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# A STUDY OF MICRO FINANCE ON THE PERFORMANCE OF SMALL AND MEDIUM SCALE ENTERPRISE IN GWAGWALADA AREA COUNCIL, ABUJA

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***ABSTRACT***

***The study investigates the impact of micro finance on the performance of Small and Medium enterprises in Gawgwalada, Abuja. It intends to find out how micro finance proxy by micro credit affects the performance of SMEs firms in Gawgwalada, Abuja (net profit margin and return on investment). Lack of access of small and medium scale enterprises to credit has hampered their net profit margin and return on investment and this situation has led invariably to many of them closing shop, resulting in the loss of thousands of unskilled, semi and skilled jobs across Gawgwalada Area Council. The main objective is to examine the impact of micro finance on the performance of SMEs firms in Gawgwalada, Abuja. Times series data were collected from secondary source covering a period of 10 years from 2005 to 2015. Ordinary Least Square was adopted and findings reveal that there is insignificant relationship between micro finance and the performance of SMEs in Gawgwalada Area Council (net profit margin and return on investment). Others findings were that there is insignificant relationship between micro credit and net profit margin of Ero table water company. There is insignificant relationship between micro credit and net profit margin of Opeyemi Communications Ltd. There is insignificant relationship between micro credit and net profit margin of Net profit margin in E. A. Adams Farm. There is no significant relationship between micro credit and return on investment (ROI) in Ero table Water Company. There is insignificant relationship between micro credit and return on investment (ROI) in Opeyemi Communications Ltd and there is insignificant relationship between micro credit and return on investment (ROI) in E. A. Adams Farm. The study recommends that Opeyemi Communications Ltd, E. A. Adams Farm and Ero table Water Company should re-strategies on how to finance their business by considering borrowing from friends or retained earnings. They should look at the shareholders contribution for the business to growth within the level of the business since there is insignificant relationship between micro finance and SMEs performance in Gawgwalada Area Council.***

***Keywords:*** *Micro Finance, Micro Credit, Net profit margin, return on investment and SMEs performance*

## INTRODUCTION

Microfinance has emerged as effective tools across developing countries which enable small and medium enterprises to obtain micro credit from microfinance institutions (MFIS) to improve their performance in term of net profit margin and return on investment. Microfinance is for Small Medium scale enterprise firms to have access to financial services which enable poor household to move from everyday struggle for survival to planning for the future, investing in better nutrition their business. Micro finance is an important factor in improving the performance of Small Medium scale enterprise firms in Gwagwalada, Abuja-Nigeria. Micro finance scheme provide Small Medium scale enterprise firms with the institutional support needed to generate a net profit and return on investment which may help them to achieve security. Micro finance has for a long time been considered as a primary means of rekindling and enhancing the performance of the Small Medium scale enterprise firms in terms of net profit margin and return of investment in Nigeria.

Lack of access of small and medium scale enterprises to credit has hampered their contribution to net profit margin and return on investment and 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. Performance of Small and Medium Scale Enterprises (SMEs) have been blighted, because of inadequate access to finance, production schedules and marketing which reduced their net profit margin and return on investment. It is interesting to know that the CBN does not regulate interest rates charged by microfinance banks; so with N20m tied up in the CBN vaults as legal reserve ratio, high cost of incorporation of business ventures; taxes, approvals, rents, salaries etc the operators hardly have enough left to commence operations and this affected the level of performance in terms of profit margin and return of investment of SMEs firms in Gwagwalada.

Previous studies such as Ashamu (2014) used chi-square to study the impact of micro finance and the performance of SMEs in Nigeria and some authors in the empirical findings used SPSS and multiple regression to study the impact of micro finance and the performance of SMEs but this study fills the research gap by using simple linear regression method and e-view statistical package to study the impact of micro finance and the performance of SMEs firms in Gwagwalada Area Council, Abuja.

The main objective of this study is to examine the impact of micro finance on the performance of Small and Medium Enterprises in Gawgawalada, Abuja. Other specific objectives are: to determine the impact of micro credit on net profit margin of small and medium enterprises in Gawgawalada, Abuja and to examine the impact of micro credit on return on investment of small and medium enterprises in Gawgawalada, Abuja.

In line with the aforementioned objectives, the following null hypotheses were formulated and tested in the study:

$H_{01:}$ There is no significance relationship between micro credit and net profit margin of small and medium enterprise in Gawgawalada, Abuja.

