or more of these. Borno State, with a population of about 4 million (NPC, 2006) of which about two-thirds of the residents are poor and struggling for survival in the face of high rate of unemployment, the need for micro finance support cannot be over emphasized. Most of these people in Borno state are dependent on micro and small-scale farming and off-farm enterprises for their livelihood. As such, their entrepreneurial contributions are strategic to Nigerian economic development and growth has great potential to contribute to income generation and poverty alleviation. Nevertheless, the contribution of these SSBs in the state is probably below expectation and could be due to lack of enough capital to start with or other problems. It is against this background that the researcher intends to carry out this research work to see the major problem of loan accessibility to these SSBs in Borno state.

Micro-finance is a term used to refer to different methods for giving poor people access to financial services. Irobi (2008) defined microfinance as the provision of financial services such credits (loans), savings, micro-leasing, micro-insurance, and payment transfers to economically active poor and low income household to enable them engage in income generating activities or expand/grow the small businesses. It is the supply of loans, savings and other basic financial services to the poor.

The objectives of setting up Micro Finance bank are to Offer reasonable, reliable and expanded monetary services to the poor that are lively, energetic and full of life, in an appropriate and viable way that would allow them to embark on and advance lasting, continuous industrial activities; Organize funds for financial intermediation; Generate openings in employment of people and enhance the output of the lively poor in the nation, thus, adding to their personal domestic income and elevating their standard of living; Improve planned, orderly and concentrated contribution of the poor in the socio-economic progress and resource distribution procedure and Offer authentic opportunities for the management of the micro credit agenda of government and high net worth persons on a non-recourse case basis. It is how this bank has been able to perform its objectives in Maiduguri that this study truly wants to access.

## STATEMENT OF THE PROBLEM

Microfinance bank is charged with responsibilities of empowering SSBs in grassroots as its greater challenges; among which at present is how the Micro Finance Institutions (MFI) can reach a greater number of small-scale business entrepreneurs. The major impact of this bank is the loan services rendering to both urban and rural community, which plays a significant role in enhancing the performance of the Small Scale Businesses. The growth and development of SSBs largely depends on finance. SSBs need adequate financing to run their business actively and satisfactorily. Despite the efforts of microfinance institutions to take the micro finance loans to the people and the SSBs who have not benefited from conventional financial system, it has been observed that most of the small scale businesses are under the informal sector of the economy and owners of the SSBs are mostly not literate and as such they are not credit worthy.

Another major problem militating against the performance of small scale businesses is Small Scale Businesses (SSBs) lack the necessary financial services, especially credit from the commercial banks; many of SSBs are scattered and not registered and so they are considered not credit worthy. They are depended on families, friends and other informal sources of funds to finance their businesses as well as inadequate infrastructural facilities such as road network and electricity, as a result small scale businesses have not shown a significant growth or expansion. Although some researchers have shown that this SSBs do appreciate when serviced with loans. Physical observations have indicated that the growth of these SSBs particularly in the Maiduguri Metropolis is very negligible. This has become a serious problem to both the stakeholders and researchers trying to find out issues related to the study. A number of studies were conducted such as Alooma, Msheliza and Adefila (2010) on the impact of microfinance loan on poverty alleviation in Borno State of Nigeria. Inspite of evidences from literature on factors affecting SMEs; Alooma (2010), Akinola &Oni (2010), there is paucity of literature occurring on the impact of Microfinance Bank Loan on the performance of SSB. This is the knowledge vacuum this study intends to fill. Hence the study tends to take a new direction in evaluating the impact of Microfinance Bank loans on the performance of SSBs. This new direction taken by the study intends to use four (4) indicator variables, which will help in assessing the impact of Microfinance Bank loans to the performance of the SSBs. Objectively, these variables are profitability, sales volume, capital and staff strength. The indicator variable will be evaluated independently in two periods that is before Microfinance Bank loan and after Microfinance Bank loan.

## OBJECTIVES OF THE STUDY

The main objective of this study is to examine the impact of Micro finance Bank loan on the performance of Small-Scale businesses in Maiduguri Metropolis. The specific objectives of the study are to:

i. access the impact of Microfinance Bank loan on profitability of Small Scale businesses in Maiduguri Metropolis;

ii. examine the impact of Microfinance Bank loan on the sales volume of SSBs in Maiduguri Metropolis.

## RESEARCH QUESTIONS

The following research questions will guide the study;

i. What is the impact of Microfinance Bank loan on the profitability of Small Scale businesses in Maiduguri Metropolis?
ii. What is the impact of Microfinance Bank loan on the sales volume of SSBs in Maiduguri Metropolis?

## Research Hypotheses

The following hypotheses will be tested in the study;

**i.** $\mathbf{H_{O1}}$: There is no significant relationship between Microfinance Bank loan and the profitability of SSBs in Maiduguri Metropolis

**ii.** $\mathbf{H_{O2}}$: There is no significant relationship between Microfinance Bank loan and sales volume of SSBs in Maiduguri Metropolis

## LITERATURE REVIEW

The definition of SSBs depends mainly on the level of development of the country. In most developed market economies like the United States of America (USA), United Kingdom and Canada, the definition criterion adopted a mixture of annual turnover and employment levels. However, in Nigeria, the Small and Medium Industries Enterprises Investment Scheme (SMIEIS) defines SSB as any enterprise with a maximum asset base of N200 million excluding land and working capital and with a number of staff employing not less than 10 or more than 300. Nwokoye (1988) defined Small and Medium-Scale business as "any enterprise employing between five and one hundred workers with an annual turnover of four hundred thousand naira (N400, 000).

