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The Influence of Microfinance Banks' Financial Intermediation Activities on The Performance of Small-Scale Food Manufacturing Businesses In Lagos and Oyo States, Nigeria

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Abstract

The study investigated the influence of microfinance banks' financial intermediation activities on the performance of small-scale manufacturing businesses in Nigeria. The study was limited to two states in Nigeria, Lagos and Oyo states. The study adopted a correlative descriptive survey design and employed a purposive sampling method which was used in selecting seven hundred and forty-seven small-scale food manufacturing businesses in Lagos and Oyo states. After testing and data analysis, the finding and results show that microfinance banks' financial intermediation activity has no significant influence on the performance of small-scale food manufacturing businesses in Lagos and Oyo states. The study however recommends that microfinance banks ought to focus more on ethical and professional conduct by ensuring that loans and credits are given to credible and promising entrepreneurs; also reducing the strict policies in credit supply to small and medium enterprises (SMEs); monetary authorities need to encourage MFBs to create more branches that can enable investor in rural areas to have access to credit facilities as well as to save. the central bank and other monetary policy regulators ought to have a common opinion to create a specialized

banking financial intermediation role that is responsible for supporting and financing small-scale manufacturing investments in the economy. Lastly, there is a need for both private organizations/individuals and the government to assist microfinance banks in improving the performance and growth of small-scale businesses.

Keywords

Financial Intermediation, Microfinance banks (MFBs), Small and Medium Enterprises (SMEs), Small-Scale Enterprises (SSEs), Microfinance Institutions (MFIs).

Introduction

According to Wairimu & Mwilaria (2017), small and medium-sized businesses (SMEs) are renowned worldwide for their leading role in promoting equitable sustainable development and grassroots economics. By increasing employment, revenue, and many other factors, small and medium-scale enterprises (SMEs) make a significant contribution to the economies of developed and developing nations alike. SMEs play a crucial role in sustainable economic development and act as a catalyst for economic growth and development worldwide, in both developed and developing economies (Obokoh, 2018; Normah, 2018). However, in Nigeria, the lack of access to working capital loans that are needed for MSMEs to grow and expand their businesses through conventional banking, deposit money banks, and commercial banks prompted the establishment of microfinance banks to fill the gap. In a similar manner, the low working capital and inadequate equity contributions of MSMEs promoters, which restrict productive capacities, have also contributed to the early demise and high mortality rate of MSMEs (Akingunola, et al., 2018; Khan, 2020).

The government has previously initiated a series of SME-specific programs and policies in an effort to increase the availability of financial services to the Small and Medium Enterprises (SMEs) subsector. According to Dada (2014) governments appear to have implemented numerous national improvement plans and programs with the goals of increasing productivity and fostering the expansion of small and medium-sized economic sectors. Due to their potential to reduce poverty, MFBs play an important role in any government's economic growth and development (Adama, Duru, & Diyoke, 2017). Small businesses have received assistance and microcredit through the use of microfinance institutions and banks (Al-Absi, 2016). Through intermediation, the microfinance banking sector facilitates credit availability by converting bank deposits into loans or advances by redirecting funds from surplus units of the economy to deficit units (Andabai, 2018). The provision of financial intermediation is the primary function of MFBs. According to Ekpete & Iwedi (2017), this is the transfer of capital or liquidity from those in surplus to those in deficit. According to Andrew and Osuji (2013), financial intermediation is the process by which banks convert mobilized deposits liabilities into assets or credits like loans and overdrafts. As a result, financial intermediation is the process of taking money from depositors and lending it to borrowers in exchange for investments that support economic expansion. Financial intermediation that works well results in a lot of job creation and income generation, which always increases the level of economic development. This indicates that through financial intermediation, microfinance institutions in Nigeria can influence the expansion and performance of small and medium-sized businesses.

