Abuja Journal of Economics & Allied Fields, Vol. 6(2), April, 2018
Print ISSN: 2672-4375; Online ISSN: 2672-4324

Impact of Informal Financial Sector (IFS) on Small And Medium Scale Enterprises (SMEs) in Nigeria

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Abstract

Informal Financial Sector, Informal economy or grey economy is that part of economy that is neither taxed, regulated nor monitored by any government agencies. Unlike the formal sector, activities of the informal sector are not calculated in a country's Gross National Products (GNP) or Gross Domestic Products (GDP). The Informal sector groups, Informal micro-enterprise and Small-scale industries have raised issues in the area of definitions have not yet been fully addressed. Although the sector has become the engine of socio-economic growth and development in Nigeria; Informal Financial Sector is the bed rock for most SMEs in Nigeria. In a related development, Small and Medium-scale Enterprises (SMEs) occupy a central place in economic growth of a nation. SMEs have a fundamental role to play in the development of an economy and this cannot be overemphasized. SMEs serve as training arena for entrepreneurs and could become channels for mobilizing local savings, ensuring more equitable distribution of income and reducing the migration of manpower from the rural to urban areas. On this note, government has identified the need for the development of Informal Financial Sector and SMEs. One of such sectorial is the introduction and pursuit of policies such as concessionary financing to encourage and strengthens the growth of SMEs in Nigeria. However, a well functioning informal economy will be a critical prerequisite to sustainable growth. This is because the link between informality and SMEs in Nigeria is not fully understood. This study seeks to investigate the nexus between Informal Financial Sector and SMEs in North central-Nigeria using a binomial probit regression approach with data from structured questionnaires having Informal loan and Informal savings as variables. The findings revealed that the odd ratio of INFLOAN against the IFS chance of SMEs development is 1.09. The study therefore concluded that there exists a significant relationship between IFS and SMEs in north central-Nigeria. The study recommended that there is need for government intervention and supports for Informal Financial Sector in the areas of saving mobilization and investment in Nigeria.

Keywords: IFS, Probit model, SMEs, Informal Loan, Informal savings
JEL Codes: E26

1. Introduction

The Nigerian government has over the years embarked on series of policy and institutional reforms aimed at enhancing the low of finance from the banking sector to Small and Medium Enterprises (SMEs) as well as those involved in the petty business (Micro) activities and to entrepreneurial ventures at the informal level in particular. However, the important objective of boosting the performance of the entrepreneurial activities of SMEs has not materialized. Small and Medium enterprises have been noted to play a significant role in employment and economic growth of many countries .Indeed, in many developing

countries as well as developed countries, small and medium enterprises are the focal point of growth and self-employment. In low-income countries, it is estimated that small and medium enterprises account for more than 60 per cent of the GDP and provide over 70 per cent of employment opportunities (Aliyu, 2012). Access to finance is prerequisite for survival and performance of any enterprise and has become an increasingly important development metric, as one of the factors which can drive widespread economic development (Ifedullova, 2013).

Financial market in developing countries is composed of formal, semiformal and informal financial institution with formal institutions being unable to meet the needs of firms and individuals in informal settlements (Osuntogun & Adeyemo, 2015). Formal financial services refers to financial services provided by registered financial institutions that are licensed to offer financial services by the country's bank regulator largely urban based in terms of distribution of branches and the concentration of deposit and lending activities (Irobi,2008). Examples of institutions offering formal financial services are the commercial banks, insurance companies and development banks. On the other hand, the informal financial sector also known as un-organized sector consists of individuals such as money lenders, relatives, friends, neighbours, landlords, traders and group of individuals that operates mainly in the rural setting, (Okezie, 2013). .

The informal financial sector is an age-long one, an ancient one that dates back at least to the 16th century; the activities predate those of the formal financial system but are not subjected to Government regulation (Iganiga & Asemota, 2008). Financing small businesses is a function that is carried out using specialized techniques that address the problems of information, transaction costs and risks, which prevent banks from serving these market segments. Small and medium scale firms play important roles in the process of industrialization and economic growth. Apart from increasing per capita income and output, SMEs create employment opportunities, enhance regional economic balance through industrial dispersal and generally promote effective resources utilization considered critical to engineering economic growth (Ariyo, 2010).

