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MICROFINANCE BANKS' SOCIAL AND FINANCIAL INTERMEDIATION ACTIVITIES ON THE PERFORMANCE OF SMALL-SCALE FOOD MANUFACTURING BUSINESSES IN NIGERIA

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ABSTRACT

This study investigated the banks' social and financial intermediation activities of microfinance banks on the performance of small-scale food manufacturing businesses in Nigeria. It aims to analyze the joint influence of microfinance banks' social and financial intermediation activities on the performance of small-scale food manufacturing businesses in Lagos and Oyo states. The study adopted a descriptive correlation survey design. A purposive sampling method was employed in the selection of seven hundred and forty-seven (747) small-scale food manufacturing businesses within Lagos and Oyo states Nigeria. The findings show that Microfinance Bank's social and financial intermediation activities have joint and relatively significant effects on the performance of small-scale food manufacturing businesses in Oyo and Lagos states, Nigeria. The study concludes that Microfinance banks' joint intermediation functions play a significant role in the performance of small-scale food manufacturing businesses in Lagos and Oyo states Nigeria. The study recommends that federal government agencies, microfinance banks, and non-governmental organizations ought to initiate regular intermediations functions through managerial skills development, credit access, loans, saving schemes, seminars and workshops to improve the small-scale food manufacturing businesses' performance in Lagos and Oyo states, Nigeria.

Keywords: Microfinance banking, Microfinance Institutions, Social Intermediation, Financial Intermediation, Small-scale businesses, Food Manufacturing Businesses, Performance, Credit Policies, Financial Services, and Social Services.

1. Introduction

Nigeria is known as one of the largest employers of labour with her economy made up of informal sectors. Notwithstanding, Nigeria like many other developing countries faces the challenge of providing an adequate food supply for its teeming population. The World Trade Organisation ranks Nigeria as the largest food market in Africa, with significant investment in the local industry and a high level of imports. The food and beverage sector is estimated to contribute 22.5% of the manufacturing industry value and 4.6% of the country's GDP. Similarly, Nigeria is the leading consumer of rice in Africa and the second largest globally. According to IMF and PwC, 2019 estimates, Nigeria has the potential to be the fastest-growing economy in Africa, with a projected annual GDP growth rate of 4.2% in the period 2016-2050

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("RMRDC: Concretizing contribution of 22.5% to manufacturing industry's value, 4.6% GDP, 2021).

The food manufacturing sector of Nigeria remains underdeveloped despite a considerable market potential which has encouraged many international companies to dive into its advantage (Osabohien, 2020). Many informal economies encounter several setbacks because of an absence of organized credit and saving systems (Medina, Jonelis and Cangul, 2017). However, it reveals the reason why the Central bank of Nigeria introduced a microfinance scheme to provide credit and mobilize saving for the increasing population who engage in informal economic activities. Many petty trades, small-scale manufacturers and peasant farmers have benefited from the local saving mobilization and credit system that exist in the rural societies before the involvement of monetary authorities to increase the availability of credit.

Importantly, microfinance institutions (MFIs) were established to provide the following services to its client; granting several forms of deposits, including deposits for savings, time, goals and demand from individuals/groups, and credit supply to their clients. Other services include; the provision of lending distribution services on a non-resource basis for the delivery of the government credit plan, financing for low-income people for farm inputs, animals, equipment and industrial raw materials investment in cottage businesses, and low-income projects that may be specified by the CBN from time to time, professional advice to low-income individuals on small business ventures, and providing training for companies (CBN, 2020). This is done by MFIs in a bid to broaden their customer base services and boost their customers' success (Hans, 2009). Equally, MFIs have extended the range of services that they offer from financial intermediation to include social intermediation for their organizations. Social intermediation includes training, networking, and capacity building for group members through training on financial literacy, bookkeeping, and business management (Mbaluka, 2013).

Social intermediation functions achieve this through the introduction of social capital, which offsets their lack of tangible assets. This social capital investment, in turn, creates creditable borrowers where none existed previously and supports financial investments in their economic operations. Hence, social intermediation functions through a range of activities and capacity-building have enabled people to become good borrowers and savers, better manage their finances or their financial groups, and help them to put whatever „social capital" they have to more productive use (Zohir and Matin, 2002).