Overview of Microfinance Banks in Nigeria

In Nigeria, microfinance banks are businesses that provide microfinance services like microcredit loans, insurance, money transfer services and other non-financial services that are needed by the poor as well as small businesses or microenterprises. A license allows microfinance banks to work together to meet the financial needs of a specific community's low- and middle-class residents. Although microfinance banks are supposed to focus on rural and community settings, the majority of them in Nigeria are located in urban areas without a specific target community. As a result, their focus has shifted from rural to macro settings. Since all licensed community banks in Nigeria that complied with CBN guidelines have been converted into microfinance banks, microfinance banks currently exist in two forms. The first group is made up of microfinance banks, which are community banks that were previously allowed to operate a branchless network with cash centers if they met the required prudential requirements and had free funds available for opening such cash centers. For each autonomous center, this category of banks requires a minimum paid-up capital of N20 million. Microfinance banks that are licensed to operate at the state level are the next category. These banks are allowed to operate in any part of the state, including the federal capital territory in which they are registered, provided that they meet the required prudential requirements and that free funds are available for opening cash centers. This group of banks will have a minimum paid-up capital of N1 billion. Microfinance institutions can be established by individuals, groups of individuals, churches, community development associations, private corporate entities, missionaries, and foreign investors. Diversification of ownership is encouraged to enhance good cooperative governance of licensed MFBs. According to Oleka (2008), Universal banks, community banks, and non-governmental organizations (NGOs) are the primary participants in microfinance activities in Nigeria. Cooperatives and governments can work together with microfinance banks to raise a large amount of money for the beneficiaries, who are supposed to be the less fortunate in society. In this context, microfinance banks are made up of community banks that haven't done so far and some commercial banks that want to get into this business. The regulatory body has granted permission to these institutions to provide SMEs in Nigeria with credit facilities. In doing so, the banks are increasing and maintaining the substantial number of individuals who start small and medium-sized businesses in this manner.

According to Muthoni (2016), the four characteristics of microfinance are group lending, targeting women, offering graduated loans, and higher interest rates than traditional banks. These authors argued that microfinance deals with small groups of people who need loans to grow their businesses and uses microcredit as a way to help the poor in society grow economically. One of the products of microfinance institutions for impoverished people to become self-employed and self-reliant is microcredit, which is an important strategy in the global fight against poverty (Muthoni, 2016). As a result, microfinance institutions aid MSMEs in overcoming commercial, economic, and business obstacles. The rules and regulations for the supervision of microfinance banks issued by the Central Bank of Nigeria in 2012 divided the services into permissible and prohibited activities. However, the prohibited activities were changed to non-permissible in the March 2020 Exposure Draft of the guidelines for the regulation and supervision of Nigerian microfinance banks (CBN, 2020). The acceptance of various types of deposits from individuals, groups, and associations, including savings, time, target, and demand, with the exception of deposits from the public sector (the government), are among the permissible activities in the regulatory and supervisory framework for MFBs that was established in 2012.credit to customers, including individuals, associations, and formal and informal self-help groups; providing ancillary capacity building in areas like record keeping and small business management to its customers in order to promote and monitor loan usage; granting the approval of the CBN to the issuance of redeemable debentures to interested parties in order to raise funds from members of the public; a process by which a bank uses correspondent banks to collect funds or the proceeds of financial instruments on behalf of its customers; and acting as an agent for any organization that deals in the sale of industrial and agricultural inputs, livestock, machinery, and industrial raw materials to poor people on credit.

Non-acceptance of public sector (government) deposits, except for activities that are permitted, is one of the prohibited activities for MFBs, also include transactions involving foreign currency; international business publications; international finance for businesses; electronic transfer of funds internationally; activities for clearing cheque; speculating on land transactions; and real estate, except for its use as office space (CBN, 2012). The revised guidelines were necessary due to the need to reposition and strengthen the MFBs to improve performance and complement other ongoing reforms in the sector (Amugo – CBN, 2020). The reviewed guideline simplified the permissible and non-permissible activities in the 2020 exposure draft to encourage microfinance banks to focus on performance improvement and deliver better products. In light of this, Ede and Elikwu (2018) argued that microcredit delivery, small savings and deposit mobilization, and micro-insurance and guarantee scheme are the financing mechanisms utilized by Nigerian microfinance banks. In addition, the researchers concluded that MFBs' roles in financing SMEs in Nigeria include serving the unbanked population; providing facilities for microcredit; SME employment opportunities, financial inclusion, SME entrepreneurial development, and financial intermediation. These banks are designed to be the nexus and data bank of the government and the traditional banks for the poor of both urban and rural areas to enhance efficient service delivery. In addition, they are located in the heart of cities for aggressive marketing and marketing drives (Obasi, et al., 2014).