$H_{02}$ The is no significant relationship between micro credit and return on investment of SME's in Gawgawalada, Abuja.

The findings of this study will enable the government of Gawagwalada Area Council to design effective economic policy strategies which will ease accessibility of credits. Measures to be put in place, if properly implemented will enhance the performance of SMEs. The findings of this research will serve as additional literature to be used as reference materials in developing further studies. The Micro Finance Institutions will be able to train their credit officers on what kind of investment opportunities are viable for SMEs. The credit officers will not only give out credit, but also advise borrowers on profitable projects to consider investing in. Borrowers should repay the loans that have become fruitful in their business and not having burdens repaying with little improvements experienced from the funds granted to them as loans.

The study examines the impact on micro finance on the performance of SME's firms in Gwagwalada, Abuja covering a period of 10 years from 2005 to 2015. The period is chosen because between 2000 to date, there have been initiatives to help SMEs firms such as the merger of the Peoples Bank (PB), Family Economic Advancement Programmes (FEAP), and NAC Binto, the National Agricultural, Cooperative and Rural Development Bank (NACRDB). Then, National Economic Empowerment and Development Strategy (NEEDS), and the launch of Microfinance Policy in the year 2005. Also, in 2005, the Federal Government of Nigeria adopted microfinance as the main financing window for small and medium enterprises in Nigeria. The Microfinance Policy Regulatory and Supervisory Framework (MPRSF) was launched in 2005 which involved in this period chosen, the policy among other things, addresses the problem of lack of access to credit by SMEs operators who do not have access to regular bank credits. It is also meant to strengthen the weak capacity of such entrepreneurs, and raise the capital base of microfinance institutions. The limitation of study is the inability of the researcher to collect information from the selected SMEs firms in Gwagwalada but the we were able to overcome it with the helped of some staff in the organization who helped to gave out information pertaining to the realization of this work.

## CONCEPT OF MICRO FINANCE

Kirkpatrick and Maimbo, (2002) microfinance is wider than micro credit as it includes savings, credit, insurance and others. CBN (2005) defines microfinance as the provision of financial services to very small business, i.e. micro-enterprises, which are often unable to benefit from the services of conventional financial institutions. According to Anyanwu (2004), microfinance bank is not just providing capital to the poor, but to also combat poverty at an individual level, it also has a role at institutional level. It seeks to create institutions that deliver financial services to the poor, who are continuously ignored by the formal banking sector. Irobi (2008) define 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.

## MICRO CREDIT

Sinha (1998) states that micro credit refers to small loans made to an organization. Micro Credit is defined as provision of thrift, credit and other financial services and products of very small amount to the poor in rural, semi-urban and urban areas for enabling them to raise their income levels and improve living standards (Isaac, 2000). To him also, micro credit institutions are those which provide these facilities. According Udoh (1995) 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.

## CONCEPT OF SMES

Small and Medium Scale Enterprises (SMEs) is defined based on certain criteria including, turnover, number of employees, profit, capital employed, available finance, market share and relative size within the industry (Etuk, Etuk & Baghebo, 2014). Small and Medium Enterprises as defined by the National Council of Industries in Nigeria refers to business enterprises whose total costs; excluding land, is not more than two hundred million naira (N200, 000,000.00) only (Onugu, 2005). In Britain for example, small scale business is conceived as that industry with annual turnover of 2 million pound or less with fewer than 200 paid employees. It is conceptualized in Japan as a type of industry with a paid up capital and number of employee (Bakare & Babatunde, 2014). The Small and Medium Industry Equity Investment Scheme (SMIEIS), defined SME as any enterprise with a maximum asset base of N500 million, excluding land and working capital and with the number of employees not less than 10 or more than 300 (Eniola, Entebang & Sakariyau, 2015). The Federal Ministry of Commerce and Industry defines SMEs 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 (50) persons (Mba & Cletus, 2014). Alarape (2008) defines it as an enterprise with a labour size of 11-100 employees or a total cost of not less than N50 million, including working capital but excluding cost of land.