2. Literature Review

2.1 Overview of Microfinance Bank and Food Manufacturing Sector In Nigeria

The increased global need for food is a problem for humanity (Osabohien et al., 2020; Jacobsen, 2013). Increasing food production to feed the teeming world population will continue to be a difficult task due to less arable land, the high cost of farm implements needed for production as a result of inflation, less credit access to farmers, the land competition for food production with bio-fuel production and rural-urban migration, among others (Jacobsen, 2013). As a result of this, there is a strong ongoing deliberation on the best approach to gain speed with world

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population growth and increasing food production to meet the United Nations (UN) Sustainable Devolvement Goal (which is to achieve food security at all levels, improve nutrition for all, and promote sustainable agriculture) by 2030 (Osabohien, 2020). To improve food production in Nigeria, various strategies have been implemented by the government and stakeholders at all levels; one of such strategies is hinged on the need to increase farmers' access to agricultural finance (credit) to increase productivity, while others focus on agricultural diversity (Osabohien, 2020). These strategies are important because, in developing countries, especially in Africa, the agricultural sector accounts for more than 50% of the entire labour force and it contributes significantly to the Gross Domestic Product (GDP) (Romanus, Ngozi, Tyrone, 2019). In the same way, in the production of food across the African continent, especially in Nigeria, agriculture represents a crucial proportion of activities engaged and captures about 80% of the total industry size with livestock, forestry and fishing accounting for the balance of 20% (Osabohien et al., 2019). Irrespective of its crucial role attributed to GDP, it has currently dropped as a result of low yields resulting from constrained or limited access to credit by farmers. The sector's contribution to the GDP dropped from 31% (113.64 billion USD to 78 billion USD between 2013 and 2017 (Romanus, Ngozi & Tyrone, 2020). Low food production is one of the major issues that require urgent attention in Africa, with over 50% of the people depending on subsistence farming, coupled with low production as their sole means of survival (Romanus, Ngozi & Tyrone, 2020). However, the food economy is responsible for food production, which comprises all forms of practices at the farm level, including processing, packaging, transportation, distribution and retailing. This food economy employs about 85 million people in Nigeria (Osabohien et al., 2018) where more than 75% of food economy employment remains in agriculture, with 65% of employment in local communities, and about 20% are in the processing of food, marketing and food away from their localities (Osabuohien et al., 2018). However, food production in Africa has declined, resulting in the rise of food imports. By 2017, food import expenditure stood at about 35 billion USD, and this figure is estimated to increase to about 110 billion USD by 2025 (Osabohien et al., 2020; Allen et al., 2018). In total, the continent accounts for 60% of the world's global uncultivated arable land estimated at 600 million hectares (PWC, 2018). The cultivation and production of food are done mainly through subsistence means and are engulfed by low technical know-how and intensive human resources (labour intensive) due to a lack of credit and machinery (Osabohien et al., 2018; Osabohien et al., 2020). Besides, this sector involves transforming agricultural produce into secondary forms for human consumption. The food manufacturing sector takes several forms like grinding starchy foods to make flour for home cooking and applying complex industrial techniques to make fast and convenient foods for all and sundry. According to the National Bureau of Statistics, agriculture credit was 3.26% and 3.36% of total credit to the private sector in the years 2016 and the year 2017 respectively. Despite the government's effort to increase productivity and programs implemented, credit access to the agriculture sector remains low. This is because, compared to the credits from the banking sector to other industries, the agricultural sector receives the lowest credit allocation from banks despite the sector's more contribution to GDP than other industries (Nevin et al., 2019; Osabohien et al., 2018). The most important one is that banks and other financial institutions are still very reluctant to fund agricultural projects, which is evident by stringent credit conditions. As a

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result, meagre funding sips into the agricultural sector, which accounts for over 70% of the total labour force of most African economies. The contributory and substantial role of the agricultural sector in economic growth and development, particularly for the realization of the Sustainable Development Goals by 2030 cannot be understated. Njoku et al. (2018) revealed the positive and significant relationship between farmers' production capacity and access to credit. Furthermore, evidence from Abu and Issahaku (2017) shows that small-scale farmers unable to back-up loan applications with the needed collateral have difficulties accessing credit and experience slugs in their agricultural output. However, for large households in Malawi with corresponding large farm sizes, Sebu (2013) finds that external financing and large farmlands are positively correlated. That is, households with large farmlands are more likely to get access to credit than small landholders. Njuguna and Nyairo (2015) also found that inability to provide loan collateral impedes access to credit by farmers in Kenya while Adeleke, Kamara, and Brixiova (2010) found investment potentials exist for small-holder producers. In the review of agricultural policy in Nigeria, Mallum (2016) noted that the role of credit in agricultural development is paramount, and any shortcomings can affect a farmer's investment ability.

