FINANCIAL MANAGEMENT PRACTICES OF MICRO-SMALL-MEDIUM ENTERPRISES AND ACCESS TO MICROFINANCE INSTITUTIONS'CREDIT IN OGUN STATE, NIGERIA

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Abstract

The study established the effects of financial management practices of Micro-Small-Medium Enterprises (MSMEs) on access to microfinance institution credit in Nigeria. The study utilized the cross-sectional research design, and with the aid of a questionnaire, responses to the research questions were collected from 330 micro, small, or medium enterprises randomly selected in Ogun State, Nigeria. Descriptive statistics as well as simple linear regression was used to analyze the collated data and test the research hypotheses at the 5% level of significance. Results showed that working capital management (β = 1.361, t = 4.327), financial reporting (β = 1.346, t = 4.569), financial planning (β = 1.183, t = 5.265), and accounting information system (β = 1.299, t = 5.797) being measures of financial management practices within MSMEs each exhibited significant positive effects on MSMEs access to microfinance institution credit in Nigeria.The study concluded that financial management practices are integral to the stability of micro-small-medium Enterprises in Nigeria and increases their likelihood of accessing credit from financial institutions such as microfinance banks. The study recommended that firms, especially micro, small, medium enterprises, must effectively carry out financial management practices within their businesses, especially if the business would seek credit from financial institutions.

Keywords: Credit, MSMEs, Microfinance institutions, financial management.

Introduction

The availability of and access to credit facility is one of the key factors that determine the growth of micro-small-medium enterprises (MSMEs). Arti (2015) stated that credit contributes to enterprises development in number of ways which include access to external resources which allows for flexibility in resource allocation and reduces the impact of cash flow problems in micro-small-medium enterprises (MSMEs). Therefore, MSMEs with access to credit facility are able to have greater growth potentials which improve the going concern of such firm.

Nasiru (2017) noted that micro-small-medium scale enterprises despite their importance in the development of the economy, encounter many difficulties in sourcing for capital due to inaccessibility to credit facility. The unwillingness on the part

of financial institution in funding micro-small-medium scale enterprises can be explained by poor financial management practices of micro-small-medium enterprises and information asymmetry that normally exist between MSMEs and the lending institutions.

In developed economies, Hidayet, Canan and Onur (2016) emphasized that the importance of the MSMEs sector is well recognized worldwide due to its significant contribution to gratifying various socio-economic objectives, such as higher growth of employment, output, promotion of exports and fostering entrepreneurship. Similarly, Muneer (2017) noted that MSMEs' contribute to over fifty-five (55%) of GDP and over sixty-five (65%) of total employment in high-income countries. In the UK, MSMEs contribute ninety-nine percent (99%) of all industrially produced goods and generated up to fifty percent (50%) of their GDP. In China, MSMEs generated about 80% of all employments in the urban centers and contributing 50% of tax revenue; hence accounting for 60% of their GDP (Maalim & Gikandi 2016).

In developing economies, MSMEs account for over sixty percent (60%) of GDP and over seventy percent (70%) of total employment in low-income countries, while they contribute over ninety-five (95%) of total employment and about seventy (70%) of GDP in middle-income countries. OECD (2016) noted that in the European Union countries, for example, there are some twenty-five million (25 million) small businesses, constituting ninety-nine percent (99%) of all businesses and providing fifty-five percent (55%) of total jobs in the private sector. Also, in Romanian economy, Neagu (2016) stated that MSMEs face a lot of financial constraints which can be traced to insufficiency of resources and difficulties that companies have to deal with in the relation with the banks and micro finance institutions. In Malaysia for instance, MSMEs form ninety-seven percent (97%) of the industries and account for more than thirty-one percent (31%) contribution to GDP. In Ghana, Henry, Samuel and Jane (2015) noted that several challenges which can be traced to poor financial management practices, poor records keeping, poor credit rating and poor accounting practices militate against MSMEs access to credit facility.