SMEs make a significant contribution in the global economy. It is estimated that SMEs make up more than 90% of all new business establishment worldwide (World Bank, 2014) Despite such significant contribution made by the SME"s, they continually face funding constraints in the formal finance market. Unfavorable macroeconomic environment has been identified as one of the setbacks encouraging financial institutions to be risk-averse in funding small and medium scale businesses (Ray, 2008).The development of SMEs is believed to be a desirable end as the key drivers of employment and economic growth. However, the growth of SMEs has been hampered due to great difficulties encountered when raising capital because of the pre-occupation of the finance institutions with collateral based lending (Yelwa et al., 2012).

However, since there is adequate formal banking system, but most people depend on informal financial institutions existing in the area for their financial transactions such as savings and loans. This study is therefore aimed at determining the contribution of informal financial institutions on the growth of small scale enterprises in North central states of Nigeria.

2. Literature Review

Concept of Informal Financial Institutions

In Africa, the vast majority of financial transactions occur outside the boundaries of the regulated banking sector (Aryeetey and Udry, 2007). It is estimated that 55 percent of the money supply in Nigeria is for instance outside the formal banking sector (Okezie, 2009). Informal lenders provide more credits and attract a larger volume of savings than the formal sector in sub-Saharan Africa (Nissanke and Aryeetey, 2013).

It is important to understand how the Informal Financial Sector works for effective

policy making. Three types of informal units have been identified in Africa; including savings mobilization units with little or no lending; lending units that do not engage in any savings; and savings mobilization and lending units (Obadan, 2014).

The Informal Financial Sector is an unregulated market and hence highly flexible with respect to structuring credit arrangements. It is therefore not guided by stringent rules and regulations such as the formal sector. The informal sector is characterized by a strong working relationship between borrowers and lenders, and is more responsive to market conditions. It is also common to see individuals and businesses participating in both the formal and informal sectors. This is particularly true among enterprises, a number of which are controlled and managed by families, friends and relatives with full access to formal sector capital markets.

Berko (2010) noted that the earliest but most primitive means of Informal Financing Institutions were the slavery, forced human labour, child marriage and the practice of "*Iwaga"* in Yoruba area in which a borrower uses his own wife or daughter as collateral for the loan. According to him, these inhumanizing of human race practices had been phased out in Nigeria because of Christianity and civilization.

Umebali (2012) sees informal credit institutions to include all classes of credit, savings associations and markets operating outside the formal financial system guidelines. They gained their popularity as a result of non cooperative attitudes of some conventional banks and other non-banking financial institutions in giving loans to the less privileged or poor. These institutions are often made up of heterogeneous savers and lenders.

According to Osuntogun and Adeyemo (2015), the informal financial market is an indigenous system of saving in varying forms which can be broadly summarized as a situation in which a group of people come together, contribute fixed amount at fixed intervals and assign the total amount contributed to an individual member on rotational basis or offer credit to members and share their accumulated savings at

Furthermore, Robinson (2001) defined microfinance as the supply of loans, savings and other basic financial services to the poor. IFI evolved as an economic development approach intended to benefit the low-income part of a given society, both men and women (Irobi, 2008). According to World Bank (2007), the term refers to provision of financial services (including saving and credit) to the poor.

Concept of Poverty in Nigeria

Central to the quest for policies and programmes that will reduce poverty is the issue of the conceptualization of poverty. Conceptually, three dominant views are identified as the meaning of poverty in the literature. The first view sees poverty as a severe deprivation of some basic human needs at the individual or household level, (Obadan, 2009). Put differently, poverty is a material deprivation and this can be assessed in monetary terms. (Aliyu, 2012).

The second view defines poverty as the failure to achieve basic capabilities such as being adequately nourished, living a healthy life, possession of skills to participate in economic and social life, permission to take part in community activities to mention a few. This conceptualization forms the basis for the belief that 'poverty is multi–dimensional' (Senn, 2009).