Table 1: Number Of Small And Medium Enterprises By Sector, 2017

Industries	Small	Medium	Total	Percentage
Manufacturing	16,322	772	17,094	23.0
Mining & Quarrying	172	28	200	0.3
Accommodation & Food Services	5,940	168	6,108	8.4
Agriculture	386	0	386	0.5
Wholesale/Retail Trade	12,889	241	13,130	18.0
Construction	423	83	506	0.7
Transport & Storage	699	49	748	1.0
Information and Communication	573	48	621	0.8
Education	19,587	132	19,719	27.0
Administrative & Support Service Activities	956	15	971	1.3
Arts, Entertainment and Recreation	188	1	189	0.3
Other Services Activities	1,924	34	1,958	2.7
Water Supply, Sewage Water Management	9	0	9	0.0
Real Estate Activities	1,073	0	1,073	1.5
Human Health & Social Works	7,377	219	7,596	10.4
Professional, Scientific and Technical Works	2,772	1	2,773	3.8
Total	**71,288**	**1,793**	**73,081**	**100**

Source: NBS-SMEDAN National Survey of Micro, Small & Medium Enterprises (Small scale business), 2017.

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Table 2: Number of Small and Medium Enterprise by State

State	Number Of Small	Number Of Medium	Total
Abia	2,289	53	2,342
Adamawa	726	8	734
Akwa-Ibom	1,882	5	1,887
Anambra	1,455	49	1,504
Bauchi	2,209	32	2,241
Bayelsa	297	3	300
Benue	1,783	28	1,811
Borno	498	40	538
Cross Rivers	1,417	39	1,456
Delta	1470	54	1,524
Ebonyi	2,404	29	2,433
Edo	2,633	44	2,677
Ekiti	926	2	928
Enugu	1,404	28	1,432
Gombe	876	28	904
Imo	1,976	44	2,020
Jigawa	2,360	10	2,370
Kaduna	2574	76	2,650
Kano	2,298	143	2,441
Katsina	1,335	32	1,367
Kebbi	809	6	815
Kogi	1,011	16	1,027
Kwara	1,398	18	1,416
Lagos	8,042	354	8,395
Nassarawa	2,586	18	2,604
Niger	2,074	47	2,121
Ogun	2,394	71	2,435
Ondo	2,324	39	2,363
Osun	2,995	12	3,007
Oyo	6,039	92	6,131
Plateau	1,533	41	1,574
Rivers	1,593	65	1,658
Sokoto	691	161	852
Taraba	916	14	930
Yobe	99	3	102
Zamfara	1,222	14	1,236
Fct	2,750	75	2,825
Total	**71,288**	**1,793**	**73,081**

Source: NBS-SMEDAN National Survey of Micro, Small & Medium Enterprises (Small scale business), 2017.

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2.2 History of Microfinance Banking in Nigeria

According to Ubom (2003), non-finance services such as micro-insurance, payment services, social intermediation groups, education in financial literacy, and business management were developed to integrate a Micro-finance Bank (MFB). Imoisi and Godstime, (2014) believe that Microfinance refers to the financial services collection, including credit, advance payments, money, and insurance cover available to poor industrialists, and small commercial proprietors without security that would otherwise not comply with average banking loan requirements. The Central Bank of Nigeria (2005) reported that Microfinance is concerned with the delivery of financial services to the poor, who represent about 65% excluded mostly from the access of conventional banks to financial services. The practice of microfinance is ingrained in Nigerian culture, according to Babajide (2011). Long before the start of the Nigerian Central Bank issue, ROSCAs were crediting rural and urban low-income employees including SMS, the informal self-help groups (SHGs), or the rotating savings and credit association (ROSCAs). In every section of Nigeria, these informal groupings were found. To eliminate poverty, create jobs, and increase inclusivity in financial services, notably banking, for the poor, rural people, micro, and small businesses, the Federal Government has also established numerous initiatives and organisations. Governmental organisations, such as the FEAP, the Nigeria Agricultural Insurance Corporation (NAIC), The Community Banks, the National Employment Directorate (NDE) and Nigeria's Farmer Agricultural Bank and Co-operative Banking (NACB), are among these organisations (Imoisi and Godstime, 2014). The CBN began the reform process in the community banking sector in 2005. The latter led to microfinance banks being licensed and to community banking substitutes to establish microfinance banks and replace community banks, to increase the effectiveness of MFIs in lending to small-scale businesses. The terms of paragraph (1) (b) of Section 33 of the 2007 CBN Act 7 authorized private sector operators to operate MFIs instead of Nigerian community banks (CBN, 2008).