## CONCEPT OF PERFORMANCE

Rogers and Wight (1998), performance is probably the most widely used dependent variable in organisational research today yet at the same time it remains one of the most vague and loosely defined constructs. However, Koontz and Donnell (1993) define performance as the ability of an enterprise to achieve such objectives as high profit, quality product, large market share, good financial results, and survival at predetermined time using relevant strategy for action. Measuring organisational performance Hubbard (2006) observed is difficult, especially when what has to be measured keeps changing. They posit that organisations use corporate performance measurement to drive improvements and successfully translate strategy into action and do not stop at the gathering and analysis of performance data, they also use corporate performance to gain insight into, and make judgements about the organisation and the effectiveness and efficiency of its programs, processes, and people. Performance is a core concept within work and organizational psychology. During the past 10 or 15 years, researchers have made progress in clarifying and extending the performance concept (Campbell, 1990).

## EMPIRICAL STUDY

Ashamu (2014) examines the performance of Micro finance Institutions (MFIS) in Lagos State, based on the development of small and medium Scale Industry. Simple random sampling technique was employed in selecting the 110 (SMES) that constituted the sample size of the research. Structured questionnaire was designed to facilitate the collection of relevant data which was used for the analysis. Descriptive statistics which involves simple percentage, and Chi-square (contingency test). The findings indicate that the operations of MFIs have grown phenomenally in the last three years, driven largely by expanding informal sector activities, the conversion of the community banks to micro finance banks and the reluctance of banks to fund the emerging micro enterprises.

Olowe, Moradeyo and Babalola (2013) investigate the impact of microfinance on SMEs growth in Nigeria. The population of the study consists of the entire SMEs in Oyo State. However, the study was restricted to Ibadan metropolis. Purposive sampling technique was used to select the participating SMEs. Simple random sampling technique was used to select a total of 82 SME operators that constituted our sample size. Pearson correlation coefficient and multiple regression analysis were used to analyze the data. The results from this study showed that financial services obtained from MFBs have positive significant impact on MSEs growth in Nigeria. The results also revealed that duration of loan has positive impact on SMEs growth but not statistically significant. The results also showed that high interest rate, collateral security and frequency of loan repayment can cripple the expansion of SMEs in Nigeria.

Albert and Henry (2013) investigate the effects of microfinance institutions lending on micro and small enterprises performance within Kitale Municipality. This study adopted a descriptive survey research design and the target population was 1,200 MSEs which were registered within Kitale Municipality and had operated for at least three years. The target population was stratified into homogeneous categories as wholesalers, retailers, restaurants and service delivery. A sample of 120 MSEs was drawn proportionately and randomly from the strata. A semi-structured questionnaire was used to collect data. Completed questionnaires were verified and coded by the researcher in a computerized package then analyzed and summarized in frequency tables, pie charts and figures. The association between microfinance lending and MSE performance variables was established through Chi square and correlation tests at 95% significance level. A multivariate logistic regression was used for significant bivariate variables at 95% significance level. The amount of loans is significantly and positively related with performance of MSEs in Kitale Municipality.

Yusuf, Amao and Olawale (2014) examine the effects of micro credit on small scale enterprises in Osun State, Nigeria. Descriptive statistics and econometrics (regression analysis) were employed as tools for the analysis. Results showed that out of the 120 respondents that were sampled, 105 were credit users. The average age of the respondents was 40years and majority was female (about 61 percent). About 85 percent of the respondents were married with an average family size of 6. A very few number of the respondents had tertiary education. The study also revealed that the average monthly income of the respondents that were engaged in farming was N11,000, that of artisan was N19, 500 and that of trader was N25, 138.9. The average loan sourced by Artisan was N24, 000 that of trader was N28, 000 and that of farmer was N4, 000. The average loan to all respondents was N282, 000. The regression analysis revealed that loan repayment period, family size and years in business were the key determinants of business turn over. On the other hand, volume of credit available to respondents is affected by repayment period, number of sources and interest on loan. The study found that there is no significant relationship between micro credit and performance of SMEs in Osun State.

## THEORETICAL FRAMEWORK

### Games Theory of Microfinance

This theory states that many of the new mechanisms rely on groups of borrowers to jointly monitor and enforce contracts themselves and is based on Grameen lending theory of microfinance which is based on group peer pressure whereby loans are made to individual groups of four to seven Group members collectively guarantee loan repayments and access to subsequent loans is dependent on successful repayment by all group members. Payment is usually made weekly. The groups have proved effective in deterring defaults as evidenced by loan repayment rates attained by organizations such as Grameen Bank (Bangladesh) that use this type of microfinance model. The theory has also contributed to broader social benefits because of their mutual trust arrangement at the heart of group guarantee system and the group itself often becomes the building block to a broader social network (Legerwood, 1999). However, group based mechanisms tend to be vulnerable to free riding and collusion. Inefficiencies are well known to emerge in similar contexts( Gruber, 2005).