Furthermore, the Federal Ministry of Commerce and Industry defines SSBs as firms with a total investment (excluding cost of land but including capital) of up to N750, 000, and paid employment of up to fifty persons. SSBs exist in the form of sole proprietorship and partnership, though some could be registered as limited liability companies and characterized by simple management structure, informal employer/ employee relationship, labour- intensive operation, and simple technology, fusion of ownership and management and limited access to capital. The seven major sources of funding available to SSBs in Nigeria include personal resources, family and friends, partners or business associates, informal financial markets, banks, specialized funding facilities e.g. NERFUND and specialized financial institutions e.g. National Bank for Commerce and Industry (NBCI), Bank of Industries (BOI), National Industrial Development Bank (NIDB) (Owualah, 1999). Their role in economic development includes: industrial development, employment generation, technology acquisition, capacity building, promotion of economic growth, increased standard of living, industrial dispersal or spread, servicing of large-scale industries, export promotion, structural transformation of rural areas, flexibility and low take-off requirements (Odubanjo, 2000).

It can opined from the above definitions that there appears to be a lack of consensus among writers, Organizations, Agencies and even countries on a specific or single definition of small and medium sized industries. Each definition takes into consideration the peculiarities of the authors and level of economic development of the country. Similarly, each author, perhaps influenced by his country's definition, and other considerations, defines them differently. The level of industrial and economic development of this country has given rise to general patterns, shape, structure, characteristics, and problems which largely are distinct to the small and medium sized industries.

Consequently, in order to define financing, growth and trend of financing in this sector, a comprehensive definition is required. Different departments and organizations define SSBs in accordance with their functional ease rather than market situation. Small Scale business (SSBs) in Nigeria, as defined by Small and medium Industries Equity Investment Scheme (SMIEIS), are enterprises with a total capital employed not less than Nl.5 million, but not exceeding N200 million, including working capital, but excluding cost of land and/or with a staff strength of not less than 10 and not more than 300. This definition is adopted in this study, because it is generally used by all banks in Nigeria for the purpose of financing the SSBs.

In the same vein, Small Scale Industry (SMI) is defined by the bankers' committee (2001), as any enterprise with a maximum asset base of N200 million, excluding land and working capital; and with the number of staff employed by the enterprise not less than 10 and not more than 300. This definition is subject to review when the need arise. Also, Small Scale Business (SSBs) as defined by the National Council of Industries refers to business enterprises whose total costs excluding land is not more than two hundred million naira (N200, 000,000.00) only.

The Central Bank of Nigeria defined Small Scale Business for the purpose of Small and Medium Enterprises Credit Guarantee Scheme (SMECGS) as an enterprise that has asset base (excluding land) of between N5million — N500 million and labour force of between 11 and 300.( 30/03/20 10). Nigeria's SSBs cover enterprises with total cost of N200million excluding land and total employees of between 10 and 300 people (Ogujiuba et al, 2009). India's SSIs are defined as units in the manufacturing, processing or preservation of goods with investment in plant and machinery not exceeding Rupees 10 million ($210,000). The difference here hinges on the fact that India has no provision for medium scale enterprises; their focus is on the real sector thus excluding trading and services.

Kashif and Abaidullah (2006) also defined an SSB entity as a business with an investment in productive assets not including land, building, ranging between Rs. 240million and employing between 10-99 workers. Furthermore, the definition stated by State Bank of Pakistan in SSBs prudential regulations (2004- 05), is "An entity, ideally not being a public limited company that does not employ more than 250 persons, (manufacturing) and 50 persons (trade/services) and also fulfils one of the following criteria:
i) A trade/service concern with total assets at cost excluding land and building up to Rs. 50 million; ii) A manufacturing concern with total asset at cost excluding land and building up to Rs. 100 million; and iii) Any concern (trade/service/manufacturing) with net sales not exceeding Rs. 300 million as per latest financial statement. For making strategies, their implementation and for providing assistance to SSBs the Government of Pakistan has restructured the key support institution such as Small and Medium Enterprise Development Authority (SMEDA) and SSB Bank (Prudential banks For SSBs 2004 - 05).

The small scale business have played key role in providing impetus to the development of some of the world's best economies like Taiwan, Korea, Hong Kong and China. Countries in South America and India have also been concentrating their efforts in developing the SSBs. The SSBs are important in terms of contribution to the economy and this is likely to be a characteristic of SSBs across the world. According to the bank of England (1998), SSBs accounted for 45% of UK employment and 40% of sales turnover of all UK firms. This situation is similar across the EU (Bank of England, Report on SSBs, June 2004). In agreeing with the impetus injected by SSBs into economies, evidence from the survey conducted by Urnar (2008), shows that 20% of the companies in Nigeria have annual turnover of N5million-N50million while 40% have turnover of N50m-N200million and yet another 40% have turnover of over N200 million. In term of the number of employees, however, 80% majority of the respondents employ between 10-99 persons while 20% employ 50-199 persons. The survey further revealed that 40% of the companies have investment in machinery and equipment of N5m-N50million, while 30% have N50m- N200million in similar assets. The survey therefore, confirms the generally accepted definitions of small scale businesses in Nigeria.

In addition to these, various banks, financial institutions, donor agencies, NGOs, industry related task forces; trade and industry chambers adopted their own definitions for SSBs for their convenience and objectivity of studying SSBs. But almost all these definitions adopted their main criteria as number of employees, capital employed/total assets and turnover. But these criteria have their own limitations overtime and need changes with technology improvement, productivity increases and inflation, etc. Very recently in Pakistan for this SSB equation, Micro and Cottage enterprises also came and now Micro, Cottage and Small Scale Enterprises are in picture and in most cases medium scale enterprises are out from the equation (Bari, 2002 & 2003). Some policy makers and researchers in both countries (Pakistan and Sri Lanka) have pointed out that micro, cottage (less than five employees) and small enterprises should receive more care and attention from government and not the medium scale enterprises and they suggested many justifications for their assertion. However, overtime, these SSBs definition criteria should be changed to fit with changing economic, technology and productivity scenarios. In addition to these criteria, range of values should be assigned to define SSBs sector as a whole and sub group-wise. Still in both countries, SSBs data bases mainly concentrated on manufacturing rather than agriculture and service activities. Therefore researchers and authorities should take steps to expand SSBs data base from manufacturing to agriculture and service sectors while finding a proper definition for SSBs and change it overtime looking at the market changes. In 2009 Pakistan SMEDA appointed SSBs working committee on SSB definition vested power to come up with new definitions for SSBs, micro and large scale industries to more specifically target incentives to promote and develop SSBs. In June 2009, Sri Lanka, appointed JICA led mission to undertake this exercise under the Ministry of industry project.