There are now three tiers in Nigeria, Unit MFIs (Tier1 &2), State MFIs and National MFIs, of microfinance banks in Nigeria. The 'Minimum Capital Requirement Review for Micro financing Banks' is a Circular published by CBN on March 7, 2019, with reference number FPRD/DIR/GEN/CIR/07/024. The minimum capital requirement for Micro-finance Bank types in Nigeria was reviewed as seen below:

1. Tier 1 Unit Micro-finance Bank N200,000,000 (Two Hundred Million Naira)

2. Tier 2 Unit Microfinance Bank N50,000,000 (Fifty Million Naira)

3. State Micro-finance Bank N1,000,000,000 (One Billion Naira)

4. National Micro-finance Bank N5, 000,000,000 (Five Billion Naira)

To aid in the process of recapitalisation, all microfinance banks are required to comply with the following:

i. Tier 1 Unit Microfinance Banks shall meet a N100 million capitalization threshold by April 2020 and N200 million by April 2021.

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ii. Tier 2 Unit Microfinance Banks shall meet a N35 million capital threshold by April 2020 and N50 million by April 2021; According to CBN Circular FPRD/DIR/GEN/CIR/07/024, there are 902 MFIs in Nigeria with about 173 in Lagos State (CBN, 2019).

2.3 Nature of Microfinance Banking in Nigeria

Recently, the Central Bank of Nigeria has implemented the microfinance policy, a regulatory, and supervisory framework to enhance access to production elements, especially money, for the vulnerable and the poor. The Apex Bank seeks to replenish and re-capitalise existing community banks under two categories of micro-finance banks to achieve this phase of its banking reform agenda. They are MFIs licensed under the local governments and the others licensed in the federal or state capital territory to operate as one unit, with a minimum payment of N20million and N1millions of the capital basis and shareholders' funds. Microfinance is a development technique that provides or gives financing and products, such as very modest loans, economies, micro-leases, and money transfers, to help poor people expand or set up their enterprises. In developing economies, microfinance is mostly employed where small-scale businesses do not have access to other kinds of financial support. Microfinance banks identify with poor and micro-entrepreneurs because they cannot provide tangible assets as collateral to loan facilities, and are excluded or refused access to financial services. According to Kolawole (2013), the major purpose of micro-credit is to promote the well-being of poor people through improved access to small loans not provided by official financial institutions. Also, he stated further that microfinance banks help save the economy, attract foreign donor agencies, stimulate business enterprise and catalyse economic development. The setting up of microfinance companies shall serve the following reasons according to the Central Bank of Nigeria (2005): providing diverse, affordable, and reliable financial services to the active poor; mobilising savings for intermediation, creating opportunities for employment and enhanced productiveness for the active population of the poor in the country; improving organized, systematic and focused involvement of the poor in social and economic development and resource allocation.

Microfinance is financial services provided to low-income groups of individuals who do not partake in traditional banking. A microfinance bank as defined by the Central Bank of Nigeria (2014) is a financial institution that provides financial services to economically active poor and low-income households. Credit, savings, micro leasing, micro insurance, and payment transfer are just some of the services available to enable them to engage in income-generating activities. The microfinance policy establishes the framework for providing these financial services to Micro, Small and Medium-Sized Enterprises (Small scale businesses) on a sustainable basis through privately-owned microfinance banks (Ketu, 2008). Microfinance is a small-scale financial service provided to small-business operators for agricultural, fishing, trading, and residential construction, as well as other productive and distributive activities. Microfinance and micro-financial institutions are intended to fill a specific gap in the finance market and financial system, respectively, by assisting some marginalized groups that may be unable to obtain financing through the formal financial system. These unrecognized groups comprise

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most of the microfinance's target users. They are primarily engaged in small-scale agriculture, commercial/trade, and industrial activity.

Hannan (2018) defines microfinance as an uncomplicated approach that has enabled impoverished people worldwide to escape poverty. It is a financial system that relies on the traditional skills and entrepreneurial instincts of active poor people, primarily women, who use small loans (typically less than US$200), other financial services, and support from community-based organizations known as microfinance banks (MFIs) to start, establish, sustain, or expand tiny, self-sustaining businesses. The recycling of loans is critical to microfinance. Since each loan is typically repaid within six months to a year, the money is recycled as another loan, multiplying the impact of each loan in combating global poverty and positively transforming lives and communities. Hannan (2018) also defines micro-credit as a term that refers specifically to loans and clients' credit needs, whereas microfinance encompasses a broader range of financial services that provide a large range of opportunities for success. Savings, insurance, home loans, and remittance transfers are all examples of these additional financial services. For millennia, microfinance has been available in various formats but has gained impetus and global recognition as a policy to reduce poverty (Khan, 2008).