Concepts of Small and Medium-Scale Enterprises in Nigeria

Due to the significance that numerous academics place on the concept of Small and Medium-Scale Enterprises (SMEs) and the impact that it has on a nation's economy like ours, it is one of the management topics that receive the most attention. According to Suberu, Aremu, & Popoola (2018), SMEs are regarded as the engine room of economic growth and development worldwide. Small and Medium-scale Enterprises (SMEs) have different meanings depending on the country, the institution, and the year. In the literature, the terms "small-scale entrepreneurship," "small-scale industries," and "small-scale business" are frequently used interchangeably to refer to SMEs. Different researchers in Nigeria and many other nations have defined SMEs in various ways based on asset size, total workforce, and annual profits. As a result, there is no universal definition of medium-sized and small businesses. However, when it comes to defining small and medium-sized businesses, there is more agreement on the value of assets than on any other factor (Fatai, 2011). The number of employees and the effect on employee turnover is greater than the impact on asset value as a result of this uncertainty regarding an economic downturn. Small-scale enterprises (SSE) and medium-scale enterprises (MSE) are a subdivision of small and medium-scale (SMEs) category. In its 1990 credit guideline for Financial Institutions, the Nigerian apex financial intuition defines small businesses as those whose annual yield does not exceed N200,000,000 or whose capital expenditure does not exceed N200,000,000, excluding land costs. However, the CBN recently ranked medium-sized enterprises below 100 and small-scale enterprises below 50. The small scale has assets of less than N1,000,000, while the medium scale has assets of less than N150,000,000 (Ogboru, 2007). A small business is known as a corporate responsibility that is owned, successful, and controlled by fewer than twenty entrepreneurs, has a consistent organizational structure, a moderately small market share, and no more than twenty employees. Companies with a net holding value of no more than N1 million are defined as small and medium-sized enterprises (SMEs) whose annual revenue does not exceed N2 million and Allied Matter Decree (CAMD) No. I of 1990, Section 376, subdivision 2.

The International Finance Corporation identifies small businesses with total assets of less than $15 million and fewer than 300 employees. Smaller economies are those characterized by businesses with fewer than 20 employees. Small and medium-sized enterprises (SMEs) in Nigeria are those that have a total employed capital of up to N1.5 million but no more than N200 million. They also have employed capital, with the exception of businesses that do not have to pay land costs or have employees who are over N10 and no more than 300.

Concept and Nature of Financial Intermediation

The financial system's decision to focus more on financial intermediation was influenced by the need to ensure that investable funds are made available for economic activities, the social and community services sector, both in urban and rural areas and the pursuit of the economy's overall development. Typically, a financial institution acts as a financial intermediary, facilitating the indirect transfer of funds between lenders and borrowers. That is, savers (lenders) give money to a bank or other intermediary institution, which then gives it to spenders (borrowers).

According to Gorton and Winton (2002), financial intermediaries are businesses that borrow money from consumers or savers and lend it to businesses that require investment resources. There are two types of financial intermediaries: pure intermediaries like investment banks and Deposit Money Banks and institutional investors. Banks are the most important financial intermediaries because they accept deposits and provide loans directly to borrowers. According to Mahmood and Bilal (2010), the private sector, which contributes a greater percentage to Nigeria's economic growth, will primarily rely on bank credit as a source of financing for their investments, which will lead to economic growth, in the absence of a developed capital market.

As a result, the growing magnitude of financial intermediation has implications for the expansion of the Nigerian economy. Mahmood and Bilal (2010) indicate that the ever-increasing prevalence of financial intermediaries discourages potential savings due to the low returns on deposits and ultimately reduces investors' lending activities and investment potential as a result of the high cost of funding. Financial intermediation is the process by which financial intermediaries like banks turn mobilized deposits and liabilities into assets or credits like loans and overdrafts.

Simply put, it's the process by which financial intermediaries lend money to borrowers for investment and other economic development endeavours (Andrew and Osuji, 2013). Acha (2011) defines financial intermediation as the process of channelling funds through financial institutions to borrowers (economic deficit unit) from lenders (economic surplus unit).