The third conceptualization of poverty came into limelight in the 1990s and has a fundamentally different approach to the understanding of poverty: subjective poverty assessments. The core of this view of poverty is that poverty must be defined by the poor themselves or by the communities that poor people live in. (Streeten, 2008).

Concept of Small, Micro and Medium scale Enterprises

As outlined by allbusiness.com (2010), the traditional definition in Germany sees Small and Medium Scale Enterprises as enterprise that is not more than two hundred and fifty employees while in Belgium, sees is as enterprise with not more than one hundred

(100) personnels. In the latest development by the European Union, the concept 'micro' has been categorized as enterprises with less than ten (10) employees, 'small' as those with less than fifty (50) employees and 'medium; as those with less than two hundred and fifty (250) employees. In the USA, 'small' is classified as enterprise or business with less than one hundred (100) employees while medium scale business identifies as business with fewer than five hundred (500) employees.

European Union (2013) sees medium-sized business as an enterprise that the number of employees is not more than two hundred and fifty persons and whose annual turnover is not more than EUR 50 million or whose annual balance-sheet total will not exceed EUR 43 million. A small enterprise is described as an enterprise which employs fewer than 50 persons and whose annual turnover or balance sheet total will not exceed EUR 10 million. While a micro enterprise is viewed as an enterprise which employs below 10 persons and whose annual returns and/or annual balance sheet total is not more than EUR 2 million (Ifedulova, 2013).

Micro and Small Enterprises play significant role from the overall industrial economy in India. It is estimated that with regards to value, the sector accounts for approximately 39 percent of the manufacturing output and about 33 percent with the total exports of the nation. In South Africa, the word Small, Medium and Micro Enterprises (SMMEs) plays a significant role in their economy while in Nigeria the word Small and Medium Scale Enterprises (SMEs) is used. Base on these analyses, it is concluded that Small and Medium Scale Enterprises are enterprises that can employ at most five hundred (500) employees at any given point in time and it has been proved to be the backbone of every economic system. However, the brain behind every prosperous Small and Medium Scale Enterprise is entrepreneurship which plays crucial roles in managing the small and medium scale enterprises. Entrepreneurial skill is a pillar to which SMEs survives (Yelwa et al. 2012).

Empirical Review

Tsai. (2014) investigated the relationship between Informal Financial Institutions and Investment in China from 1970 to 2012. The results found that access to finance is an important factor in savings and hence, investment. The findings revealed that those IFIs were responsible for up to three-quarters of private sector financing during the first two decades of reforms

Yelwa, et al. (2012), carried out a research on the relationship between Informal Financial Sector and Financing of the Small and Medium scale Enterprises in Nigeria using Niger state as a case study. He concluded that Informal Financial market operators in Minna, Suleja, Bida and Kontagora have contributed largely to investment, job creation, income generation, easy accessibility to credit facilities and supports the production and distribution of goods and services to the people of the towns.

Osuagwu (2012), found that the following four factors determine investment: The expected rate, the supply of funds, Absorptive capacity and the government policies. Based on the study, he concludes that the inadequacy of investment in the economy supply was caused by government policies, limited supply of investment fund i.e. micro- credit and slow rate of expansion of the absorptive capacity due to lack of innovation in the technological development.

Fowowe and Abidoye (2011) examine the effect of financial development as measured by private credit on the growth of poverty and inequality in Sub-Saharan African countries. Their findings show that private credit has no significant influence on poverty in these countries. However, empirical results show that macroeconomic variables such as low inflation and trade openness engender reduction of poverty.

Rama (2013), in his study of the theoretical and empirical determinants of investment in developing countries identifies macroeconomic and institutional factors, such as financial repression, foreign exchange shortage, lack of infrastructure,

economic instability, aggregate demand, public investment, relative factor price and credit availability as important variables that explain private investment. Here, credit availability among other factors was stressed.

Theoretical Framework

The theoretical framework for this study is rooted on the work of Mc Kinnon (1973) and Shaw (1973) in Financial Repression Theory, who propounded that Informal Financial Institution came into existence because of excessive regulation of the formal sector with the use of policies of direct control such as interest rate ceilings and prescribed credit allocation to government and its parastatals.