### Financial Sustainability Theory

Long term survival and sustainability is critical for an MFI in being able to reach its target clientele and cover administrative and other costs. While social goals of reaching the poorest and poverty alleviation are valid, sustainable standing on one's own feet is as true for low income households receiving microfinance as for micro finance itself. Sustainability for the microfinance has internal and external implications. Internal in terms of deposit and savings mobilization, financial performance, staff motivation, loan administrative costs etc. while external in terms of availability of funds for loan disbursement, grant for community organizing (Morduch, 2002).

### Investment Theory

The pressing need for SMEs firms is to obtain capital for a large growth and investment. It is customarily argued that capital either be generated through credit by the government or by personal contribution to the business. Unfortunately income from other sources is so low that they cannot generate investible surplus on their own. Thus obtaining credit under certain circumstances can help the poor accumulate their own capital and thus improve their living standard through the income generated from investments. (Wahid, 1994).

## Credit Theory of Money

This theory seeks to illustrate the relationship between credit and money. Proponents of this theory argue that money is best understood as debt even in systems often understood as using commodity money. The first formal credit theory of money arose in the 19th century (Graeber, 2011) argued that for most of human history, money has been widely understood to represent debt, though he concludes that even prior to modern era. According to Graeber, the credit theory is the sale and purchase in the exchange of a commodity for credit. From the main theory springs the sub theory that the value of credit or money does not depend on the value of any metal, but on the right which the creditor acquires payment meaning satisfaction for credit. On the obligation of the debtor to pay his debt and conversely on the right of the debtor to release himself from his debt by the tender of an equivalent debt owed by the creditor. The obligation of the creditor to accept the tender in satisfaction for the credit. Graeber goes on to note that a major problem in getting the public to understand the extent to Which monetary systems are debt based is the challenge of persuading them that things are not the way they seem.

## Liquidity Theory

Emery, (1984) proposes that credit rationed firms use more trade credit than those with normal access to financial institutions. When a firm is financially constrained the offer of trade credit makes up for the reduction of credit offer from financial institutions. In line to Emery's view, firms with better access to capital markets can finance those that are credit rationed(.Nielson, 2002) obtained empirical evidence by use of small firms as a proxy for credit rationed firms, found out that when there is monetary contraction; small firms react by increasing the amount of trade credit accepted. Financially unconstrained firms are less likely to demand trade credit and prone to offer it.

## METHODOLOGY

Descriptive research design is used to relate the variables in the study. The dependent variable is SMEs firm performance measured by net profit margin and return on investment. And the independent is micro finance proxy as micro credit. Also, the use of descriptive design is due to the fact that the research make use of SMEs financial records and annual financial statement of the selected SMEs firms in Gawagwalada Area council, Abuja. According to SMENDAN/NBS MSME survey 2013, the number of SMEs firms in Gawgwalada is 169. The sample size of 3 SMEs firms namely Opeyemi Communications Ltd, Ero table water and E. A. Adams Farm are selected using purposive sampling method. The researcher considered the location in selecting this SMEs firms and years of establishment. For example, Opeyemi Communications Ltd was established in 1999, Ero table water was established in 2000 and E. A. Adams Farms was also established in 2000. The software statistical package of e-view is used in analysing data in this study. The statistical tool is ordinary least square method of regression. The simple linear regression model is stated below:

NPM = $\alpha + \beta_I MC + \mu$ ………………equation 1

ROI = $\alpha + \beta_I MC + \mu$ ………………equation 2

Where: MC = micro credit, ß = Independent variable, α= Intercept, μ= Error terms, NPM = Net Profit Margin and ROI = Return on Investment.