Most loans advanced to SSBs are usually done by Micro Finance. Micro Finance refers to loans, savings, insurance, transfer services and other financial products targeted at low income clients. Micro Finance advances micro credit. Micro credit is a small amount of money loaned to a client by a bank or other institution. Micro credit can be offered, often without collateral, to an individual or through group lending. These loans are extended to the poor segment of the society with a view to invest in small business in order to alleviate the individual or group of individual from poverty.

Poverty alleviation involves the strategic use of tools such as education, economic development, health and income redistribution to improve the livelihoods of the world's poorest by governments and internationally approved organizations.

## Causes and Consequences of Poverty

There will not be serious need for Micro Finance Bank especially in developing countries if there were no prevalent poverty in the society. The concept of micro finance bank is more embraced in developing countries like Nigeria. In Nigeria for example, more than 70% of the population are poor Obadan (1997). He further identified some factors as the causes of poverty among which are; inadequate access to employment opportunities, inadequate physical assets, inadequate access to markets, destruction of natural resources, lack of power to participate in design of development programmes and inadequate access to assistance for those living at the margin. On the consequences of poverty, Aku et al (2007) opined that there is general loss of confidence in a society stricken by poverty and this renders government policies ineffective. Poverty also results in increasing the fragility and vulnerability of members of society to external influences. Furthermore, poverty makes production remain largely subsistence due to lack of capital needed for expansion. Labour becomes intensive and marginal productivity remains low.

## Approaches to Poverty Alleviation

There are many approaches to poverty alleviation, some of which are;

- Economic Growth Approach **–** Given the low labour absorption capacity of the industrial sector, broad based economic growth should be encouraged. This should focus on capital formation as it relates to capital stock, and human capital. Human capital formation has to do with education, health, nutrition and housing needs of labour. This is obvious from the fact that investment in these facets of human capital improves the quality of labour and thus its productivity. Thus to ensure growth that takes care of poverty, the share of human capital as a source of growth in output has to be accorded the rightful place.

- Basic Needs Approach **–** This calls for the provision of basic needs such as food, shelter, water, sanitation, health care, basic education, transportation etc. Unless there is proper targeting, this approach may not directly impact on the poor because of their inherent disadvantage in terms of political power and the ability to influence the choice and location of government programmes and projects.
- Rural Development Approach **–** This approach sees the rural sector as a unique sector in terms of poverty reduction. This is because majority of the poor in developing countries live in this sector. In addition, the level of paid employment in this sector is very low this means that, traditional measures of alleviating poverty may not easily work in the rural sector without radical changes in the assets ownership structure, credit structure, etc. Emphasis in this approach to development has focused on the Integrated Approach to rural development. This approach recognizes that poverty is multi – dimensional and therefore, requires a multi – pronged approach. The approach aims at the provision of basic necessities of life such as food, shelter, safe drinking water, education, health care, employment and income generating opportunities to the rural dwellers in general and the poor in particular. One basic problem with this approach to poverty reduction is that it is difficult to focus attention on the real poor given that poverty in the rural area is pervasive. In other words it makes targeting of poverty reduction programmes very difficult.

- Target Approach **–** This approach favours directing poverty alleviation programmes at specific groups within the country. It includes such programmes as Social Safety Nets, Micro Credits, and School Meal programme.

This study is modelled toward the target approach as it is only individuals who have businesses that meet certain rudimentary standards that benefit from Micro Finance loans.

## Characteristics of SSBs in Nigeria

A major characteristic of Nigeria's SSBs relates to ownership structure or base, which largely revolves around a key man or family. Hence, a preponderance of the SSBs is either sole proprietorships or partnerships. Even where the registration status is thus that of a limited liability company, the true ownership structure is that of a one-man, family or partnership business.

Other common features of Nigeria's SSBs include the following among others.

i). Labour—intensive production processes; ii). Concentration of management on the key man; iii) Limited access to long term funds; iv) High cost of funds as a result of high interest rates and bank charges; v) High mortality rate especially within their first two years vi) Over- dependence on imported raw materials and spare parts; vii) Poor inter and intra-sectoral linkages - hence they hardly enjoy economies of scale benefits; viii) Poor managerial skills due to their inability to pay for skilled labour; ix) Poor product quality output x) Absence of Research and Development; xi) Little or no training and development for their staff xii) Poor documentations of policy, strategy, financials, plans, information systems; xiii) Low entrepreneurial skills, inadequate educational or technical background; xiv) Lack of adequate financial record keeping; xv) Poor Capital structure, i.e. low capitalisation; xvi) Poor management of financial resources and inability to distinguish between personal and business16.96% it continued to reduce drastically recording only 0.17% in 2008. While total credit of the commercial banks started to rise in 1995 reaching its peak in the third quarter of 2010, still SSBs were getting less and less of the total credit disbursed. During the years 2009 and 2010 commercial banks total credit was recorded quaterly. In 2009 a total of 0.72% of the total commercial banks' credit goes to SSBs and o.65% was recorded in 2010. In second quarter of 2009 a slightly higher percentage was recorded as 0.2 1% of the total credit given out by the commercial banks.

**International Financial Institutions and Funding Schemes for SSBs in Nigeria**

International agencies and organisations (World Bank, United Nations Industrial Development Organisation (UNIDO), International Finance Corporation (IFC), United Kingdom Department for International Development (DFID), European Investment Bank (EIB) etc are not only keenly interested in making SSBs robust and vibrant in developing countries but have also heavily invested in them. Locally, the several Non-Governmental Organisations such as Fate foundation, Support and Training Entrepreneurship Programme (STEP), the Nigerian Investment Promotion Commission (NIPC), the Association of Nigerian Development Finance Institutions (ANDFI), as well as individual Development Finance Institutions (DFIs) have been promoting the growth of SSBs in Nigeria through advocacy and capacity-building initiatives, and have continued to canvass for better support structures for operators in the SSB subsector.