Working Capital

The sum of current assets less current liabilities is typically used to define working capital. Inventory accounts receivable, and cash (in hand and at the bank) make up the majority of current assets, while accounts payable and bank overdrafts make up the majority of current liabilities. Working capital, as defined by Atrill (2006), is a net investment in short-term assets.

These assets are necessary for day-to-day operations because they constantly enter and exit the company. According to Alhassan, Hoedofia, & Braima (2016), a microloan is a crucial component of microfinance and has been referred to as the foundation of microfinance institutions. These are funds given over a period of time to small businesses or business owners.

SMEs use this microloan and microcredit to increase their working capital, which in turn increases their turnover, profits, and company size. According to Bauchet, Marshall, Starita, Thomas, and Yalouris (2011), the narrative of microcredit is that it provides small loans to capital-constrained micro-entrepreneurs who then earn a high return on the loans to be able to repay the loans at a relatively high-interest rate and reinvest in their businesses to grow further and eventually move out of poverty.

Saving

Individuals and small businesses have engaged in daily, weekly, and monthly saving schemes long before MFIs were established. Even many MFIs in Nigeria continue to engage in these micro-savings, with MFB officers going out on a daily, weekly, and monthly basis to receive the savings from individuals and small businesses. Banking products frequently target these small savings.

According to Gyimah & Boachie (2018), MFBs assist small businesses in informal markets and rural areas with their micro-savings requirements to assist them in saving, investing, and expanding their business operations. MFIs are mandated to mobilize micro-savings in the majority of emerging economies, but they have not fully entered rural markets or the informal sector. Microfinance institutions help rural and informal market small businesses save, invest, and expand by taking care of their micro-savings requirements. Additionally, this service offered by MFIs contributes to the improvement of poor household finances and protects low-income economic agents from losing their ability to accumulate value over time, which can be used for profitable investments or other significant financial goals. The availability of deposit services, sometimes limited to stand-alone savings accounts but frequently linked to credit, either as a requirement for obtaining a loan or as part of a combined intervention in which members of a group save money and can then borrow money from that savings resource. According to Ibitomi and Micah (2020), the various types of micro-savings services function as both promotion (to build an asset base) and protection (to lessen the impact of shocks).

Fixed Asset Loans

Loans for fixed assets are given to businesses to help them pay for their fixed asset investment activities. Businesses invest in fixed assets in a variety of ways, including the creation of new products, the transformation of technology, the creation of new infrastructure, the purchase of a house, the completion of engineering projects, the acquisition of technology, and the installation of equipment (Bank of China, 2021).

The process of obtaining financing to acquire or lease assets that a company requires is known as leasing or lending based on assets. It gives you a safe and effective way to get a loan to pay for important assets that your business needs to keep running and growing. Asset finance is a type of borrowing involving a company's assets (Knowledge Centre, 2022). A company may use its current inventory, accounts receivable, or short-term investments to obtain short-term financing. To ensure the existence of thriving SMEs in the nation, it is necessary to adopt the ability to pay criteria for loan disbursement, establish functional microinsurance schemes, grant loans to small businesses, and eliminate all institutional and structural bottlenecks (Yahaya, 2015). According to Mathur (2012), microinsurance is a low-value product with a low premium that is based on the community risk rate and necessitates various design and distribution schemes. According to Gyimah & Boachie (2018), microfinance insurance covers life, health, property, and other valuable business assets. According to Oscar and Abor (2013), this ensures the activities of the customers of microfinance banks.

Empirical Review

The role of microfinance institutions in financing small businesses was examined by Taiwo, Yewande, Edwin, and Benson (2016). They used primary data from 15 small businesses in Lagos State that they got from interviews. They discovered that by reducing the resource gap for small businesses, microfinancing significantly promoted businesses.

The following are the outcomes of research that Obokoh, Monday, and Ojiako (2016) conducted on SMEs and microfinance banks: The experience in Nigeria demonstrated that microfinance lending is beneficial to the growth of SMEs.

Babajide (2012) examined the impact of microfinance on the expansion of Nigerian SMEs. Multiple regression analysis was used in the study. It measured the 502 financial institutions selected at random by MFBs. According to the study, access to microfinance did not help Nigeria's small businesses expand. According to Arogundade's formal model approach, microfinance lending in Nigeria has not been good.