Therefore, the potential has recently been acknowledged to reach the poor, especially those that are financially excluded, and who are typically at the poverty level. Microfinance is considered a developmental instrument that reduces the incidence of poverty for poor individuals who, because of its features, are often discriminated against (Armendariz &Morduch, 2005). The World Bank reports that to help poor people escape poverty events, they typically rely heavily on formal and informal markets to exchange their human resources and goods, protect themselves from unintended risks and fund their investments (World Bank, 2004). In addition, the World Bank (2004) states that the development of a holistic programme like training and financial education, support and not financial help alone is thus necessary to give adequate chances to those who are poor. The necessity to ensure a market is an ideal place for the poor, particularly for the accumulation of assets and to resolve disparities relating to the allocation of funds, for example, training, is therefore obvious. Programmes of intervention tailored to these social sectors are necessary. This is why both NGOs and governments have implemented policy measures targeted at tackling this phenomenon (Badrudin and Warokka, 2012). This ensures the availability of loans for marginalized parts of society. Research has shown that as part of government measures to tackle the gap between the rich and the poor, the concept of microfinance was initially promoted in the developed world (Helms, 2006). However, some studies in underdeveloped nations on poverty reduction programmes have shown that in less developed countries microfinance has existed in several forms for decades (Kalirajan and Singh, 2009).

Microfinance is, generally, the provision of insolvency lending to poor or low-income houses, generally in very small sums, to individuals who are unable to borrow and otherwise ignore due to a lack of collateral that can be sold (Azevedo, 2007; Ghosh, 2013). The supply of financial services to 50 low-input, poor and very poor self-employed persons is microfinance (Otero, 1999). Thus, a loan to the marginalized or the least privileged who are normally

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vulnerable to Shark money lenders is at the heart of microfinance. Microfinance is hence a larger notion, as opposed to Microcredit (loan supply), which covers the supply of financial products such as savings, insurance, and training. In addition, the above conception could help the lenders distribute and sell their products in countries like Bangladesh to enhance their reimbursement rates (Armendariz &Morduch, 2005). However, the conclusion is that the poorest of the poor have many times been saved by microfinance.

2.4 Influence Of Microfinance Banks' Social And Financial Intermediation Activities And Small-Scale Business Performance Contribution In Nigeria

- **Social Intermediation**

Social intermediation involves group formation, networking, and capacity building through training on financial literacy, bookkeeping, and business management among group members (Mbaluka, 2013). This role qualifies MFIs as a development tool on top of banking. Bennett, (1994) defines social intermediation as a process in which investments are made in the elaboration of both human resources and institutional capital to increase the self-reliance of marginalized groups, preparing them to engage in formal financial intermediation. However, social intermediations are used for more than just preparation for financial intermediation (Zohir, and Matin, 2002). Social intermediation through a range of activities and capacity-building has enabled people to become good borrowers and savers, better manage their finances or their financial groups and help them to put whatever social capital they have to more productive use (Zohir, &Matin, 2002). This shifts MFIs' focus from financial security to social security. Using 'trust' as the base, MFIs have been able to foster group cohesiveness through networking. The group members derive a range of benefits including but not limited to low-cost marketing, knowledge diffusion and opportunity awareness (Hans, 2009). According to Hans, (2009), social intermediation is unlikely to be financially sustainable. Hence, MFIs have adopted a variety of methodologies in the provision of social intermediation just like in financial intermediation services provision. The methodologies include self-help groups (SHGs), individual banking programs in the form of joint liability groups, credit and saving cooperatives or even SHGs, the Grameen model involving private borrowing but all borrowers belong to joint liability groups or the mixed model involving Grameen and SHG, Mbaluka, (2013). It is important to note that the MFIs are private institutions whose primary objective is to maximize their profit while minimizing the cost which is ever-increasing due to the high administrative cost of the microloans. Though as identified earlier one of the aims of the MFIs in providing social intermediations is preparing individuals to engage in formal financial intermediation, it has positive externalities as it imparts knowledge.

Microfinance is a very powerful tool that can be used effectively to address poverty, empower the socially marginalized poor and strengthen the social fabric. Especially when directed at women, the benefits of microfinance multiply many folds. The use of microfinance to enhance income-generating opportunities for the poor is a popular tool for governmental as well as non-governmental organisations working to raise standards of living in developing countries. As evidence has shown women have high repayment rates and benefit extensively from local microfinance initiatives. Increasing attention in recent years has been paid to how microfinance