From the array of agencies above willing to support SSBs, it can be submitted that the sector must be very important as well as strategic in not only alleviating poverty but also create wealth thereby enhancing the nation's economy.

**Performance of SSBs in Nigeria**

Despite the importance of the manufacturing sector, its contribution to the Gross Domestic Product (GDP) has been minimal. For example, in 1950, it accounted for only 0.4 percent of GDP and by 1960, the year of political independence, it contributed 4.8 percent. In 1970 its share rose to 7.2 percent from where it came to 8.3% in 1980. In 1991, the share was 8.53 percent. There was a slight decline in 2001 in which the share went to 6.99 percent, while in 2002, there was sharp increase to 10.07 percent for the first time. However in 2003, it declined to 5.66 percent, while it rose again to 10.00 percent in 2004 and then 9.41 percent in 2005.

The capacity utilization in the 70s was unprecedented as 76.6 percent was recorded in 1975. There was an upsurge of capacity utilization to 78.7 percent in 1977. This rising trend was steady and stable until 1984 when it dropped to 73.3%. However, the stable nature in the 70s was attributable to the oil boom that was prevalent at that time. The decline in industrial production arising from demand has necessarily accentuated the prevailing low level of industrial capacity utilization that has been a feature of the economy since 1982 when 63.6 percent was recorded. The average capacity utilization rate further declined from 43.8 percent in 1989 to 38.1 percent in 1992 and from 29.3 percent in 1989 to 38.1 percent in 1992 and from 29.3 percent 1995 to 33.00 percent in 2000. The drastic oil glut of 80s, political instability, unfavourable policies and adverse business climate witnessed in the country during that period accounted for the decrease. However, average capacity utilization rose from 34.00 percent in 2001 to 36.00 percent in 2002. There was further increase to 49.00

percent in 2003 and 52.00 percent was recorded in 2004 while it went to 54.00 percent in 2005. As pointed out, Nigeria at independence inherited a still vigorous small business sector, with small-scale manufacturing accounting for 15% of manufacturing output in 1960 (Umar 2008).

Umar (2008) further added that, adopting a strategy of import substitution industrialization, the new Nigerian governments encouraged large-scale industries to be established at regional and state government levels. Efforts were made through micro-credit schemes to support small business, but the fundamental problems of small scale business were not systematically assessed. By the 1980 the small scale manufacturing sector had shrunk to about 10% of manufacturing output. It can therefore be submitted that the SSB sector needs more drive as there are huge grounds to cover and huge potentials available.

## Prospects and Constraints of Small Scale Businesses

It has however been worrisome that despite the incentives, policies, programmes and support aimed at revamping the SSBs, they have performed rather below expectation in Nigeria. Different people, organisations, and operators have advanced various reasons as to why SSBs have not been able to live up to their billing. While an average operator would always hinge his failure on lack of access to finance, some others think otherwise arguing that inappropriate management skills, difficulty in accessing global market, lack of entrepreneurial skills and know how, poor infrastructure etc are largely responsible.

The Association of Nigerian Development Finance Institutions (ANDFI) in 2004 issued this statement in relation to why SSBs perform poorly in Nigeria: "Finance is usually considered as the major constraints of SSBs. While this may be true, empirical evidences have shown that finance contributes only about 25 percent to the success of SSBs. Thus, the creation of other appropriate support system and enabling environment are indispensable for the success of SSBs in Nigeria".

Furthermore, Irwin(2004) for DFID, added that "Governments all around the world now recognise the important contribution that small firms make to the economy- and many governments have established extensive support arrangement to help people start and grow their businesses. In Nigeria, hitherto, there has been no concerted effort to encourage and support new businesses". Consequently, some others have argued that the bane of SSBs in Nigeria is the lack of long-term loans since most loans in the Nigerian market are short-term while what SSBs require to grow and become really successful are long-term patient capital. The dearth of venture capital financing in Nigeria has also aggravated the situation as venture capital are better skewed towards start ups.

**Nature and Meaning of Microfinance Bank**

The Central Bank of Nigeria recently introduced the Microfinance Policy, Regulatory and Supervisory Framework for Nigeria to empower the vulnerable and poor people by increasing their access to factors of production, primarily capital. To achieve the goals of this phase of its banking reforms agenda, the apex bank seeks to re-brand and re-capitalize hitherto community banks, to come under two categories of microfinance banks. They are MFBs licensed to operate as a unit within local governments and the other licensed to operate in the state or the federal capital territory with a minimum paid up capital base and shareholders' funds of N20million and N1billion respectively. Microfinance is defined as a development tool that grants or provides financial services and products such as very small loans, savings, micro leasing, micro-insurance and money transfer to assist the very or exceptionally poor in expanding or establishing their businesses (Robinson, 2003). Abiola and Obasan (2012) agree that microfinance is about providing financial services to the poor who are traditionally not served by the conventional financial institutions. Microfinance is mostly used in developing economies where SSBs do not have access to other sources of financial assistance (Robinson, 2003). That is microfinance recognize poor and micro entrepreneurs who are excluded or denied access to financial services on account of their inability to provide tangible assets as collateral for credit facilities (Jamil, 2008). The main objective of micro credit according to Maruth (2011) is to improve the welfare of the poor as a result of better access to small loans that are not offered by the formal financial institutions. Kolawole (2013) states that microfinance bank helps to generate savings in the economy, attract foreign donor agencies, encourage entrepreneurship and catalyze development in the economy.

The establishment of microfinance banks is to serve the following purposes according to CBN (2008) provide diversified, affordable and dependable financial services to the active poor; mobilize savings for intermediation; create employment opportunities and increase the productivity of the active poor in the country; enhance organized, systematic and focused participation of the poor in the socio-economic development and resource allocation process; provide veritable avenues for the administration of the micro credit programmes of government and high net worth individuals on the non-recourse case basis.

