

Effect of Micro, Small, and Medium Enterprises' Performance on the Poverty level in Nigeria

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ARTICLE INFO

Received: 22 September 2022

Revised: 23 October 2022

Accepted: 29 October 2022

Online: 10 November 2022

To cite this paper:

Oyedokun, Godwin Emmanuel & Bello, Sunday Ade (2022). Effect of Micro, Small, and Medium Enterprises' Performance on the Poverty level in Nigeria. *Asian Journal of Economics and Finance*. 4(4), 425-444. [https://DOI: 10.47509/AJEF.2022.v04i04.05](https://doi.org/10.47509/AJEF.2022.v04i04.05)

Abstract: The study examined the effect of Micro, Small, and Medium Enterprises (MSMEs) Performance on the Poverty level in Nigeria with a concentration on the North-central Nigeria. The mix-method research strategy was adopted in this study which entails the collection and analysis of both the qualitative and quantitative data. The population of this study includes; all the 5,757,817 micro, small and medium enterprises in the six states of north-central Nigeria, out of which a sample size of 384 was selected also the staff of the Bank of Industry in the six states under consideration and the Head office in Lagos. The study employed the use of a two-stage cluster sampling technique to compute the sample size, the Cochran sample size formula (1977) was employed. The findings revealed that the MSMEs turnover has a significant and negative effect on the poverty level in North-central Nigeria and MSMEs profitability has a negative and significant effect on the poverty level in North-central Nigeria. The study concluded that poor availability of funds, limited access to the market, lack of capacity to cope with the latest technological innovations, lack of a winning business model, and banks' reluctance to grant loan facilities to MSMEs are among the primary reasons impeding the growth of MSMEs and the problems are directly under the control of MSMEs organizations if they possess adequate managerial skills to handle them. The study, therefore, recommended that the government need address and monitor the activities of loan provided by the bank of industry and the bank of the industry should promote and give more loans to MSMEs which will improve their business and in the long run reduces poverty in the region.

Keywords: Profitability, Turnover, MSMEs, Nigeria

Introduction

The Micro, Small, and Medium Enterprises (MSMEs) sector is very important to the economic fortune of a nation. The sector is responsible for contributing immensely as the catalyst to economic rejuvenation due to its capacity to create jobs and increase the gross domestic product of a country. MSMEs represent about 90% of businesses and more than 50% of employment worldwide, formal SMEs contribute up to 40% of national income (GDP) in emerging economies. Ninety-six per cent of the businesses in Nigeria are MSMEs contributing 50% to the National GDP. It can be

further stressed that 73% of MSMEs are sole proprietorships; 14% are private limited liability companies while 13% are Partnerships, while the MSMEs run by women account for only 23% and the age group of MSMEs owners ranges from 20 to 60 years old.

No nation can effectuate feasible economic growth and even reduction in poverty without a deliberate effort at growing the MSMEs sector as the sector remains the most viable backbone of every economic development, especially in the areas of bettering the socio-economic status of the poor, creating of massive job opportunities and usage of the available local materials. To eradicate poverty by 2030 in line with the Sustainable Development Goals (SDG), government, international agencies and other philanthropists must look for ways to support the growth and development of the MSMEs.

Despite the various studies on MSMEs and their invaluable contributions to the growth and development of the economy, the extent of their impacts especially in developing countries is still being hampered by various factors. The most critical of these entire factors is access to finance. For instance, in Ethiopia, a review of the various challenges confronting the MSMEs sector confirmed that lack of finance is placed above other challenges (such as lack of infrastructure, lack of training in entrepreneurial and management skills, lack of information on business opportunities, lack of access to premise, inefficient financial market, and the problem of skilled manpower) confronting the MSMEs sector (Yaregal, 2018).

In the same vein, one of the major impediments to the growth of the MSMEs in Nigeria is access to finance. Reports from both the local and international organizations supported the fact that the rate of growth of the MSMEs sector in Nigeria is still at a snail's speed while the level of poverty is very high and the country has one of the world's least per capita income with sixty-five per cent of the population living in abject poverty if ranked in relations to the United Nations rating, this calls for concern that there exists a problem (USAID, 2018).

A comparative study of the contributions and challenges of MSMEs in Turkey and Malaysia from three distinctive perspectives; financial assistance, the impact of a knowledge-based economy, and the impact of marketing assistance, suggested that the government should put in place measures to enhance the knowledge of small entrepreneurs and expose them to training in special areas such as technology advancement, innovations, market research, and development, also provide them with finance in the form of grant and offer tax incentives (Dzuljastri, Moha & Arif, 2018). A consideration of the role of MSMEs development on poverty

alleviation in Nigeria showed that one of the best ways to grow the MSMEs sector and alleviate poverty in Nigeria is through the regular advocacy and training of MSMEs owners, especially by the Small and Medium Scale Enterprises Development Agency (SMEDAN) (Solomon, Olusegun & Olalekan, 2019).