## DATA ANALYSIS

**The relationship between Micro Credit and Net profit Margin in Nigeria**

Hypothesis 1 for Ero Water E-view Regression Result

Dependent Variable: NPM
Method: Least Squares
Date: 10/08/15 Time: 16:00
Sample: 2004 2014
Included observations: 6

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| C | 74.42835 | 26.92286 | 2.764504 | 0.0506 |
| MC | 1.74E-05 | 1.94E-05 | 0.895201 | 0.4213 |

| | | | |
|---|---|---|---|
| R-squared | 0.166907 | Mean dependent var | 50.82500 |
| Adjusted R-squared | -0.041366 | S.D. dependent var | 13.06936 |
| S.E. of regression | 13.33694 | Akaike info criterion | 8.280154 |
| Sum squared resid | 711.4957 | Schwarz criterion | 8.210740 |
| Log likelihood | -22.84046 | Hannan-Quinn criter. | 8.002286 |
| F-statistic | 0.801384 | Durbin-Watson stat | 3.690781 |
| Prob(F-statistic) | 0.421281 | | |

The result indicates that the coefficient for micro credit is positive and significant in achieving net profit margin of Ero table water Company. This implies that micro credit given to Ero table water contribute significantly to net profit margin of the SMEs firm. The p-statistic value of 0.42 is less than the t-statistic value of 0.89 and the standard error value of 1.9. This shows that the independent variable micro finance (micro credit) is insignificant in explaining the dependent variable (performance: net profit margin). The coefficient of determination ($r^2$) value of 0.16 which indicates that just about 16% variation in net profit margin can be explained by micro credit to Ero Table Water Company in Gawagwalada but the remaining 84% can be explained by other factors not noted in the regression model and which is refers to as error term. The f-statistic value of 0.80 is insignificant at p-statistic value of 0.42 and this indicates non evidence of linear relationship between micro credit and Net profit margin in Ero table Water Company. This implies that there is insignificant relationship between micro credit and net profit margin of Ero table water company.

**Hypothesis 1 for Opeyemi Communications Ltd**

**E-view Regression Result**

Dependent Variable: NPM
Method: Least Squares
Date: 10/08/15 Time: 15:57
Sample: 2004 2014
Included observations: 7

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| C | 40.46509 | 16.28195 | 2.485272 | 0.0555 |
| MC | 8.74E-06 | 1.37E-05 | 0.637148 | 0.5521 |

| | | | |
|---|---|---|---|
| R-squared | 0.175094 | Mean dependent var | 30.35571 |
| Adjusted R-squared | -0.109887 | S.D. dependent var | 9.176947 |
| S.E. of regression | 9.668020 | Akaike info criterion | 7.610481 |
| Sum squared resid | 467.3531 | Schwarz criterion | 7.595026 |
| Log likelihood | -24.63668 | Hannan-Quinn criter. | 7.419469 |
| F-statistic | 0.705957 | Durbin-Watson stat | 2.546309 |
| Prob(F-statistic) | 0.552055 | | |

The result indicates that the coefficient for micro credit is positive and insignificant in achieving net profit margin of Opeyemi Communications Ltd. This implies that micro credit given to Opeyemi Communications Ltd contributes significantly to net profit margin of the SMEs firm. The p-statistic value of 0.55 is less than the t-statistic value of 0.65 and the standard error value of 1.37. This shows that the independent variable micro finance (micro credit) is insignificant in explaining the dependent variable (performance: net profit margin). The coefficient of determination ($r^2$) value of 0.17 which indicates that just about 17% variation in net profit margin can be explained by micro credit to Opeyemi Communications Ltd in Gawagwalada but the remaining 83% can be explained by other factors not noted in the regression model and which is refers to as error term. The f-statistic value of 0.70 is insignificant at p-statistic value of 0.55 and this indicates non evidence of linear relationship between micro credit and Net profit margin in Opeyemi Communications Ltd. This implies that there is insignificant relationship between micro credit and net profit margin of Opeyemi Communications Ltd.

**Hypothesis 1 for E. A. Adams Farm**

**E-view Regression Result**

Dependent Variable: NPM
Method: Least Squares
Date: 10/08/15 Time: 15:54
Sample: 2004 2014
Included observations: 6

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| C | 59.56573 | 16.90718 | 3.523102 | 0.0244 |
| MC | -2.27E-05 | 1.97E-05 | -1.155218 | 0.3123 |

| | | | |
|---|---|---|---|
| R-squared | 0.250168 | Mean dependent var | 40.64500 |
| Adjusted R-squared | 0.062710 | S.D. dependent var | 10.61365 |
| S.E. of regression | 10.27547 | Akaike info criterion | 7.758597 |
| Sum squared resid | 422.3411 | Schwarz criterion | 7.689184 |
| Log likelihood | -21.27579 | Hannan-Quinn criter. | 7.480730 |
| F-statistic | 1.334528 | Durbin-Watson stat | 3.396921 |
| Prob(F-statistic) | 0.312311 | | |