Adewole, Dare, and Ogunyemi (2019) investigated the connection between the performance of Nigerian microfinance banks and financial intermediation. The Central Bank of Nigeria Statistical Bulletin served as the source for the data. Regression analysis was used to analyze the data to achieve the stated goal. According to the study's findings, the total loans made by microfinance banks and the deposits made by microfinance banks in Nigeria were significantly correlated.

According to MFBs Performance, microfinance banks in Nigeria have a significant relationship between total assets and capital employed. In addition, it was discovered that the liquidity ratio of microfinance banks in Nigeria and the loan-to-deposit ratio of microfinance banks were significantly correlated.

In Ogun State, Nigeria, Akingunola, Olowofela, and Yunusa (2018) investigated the impact of microfinance on micro and small businesses (MSE). The stratified and purposive sampling techniques were utilized. Primary information was gathered from 408 MSEs in Ogun State for the survey. A straightforward regression analysis was used to investigate the research issues. There was a negative correlation between MSEs and intermediary financial services (credit disbursement). Additionally, the result demonstrated a positive connection between business expansion and microcredit.

In Benue State, Nigeria, Diaka and Asenge (2019) investigated the impact of microfinance banks on the performance of women-owned businesses. In Makurdi Metropolis, Benue State, women entrepreneurs who are customers of specific Microfinance Banks were the focus of the study.

The study focused specifically on the performance of women-owned businesses in Benue State in relation to microfinance services like loan services, saving services, and training services. The study utilized a questionnaire and a survey design for data collection. In Benue State's Makurdi metropolis, 68 women-owned businesses made up the population. This study utilized the entire population using a census sampling strategy. For data presentation and analysis, simple percentages, the mean, and the standard deviation were used, and regression analysis was used to test hypotheses. The study found that microfinance loans and saving services had a significant impact on the performance of Benue State's women-owned businesses.

Methodology

Nigerian small-scale food manufacturing businesses make up the majority of the study population. Only small-scale food manufacturing businesses in Lagos and Oyo States are included in the study area. Seven hundred forty-seven (747) small food manufacturing businesses were chosen using a purposive approach. The study's reliability and validity are ensured by sending questionnaires to small-scale food manufacturing business owners in Lagos and Oyo states, respectively. A pilot test is also used to support the study objective and capture business performance. Additionally, an expert judgment validity method is used to assess the study instrument's suitability. A test-retest pilot test, on the other hand, is carried out before the actual study. Furthermore, the independent T-test, Pearson Product Moment Correlation Coefficient (PPMC), and Linear Regression Analysis are utilized for data analysis.

Model Specification

Independent Variable - (Financial Intermediation): This variable will be measured using the following indices

MFFI (Microfinance Bank Financial Intermediation) = (Working Capital, Fixed Asset Loans and Saving).

Dependent Variable – (Performance of small-scale businesses)

PSFMB (Performance of Small-Scale Food Manufacturing Businesses) = (Value Added, Value Chain, Customer Loyalty).

Result and Discussion of Finding

Table 1: Demographic Data of the Respondent

Variable	Categories	Frequency (f)	Percentage (%)
Gender	Male	444	59.4
	Female	303	40.6
	Total	747	100.0
Age Group	Less than 20 years	6	0.8
	21 – 25 years	27	3.6
	26 - 30 years	141	18.9
	31 - 35 years	153	20.5
	36 - 40 years	104	13.9
	41 years and Above	316	42.3
	Total	747	100.0
Age of Business	1 - 5 years	305	40.8
	6 - 10 years	209	28.0
	11 - 20 years	155	20.7
	21 - 30 years	33	4.4
	31 - 50 years	45	6.0
	Total	747	100.0
Highest Education Qualifications	No Formal Education	6	0.8
	Primary Six Certificate	45	6.0
	S.S.C.E Certificate	155	20.7
	N.C.E/ N. D	209	28.0
	HND/ B.Ed./ B.Sc	269	36.0
	Masters Degree& Above	63	8.4
	Total	747	100.0
Business Insured	Yes	259	34.7
	No	488	65.3
	Total	747	100.0
Number of Employees	1 – 5	381	51.0
	6 – 10	240	32.1
	11 – 20	73	9.8
	21 – 30	41	5.5
	31 – 50	6	0.8
	50+	6	0.8
	Total	747	100.0
What is your average annual sales level?	10,000 - 50,000	33	4.4
	51,000 - 100,000	93	12.4
	101,000 - 250,000	96	12.9
	250,001 - 1,000,000	132	17.7
	1,000,000 - 2,000,000	154	20.6
	Above 2,000,001	239	32.0
	Total	747	100.0

Source: Field Survey Report, (2022.)