Furthermore, an examination of the impact of the growth of SMEs financing in Nigeria (via deposit money banks) revealed that deposit money bank financing of SMEs has a positive and significant influence on Nigeria's economic growth, as a credit to the private sector and SMEs contributed positively to real gross domestic product (Ogbuj, Onwuemele & Bello, 2022).

Also, if the government can provide a platform for MSMEs to access capital at an affordable rate and formulate policies to grow the MSMEs and encourage the consumption of 'Made in Nigeria goods' that will help to grow the MSMEs and reduce poverty (Almalki, 2016; Oduntan, 2014; Oluseyi, Solomon & Adekunle, 2013).

However, a study of the financial inclusion of women showed that more men (67%) were financially included than their female counterparts (59%) thereby leaving about 41% of females financially excluded (CBN, 2018).

A comparison of the level of poverty in North-central Nigeria to other parts of the country revealed that poverty in North-central Nigeria is real and severe compared to other regions due to high level of illiteracy, lesser opportunities for women who are culturally confined to take care of the home front and religiously brainwashed into early marriages also not given same advantages like their male counterpart, insecurity, lack of awareness of the availability of affordable investible funds and general peoples' apathy to patronizing financial institutions for credit to grow their businesses (Ndanusa, 2017). The effects of these are responsible for the resentment in the youth population and opened the doors for religious fundamentalism, kidnapping and corruption which portend great danger to the region and the country as a whole if nothing urgent is done (Ndanusa, 2017).

Therefore, the creation of another financing platform such as the Bank of Industry in 2001 was very germane to resolving this problem and providing credits at affordable rates to MSMEs owners also, giving other technical support for the massive industrial growth of the country. This study, therefore, examined Micro, Small and Medium Enterprises Financing and Poverty levels in North-central Nigeria.

The study examined the effect of MSMEs' Performance on the Poverty level in Nigeria with a concentration on the North-central region of Nigeria. For the study, MSMEs' performance was measured by MSMEs turnover and MSMEs' profitability. Therefore, the study set out at;

- i) investigating how MSMEs turnover affects the poverty level in North-central Nigeria.
- ii) examining the effect of MSMEs profitability on the poverty level in North-central Nigeria.

Literature Review

Poverty

An individual is considered as multidimensionally poor if denied access to at least one-third of the weighted gauges for measuring multidimensional poverty which is; years of schooling, child school attendance, child mortality, nutrition, electricity, improved sanitation, improved drinking water, flooring, cooking fuel and asset ownership (OPHI, 2017). Poverty is better explained as a relative term than an absolute term and poverty is more of the inability of people to be warmly accepted into the community than a lack of income (Sule, S. Y. Ibrahim & A. Ibrahim, 2018). Therefore, poverty can be defined relatively or absolutely (UNESCO, 2017). Absolute poverty is concerned with the quality of life or the extent of disparity in the community and it implies the money available to afford the requirements of good food, clothing, and shelter but is silent on the fact that every person has critical social and cultural obligations. The critique of the concept gave rise to the relative definition of poverty which considers poverty from the perspective of the economic standing of members of the community or group of individuals. The proponents opined that a person can be said to be poor if the living standards fall below the predominant standards in the community or group. Both concepts dwelt more on defining poverty from the angle of income and consumption.

Social scientists, on the other hand, consider poverty from the perspective of what might be responsible for the scourge. They studied the likely causes of poverty such as the effect of culture, power, and social system that are outside the jurisdiction of a person. Therefore, to truly understand the word poverty, the social scientists consider other social areas such as housing poor, health poor, and time poor which are necessary to be well-taken cognizance of as poverty is more than only viewing it from the perspective of income or consumption alone because it is multidimensional and incorporates not only the economics perspective but social, political and cultural aspects (UNDP, 2018). The economic aspect has to do with the entitlement of every individual to have a source of livelihood that is; the right to work and earn a living; the social aspect is concerned with having access to quality education and the healthcare system; the political aspect underscores the right of association, expression

and thought while the cultural aspect explains the freedom to uphold one's cultural belief and distinctiveness (UNESCO, 2017).

Poverty in Northern Nigeria

Northern Nigeria has a population of over 90 million people, 719,435 land size km sq (79 per cent of Nigeria's land size), and a population density of 129, while Southern Nigeria has a population of over 80 million people, 190,455 land sizes km sq, and a population density of 421. Northern Nigeria is well blessed with abundant tillable land, sparse population density, and a diverse range of valuable meta-minerals. There are three geopolitical zones and nineteen states in the region. Kano, Kaduna, Katsina, Zamfara, Sokoto, Kebbi, and Jigawa are in the North-west zone, whereas Taraba, Yobe, Borno, Adamawa, Gombe, and Bauchi are in the North-east zone and the North-central region comprises of Benue, Kogi, Kwara, Nasarawa, Niger and Plateau. The North has abundant natural and human resources, and its sparse population density combined with large land expanses provides a fantastic opportunity for comprehensive agricultural programmes of all classes, while several states in the zone also have commercial mineral deposits.