This led to distortions in the economy resulting in crowding out of the financial needs of the informal sector by the formal financial institutions. In addition, the effective cost of funds to small and medium scale enterprises became excessively high. However, the imposition of interest ceiling often below market interest rates usually induces excess demand for loanable funds, thus leading to credit rationing by banks and other financial institutions and the existence of parallel financial markets with higher market clearing interest rates.

3. Methodology

Study Area

The study was conducted in the North Central, Nigeria. These areas consist of the selected three states situated geographically in the middle belt region of the country, spanning from the west, around the confluence of the River Niger and the River Benue. The region is made up of the following states: Benue, Kogi, Kwara, Nasarawa, Niger and Federal Capital Territory (Abuja).The region itself is rich in natural land features, and boasts some of Nigeria's most exciting scenery. The region is also home to many historical and colonial relics. However, three of these states were selected based on random sampling for the study

The selection of these states was also based on the growing SMEs in these states because of their growing population. For instance, FCT used to be known as businesses headquarters, but recently, because of the growing population in the region with about 6 million people, the growth of SMEs have been on a high side. The same apply to Kogi and Niger state because of their proximity to the FCT.

Nature and sources of Data

This study relied on primary data. The primary data consisting of 850 questionnaires distributed which was determined by Krejcie and Morgan (1970); while 700 returned and valid was used for the analysis.

Analytical Framework

Probit Model

Probit models were introduced by Chester Bliss in 1934. It is a fast method for computing maximum likelihood estimates which was proposed by Ronald Fisher as an appendix to Bliss' work in 1935.

Suppose a response variable *Y* is *binary*, that is it can have only two possible outcomes which we will denote as 1 and 0. For example, *Y* may represent presence/absence of a certain condition, success/failure of some device, answer yes/no on a survey, etc. We also have a vector of regressors *X*, which are assumed to influence the outcome *Y*. Specifically, we assume that the model takes the form

$$\Pr\left(Y = \frac{1}{x}\right) = \varphi(X^T \beta), \text{----------3.1}$$

Where Pr denotes probability, and Φ is the Cumulative Distribution Function (CDF) of the standard normal distribution. The parameters β are typically estimated by maximum likelihood.

It is possible to motivate the probit model as a latent variable model. Suppose there exists an auxiliary random variable

$$Y^* = X^T \beta + \varepsilon \text{----------3.2}$$

Where $\varepsilon \sim N(0, 1)$. Then *Y* can be viewed as an indicator for whether this latent variable is positive:

$Y = \begin{cases} 1 & Y^* > 0 \\ 0 & Otherwise \end{cases} = \begin{cases} 1 & -\varepsilon < X^T \beta \\ 0 & Otherwise \end{cases}$ -3.

The use of the standard normal distribution causes no loss of generality compared with using an arbitrary mean and standard deviation because adding a fixed amount to the mean can be compensated by subtracting the same amount from the intercept, and multiplying the standard deviation by a fixed amount can be compensated by multiplying the weights by the same amount.

To see that the two models are equivalent, note that

Model specification

The models will be specified based on the hypothesis as follows:

H_o**:** There is no significant contribution of IFS on SMEs growth in North central states-Nigeria which is specified as:

$Log\left(\frac{P}{1-P}\right) = P = \beta_0 + \beta_1$ INFLOAN + β_2 INFSAV + μ----------3.4

Where:

L= P=1, If IFS promotes SMEs growth in Nigeria; (1-P), if otherwise.
INFLOAN = Informal Loan
INFSAV = Informal Savings

Table 3.1: Measurement of Variables

Variable	Measurement	Expected Sign on impact	A priori
Informal Financial Sector and SMEs growth	1, if IFS Promotes SMEs growth, 0, if otherwise.	$\pm$	$\lambda_1 > 0$, $\lambda_1 < 0$
Independent Variables			
Owner's Characteristics Variables			
INFLOAN	1, if Informal loan experienced increase in the SMEs growth; 0, if otherwise.	+ / Based on Ayodele, (2015) and Hossain, (2015)	$\lambda_9 > 0$
INFSAV	1, if Informal savings promotes SMEs growth; 0, if otherwise.	+ / based on the study carried out by Balogun, (2004), Adeyemi, (2014)	$\lambda_7 > 0$