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fosters social capital formation among the poor (World Bank 1999). Social intermediation ensures a certain minimum of social capital in the first phase of economic growth and enhances its quantity and quality subsequently and sequentially. Lynn Bennett calls social intermediation the process which combines the functions of social organisation and financial linkage carried out through an NGO, or local government organisation, through self-help groups or individuals, as locally appropriate. He further defines it as "the process of creating social capital as a support to sustainable financial intermediation with poor and disadvantaged groups or individuals" (Ledgerwood, 2002). Social intermediation, thus, is the process of building human and social capital required by sustainable financial intermediation for the poor. It may require subsidies for a longer period than financial intermediation, but the subsidies must eventually be done away with. One of the formulations of the social capital concept that is still evolving is that it refers to the willingness of individuals to cooperate with other individuals and with institutions for a common purpose. Social intermediation is in-built into microfinance, it is the relationship between borrowers and the institution, peer supervision, social collateral, and sweat collateral (ala Gandhian bread labour) where the recipient has to work to earn cash to enable repayment. Moreso, the aspects of social intermediation that MFIs can count upon are; trust, sharing, interaction, educating and empowering, confidence and capacity (including skills) building, gathering experiences from ex-clientele and dormant groups outreach to the neediest and so on. There is a theoretical logic that justifies the operationalisation of social capital like trust, commitment, loyalty, etc in societal relationships within the micro-level institutions and also between micro-level and macro-level institutions. Where neither traditional systems nor modern institutions provide a basis for trust, MFIs are capable of doing this through social intermediation.

However, social intermediation is distinct from the provision of social welfare services in that social intermediation enables 'beneficiaries' to become clients able to enter into a contract involving reciprocal obligations. The level, nature and time horizon of the investment required for social intermediation varies with the barriers facing a given client/target group. It is also likely to depend on the level of responsibility in financial intermediation that the client group is required or willing to acquire. Thus, social intermediation institutions now have a tool other than financial intermediation to engage in and lend support to microfinance. It is an acknowledgement of the fact that many poor clients of microfinance are simply not in a position to use loans productively. Social intermediation through a range of activities and capacity-building prepares people to become good borrowers and savers, better manage their finances or their financial groups and help them to put whatever social capital they have to more productive use.

- **Financial Intermediation**

According to, Gorton and Winton (2002), financial intermediaries are firms that borrow savers/consumers, giving them to companies in need of investment funds. Deposit money banks, institutional investors, and pure intermediaries (investment banks) are the three categories of financial intermediaries. The main financial intermediaries are banks. They receive credits and offer the borrowers loans directly (Quilym, 2012). Consequently, financial

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intermediation has enabled financers to guide resources indirectly to the borrowers. Intermediary institutions such as banks receive funds from savers (lenders) who eventually give the funds to borrowers (spenders). According to Bilal and Mahmood (2010), the increasing size of financial intermediation has unfavourable consequences on Nigerian economic expansion. A bigger percentage of economic growth in Nigeria is contributed by the private sector. Bastian et al., (2018) confirmed that the non-existence of an advanced capital market will primarily depend on funding from bank credit sources, which will lead to growth in the economy. Potential savings are discouraged by the endless rise of financial intermediation owing to low returns on deposits. This eventually decreases loaning activities and investors' potential for investment consequently in the increased funding cost. Financial intermediation comprises of change of organized deposit charges (Mahmood and Bilal, 2010).

Murtala et al., (2015) examined the role of financial intermediaries in promoting Nigeria's economic sustainability. To ensure that each variable in the model is stationary, the augmented Dickey-Fuller and Phillips-Perron unit root tests, as well as Andrew-Zivot were used. The study used ARDL bounds testing to examine the short- and long-run relationship between financial sector indicators (with a particular emphasis on insurance, banking, and stock market development) and economic growth. Their findings indicated that the stock market, insurance development and economic growth all had a significant positive long- and short-run relationship. The conclusion corroborates theoretical and empirical predictions. However, there was a negative relationship between bank development and economic growth in both the short and long run. The feedback coefficient was negative and significant, indicating that approximately 0.37 percent of the previous period's disequilibrium was corrected in the current year. They discovered that economic growth and financial depth have a stable long-run relationship, as indicated by the CUSUM and CUSUMSQ stability tests. Bank credit, insurance, the value of stock transactions, and interest rates contributed to economic growth, but bank credit, insurance, the value of stock transactions, and GDP did not. Murtala et al., (2015) support the view that economic development is a result of financial development. Emecheta and Ibe (2014) also examined the effect of bank credit on growth in Nigeria from 1960 to 2011. The authors used current GDP as a proxy for economic growth and financial deepening variables such as bank credit to the private sector (CPS) to GDP and broad money (M2) to GDP ratios.