Natural resources in northern Nigeria are in direct opposition to the living conditions of the region's average citizens. Despite the region's tremendous economic resources, such as kaolin, tin, huge fertile terrain, an abundance and variety of agricultural goods, and many more, the majority of its residents are poor. Poverty is most visible in Nigeria's northern regions, with Sokoto state having the highest poverty rate at 86.4 per cent. The poverty rate in Nigeria's North-east and North-west zones is 77.7% and 76.3 per cent, respectively, while the North-central zone has a poverty rate of 67.5 per cent (Jaiyeola & Bayat, 2019).

Northern Nigerians are primarily subsistence farmers who use traditional farming practices and materials. To replenish the soil, they rely primarily on animal manure, domestic waste, and ruminants from plants. As a result, a high percentage of unemployment has increased crime, illiteracy, maternal mortality, and, more lately, various forms of insurgency and terrorism such as Boko Haram, Herdsmen clashes, and others (Jaiyeola & Bayat, 2019). A society's strife and grievances are the results of significant income disparity, which raises the likelihood of violence by exacerbating social distrust and increasing the impression of relative deprivation (World Bank, 2017). This is evident in the instance of Nigeria, where the wealthy are becoming wealthier at the expense of the poorest members of society. This is due to Nigeria's precarious democracy, which lacks the institutional capacity to deal with societal stress.

This is the result of the country's failure to achieve economic development, particularly in the north, where there are few prospects for economic empowerment, significant young unemployment, and a high rate of violent activity used as a weapon against oppressors. As a result, political and religious extremism flourishes in the region, where pervasive poverty is exploited to lure illiterate and jobless youths into violent groups.

The Almajiri system is one of the major causes of poverty in Northern Nigeria (Ngbea & Achunike, 2014). The Almajiris constitute about ten million, or 81 per cent of the country's more than ten million out-of-school youngsters. The term Almajiri is derived from the Arabic word 'Al-muhaajirun,' which denotes scholarly ulama that promotes Islam's peaceful path. However, Oyelami (2018) opined that in Nigeria, the Almajiri concept has outlived its usefulness and has become a breeding ground for child begging and possible terrorist camps. The students who are supposed to be trained to become ulamas have had to fend for themselves by begging rather than learning under the supervision of a semi-literate Quranic teacher or mallams who lack the necessary support and use the system as a means of survival rather than a way of life. In all of its manifestations, the Almajiri system symbolizes child maltreatment, social marginalization, and persistent poverty (Ngbea & Achunike, 2014).

With the massive poverty in the country, Northern Nigeria is home to more than half of the abjectly poor people, the majority of whom are children. In the Almajiris with a population of almost ten million people, it's easy to envision about ten million potential judges, accountants, engineers, lawyers, medical practitioners, and other professionals being squandered. Northerners and parents of street children have failed to fulfil their responsibilities of adequately caring for and educating their children.

Though, it is opined that, if this system of education is modernized with some ingredients of western education and incorporated into the government educational system, it might be one of the ways through which most of these young people who do not want to attend formal education can do so and have access to qualitative education from the start which will go along way to remove religion fundamentalism as the system will be a blend of both the western and religious education.

Micro, Small and Medium Enterprises Financing in Nigeria

From the World Bank perspective, Small and Medium Enterprises can be defined using three qualitative criteria; (1) The number of employees; (2) total assets in U.S. dollars and (3) annual sales in U.S. dollars, therefore, to qualify as a SMEs in line with the World Bank standard, the business must be able to meet the quantitative criteria of several employees and at least

one financial criteria (Gentrit, & Pula, 2015). The Nigeria Finance bill 2019 considered a small enterprise as one with an annual turnover of less than N25 million while a medium enterprise has an annual turnover of between N25 million to N100 million (Onyejekwulum, 2019).

Creating an enabling environment for micro, small, and medium enterprises (MSMEs) to access funding is a major concern at the core of a country's economic and financial development (World Bank Group, 2019). Access to funding is one of the most difficult administrative challenges bedeviling businesses in Nigeria, especially the cost of raising the needed capital for investment purposes. This is the bane of the growth of the MSMEs in the country and one of the reasons why many of them fail prematurely (Bakare, 2019). On a numerical basis, MSMEs now account for almost 90% of all businesses in Nigeria's industrial sector. Despite their dominance, their contribution to GDP pales in comparison to that of nations such as Indonesia, Thailand, and India, where SMEs account for more than 40% of GDP.