**Source:** e-view statistical software package, 2015

The result indicates that the coefficient for micro credit is negative and insignificant in achieving net profit margin of E. A. Adams Farm. This implies that micro credit given to E. A. Adams Farm does not contribute significantly to net profit margin of the SMEs firm. The p-statistic value of 0.31 is greater than the t-statistic value of (1.15). This shows that the independent variable micro finance (micro credit) is insignificant in explaining the dependent variable (performance: net profit margin). The coefficient of determination ($r^2$) value of 0.25 which indicates that just about 25% variation in net profit margin can be explained by micro credit given to E. A. Adams Farm in Gawagwalada but the remaining 75% can be explained by other factors not noted in the regression model and which is refers to as error term. The f-statistic value of 1.33 is insignificant at p-statistic value of 0.31 and this indicates non evidence of linear relationship between micro credit and Net profit margin in E. A. Adams Farm. This implies that there is insignificant relationship between micro credit and net profit margin of Net profit margin in E. A. Adams Farm.

**The relationship between Micro Credit and Return on Investment**

**Hypothesis 2 for Ero Water**

**E-view Regression Result**

Dependent Variable: ROI
Method: Least Squares
Date: 10/08/15 Time: 16:01
Sample: 2004 2014
Included observations: 6

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| C | 3.832012 | 8.289189 | 0.462290 | 0.6679 |
| MC | 1.39E-06 | 5.98E-06 | 0.232365 | 0.8277 |

| | | | |
|---|---|---|---|
| R-squared | 0.013319 | Mean dependent var | 5.718333 |
| Adjusted R-squared | -0.233352 | S.D. dependent var | 3.697461 |
| S.E. of regression | 4.106266 | Akaike info criterion | 5.924107 |
| Sum squared resid | 67.44567 | Schwarz criterion | 5.854693 |
| Log likelihood | -15.77232 | Hannan-Quinn criter. | 5.646239 |
| F-statistic | 0.053994 | Durbin-Watson stat | 0.805630 |
| Prob(F-statistic) | 0.827659 | | |

The result indicates that the coefficient for micro credit (MC) is positive and significant in achieving return on investment (ROI) of Ero table water Company. This implies that micro credit given to Ero table water contributes significantly to return on investment (ROI) of the SMEs firm. The p-statistic value of 0.82 and the standard error value of 1.9 are greater than the t-statistic value of 0.23. This shows that the independent variable micro finance (micro credit) is insignificant in explaining the dependent variable (performance: return on investment). The coefficient of determination ($r^2$) value of 0.01 which indicates that just about 0.1% variation in return on investment (ROI) can be explained by micro credit to Ero Table Water Company in Gawagwalada but the remaining 84% can be explained by other factors not noted in the regression model and which is refers to as error term. The f-statistic value of 0.05 is insignificant at p-statistic value of 0.82 and this indicates non evidence of linear relationship between micro credit and return on investment (ROI) in Ero table Water Company. This implies that there is no significant relationship between micro credit and return on investment (ROI) in Ero table Water Company.

**Hypothesis 2 for Opeyemi Communications Ltd**

**E-view Regression Result**

Dependent Variable: ROI
Method: Least Squares
Date: 10/08/15 Time: 15:59
Sample: 2004 2014
Included observations: 7

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| C | 7.808190 | 11.85321 | 0.658740 | 0.5392 |
| MC | 1.28E-05 | 9.98E-06 | 1.280583 | 0.2565 |

| | | | |
|---|---|---|---|
| R-squared | 0.246976 | Mean dependent var | 22.60000 |
| Adjusted R-squared | 0.096371 | S.D. dependent var | 7.404096 |
| S.E. of regression | 7.038289 | Akaike info criterion | 6.975564 |
| Sum squared resid | 247.6875 | Schwarz criterion | 6.960109 |
| Log likelihood | -22.41447 | Hannan-Quinn criter. | 6.784552 |
| F-statistic | 1.639894 | Durbin-Watson stat | 1.645404 |
| Prob(F-statistic) | 0.256525 | | |

The result indicates that the coefficient for micro credit (MC) is positive and significant in achieving return on investment (ROI) of Opeyemi Communications Ltd. This implies that micro credit given to Opeyemi Communications Ltd contributes significantly to return on investment (ROI) of the SMEs firm. The p-statistic value of 0.23 is less than the t-statistic value of 1.28. This shows that the independent variable micro finance (micro credit) is insignificant in explaining the dependent variable (performance: return on investment (ROI)).