## Impact of Microfinance Bank Loan on Sales Volume of SSBs

SSBs contribute to improved living standards, bring about substantial local capital formation and achieve high level of productivity and capability. SSBs are recognized as the principal means of achieving equitable and sustainable industrial diversification and dispersal. Ogujiuba, Fadila, &Stiegler (2013) argued that SSBs account for well over half of the total share of employment, sales and value added. SSBs constitute the most viable and veritable vehicle for self -sustaining industrial development, as they possess the capability to grow an indigenous enterprise culture more than any other strategy. SSBs represent the sub sector of special focus in any meaningful economic restructuring program that targets employment generation, poverty alleviation, food security, rapid industrialization and reversing rural urban migration.

In Nigeria, one of the greatest obstacles that Small Scale Businesses (SSBs) have to battle with is access to funds. This is further compounded by the fact that even where credit facilities are available, they may not be able to muster the required collateral to access such. This situation has led invariably to many of them closing shop, resulting in the loss of thousands of unskilled, semi and skilled jobs across the country. Microfinance emerged as a noble for informal credit and an effective and powerful instrument for poverty reduction substitute among people, who are economically active, but financially constrained and vulnerable in various countries (Musa & Aisha, 2012). According to Oni and Daniya (2012), access to finance enhances sales volume of SSBs as a critical tool for economic development. He further stated that they need access to finance to facilitate their economic activities and render essential services to its numerous customers. Furthermore, Habibulla (2009) in his study found that microfinance loan increase sales volume of businesses of SSBs operations and willingness of poor people to participate in business. In this regard, provision of loans to SSBs will not only enhance its performance but will positively contribute to the well being of the entire society. Furthermore, according to Makokha (2006), inadequate loans affect the expansion of business. Makokha extensively found out that larger loans enable SSBs to graduate to big firms, which employ many people than SSBs. This argument is supported by Oho, Mauli&Ongayo (2010) in their study that indicated that those SSBs that receive large loans frequently had larger sales volumes than those that received small loans.

Similarly, Grameen Bank (1983) found that many SSBs had limited capitals, lacked relevant skills and used outdated technologies that constraint their sales and growth rate. The inability of the SSBs to acquire latest equipments is linked directly to lack of fund. As expected, Hussein (1995) disclosed that most of the SSBs that had access to adequate loans increased their stock as well as sales volumes. It is imperative to say that loans aided the growth and development of SSBs in any economy, particularly, microfinance loans. Similarly, according to Diagne and Zeller (2001), insufficient access to credit by poor people may have negative consequences on SSB and overall welfare. Access to credit further increases SSBs risk bearing abilities, improve risk coping strategies and enable SSBs to survive for long.

The idea of establishing microfinance bank is to provide an easy, accessibility of SSBs to finances, particularly those that cannot access formal bank loans. This view is also shared by Sunitha (2010) who stated that microfinance improve the welfare of the poor and enable SSBs access to small loans that were not offered by formal financial institutions.

**Microfinance Bank loan and Profitability of SSBs**

Profit is one of the major factor and determinant of the performance of any given small scale business. It is being used for measuring the development of SSBs, others are asset value, market share, profits and output, though they are not very common compared with sales and employment indicators. As generally expected, Nwakwo (2002) stated that the primary objective of any business is profit maximization, and the only way to ensure this is by providing available credit to the SSBs. Indicators such as the level of production and market share vary widely depending on the industry, and as a result, it is very difficult to use them for comparisons, while profit is not relevant unless measured for a period of time. Consequently, both sales and employment remain very important indicators for measuring the performance of enterprises. Data on the number of employees is usually easier to collect as they are much more important for the government. On the other hand sales may be affected by inflation and it is very important to use several indicators together to study the performance of enterprises. (Davidsson, Delma &Wiklund, 2006).

In consonance, Idowu (2008) argues that access to loans increases profitability of any business. This clearly indicates that microfinance bank loans play significant roles in the profitability of SSBs. It is based on this fact that majority of SSBs were unable to make profit due to inaccessibility to loans. Yunus (1999) confirmed that microfinance loan correct market failures, provide access to credit to lower income earners, SSBs and create economic power, which at the end, increases profitability of businesses. Furthermore, ABD (2007) reported that microfinance loan had positive effect on the profitability of SSBs. Many SSBs were left unattended to due to lack of availability finances (Akinyi, 2009). This view is justified by the fact that SSBs need microfinance support to enhance its performance as well as to make it attractive to prospective investors. United Nation Development Programme (2010) stated that the beneficiaries of microfinance loans had their monthly income boosted, and this increase is more significant among those who earned 500USD or less before taking the loan. This implies that the SSBs that accessed loan from microfinance banks have chance of making profit as well have the propensity to survive.

According to Kolawole (2013), the promotion of microfinance bank will foster economic development and profitability of most businesses. On this note, MFBL will have opportunity of enhancing these activities and add more values to the economic well being of the citizenry. According to recent surveys on microfinance bank however, borrowers in Ghana published by the Centre for Financial Inclusions stated that more than 1/3 of the borrowers struggled to repay their loans. Some resorted to measures such as reducing their feed intake or taking children out of school in order to repay their loans that have not been proven efficient and profitable. To some, microfinance loans have significant contributions to the profitability of small businesses as well as vulnerable women in the society. Makokha (2006) stated that inadequacy of capital hindered expansion of business. And it is known that expansion is one of the facilities that will lead to profitability of businesses. This hindrances caused by inadequate funds can be solved by the intervention of microfinance bank loan when properly utilized by the borrower. Therefore, we can submit by saying that microfinance loan should be made more accessible to the SSB owners since it is critical for its profitability and continuity in business.

Profit is like the fuel in a car and it ensure that an enterprise continue to progress. Anyigbo's study (as cited in Odutun, 2014) stated that without profit, the business of any company will grind into halt and in little or no time that company will cease to exist as they will not be able to meet their responsibilities both to their staff and customers this will ultimately lead to bankruptcy.