Micro, Small, and Medium Enterprises (MSME) can formally seek financial help from banks (commercial, merchant, and development), although the Nigerian financial system views them as a weak sector, making them reluctant of lending to them. The bank would rather pay a penalty for not providing credit to MSMEs than risk extending a loan to them (Adekoya, 2021). Therefore, owners' savings, as well as support from banks, government institutions, local governments, cooperative organizations, relatives and friends, and moneylenders, are all sources of investment capital for SMEs; though most research claimed that personal savings were the primary source of funding for MSMEs.

Theoretical Review

The theoretical background for this study is the Integrative theory. The level of poverty in Nigeria is peculiar and multifaceted. The cause of poverty ranges from low per capita income to low level of savings, low level of education and nutrition, and lack of basic infrastructural facilities. Also, the lack of transparency in government is responsible for a high level of corruption by the few privileged public officials to politically motivated poverty in which the political class deliberately refused to provide the needed public amenities for the public good only to come every election year to use same as a campaign slogan to sway the people to vote for them thereby keeping the larger proportion of the population in perpetual poverty. Therefore, the integrative theory of poverty is very applicable to the Nigerian situation and is adopted for this study, if there is going to be any serious move at alleviating poverty in the country.

This is because the poverty situation in Nigeria is complex and required integrated efforts at solving it. The integrative theory of poverty propounded by Ken Wilber in 1965 attempted at synchronizing all the theories and strategic thinking on poverty into a workable theory (Baba, & Sama, 2017). The theory is described as the “theory of everything” trying “to draw together an already existing number of separate paradigms into an interrelated network of approaches that are mutually enriching” (Brady, 2019). This is premised on the fact that the fundamental basis for poverty is traceable to the level of the per capita income. Poverty in developing countries is a vicious cycle of an inability to live on a balanced diet which results in health challenges and since the level of income is low that will lead to the inability to afford basic medical care which will invariably affect the level of productivity and may ultimately lead to death (Brady, 2019). Also, looking at it from the educational angle, the inability to earn enough income to save and invest in education will lead to the inability to afford the cost of basic education which will ultimately lead to a lack of employment and the final result will be poverty.

There is multiple poverty cycle in Nigeria as the same person who could not afford education whether at the conventional or technical level may also not be able to afford basic healthcare system as well as enjoy the basic infrastructures like good shelter, electricity, clean water and so on to live a manageably comfortable life. Therefore, for Nigeria to solve this problem of the vicious cycle of poverty, the government should embark on huge investment or expansionary fiscal policies that are capable of creating employment opportunities as a result of government spending (Siti, Suman, Manzilati, & Ashar, 2013). This deliberate attempt should be directed at increasing the purchasing power of the people with the target of breaking the vicious cycle of poverty. In achieving this there should be adequate measures put in place to curb corruption and as well as the level of insecurity in the country.

Also, the cause of poverty can be traceable to a lack of transparency on the part of the social and political class in the management of the affairs of the nation and/or social structure. The factors responsible for this include the political system operating in a country as well as the economic policy of the government (Brady, 2019). Due to a lack of transparency, citizens are denied opportunities to access the resources of the country. Therefore, most of the citizens are unable to have access to qualitative education, proper health care and even employment opportunities as the juicy employment/positions are shared or reserved for selected persons in the society (Brady, 2019).

Review of Empirical Studies

Onyeiwu, Muoneke and Nkoyo (2021), using time-series data from 1999 to 2018, using the Ordinary Least Squares estimation E-views 10.0 approach, carried out a study of the extent to which SMEs funding affects economic growth in Nigeria and revealed that loan rate reduces ASGDP by 7% and gross capital formation reduces ASGDP by 5%. Furthermore, the massive influence on growth found in prior studies did not hold for credit to SMEs. The study recommended that the Federal Government and the top bank should make affordable loans to SMEs at single-digit interest rates to boost SMEs' performance and growth at the same time.

Luciano (2018) carried out an analysis of the effect of poverty on the economic development of Brazilian states from 1980 to 2015 using ordinary least square estimation and found that many poor Brazilian states comprise workers with low income and therefore disadvantaged in terms of investment in physical capital, human capital stock, and the effective depreciation of capital. The study agreed with the fact that acute poverty has a greater effect on the economic development of the Brazilian State and recommended the deliberate formulation of policies to reduce poverty and enhance citizens' welfare as the way to cut down on the level of poverty and cause appreciable economic development.