Table 2: Microfinance Banks' financial intermediations influence the performance of small-scale food manufacturing businesses in Lagos and Oyo States, Nigeria

S/N	Statements		SD	D	UND	A	SA	$\bar{X}$	STD
	Working Capital (WC)								
1.	In lowering the level of liquid assets, the greater the risk of not being able to meet current obligations to my business outfits.	F	144	189	123	193	98	2.88	1.34
		%	19.3	25.3	16.5	25.8	13.1		
2.	The decrease in the cash conversion cycle has a positive effect on return on assets.	F	150	192	120	220	65	2.81	1.29
		%	20.1	25.7	16.1	29.5	8.7		
3.	The efficiency in working capital management affects the short-term of my financial performance towards productivity.	F	279	288	8.0	81	39	2.08	1.16
		%	37.3	38.6	60	10.8	5.2		
4.	The working capital used in my business has improved the performance measurement in my business's internal reports	F	273	396	78	-	-	1.74	.634
		%	36.5	53.0	10.4				
	Average mean					2.38		1.105	
	Fixed Asset Loan (FAL)								
5.	The absence of a separate finance department for working capital management may hinder the success of the business	F	156	174	72	179	166	3.03	1.48
		%	20.9	23.3	9.6	24.0	22.2		
6.	Group liabilities eliminate the need for collateral security when accessing a loan	F	200	181	90	180	96	2.72	1.41
		%	26.8	24.2	12.0	24.1	12.9		
7.	Small loans to meet temporary business shortfalls are promptly granted	F	221	184	36	213	93	2.69	1.46
		%	29.6	24.6	4.8	28.5	12.4		
8.	Getting a business loan from microfinance does not involve lengthy procedures	F	219	216	69	171	72	2.55	1.37
		%	29.3	28.9	9.2	22.9	9.6		
9.	I have a low qualified official in working capital management could affect the future of my business	F	192	267	78	119	91	2.53	1.35
		%	25.7	35.7	10.4	15.9	12.2		
	Average mean					2.704		1.414	
	General Savings (GS)								
10.	I enjoy saving money perpetually for the rainy day	F	150	153	51	51	180	3.16	1.49
		%	20.1	20.5	6.8	6.8	24.1		
11.	I save money because I don't know the future of my business	F	159	156	51	249	132	3.05	1.45
		%	21.3	20.9	6.8	33.3	17.7		
12.	Saving is something I do regularly with a Micro-finance Bank for my business	F	153	222	69	186	15.7	2.86	1.41
		%	20.5	29.7	9.2	24.9	117		
13.	I always failed to save enough money due to the situation of my personal needs.	F	192	276	80	163	36	2.43	1.22
		%	25.7	36.9	10.7	21.8	4.8		
	Average mean					2.875		1.36	
	Grand Mean					2.652		1.293	

Source: Field Survey Report, (2021)

The responses on lowering the level of liquid assets and its implication to meet the current obligation to business outfits show that (19.3%) of the respondents strongly disagree that lowering the level of liquid assets could cause the risk of not being able to meet the current obligation (current liability) of their business outfit, 25.3% of the respondents disagree on this statement, 16.5% of the respondents are indifferent on the statement, 25.8% of the respondents agree on this statement and 13.1% strongly agree on the statement. The implication is that lowering the level of liquid assets could not distort their ability to meet up with the payment of the current liability.

The responses on the effect of a decrease in cash conversion on return on assets show that 20.1% of the respondents strongly disagreed that the decrease in cash conversion cycle has a positive effect on return on assets, and 25.7% of the respondents disagreed with the statement, 16.1% of the respondents are indifferent, 29.5% of the respondents agree and 8.7% strongly disagree. This implies that the decrease in the cash conversion cycle has no positive effect on return on assets.