They used VAR to analyse the data and concluded that there was a significant linear relationship between bank credit and economic growth. Ogege and Boloupremo (2014) examined the effect of deposit money banks' sectorial credit allocation on accelerating GDP growth in Nigeria. The authors used time series data spanning the years 1973 to 2011. Representation of Engle-Granger Theorem of Error correction was used in the analysis, and the results indicated that credit to the manufacturing sector has a significant and real effect on Nigeria's growth rate, whereas credit to general commerce, services, and other sectors has a negative and statistically insignificant effect on the country's GDP. The study concluded by stating that commercial banks should improve their credit distribution efficiency to spur growth. Ayadi (2015) used a fixed-effect panel model to examine the impact of financial development, specifically bank efficiency, on economic growth across the Mediterranean Sea

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from 1985 to 2009. The study's findings indicated that independent legal institutions, sound governance, and sound financial reforms had a significant positive effect on financial development. Also, inflation has an effect on the development of the banking sector, particularly when the capital account was open. Government debt affected domestic private sector credit. Claudine (2012) examined the relationship between bank performance and credit risk management in Spain. The study discovered that the Return on Equity (ROE) and return on assets (ROA), which both measure profitability, result in a decline in profitability. The study concluded that sound risk management equates to sound banking, which ultimately results in the institution's profitable survival. Gaddiel et al., (2012) investigate the impact of loan defaults on Micro-finance Bank (MFB) operations (MFIs). The field data were analyzed using frequency and percentage counts. The study concluded that loan default had a detrimental effect on the operational sustainability and viability of MFIs (Sinapi Aba Trust), Financial Service Officers (FSOs), and MFI clients. Kolapo et al., (2012) examine the quantitative impact of credit risk on the performance of Nigerian commercial banks throughout the 11year period (2000-2010). The profit function's determinants were estimated using panel model analysis. The findings indicated that credit risk has a cross-sectional invariant effect on bank performance. Thus, non-performing loans have a detrimental effect on profitability (ROA); loan loss provision has a detrimental effect on profitability, and total loans and advances have a beneficial effect on profitability. Nyawera (2013) examined the financial performance of microfinance institutions concerning credit policies.

The study used regression analysis and discovered that credit policy, credit terms, and collection effort had a significant impact on financial performance. However, the study established that credit standard policy, credit terms, and collection are all measures of credit policy that have a significant impact on the financial performance of microfinance banks in Kenya (Ogunsanwo et al., 2020). Oyadonghan and Bingilar (2014) concentrate on the effective credit policy and liquidity of Nigerian manufacturing firms. The Annual Reports and Accounts of the selected companies from 2007 to 2011 were analysed statistically, as well as with a questionnaire. Hypotheses were tested using analysis of variance (ANOVA) and regression analysis. The study demonstrated that when a business credit policy is favourable, liquidity is optimal. Further studies reported that manufacturing firms do not regularly monitor and review their credit policies, which means that the allowance for cash discounts cannot be minimised as much as expected. Addae-Korankye (2014) examines the factors that contribute to loan delinquency/default in Ghana's microfinance institutions. The study used frequency counts and percentages to determine the causes of loan default, which included a high-interest rate, insufficient loan size, inadequate appraisal, a lack of monitoring, and improper client selection. Default prevention measures identified include pre and post-disbursement training, a reasonable interest rate, client monitoring, and proper loan appraisal. The study concluded that the government and the Bank of Ghana should monitor and supervise MFIs regularly to ensure the security of clients' deposits and their confidence (Ogunsanwo et al., 2020).

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3. Methodology

The population of the study comprises Small-scale food manufacturing businesses in Nigeria. But the study is limited to small-scale food manufacturing businesses within Lagos and Oyo State. A purposive method is used to select 747 small-scale food manufacturing businesses. Self - designed questionnaire was used to collect data from the owners of the small-scale food manufacturing business. To ensure validity and reliability, the researcher distributed copies of the questionnaire to the owners of small-scale industries in Lagos and Oyo states. A pilot test captured small-scale business performance to sustain the objectivity of the study. Also, an expert judgment validity procedure is used in determining the suitability of the research instrument for this study. A pilot test which took the form of a test-retest method was conducted before the actual study. Simple percentage, Independent T-test, Pearson Product Moment Correlation Coefficient (PPMC), and Multiple Linear Regression Analysis are employed to analyse the data.

Model Specification

MFSFI (Microfinance Bank Social and Financial Intermediation) = (Group formation, Literacy training and Skill development, Working Capital Loan, Fixed Asset Loans, Savings Collection).

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

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4. Result and Discussion of Findings

Table 3: 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.)

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Table 4: Microfinance banks' social intermediations influence the performance of small-scale food manufacturing businesses in Lagos and Oyo States, Nigeria

	X	STD
Group formation	4.13	0.99
Literacy training	4.04	1.06
Skill development	4.26	0.94
Grand mean	4.14	0.99

Source: Field Survey Report, (2022).

The generalization of respondents on the effects of Microfinance Banks' social intermediation activities on the performance of small-scale food manufacturing businesses in Lagos and Oyo States, Nigeria has shown in Table 4 shows a grand mean of 4.14 with a standard deviation of 0.99. Thus, the finding has a positive effect on social intermediation activities which include group formation, literacy training skills and skills development of business performance in Lagos and Oyo States.