Considering the Nigerian economy, Umero and Udo (2015) emphasized that many micro small enterprises fail because of poor financial management and lack of prudent financial evaluation and assessment which also limit the firms' access to credit facility. Moreover, Saari (2020) asserted that despite the importance of micro-small-medium enterprises, over the years, they have had the continuous problem of lack of finance to grow the business which mostly leads to the death of the business due to MSMEs difficulty in accessing loans from financial institutions.

Sani, Norani and Umar (2020) asserted from their study on MSMEs that the rate of failure of MSMEs in the developing countries is higher than in the developed world. In a related study, Arzubiaga and Kotlar (2018) found that MSMEs are faced with the problem of lack of technological know-how, lack of managerial skills, inability to record appropriately business dealings, auditing and prioritizing portfolio and poor management practices which makes it difficult for majority of MSMEs in obtaining soft loans from commercial banks and micro-small-medium finance institutions.

The relationship between financial management practices of MSMEs and access

to credit has generated a strong interest in the literature. Singh and Singh (2014) theoretically explored the problems related to the growth of small firms; the author found that the MSMEs initial capital is majorly sourced from internal financing sources, as they have accessibility problems in getting external debt or equity financing. The authors further identified the factor affecting the performance of MSMEs as shortage of financial resources, difficulty in access to finance via bank loans and poor financial management practices. It is on this ground that this research work aims at assessing the effect of financial management practices of micro-small-medium enterprises (MSMEs) on access to microfinance institution credit in Nigeria.

Despite all the efforts of government, progress of MSMEs in Nigeria is still limited by financial challenges. It can be logically correct to conclude from the above that the financial challenges of MSMEs in Nigeria today, have taken the dimension of inaccessibility of funds. Umero and Udo (2015) emphasized that the key obstacles of MSMEs access to credit in Nigeria can be traced to poor financial management practices occasioned by poor accounting or non-existent accounting information, lack of managerial skills, inability to record appropriately business dealings, poor auditing, poor or non-existent working capital and inventory management. According to Ariyo (2014), the largest percentage of MSMEs fail during the first two years of their existence due to cash flow problems that arise because of inaccessibility to bank loans occasioned by poor financial management practices. The impact of these challenges needs to be assessed so as to come up with useful and relevant solutions that can contribute to the growth of micro-small-medium enterprises (MSMEs) in Nigeria.

Review of Literature and Theoretical Framework

The study employed resource dependency theory and financial intermediation theory as the underpinning theories based on their relevance and suitability of the theories' philosophical alignment with the study. The resource dependence theory was propounded by Jeffrey Pfeffer and Gerald Salancik in 1970. The resource dependence theory is underpinned by the idea that resources are key to organizational success and that access and control over resources is a basis of power. The theory is based on the assumption of the existence of a bi-directional relationship between businesses and the environment. According to this view, the environment can be customized to businesses, as organizations adapt to their environment.

In support of the resource dependency theory, Babafemi (2015) emphasized that this theory is based on the need for micro-small-medium enterprises (MSMEs) to adapt to the uncertainty of the environment so as to address the problems of MSMEs interdependencies and control of resource flows. The author further explained that the enterprise can adapt its structures, values and products so as to avoid dependence on critical or scarce external resources. Thus, the firm can store and control the terms of trade, to vertically integrate or diversify its alternative resource requirements.

Critics of this theory such as Weiss and Montgomery (2005) noted that the resource dependency theory focuses attention majorly on power to the environment which requires government

funding of research and development, existence of an enabling environment for business start-up and growth of micro-small-medium enterprises which offer attempts to manage the dependency of the business in respect of these resources. The author however noted that the existence of enabling environment for the optimization of resource dependency theory is generally non-existent in developing economies. The resource dependency theory is relevant to this study as it provides explanation on the ways by which micro, small and medium enterprises can take advantage of the environment particularly for developing countries that suffer from a deficiency in critical and scarce resources.