Source: Author's compilation, 2018

Sample Size Determination

The cross sectional data for this study was obtained using questionnaires. Based on the Krejcie and Morgan, (1970) table with a deterministic model as:

$$S = \frac{X^2\, NP\,(1-P)}{d^2\,(N-1)+X^2\,P(1-P)}$$

Where:
S = Sample size
X^2 = Value of Chi-square
N = Population size
P = Population proportion
d = Degree of accuracy

Based on this proposition by Krejcie and Morgan, (1970), a sample size of 850 questionnaires was recommended using 95% confidence interval. In addition, the minimum sample size would be determined on the basis of 30 cases per variable/item for an accurate representation of the first canonical root (Stevens, 2001). The Bowley's model of deriving objective, valid and reliable sample was used which reduced the chances of error.

Methods of Data Analysis

The Maximum Likelihood (ML) method is used to obtain estimates for the specified binomial probit probability model. The justification for using ML method is due to the fact that neither the ordinary least squares (OLS) nor the weighted least square (WLS) is helpful or adequate for estimating the model. Moreover, that the probit model is a nonlinear model. The parameter estimates of the specified probit model are not directly interpretable with respect to magnitudes of

effect but only interpretable with respect to the direction of effect on probability (Patrick *et al*., 1996).

Distribution of Questionnaires and Response rate

A total of eight hundred and fifty (850) copies of the questionnaire were administered across the two States and the FCT in the North Central covered by the study. The basis of distribution of the copies of the questionnaire was based on the population from each region which is in line with Krejcie and Morgan (1970). The details of the questionnaire distribution and response rate are shown in Table 3.2 below:

Table 3.2 Questionnaire Distribution / Response Rate of Micro & Small Enterprise Operator

States in North Central Zone	I No. of Registered SMEs	II Percentage of the population (%)	III No. of Questionnaire distributed	IV No. of questionnaires returned	V Rate of Response (%)
Abuja FCT	6000	48.8	415	342	49.0
Kogi	3800	30.9	263	216	30.9
Niger	2500	20.3	172	142	20.1
	12300	100	850	700	100

Source: Researcher's Analysis of Field Survey, 2018

As mentioned earlier, Table 3.2 shows the questionnaire distribution and response rate across the three regions in the North Central geopolitical zone. A total of 415 copies of the questionnaires, representing 48.8% of the total sample size were administered in Abuja, FCT. In Kogi State, a total of 263 copies of the questionnaire were distributed, representing 30.9% of the sample size. In Niger, 172 questionnaires representing 20.3% were distributed of the total sample size.

According to Saunders, Thornhill, & Lewis (2007), there are two methods of calculating a response rate: one is total number of responses divided by total number in the sample minus ineligible; the other active response rate, is total number of responses divided by the total number in the sample minus ineligible plus unreachable. Method one was used in this study. Out of the 415 copies of the questionnaire distributed in FCT area, 342 copies were adequately completed and returned. This represents 49.0% response rate. In Kogi State, 216 copies of the questionnaire were returned and that represents 30.9% response rate. In Niger state, 142 copies of the questionnaire were adequately completed and returned; these represent 20.1% response rate respectively.

In all, a total of 700 copies of the questionnaire were returned from the two States and the FCT out of 850 copies administered. This represents a total response rate of 82.4%. The high return rate achieved from the field survey can be attributed to the support received from the credit/field officers in the areas.