## RESEARCH METHODOLOGY

### The Study Area

Maiduguri lies within the Savannah woodland zone in Nigeria. The principal ethnic groups in Maiduguri Metropolitan Council are Kanuri, Hausa, Shuwa, Bura, Marghi and others. Maiduguri is the largest city in the northeast and has the population of over 1 million people by the year 2007. The population has risen to about 3 million people following the activities of boko haram. Maiduguri been capital of Borno state has the advantage of business opportunities especially the SSBs where many people participate to earn a living and contribute their own part to the development of the state and Nigeria at large. There are three Microfinance Banks that are operating within Maiduguri Metropolis. These are Unimaid Microfinance Bank Limited, Resainamce Microfinance Bank Limited, and Yerwa Microfinance Bank Limited. All these Microfinance Banks provide services to their customers as well as loans to small scale businesses within Maiduguri Metropolis. Many small scale businesses have benefited from the operation of Microfinance Bank in Maiduguri Metropolis.

## Sources of Data

The data for this study were Primary and secondary data. Primary data were obtained from beneficiaries of Micro Finance loans from the Micro Finance Banks domiciled in the city of Maiduguri. Primary data were collected in line with the core determinant of the research namely the impact of Micro Finance loan on profitability of SSBs, on sales volume of SSBs, on capital employed and employment generation of SSBs While secondary data were sourced from documents domiciled at the micro finance banks as well as other sources like journals, publications, the internet as well as relevant research works.

## Population of the Study

The population of study constitutes all the SSBs that are registered with Borno State ministry of commerce and industry to operate businesses within Maiduguri Metropolis whose data are domiciled with the Micro Finance Banks in the Metropolis. There are a total of 1595 of such SSBs. However it will be cumbersome to cover whole SSBs that have benefited from Microfinance Bank loan in Maiduguri, therefore, out of this population, it is necessary to select a reasonable sample size that can adequately capture the views of the whole population of the study, The SSBs owners include both those in manufacturing and service businesses in Maiduguri Metropolis.

## Sample Size and Sampling Techniques

The sample size is 320. Yamane's formula was used to ascertain the sample size, and is given by the formula below:

$$n = \frac{N}{1 + N(e)^2}$$

Where: n = sample size; N = population; 1 = constant , e = level of significance $(0.05)^2$

Therefore:

$$n = \frac{1595}{1 + 1595(0.05)^2}$$

$$n = \frac{1595}{1 + 1595 \times 0.025}$$

$$n = 320$$

Multi stage sampling technique was used, the area was selected purposively and this is because of high level of business concentration, whereas respondents were selected randomly from each area. The areas covered include Tashan journey, Gamboru market, Post office, Baga road and University of Maiduguri area. As represented by their respective wards.

**Table 1: Sample Frame**

| Wards | Population | Sample Size |
|---|---|---|
| Gamboru Ward | 251 | 57 |
| Bolori 2 Ward | 395 | 71 |
| Gwange Ward | 463 | 77 |
| Maimusari War | 289 | 65 |
| MasbaDalwa west ward | 197 | 50 |
| Total | 1595 | 320 |

## Method of Data Collection

Survey method was used to obtain data through a structured questionnaire served to the SSBs. The response ranged from Strongly Agreed (SA), Agreed (A), Undecided (U), Disagreed (D) to Strongly Disagreed (SD). This is a closed ended questionnaire where respondent are at liberty to select a response of their choice. Interview was also used to obtain data from the respondents (SSBs owners).

## Method of Data Analysis

Data generated were analyzed using descriptive statistics and simple percentages using Statistical Packages for Social Sciences (SPSS). Multiple regression analyses were used to assess the impact of microfinance loan on the performance of SSBs in Maiduguri Metropolis. This research is designed on a multiple regression model as; mathematically represented below.

Multiple regression $\beta n\ Xn + e$

The regression model is expressed implicitly as:

Model -
1. $Y = \beta_0 + \beta X_1$
2. $Y = \beta_0 + \beta X_2$
3. $Y = \beta_0 + \beta X_3$
4. $Y = \beta_0 + \beta X_4$

$e$ = error estimate

where, $X_1$ = Profitability
$X_2$ = Sales Volume
$X_3$ = Capital employed
$X4$ = Staff strength

**Data Analysis**

Maiduguri, just like any other city in Nigeria has several small businesses. However, there are small types of businesses that have flourished so much among others. The city is a commercial one with three international borders which makes it a hub for small businesses. The research therefore selected operators of six types of businesses which have grown as respondents. The research sought to know what role Micro Finance Bank is playing in the success of these businesses if any. These are represented in table 4.1

**Table 4.1 Types of Businesses**

| **Response** | **Frequency** | **Percentage (%)** |
|---|---|---|
| Block industry | 38 | 12.0 |
| Pure Water | 46 | 14.5 |
| Furniture | 32 | 10.1 |
| Mobile Phone Repairers | 80 | 25.2 |
| Bakery | 31 | 9.8 |
| Transportation | 90 | 28.4 |
| **Total** | **317** | **100** |

Source: *field Survey 201*

With a large number of people moving from Maiduguri to neighbouring countries and cities to do businesses, there are a lot of transporters which informed the highest number in the sample selected. Another fast growing small business is the phone repairers in the city. Virtually every adult in Maiduguri Metropolis have a phone and there is need to service these phones as they are the handiest and used electronic device. These repairs have created a massive market in the city centre called 'jogol'. Pure water factories as well block making industries have also proliferated the city. Most of these businesses have taken loans to operate their businesses thereby making them suitable for this study.

The best way to ascertain the impact of MFB loans on SSBs is to compare the indicators of performance before and after accessing the loan. Here, the study compare ratings of sales volume before and after SSBs assess MFB loans.