Jose and Jana (2018) conducted a study on the vulnerability trend of poverty in the Philippines from 2003 to 2015 and estimated the vulnerability level of households to income poverty using a modified prohibit model based on income, collated data sourced from the Family Income and Expenditure Survey, and Philippines official poverty lines. The study aimed to determine the predictors of poverty that should be addressed in order not to keep those that are already poor remaining so and to prevent more people from slipping into poverty. The study improved on past model specifications by incorporating the data on price and climate shocks to welfare and also generated different assessments for urban and rural areas before aggregating them as national assessments. The study recommended that an intervention programme based on vulnerability should be put in place to reduce the likelihood of households going into poverty.

Nwakoby and Okoye (2018) assessed the problems associated with financing small and medium enterprises from the Capital Market and examined the reason(s) responsible for the inability of the small and medium enterprises to secure long-term funds from the capital market, also, determining the requirements that would qualify the small and medium enterprises for such funding. The study adopted a descriptive statistic survey by sampling 80 small and medium enterprises in Anambra state (40 SMEs each from Onitsha and Nnewi). Questionnaires were

administered to business owners and/ or their representatives. Data generated were analyzed using simple tabulation, percentages and Chi-Square (X^2) statistical methods. The results of the analysis showed that almost all SMEs owners have little or no knowledge of the activities of the capital market and the potential benefits it carries for the sustenance of their businesses, even the few numbers that were seemingly aware were not keen on approaching the capital market in order to continue to retain the total control of their businesses. The study recommended fair and not too stringent regulatory requirements from the Nigerian Stock Exchange to guarantee a friendly investment climate that would make SME operators and/or investors comfortable to approach the capital market for long-term financing to grow the economy of the country.

Osmond and Paul (2016) researched Small and Medium Scale Enterprises Financing in Nigeria: Problems and Prospects in recognition of the indispensable role of MSMEs in the economic rejuvenation of the country especially the need to put in place strategies and structures to guarantee the growth of the SMEs. The study adopted a descriptive survey method to examine some of the government interventions in SMEs growth in terms of institutions, policies and programmes and how much of those interventions have rubbed off positively on the SME sector. The research revealed that many SMEs were unable to access the intervention funds due to unfavourable conditions attached to them and ambiguous guidelines, therefore, it was recommended that all banks participating in the disbursement of intervention funds to aid SMEs' growth should synchronize the applicable guidelines for accessing such funds to make them the same and investors friendly.

Method and Materials

The mix-method research strategy was adopted in this study which entails the collection and analysis of both the qualitative and quantitative data. The population of this study includes all micro, small and medium enterprises in the six states of north-central Nigeria, the staff of the Bank of Industry in the six states under consideration and the Head office in Lagos. The six states in North-Central Nigeria have a total of 5, 757,817 micro, small and medium enterprises which are 14.5% of the total MSMEs in the country. Out of the total 5, 757,817 micro, small and medium enterprises in the North-Central Nigeria; Benue state has 840, 673 (15%), Kogi state; 713,779 (12.3%), Kwara state; 1,348,249 (23%), Nasarawa state; 674,125 (11.7%), Niger State; 1,149,977 (20%) and Plateau state; 1,031,014 (18%).

The researcher employed used a two-stage cluster sampling technique. The total population of the study was divided into senatorial districts as

subgroups with each senatorial district representing a cluster from which a percentage of respondents were randomly selected to form the sample size. To compute the sample size, the Cochran sample size formula (1977) was employed. The Cochran sample size formula enabled the researcher to calculate the ideal sample size given the desired level of precision, desired confidence level, and the estimated proportion of the attribute present in the population. This formula is most appropriate to arrive at the sample size of a large population.

Cochran sample size formula is given as; $N_o = Z^2PQ/E^2$ Where;

Z = z-score, E = margin of error, P = standard of deviation and $Q = 1-P$

Therefore, computing the sample size with a 95% confidence level, 50% standard deviation, and a 5% margin of error, we have:

$Z = 1.96$, $E = 0.05$, $P = 0.5$, $Q = 1-0.5$. Therefore: $1.96^2 * 0.5 (1-0.5)/0.05^2 = 384$

The sample size for this study will be 384 respondents as contained in Table 1

Table 1: State by State distribution of Sample Size

<i>Sample Size Compilation</i>				
<i>State</i>	<i>Total No of MSMEs in North-Central</i>	<i>% of MSMEs</i>	<i>% of MSMEs * 384</i>	<i>Sample Size</i>
Benue	840,673	15	57.6	58
Kogi	713,779	12.3	47.2	47
Kwara	1,348,249	23	88.3	88
Nasarawa	674,125	11.7	44.9	45
Niger	1,149,977	20	76.8	77
Plateau	1,031,014	18	69.1	69
	Total			384

Source: SMEDAN Report 2022

The sample size was arrived at by dividing the total number of sample sizes by the percentage of Micro, Small and Medium Enterprises in each state. Therefore, a sample size of 58 respondents was randomly selected in Benue State, 47 in Kogi State, 88 in Kwara State, 45 in Nasarawa State, 77 in Niger State and 69 in Plateau State. The total sample size for this study was 384.