4. Data Analysis

Characteristics of Respondents

Table 4.1 shows that 33 respondents representing 4.71% got their loans from commercial banks, 187 respondents representing 26.71% made use of ROSCA,

Table 4.1 Credit from Formal/Informal Financial Institutions to SMEs

Response	No. of Respondents	Percentage (%)
Commercial banks	33	4.71
ROSCA (Ajo, Etoto)	187	26.71
Cooperatives	398	56.86
Thrift	46	6.57
Money Lenders	36	5.1
Total	700	100

Source: Field Survey, 2018

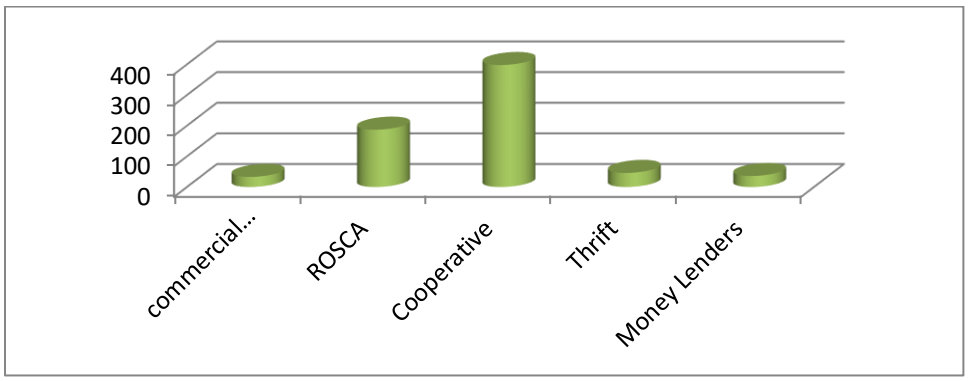

Fig 4.1: Credit from Formal/Informal Financial Institutions to SMEs
Source: Field Survey, 2018

398 respondents representing 56.86% got their credits from cooperatives, 46 respondents representing 6.57% made use of thrift collectors while 36 respondents representing 5.1% used money lenders. This shows that majority of respondents got their credit through Informal Financial Institutions.

Table: 4.2: Savings Mobilization

Response	No. of Respondents	Percentage (%)
Commercial banks	73	10.43
ROSCA (Ajo, Etoto)	188	26.86
Cooperatives	306	43.71
Thrift	133	19.0
Total	700	100

Source: Field Survey, 2018

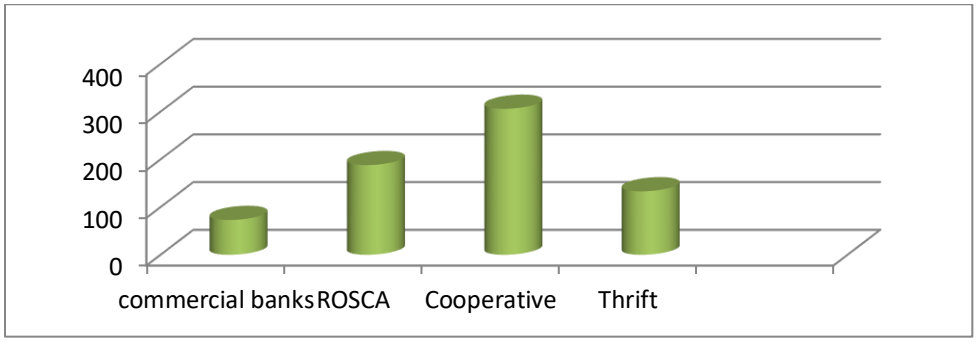

Fig 4.2: Credit from Formal/Informal Financial Institutions to SMEs
Source: Field Survey, 2018

Table 4.2 revealed that 73 respondents representing 10.43% save their monies through the commercial banks, 188 respondents representing (26.86%) save through ROSCA, 306 respondents representing 43.71 save through cooperatives while 133 respondents representing (19%) save through thrift collectors. This shows that majority of the respondents save their monies through IFI.

Test of Hypothesis

Step One: Restatement of Hypothesis in Null Form

H_o**:** Informal Financial Sector (IFS) has no significant relationship with SMEs growth in north central states of Nigeria.

The binomial probit model is specified below:

$Log\ (\frac{P}{1-P})$ = P = β_0 +β_1 INFLOAN + β_2 INFSAV + µ----------4.1

Step Two: Presentation of Regression Results

The multiple regressions is to be estimated, where the coefficients β_1, and β_2, to be estimated, are used to measure the contribution of independent variables to dependent variable.