**Table 4.2 Rating of Sales Volume before and after accessing Microfinance Loan by Respondents**

| Variables | Period | Response | | | | Total |
|---|---|---|---|---|---|---|
| | | Poor | Average | Low | High | |
| Rating of sales volume before/after accessing microfinance loan | Before | 103 (32.5%) | 66 (20.8%) | 131 (41.3%) | 17 (5.4%) | 317 (100%) |
| | After | 26 (8.2% | 128 (40.4%) | 70 (22.1%) | 93 (29.3%) | 317 (100%) |

**Source**: Field survey, (2016)

Table 4.2 describes the respondent's responses on rating of sales volume before and after accessing microfinance loan. From the table, 32.5% of the respondents' rated sales volume as low before accessing microfinance loan, while only 8.2% rated it as poor after accessing microfinance loan. The result also reveals that only 5.4% agreed that their sales volume was high before accessing, while 40.4% and 29.3% rated sales volume to average and high respectively.

The result reveals that the sales volume of the respondents increases high by 29.3% after accessing the loan than 5.4% before accessing microfinance loan. This implies that microfinance loan has a great impact on respondent's sales volume.

The study also sought the views on SSBs operators on the rate of return on their businesses before and after accessing MFB loans.

**Table 4.3 Rating of Returns on Investment before and after Microfinance Loan by Respondents**

| Variables | Period | Response | | | | Total |
|---|---|---|---|---|---|---|
| | | Poor | Average | Low | High | |
| Rating of returns on investment as a result of sales before accessing MFB loan | Before | 51 (16.1%) | 86 (27.1%) | 166 (52.4%) | 14 (4.4%) | 317 (100%) |
| | After | 28 (8.8%) | 144 (45.4%) | 46 (14.5%) | 99 (31.2%) | 317 (100%) |

**Source**: Field survey, (2016)

Table 4.3 describes the behaviour of return after investment. The result shows that before accessing microfinance loan, the respondents rated returns on investment as poor by 16.1% , as average by 27.1% as low by 52.4% and high by 4.4%, while the rating changed after accessing microfinance loan by 31.2% rating it to high as against 4.4% before and 8.8% as poor against 16.1%. This result implies that there was a significant change in returns after investment by 31.2%.

Meaning that microfinance loan has effect on returns after investment. Total Annual sales will also will reveal at a glance if a particular business has done better in one year when compare to the other. The study wanted to have a simple comparison between the impact of before and after accessing MFB loan by SSBs.

## Hypotheses Testing

Four null hypotheses were postulated in this research work in order to answer the research questions. t – Test analysis was used to test the hypotheses at $p<0.05$ level of significance. Each of the hypotheses is described in the preceding tables 4.2.1 – 4.2.5 below.

**$H_{O1}$**: There is no significant relationship between Microfinance Bank loan and the profitability of SSBs in Maiduguri Metropolis

**Table 4.14 Microfinance loan and profitability of SSBs in Maiduguri Metropolis**

| Variables | Evaluation Period | Mean | Std. Deviation | Sig. level | Decision |
|---|---|---|---|---|---|
| Indicate your net profitability before and after accessing MF loan. | Before Loan | 1.3754 | .61193 | 0.004** | S |
| | After Loan | 2.8423 | .78779 | | |
| How do you rate the profitability before /after accessing MF loan? | Before Loan | 2.0189 | .36408 | 0.003** | S |
| | After Loan | 1.7508 | .88108 | | |
| How will you rate the performance staff before /after accessing MF loan? | Before Loan | 1.9558 | .33462 | 0.001** | S |
| | After Loan | 1.7382 | .89171 | | |

**Note:***variables with double asterisks (**) is highly significant at p<0.05, single asterisk (*) is significant at same level p<0.05, S = significant at 0.05 Ns = Not Significant*

**Source**: Field survey, (2016)

Table 4.14 described the relationship between the two major variables before and after accessing microfinance loan. The table shows an independent test of in – item analysis; from which the variation between the response before and after accessing microfinance bank loan using mean and standard deviation. The result obtained in this analysis reveals that there is a significant difference between the responses of before and after accessing MFB loan as there was a $p<0.004$, 0.003, 0.001 of the three items used in evaluating profitability before and after access to loan. Also there is a mean difference of $p>0.05$ for all the variables. For example a mean score of 1.3754 before and 2.8423 after

From this result, it can be seen that since all thee variable have showed a p-value of less than 0.05 ($p<0.05$) which indicated a high significant level; it is therefore suggested by the result that the null hypothesis should be rejected. Decision: the null hypothesis is hereby rejected and the alternate accepted; which can now be stated as: there is a significant relationship between Microfinance Bank loan and the profitability of SSBs in Maiduguri Metropolis.

This implies that the loan advancement from Micro Finance Bank have significant role in the profit making of small businesses in Maiduguri Metropolis.

**$H_{O2}$**: There is no significant relationship between Microfinance Bank loan and sales volume of SSBs in Maiduguri Metropolis

**Table 4.15 Comparison between Sales Volume before and after Loan Access**

| Variables | Evaluation Period | Mean | Std. Deviation | Sig. level | Decision |
|---|---|---|---|---|---|
| How will you rate your sales volume before/after accessing microfinance loan? | Before Loan | 2.1956 | .95777 | 0.054* | S |
| | After Loan | 2.7256 | .97618 | | |
| How will you measure your returns on investment as a result of sales before accessing MFB loan? | Before Loan | 2.4511 | .81227 | 0.001** | S |
| | After Loan | 2.6814 | 1.01073 | | |
| How will you rate your annual sales before/after accessing MFB loan? | Before Loan | 1.3060 | .58277 | 0.001** | S |
| | After Loan | 2.4101 | .93911 | | |
| How will you rate the earning capacity of your business before/after Microfinance loan? | Before Loan | 2.7697 | .66606 | 0.001** | S |
| | After Loan | 2.7634 | .94677 | | |

**Note:** *variables with double asterisks (**) is highly significant at p<0.05, single asterisk (*) is significant at same level p<0.05, S = significant at 0.05 Ns = Not Significant*

**Source:** Field survey, (2016)

Table 4.15 described the relationship between the two major variables that is Sales Volume and Microfinance loan before and after accessing. The table shows an independent test of in – item analysis; from which the variation between the response before and after accessing microfinance bank loan using mean and standard deviation. The result obtained in this analysis reveals that there is a significant difference between the responses on sales volume of before and after accessing MFB loan, as there was a $p<0.054$, 0.001, 0.001, 0.001 of the four items used in evaluating sales volume before and after access to loan. Also there is a mean difference of $p>0.05$ for all the variables. For example a mean score of 2.1956 before and 2.7256 after on "How will you rate your sales volume before/after accessing microfinance loan?"