The methods of data collection used in this study include participatory observation, in-depth interviews, online surveys, telephone surveys and a well-structured questionnaire. These allowed the researcher to have a total grasp of the understanding of respondents about the research as well as get their true feelings and responses, especially during the personal

interview process, which was informal. However, because it was practically impossible for the researcher to meet and interact one on one with the 384 respondents from the six states in North-Central Nigeria, the services of trained research/field assistants were sought to assist in administering the questionnaires and conducting personal interviews especially thoroughly explaining the intends and contents of the research questions to the respondents in the best language possible to obtain their objective opinions/responses, also, the questionnaire was sent to some of the respondents online. The result of the data collected through this exercise was used to test the relevant hypotheses.

Data captured in the study were analysed using descriptive statistical methods. Descriptive analysis involves the use of percentages, tabulations, and graphs in analyzing data. Also, the use of the Ordinal Regression Method (ORM) as a method of analysis to check the relationship between Micro, Small and Medium Enterprises (MSMEs) financing and poverty level in North- Central Nigeria was adopted.

The model used for this study is adapted from the study of Edom, Inah & Emori (2015). The model stated thus: $PR = f(SMEF, INFLR, EXHR, UEMPR)$, That is Poverty rate is a function of Small and Medium Enterprises Financing, Inflation Rate, Exchange Rate and Unemployment Rate.

From the above, the model for measuring the level of poverty is stated as;

$$Y = f(X)$$

Where

Y = poverty

X = performance which is also proxy as (x_1, x_2)

x_1 = turnover

x_2 = profitability

Therefore;

Poverty level = $f(MSMETO, MSMEPR)$. An estimable form of the above model will be given as:

$L(P) = \alpha + \beta_1(TO) + \beta_2(PR) + \mu$ Therefore, the model will be specified as;

$$\text{Log } h_0(t) = \alpha(t) + \beta_1 X_i + \beta_2 X_2 + \mu \dots\dots\dots$$

Where

X takes the form of x_1 and x_2 .

i is a subscript for observation

X_s' are the covariates

α is a constant that represents the log baseline and

Log $h_0(t)$ takes a binary form, 1 if death occurs and 0 if death does not occur.

β = is the vector of parameters to be estimated.

The predictor variables are given as x_1 and x_2 ;

Where

x_1 = MSMEs turnover

x_2 = MSMEs profitability

μ = Error term

A priori, $\beta_1 > 0$; $\beta_2 > 0$;

Therefore, the model for investigating *the effect of MSMEs' Performance on the Poverty level in Nigeria* can be written in a functional form as shown below. MSMEs turnover and profitability were the variables used in the study to measure MSMEs performance.

Poverty Level = f (MSME Turnover, MSME Profitability)

$$LP = f (TO, PR) \quad (1)$$

LP = The dependent variable "poverty level" is a function of MSME Turnover and MSME Profitability.

Demographic Characteristics of the Respondents

Table 1: Presentation of Demographic Information

Variables	Characteristics	Frequency	% age (%)
Gender	Male	174	45.6
	Female	210	54.4
	Total	384	100.0
Educational Qualification	Primary	46	11.9
	ND/HND	171	44.6
	B.SC	141	36.8
	MSC	26	6.7
	Total	384	100.0
Marital Status	Single	50	13.0
	Married	324	84.4
	Divorced	10	2.6
	Total	384	100.0
Age distribution	18-30 years	98	25.5
	31-43 years	204	53.1
	44-46 years	72	18.7
	57 years and above	10	2.7
	Total	384	100.0

contd. table

<i>Variables</i>	<i>Characteristics</i>	<i>Frequency</i>	<i>% age (%)</i>
Enterprise	Micro	49	12.8
	Small	222	57.8
	Medium	113	19.4
	Total	384	100.0
	Personal savings	27	7.0
	Family Support	89	23.3
	A loan from Cooperative	226	58.8
	A loan from BOI	42	10.9

It is observed that 210 of the respondents who represent about 54.4% of the respondent analysed in the study are female while 174 of the respondents who represent about 45.6.9% of the respondents are male. It can also be observed that 46 of the respondents which represents about 11.9% of the respondents possessed primary education, 171(44.6 of the respondents possessed Nigeria Certificate of Education (NCE) or Higher National Diploma (HND); 141(36.8%) of the respondents are Bachelor of Science (B.Sc), 26(6.7%) of the respondents are Masters. These results, it implies that the majority of the respondents who are the owner of the business venture are having ND/HND 171(44.6%), followed by respondents having BSC 141(36.8%) while the least MSC holders had the least number of respondents in study 26(6.7%). It is observed that 50 of the respondents which represent about 13% of the respondent analysed in the study are Single while 324 of the respondents which represent about 84.4% of the respondents are married and 10(2.6%) of the respondents are divorced. This implies that the study captures more married.