The binomial Probit model is stated below:

$Log\ (\frac{P}{1-P})$ = L = β_0+β_1 INFLOAN + β_2 INFSAV + µ

A binomial linear Probit regression method of estimation was applied to our earlier outlined methods. The overall results are expressed below.

Dependent Variable: P

Variable	Coefficient	Std. Error	z-Statistic	Prob.
C	1.289324	0.789727	1.632620	0.1025
INFLOAN	0.087793	0.212093	0.413937	0.0009
INFSAV	0.662579	1.907640	0.347329	0.0003
McFadden R-squared	0.314720	Mean dependent var		0.759184
S.D. dependent var	0.428454	S.E. of regression		0.431389
Akaike info criterion	1.158530	Sum squared resid		43.91884
Schwarz criterion	1.287147	Log likelihood		-132.9199
Hannan-Quinn criter.	1.210324	Deviance		265.8397
Restr. Deviance	270.4893	Restr. log likelihood		-135.2447
LR statistic	10.64914	Avg. log likelihood		-0.542530
Prob(LR statistic)	0.000085			
Obs with Dep=0	209	Total obs		675
Obs with Dep=1	466			

Source: Author's Computation, E-views 7 (2018)

Table 4.3: Regression results-dependent variable, IFS and SMEs

IFIs in alleviating poverty	Odd Ratio	S.E	P-Value
Lending Rate	1.09*	0.2121	0.0089
Credit	1.94**	0.1802	0.0023

**** 1% significance level, **5% significance level, * 10% significance level*

A binomial linear probit regression method of estimation was applied to our earlier outlined methods. The overall results are expressed below:

$$Log\left(\frac{P}{1-P}\right) = \text{P} = -1.289324 - 0.087793INFLOAN + 0.662579INFSAV$$

$$Z = \underset{(1.632620)}{} \quad \underset{(-0.413937)}{} \quad \underset{(0.34729)}{}$$

$Mc\ Fadden\ R^2 = 0.314720$

$S..E. = 0.431389$

Step Three: Interpretation of Result

The regression above shows that the two explanatory variables are statistically significant even at 5 and 10 percent

respectively. These are the Informal loan to SMEs and Informal Savings of the SMEs. The result shows that the odds ratio of INFLOAN against the IFS chance of promoting SMEs growth is 1.09. This means that there is a great link between Informal Financial Sector and SMEs development in north central states-Nigeria. The working hypothesis is that INFLOAN has a significant negative effect on IFS in SMEs development.

Moreover, the result also shows that the odds ratio of INFSAV' against the IFS chance of promoting SMEs growth is 1.94. This means that there is significant relationship between INFSAV and SMEs development in north central-Nigeria. This shows that Informal Financial Savings have a significant impact on SMEs development. This is significant at 5 percent.

The finding agrees with Tsai (2014) who noted that informal Financial Institutions represents a major source of finance for traders and farmers in China. Tsai (2002) also found that those IFIs were responsible for up to three-quarters of private sector financing during the first two decades of reforms. IFAD (2001) study in China found that Informal Financial Institutions provided considerably more access to credit than Formal Financial Institutions.

The McFadden R-squared value of *0.314720* implies that about 32 percent of the change in the dependent variable was explained by the explanatory variables of the model. There is tendency to assume that the model has poor fit, but according to Byrne et al. (2006), the R^2 associated with linear model dominated by dummy variables commonly comes out poor in this manner.

5. Conclusion and Recommendations

The findings revealed that informal financial sector is an integral part of rural economic life and an alternative source of credit for rural people. Their existence in the north central states-Nigeria has contributed significantly towards SMEs growth and development through the disbursement of micro loans to their members for productive investment. Given the failure of most Nigerian government rural financial intervention programmes, the researchers therefore recommended that there is the need for the government to support Informal Financial Institutions in promoting SMEs programmes, since about 75 percent of the Small and Medium scale Enterprises (SMEs) could assess credit for investment through them. This will go a long way in promoting inclusive growth in the country.

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