Further, from this result, it can be concluded that since all thee variable have showed a p-value of less than 0.05 ($p<0.05$) which indicated a high significant level; it is therefore suggested by the result that the null hypothesis should be rejected. **Decision**: the null hypothesis is hereby rejected and the alternate accepted; which can now be stated as: there is a significant relationship between Microfinance Bank loan and sales volume of SSBs in Maiduguri Metropolis

This implies that the loans advanced by Micro Finance Bank to small businesses in Maiduguri Metropolis have a positive significance on their sales volume. Increase in sales is a great contribution to making good turnover in any business.

## DISCUSSION OF MAJOR FINDINGS

The findings of this research reveals that there is a significant relationship between microfinance loan and the profitability of SSBs, which concurred with Idowu (2008) who argues that access to loans increases profitability of any business. This clearly indicates that microfinance bank loans play significant roles in the profitability of SSBs. It is based on this fact that majority of SSBs were unable to make profit due to inaccessibility to loans. Yunus (1999) confirmed that microfinance loan correct market failures, provide access to credit to lower income earners, SSBs and create economic power, which at the end, increases profitability of businesses.

Furthermore, ABD (2007) reported that microfinance loan had positive effect on the profitability of SSBs. Many SSBs were left unattended due to lack of availability finances (Akinyi, 2009). According to Kolawole (2013), the promotion of microfinance bank will foster economic development and profitability of most businesses. On this note, MFBL will have opportunity of enhancing these activities and add more values to the economic well being of the citizenry.

According to recent surveys on microfinance bank however, borrowers in Ghana published by the Centre for Financial Inclusions stated that more than 1/3 of the borrowers struggled to repay their loans. Some resorted to measures such as reducing their feed intake or taking children out of school in order to repay their loans that have not been proven efficient and profitable. To some, microfinance loans have significant contributions to the profitability of small businesses as well as vulnerable women in the society. Makokha (2006) stated that inadequacy of capital hindered expansion of business. And it is known that expansion is one of the facilities that will lead to profitability of businesses. These hindrances caused by inadequate funds can be solved by the intervention of microfinance bank loan when properly utilized by the borrower. Therefore, we can submit by saying that microfinance loan should be made more accessible to the SSB owners since it is critical for its profitability and continuity in business.

The findings also found out that there is a significant relationship between Microfinance Bank loan and sales volume of SSBs in Maiduguri Metropolis, this result also agrees with Oni and Daniya (2012), who reported that access to finance enhances sales volume of SSBs as a critical tool for economic development. He further stated that they need access to finance to facilitate their economic activities and render essential services to its numerous customers. Furthermore, Habibulla (2009) in his study found that microfinance loan increase sales volume of businesses of SSBs operations and willingness of poor people to participate in business. In this regard, provision of loans to SSBs will not only enhance its performance but will positively contribute to the well being of the entire society. Furthermore, according to Makokha (2006), inadequate loans affect the expansion of business. Makokha extensively found out that larger loans enable SSBs to graduate to big firms, which employ many people than SSBs. This argument is supported by Oho, Mauli & Ongayo (2010) in their study that indicated that those SSBs that receive large loans frequently had larger sales volumes than those that received small loans.

Similarly, Grameen Bank (1983) found that many SSBs had limited capitals, lacked relevant skills and used outdated technologies that constraint their sales and growth rate. The inability of the SSBs to acquire latest equipments is linked directly to lack of fund. As expected, Hussein (1995) disclosed that most of the SSBs that had access to adequate loans increased their stock as well as sales volumes. It is imperative to say that loans aided the growth and development of SSBs in any economy, particularly, microfinance loans. Similarly, according to Diagne and Zeller (2001), insufficient access to credit by poor people may have negative consequences on SSB and overall welfare. Access to credit further increases SSBs risk bearing abilities, improve risk coping strategies and enable SSBs to survive for long.

## SUMMARY OF MAJOR FINDINGS

The study was designed to assess the impact of Micro Finance Bank Loan on the Performance of Small Scale Businesses in Maiduguri Metropolis, Borno State, Nigeria. A survey research designed was adopted for the study. The target population for the study was 1595 registered SSBs residing in Maiduguri Metropolis. The sample for the study was 320 respondents selected through stratified proportionate. A five sectioned questionnaires was used for data collection. The data in this study was analyzed and using frequencies percentage and t – test. The hypotheses were tested using independent t – test at 0.05 level of significance. The result of the data analysis established that:

i. That there is a significant relationship between Microfinance Bank loan and the profitability of SSBs in Maiduguri Metropolis.

ii. That there is no significant relationship between Microfinance Bank loan and sales volume of SSBs in Maiduguri Metropolis

## CONCLUSIONS

From the findings of the study it was concluded that there is a significant relationship between microfinance loan and the profitability of SSBs, which confirmed that microfinance loan correct market failures, provide access to credit to lower income earners, SSBs and create economic power, which at the end, increases profitability of businesses. There is also a significant relationship between Microfinance Bank loan and sales volume of SSBs in Maiduguri Metropolis. Inadequacy of capital hinders expansion of business and it is found that small business expansion is one of the facilities that will lead to profitability of businesses. The study found that hindrances caused by inadequate funds can be solved by the intervention of microfinance bank loan when properly utilized by the borrower. Furthermore, there is a significant relationship between Microfinance Bank loan and capitals employed. There exist a is high level of significance between Microfinance Bank Loan and staff strength of SSBs in Maiduguri metropolis. Majority of SSB's staff strength have improved more than before taking the loan, which could not have been possible without the intervention of microfinance loans and this had increased the earning capacity of the SSBs as well as savings for the future. Therefore, microfinance loan plays significant role in staff strength development and utilization for SSBs.

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