Table 5: Microfinance bank's financial intermediation activities on the performance of small-scale food manufacturing businesses in Lagos and Oyo States, Nigeria.

	X	STD
Working capital	2.38	1.105
Fixed asset loan	2.704	1.414
General saving	2.652	1.293
Grand mean	2.652	1.293

Source: Field Survey Report, (2022).

In the general deduction, table 5 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 6: Impacts of Microfinance Banks on the performance of small-scale food manufacturing businesses in Lagos and Oyo States, Nigeria

	X	STD
Value Added	4.22	0.803
Job Creation	3.311	1.21
Customer Loyalty	4.195	0.795
Grand mean	3.909	0.936

Source: Field Study, 2022

In conclusion, table 6 reveals the impacts of Microfinance Bank's performance on small-scale food manufacturing businesses in Lagos and Oyo States, Nigeria as determined in Table 6

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shows a grand means of 3.91 and a standard deviation of 0.94 in the distribution while the respondents have affirmed positive impacts in maintaining optimal business outfits through value-added, job creation, value chain and customer loyalty in Lagos and Oyo States, Nigeria.

Table 7: Regression analysis for the joint effect of Microfinance Bank's social and financial intermediation activities on the performance of the small-scale food manufacturing sector in Lagos and Oyo States, Nigeria

A. Model summary				
Model	**R**	**R square**	**Adjusted Square**	**Std Error of the estimate**
1	.139[a]	.019	.017	6.66396
a. Predictor (constant) SSBP = Financial Intermediation + Social Intermediation				

B. ANOVA						
Model		**Sum of squares**	**Df**	**Mean Square**	**F**	**Sig**
1	Regression	647.460	2	323.730	7.290	.001[b]
	Residual	33039.868	744	44.408		
	Total	336.328	746			
a. Dependent Variable: Performance of small-scale sector **Predictors: (Constant),** PSFMB = **Social Intermediation + Financial Intermediation**						

Source: Field Study, 2022

Table 7 presents the results of the simple linear regression analysis for the joint effects of Microfinance Bank's social and financial intermediation activities on the performance of the small-scale food-manufacturing sector in Lagos and Oyo States, Nigeria. Table 7 presents a model summary that establishes how the model equation fits into the data. The R2 was used to establish the predictive power of the study's model. From the results, Microfinance Bank's social and financial intermediation activities have an averagely strong positive and statistically significant relationship with the performance of the small-scale food manufacturing sector in Lagos and Oyo States, Nigeria ($R = 0.139$, $p<0.05$). The coefficient of determination (R2) of 0.019 shows that Microfinance Bank's social and financial intermediation activities jointly explained 19% of the changes experienced in small-scale business performance in the food manufacturing sector in selected states under investigation while the remaining 81% changes in the performance of small-scale food manufacturing sector is attributable to other exogenous variables different from the dependent variables in the study. This result suggests that Microfinance Bank's social and financial intermediation activities have an effect of 19% on the performance of the small-scale food manufacturing sector in Lagos and Oyo States, Nigeria.

Table 7 presents the results of the ANOVA (overall model significance) regression test which revealed that the Microfinance Bank's social and financial intermediation activities have significant combined effects on the performance of the small-scale food manufacturing sector. This can be explained by the F-value (7.290) and low p-value (0.001) which is statistically significant at a 95% confidence interval. Hence, the result posited that Microfinance Bank's intermediations activities in the food manufacturing sector in Lagos and Oyo States, Nigeria

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significantly influenced the performance of the small-scale food manufacturing sector ($F(2,744) = 7.290$; $P<0.05$).

5. Conclusion

The core finding of the study reveals that joint microfinance bank intermediations such as financial and social intermediation have a significant influence on the performance and expansion capacity of small-scale food manufacturing enterprises in Lagos and Oyo States, Nigeria. It is therefore recommended that microfinance banks should increase the size and duration of their clients' asset loans to the real sector to boost the domestic production of food, especially to those linked to small-scale enterprises in Nigeria. Also, the study recommends that microfinance banks ought to initiate regular intermediations functions such as training and capacity-building programmes to assist small-scale business performance owners which would boost overall personal and economic growth for human productivities. The government should resuscitate credit schemes and programs for small-scale enterprises. The government should intervene to provide training centres that will give managerial training on the performance of the small-scale food manufacturing sector for business owners. This should be done in such a way that the attendance period is designed by the government representatives in collaboration with small-scale business owners and union leaders and a valid and recognized certificate should accompany the training.

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