The responses of the respondents on the effect of the efficiency in working capital management on short-term financial performance towards productivity show that 37.3% of the respondents strongly disagree that the efficiency in working capital management affects the short term of their financial performance towards productivity, 38.6% of the respondents disagree on this statement, 8% of the respondents are indifferent, 10.8% of the respondents agree on the statement and 5.2% strongly disagree on the statement. The implication is that the efficiency in working capital management does not affect short-term financial performance towards productivity.

The responses of the respondents on the effect of working capital on the improvement of their business performance measurement show that 36.5% of the respondents strongly disagree that the working capital used in their business has improved the performance measurement in their business internal reports, 53.0% of the respondents agreed on this statement, 10.4% of the respondents are indifferent while no respondents agree on the statement. Inference from the responses indicates that working capital used in the businesses has not improved the performance measurement of the businesses.

The respondents' responses on the lack of a separate finance department for working capital on the success of a business show that 20.9% of the respondents strongly disagree that the absence of a separate finance department for working capital may hinder the success of the business, 23.3% disagree on the statement, 9.6 of the respondents are indifferent, 24.0% of the respondents agree and 22.2% of the respondents strongly agree. The implication is that the absence of a separate department for working capital management could determine the success of the respondent's business or not, since a large number of the respondents agree and disagree.

The responses of the respondents on the elimination of the need for collateral security when assessing a loan through any group show that 26.8 of the respondents strongly disagree that group liability eliminates the need for collateral security when assessing a loan, 24.2% of the respondents disagree, 12.0% of the respondents are indifferent and 24.1% of the respondents agree while 12.9% strongly agree indifferent of the responses indicates that group liabilities did not eliminate the need for collateral security when seeking a loan.

The responses of respondents on whether small loans are granted to meet temporary business shortfalls show that 29.6% of the respondents strongly disagree that their businesses were granted a small loan to meet their temporary business shortfalls, 24.6% of the respondents disagree, 4.8% of the respondents are indifferent, 28.5% of the respondents agree and 12.4% strongly agree. This is an indication that the majority of the respondents are not given a small loan to meet their temporary business shortfalls.

The responses of the respondents on the lengthy procedure of getting a loan show that 29.3% of the respondents strongly disagree that getting a business loan from microfinance does not involve lengthy procedures, 28.9% of the respondents disagree with this statement, 9.2% of the respondents are indifferent, 22.9% of the respondents agree and 9.6% of the respondents strongly disagree. This implication is that majority of the respondents experienced lengthy procedures to get a loan from microfinance.

The responses of the respondent on qualified personnel in working capital management on the future of business show that 25.7% of the respondents strongly disagree that a low qualified official in working capital management could affect the future of their businesses, 35.7% of the respondents disagree on the statement, 10.4% of the respondents are indifferent, 15.9% of the respondents agree and 12.2% of the respondents strongly disagree. Inference from the respondents' responses indicates that a low-qualified official in working capital management would not affect the future of their businesses.

The responses of the respondents on saving now for future uncertainty show that 20.1% of the respondents strongly disagree that they enjoy saving money perpetually for the rainy day, 20.5% of the respondents disagree with this statement, 6.8% of the respondents are indifferent likewise agree and 24.1% of the respondents strongly agree. This implies that the respondents are dissatisfied with saving money perpetually for future purposes.

The responses of the respondents on the purpose of saving money show that 21.3% of the respondents strongly disagree that they save money because they did not know the future of their business, 20.9% of the respondents disagree with this statement, 6.8% of the respondents are indifferent on the statement, 33.3% agree on the statement and 17.7% strongly agree on the statement. This implies that the majority (51%) of the respondents saved money to meet the future demands of their businesses.

The responses of the respondents on savings with a Microfinance bank show that 20.5% of the respondents strongly disagree that saving is something they do regularly with a microfinance bank for their businesses, 29.7% of the respondents disagree with this statement, 9.2% of the respondents are indifferent, 24.9% of the respondents agree and 15.7% of the respondents strongly agree. The implication is that majority of the respondent do not save with microfinance banks regularly.

In the general deduction, research question two has revealed the extent to which Microfinance Banks' financial intermediation activities in the performance of small-scale food manufacturing businesses in Lagos and Oyo States, Nigeria was concluded in Table 4.3 which shows a grand means of 2.65 with a standard deviation of 1.29 respectively. The responses from the items were negatively appraised by respondents based on individual perceptions in accessing loans without standing others to defend such capital in the study.