As observed in the table, 98 of the respondents which represent about 25.5% of the respondents are within the age range between 18 years to 30years old while 204 of the respondents which represent about 53.1% of the respondents are between 31years of age and 43 years old. 72(18.7%) of the respondents are between 44years of age and 56years old and 10(4.9%) of the respondents are of the age 57 years and above. The implication of this result is that majority of the respondents captured in the study, are of the young generation who are more involved in SMEs than the older generation. As observed in the table, 49 of the respondents which represent about 28.8% of the respondents are micro owners of SMEs firm while 222 of the respondents which represent about 57.8% of the respondents are small owner of SMEs and 113 (29.4%) of the respondents are the medium owner of SMEs. The implication of this result is that majority of the respondents captured in the study are small owners of different SMEs business. From the table, 27(7%) of the respondents raise money through

their savings for their MSMEs business, 89(23.3%) of the respondents raised money through family support for their business, 226(58.8%) of the respondents raised money through cooperative societies while 42(10.9%) of the respondents is through the bank of industry. It can be deduced from the above that majority of the respondents finance their MSMEs business through a loan from the cooperative societies

Table 2: The business main activity

	<i>Frequency</i>	<i>Per cent (%)</i>
Manufacturing	51	13.3
Accommodation and food service activities	28	7.3
Fashion, Beauty and Personal Care Industry	123	32
Agriculture	182	47.4
Total	384	100.0

Source: Research Survey, 2022

Table 4 revealed the main business activities of MSMEs used for the analysis. It can be deduced from the above table that the majority of MSMEs' main business activity was within the agriculture sector with 182 (47.4) followed by Fashion and Beauty with 123 (32%).

Table 5: The growth of MSMEs over the last three years

	<i>Frequency</i>	<i>Per cent (%)</i>
Over 20% per year	158	41
Less than 20% per year	89	23.2
Not applicable, the business is less than three years	82	21.4
No growth	34	8.9
Got Smaller	21	5.5
Total	384	100.0

Source: Research Survey, 2022

Table 5 revealed the growth of MSMEs over the past three years. It can be deduced from the above table that the majority of the MSMEs, 158 (41%) only grew by over 20% per year in the last three years.

Presentation of Data

Regression Analysis

Table 3: Regression Analysis

<i>Parameter Estimates</i>		<i>Estimate</i>	<i>Std. Error</i>	<i>Wald</i>	<i>Df</i>	<i>Sig.</i>	<i>95% Confidence Interval</i>	
							<i>Lower Bound</i>	<i>Upper Bound</i>
Threshold	[PL = 1.22]	-3.287	1.297	6.427	1	.011	-5.828	-.746
	[PL = 1.44]	-2.978	1.263	5.563	1	.018	-5.453	-.503
	[PL = 1.56]	-2.176	1.205	3.259	1	.071	-4.539	.186
	[PL = 1.67]	-1.241	1.169	1.126	1	.289	-3.532	1.051
	[PL = 1.78]	-.303	1.152	.069	1	.793	-2.560	1.955
	[PL = 1.89]	.533	1.155	.213	1	.644	-1.731	2.798
	[PL = 2.00]	.755	1.160	.424	1	.515	-1.518	3.029
	[PL = 2.11]	1.130	1.173	.928	1	.335	-1.169	3.429
	[PL = 2.22]	2.094	1.241	2.846	1	.092	-.339	4.526
	[PL = 2.33]	2.414	1.278	3.566	1	.059	-.091	4.920
	[PL = 2.44]	2.851	1.347	4.480	1	.034	.211	5.490
[PL = 2.56]	3.575	1.526	5.490	1	.019	.584	6.565	
Location	AC	-.483	.475	1.034	1	.003	1.414	.448
	TO	-.236	.648	.133	1	.001	1.506	1.034
	PR	-.478	.324	2.181	1	.000	.156	1.112
	EC	-.567	.678	6.342	1	.002	.942	1.890
	BS	.890	.321	.125	1	.610	.753	1.563

Link function: Logit.

Source: Research Survey 2022

Table 3 shows the ordinal regression which revealed the level of relationship among the variables of investigation. From the table, PL thresholds are the dependent variable while the independent variables are TO and PR. The table revealed the relationship between poverty level, MSMEs' turnover and profitability. It can be deduced from the above regression table, MSMEs financing has a negative impact and significant impact on the poverty level in North-central Nigeria because the p-value of all the parameters except BS is less than 0.05. Statistically, a unit change or 1% change in MSMEs access to credit, turnover, profitability and job creation will bring about a 48.3%, 23.6%, 47.8%, and 56.7% reduction in the poverty level in North-central Nigeria. Moreover, Bank of industry business support has a positive effect on the poverty level although it is not statistically significant. It means that bank of industry business support has not been so effective in supporting and financing MSMEs businesses in the North-central which can bring about a reduction in the poverty level.