The coefficient of determination ($r^2$) value of 0.24 which indicates that just about 24% variation in return on investment (ROI) can be explained by micro credit in Opeyemi Communications Ltd, Gawagwalada but the remaining 76% can be explained by other factors not noted in the regression model and which is refers to as error term. The f-statistic value of 1.63 is insignificant at p-statistic value of 0.24 and this indicates evidence of linear relationship between micro credit and return on investment (ROI) in Opeyemi Communications Ltd. This implies that there is insignificant relationship between micro credit and return on investment (ROI) in Opeyemi Communications Ltd.

**Hypothesis 2 for E. A. Adams Farm**

**E-view Regression Result**

Dependent Variable: ROI
Method: Least Squares
Date: 10/08/15 Time: 15:56
Sample: 2004 2014
Included observations: 6

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| C | 43.55244 | 12.30373 | 3.539775 | 0.0240 |
| MC | -1.50E-05 | 1.43E-05 | -1.051048 | 0.3525 |

| | | | |
|---|---|---|---|
| R-squared | 0.216409 | Mean dependent var | 31.02500 |
| Adjusted R-squared | 0.020511 | S.D. dependent var | 7.555575 |
| S.E. of regression | 7.477688 | Akaike info criterion | 7.122926 |
| Sum squared resid | 223.6633 | Schwarz criterion | 7.053512 |
| Log likelihood | -19.36878 | Hannan-Quinn criter. | 6.845058 |
| F-statistic | 1.104702 | Durbin-Watson stat | 0.490194 |
| Prob(F-statistic) | 0.352540 | | |

**Source:** e-view statistical software package, 2015

The result indicates that the coefficient for micro credit (MC) is negative and insignificant in achieving return on investment (ROI) of E. A. Adams Farm. This implies that micro credit given to E. A. Adams Farm does not contribute significantly to return on investment (ROI) of the SMEs firm. The p-statistic value of 0.35 is greater than the t-statistic value of (1.05). This shows that the independent variable micro finance (micro credit) is insignificant in explaining the dependent variable (performance: return on investment). The coefficient of determination ($r^2$) value of 0.21 which indicates that just about 21% variation in return on investment (ROI) can be explained by micro credit given to E. A. Adams Farm in Gawagwalada but the remaining 79% can be explained by other factors not noted in the regression model and which is refers to as error term. The f-statistic value of 1.10 is insignificant at p-statistic value of 0.35 and this indicates non evidence of linear relationship between micro credit and return on investment (ROI) in E. A. Adams Farm. This implies that there is insignificant relationship between micro credit and return on investment (ROI) in E. A. Adams Farm.

## DISCUSSION OF FINDINGS

The results of the analysis indicate that micro finance is insignificant in achieving SMEs performance Gawgwalada Area Council, Abuja. The study confirmed with the Yusuf, Amao and Olawale (2014) who found a negative statistical insignificant relationship between micro finance and SMEs performance. The study also conform with credit theory of money which state that money is best understood as debt even in systems often understood as using commodity money and most of human history, money has been widely understood to represent debt and in Nigeria banks do not grant micro credit to SMEs firms for fear of defeaters in payment.

## CONCLUSIONS AND RECOMMENDATIONS

This study concludes that there is a insignificant relationship between micro finance and SMEs performance in Gawgwalada Area Council, Abuja. It also notes that there is insignificant relationship between micro credit and net profit margin of Ero table water company. There is insignificant relationship between micro credit and net profit margin of Opeyemi Communications Ltd. There is insignificant relationship between micro credit and net profit margin of Net profit margin in E. A. Adams Farm. There is no significant relationship between micro credit and return on investment (ROI) in Ero table Water Company. There is insignificant relationship between micro credit and return on investment (ROI) in Opeyemi Communications Ltd and there is insignificant relationship between micro credit and return on investment (ROI) in E. A. Adams Farm. It is recommended that Ero table water Company, Opeyemi Communications Ltd and E. A. Adams Farm should re-strategies on how to finance their business by considering borrowing from friends or retained earnings. They should look at the shareholders contribution for the business to growth within the level of the business since there is insignificant relationship between micro finance and SMEs performance in Gawgwalada Area Council. However, micro credit loan should be discourage since it does not contribute to SMEs performance in Gawgwalada Area Council.

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