Table 3: Ordinary least square regression: the effects of MFBs' financial intermediationactivities and performance of small-scale food manufacturing industry

<table>
<tr><th colspan="7">Model Summary</th></tr>
<tr><td>Model</td><td colspan="2">R</td><td>R Square</td><td colspan="2">Adjusted R Square</td><td>Std. Error of the Estimate</td></tr>
<tr><td>1</td><td colspan="2">.435[a]</td><td>.211</td><td colspan="2">.205</td><td>7.46325</td></tr>
<tr><td colspan="7">Predictors: (Constant), Financial Intermediation</td></tr>
<tr><th colspan="7">ANOVA</th></tr>
<tr><td>Model</td><td colspan="2">Sum of Squares</td><td>Df</td><td>Mean Square</td><td>F</td><td>Sig.</td></tr>
<tr><td rowspan="3">1</td><td>Regression</td><td>329.460</td><td>2</td><td>355.803</td><td>5.864</td><td>.000[b]</td></tr>
<tr><td>Residual</td><td>33356.868</td><td>744</td><td>38.408</td><td></td><td></td></tr>
<tr><td>Total</td><td>33687.328</td><td>746</td><td></td><td></td><td></td></tr>
<tr><th colspan="7">Coefficients</th></tr>
<tr><td rowspan="2">Model</td><td colspan="3">Unstandardized Coefficients</td><td>Standardized Coefficients</td><td rowspan="2">T</td><td rowspan="2">Sig.</td></tr>
<tr><td colspan="2">B</td><td>Std. Error</td><td>Beta</td></tr>
<tr><td rowspan="2"></td><td colspan="2">(Constant)</td><td>39.223</td><td>2.005</td><td>28.997</td><td>.000</td></tr>
<tr><td colspan="2">Social Intermediation</td><td>.058</td><td>.093   .415</td><td>8.732</td><td>.000</td></tr>
</table>

Source: Field Survey Report, (2021)

Microfinance Bank's financial intermediation activities have no significant effect on the performance of small-scale food manufacturing businesses in Lagos and Oyo States, Nigeria.

Table 3 presents the results of the simple regression analysis for financial intermediation and performance. As shown in Table 4.7, the R-square was 0.211 which implies that financial intermediation has about 21% impact on the performance of small business enterprises in the southwest, Nigeria while the remaining 79% of the variation can be attributed to the other variables not captured in this study. In addition, the beta coefficient for the financial intermediation is 0.058 which implies that a unit change in financial intermediation may result in about a 5.8% increase in the performance of small-scale businesses in the southwest. The result from table 3 stated that Microfinance Bank's financial intermediation activities have no significant effect on the performance of small-scale food manufacturing businesses in Lagos and Oyo States, Nigeria.

Conclusion and Recommendation

The development of micro-enterprises is a segmented process with a large capacity to increase economic growth and development. This can only be achieved if access to loans, resources and credits that can enhance business performance and expansion is made available. In the Nigerian context, microfinance banks have not performed to their fullest and have not played a concrete financial intermediation function regarding the provision of loans, credits and saving schemes for SMEs that would improve their business performance. This has not influenced SMEs' operating mechanism to alleviate poverty, create employment and speed the growth of SMEs. However, this situation has been a key concern for private sectors, practitioners, citizens, operators and the government. The findings indicate that microfinance banks' financial intermediation has no significant relationship with small and medium-scale business performance in Nigeria, especially in Lagos and Oyo States. The study recommends that there is a need for both private organizations/individuals and the government to assist microfinance banks in improving the performance and growth of small-scale businesses. Microfinance banks ought to focus more on ethical and professional conduct by ensuring that loans and credits are given to credible and promising entrepreneurs and also reducing the strict policies in credit supply to small and medium enterprises (SMEs). Monetary authorities need to encourage MFBs to create more branches to enable investors in rural areas to have access to credit facilities as well as to save. They ought to stabilize the rate of interest which can balance the stability of price and manage inflation to a single digit. Lastly, the study also suggests central bank and other policymakers ought to have a common opinion to create a specialized banking financial intermediation role that is responsible for supporting and financing small-scale manufacturing investments in the economy.

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