Discussion of the Findings

Table 4: Investigate how MSMEs turnover affects the poverty level in North-central Nigeria

<i>MSMEs turnover</i>	<i>SA</i>	<i>A</i>	<i>DA</i>	<i>SD</i>	<i>N</i>	
<i>Access to and availability of funding is one of the elements influencing the turnover of MSMEs operators in North-central Nigeria</i>	123 (32%)	201 (52.3%)	36 (9.4%)	1 (0.3%)	23 (6%)	384 (100%)

From Table 4, it is observed that 123(32%) of the respondents strongly agreed that access to finance is one of the factors influencing the turnover of MSMEs operators in the North central of Nigeria; 201(46.4%) also agreed that poverty is the major problem peculiar to the North while 12(3.1%) disagreed, 14(3.6%) strongly disagreed that that access to finance is one of the factors influencing the turnover of MSMEs operators to the North-central. The implication of the result is that majority of the respondents in the study agree that access to finance is one of the factors influencing the turnover of MSMEs operators to the North central

Table 4 revealed the level of relationship between MSMEs turnover and poverty level in North-central Nigeria. It can be reduced from the above table that MSMEs turnover has a negative and significant impact on the poverty level. A unit change or 1% change in MSMEs turnover will bring about a 23.6% decrease in poverty level. Statistically, the value is significant because the p-value of the parameter is less than 0.05 meaning that MSMEs turnover during the period of study contributed immensely to the reduction of poverty in North-central Nigeria. Thus, the null hypothesis of no relationship between MSMEs turnover and poverty level is rejected and the alternative hypothesis is accepted.

Table 5: The effect of MSMEs profitability on the poverty level in North central Nigeria

<i>MSMEs profitability</i>	<i>SA</i>	<i>A</i>	<i>SA</i>	<i>SD</i>	<i>N</i>	
<i>In North-central Nigeria, MSMEs' profitability levels are affected by a lack of capital and government support</i>	47 (12.2%)	200 (52.1%)	91 (23.7%)	2 (0.5%)	39 (10%)	384 (100%)
<i>Access to credit services has greatly influence positively the profits of Business owners in North-central Nigeria</i>	90 (23.4%)	200 (52.1%)	65 (16.9%)	1 (0.3%)	28 (7.3%)	384 (100%)

From Table 5, it is observed that 90(23.4%) of the respondents strongly agreed that access to credit and finance is one of the factors influencing the profit of MSMEs business owners in North central Nigeria; 200(52.1%) also agreed that access to credit and finance is one of the factors influencing the profit of MSMEs business owners in the North central of Nigeria while 65(16.9%) disagreed, 1(0.3%) strongly disagreed that that access to credit and finance is one of the factors influencing the profit of MSMEs business owners in the North-central of Nigeria. The implication of the result is that majority of the respondents in the study agree that access to credit and finance is one of the factors influencing the profit of MSMEs business owners in North- central Nigeria.

Moreover, it can be deduced from above table 8 that MSMEs' profitability has a negative and significant effect on the poverty level during the period of investigation. A unit change or 1% change in MSMEs profitability will bring about a 47.8% decrease in the poverty level in the North-central. Statistically, the value is significant because the p-value of the parameter is less than 0.05. Thus, the null hypothesis of MSMEs profitability having no significant effect on poverty level is rejected and the alternative hypothesis is accepted.

Conclusion and Recommendations

The study examined the effect of MSMEs' Performance on the Poverty level in Nigeria with a concentration on the North-central region of Nigeria. Micro, Small and Medium Enterprises (MSMEs) in North-central Nigeria are facing numerous challenges that have hindered their profitability, sales performance and survival.

However, some of the problems are directly under the control of MSMEs organizations, if they possess adequate managerial skills to handle them. Poor availability of funds, limited access to the market, lack of capacity to cope with the latest technological innovations, lack of a winning business model, and banks' reluctance to grant loan facilities to MSMEs are among the primary reasons impeding the growth of the MSMEs in the North-central Nigeria and the nation at large. The results obtained summarized that the MSMEs turnover has a significant and negative effect on the poverty level in North-central Nigeria and MSMEs profitability has a negative and significant effect on the poverty level in North-central Nigeria.

However, the study gave the following recommendations:

- i) The need for the government to address and monitor the activities of loans provided by the bank of industry.
- ii) Banks and other financial institutions should support the growth of the MSMEs through the provision of fund at a cheaper rate.

- iii) Bank of the industry should promote and give more loans to MSMEs which will improve their business and in the long run reduces poverty in the region.

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