The financial intermediation theory was developed by Leland and Pyle in 1977. The theory emphasized the roles of the financial intermediaries in the financial systems. This theory is relevant to the study because it establishes that the contribution of intermediaries is to ensure steady flow of the funds from the surplus unit to the deficit units. The role of financial intermediaries is essential in that it ensures the growth of the economy through supply of financial commodities (Scholten &Wensveen, 2003).

The financial intermediation theory is based on the assumption of the presence of informational asymmetry and the agency theory. In principle, the existence of financial intermediaries is explained by the existence of the following categories of factors: high cost of transaction, lack of complete information in useful time and the method of regulation. In financial markets, information asymmetries are particularly pronounced. Investors tend to borrow with the collateral and entrepreneurs have inside information about their own investment seeking financing (Scholten &Wensveen, 2003). It explains the importance of intermediation process of financial intermediaries in the economy as a whole.

In support of the financial intermediary theory, Shittu (2012) emphasized that intermediaries eliminate (or reduce) the need for self-financing of investments. In particular, by providing liquidity, financial institutions permit risk-averse savers and entrepreneurs to hold deposits rather than liquid (but unproductive) assets. The funds obtained by the deposit money banks are then available for investment in productive capital. Hence, deposit money banks should finance any positive net present value project if the cost of investment is below the expected returns.

The financial intermediation theory is criticized on the ground that it is heavily focused on the functions of financial institutions that are no longer crucial in mature financial systems. Also, the emphasis of financial intermediation theory on the role of intermediaries as reducing the frictions of transaction costs and asymmetric information is too strong; while these factors may once have been central to the role of intermediaries, they are increasingly less relevant. Shittu (2012) suggested a view on financial intermediaries that centers on two roles. First, they are the facilitators of risk transfer and deal with an increasingly complex maze of financial instruments and markets. The key area of intermediary activity therefore has become risk management, whereas traditional intermediation theory offers little to explain why institutions should perform this function.

The financial intermediation theory is relevant to this study as it emphasizes the functions of financial institutions in providing credit facility to micro-small-medium

enterprises (MSMEs) and increasing the growth and survival of MSMEs.

Banerjee and Duflo (2014) studied the financial performances of micro, small and medium sized firms both before and after they accessed loans in India. The study employed a survey of two hundred and ninety-six (296) small scale enterprises in the region of Banerjee, the study concluded that these firms began to expand their sales proportionately to the additional loan sources which concluded that these firms must have previously been credit constrained due to the affordability and accessibility of the loans.

Güngör and Öndeş (2014) conducted a research study on thirty (30) MSMEs in Erzurum region of Turkey. Their findings indicated that, lack of financial management knowledge and collection of receivables in working capital management are among the most common financial problems in MSMEs. In addition to that, 97% of these MSMEs used equity financing instead of debt financing, and capacity utilization ratio in these MSMEs were found to be very low, causing significant amounts of financial losses and decreases in the rate of employment.

Vohra and Dhillon (2014) studied various effects of financial management practices on small firms' performances through questionnaire-based field survey. Data were collected from one hundred and three (103) owner-managers from a random sample of MSMEs located in the four (4) cities of Punjab state of India. The research found detailed consequences of financial management practices on a firm's performance which mediate via financial planning capabilities. The study covered three (3) aspects which mainly include financial forecasting and budgetary planning capabilities, investment decision capabilities and inventory management capability.

Brijlal and Issacs (2014) investigated the use of financial management practices by micro-small-medium enterprises in South Africa. The authors found that more than half of the MSMEs rely on external accounting staff to prepare accounting reports and more than sixty percent (60%) rely on external accounting staff to interpret and use accounting information. The study also revealed that MSMEs' owners lacked interpretation skills and awareness of using information from financial statements. The study recommended that policy makers, academic institutions, banks and business support organizations should focus on educating MSMEs owners so that the risk of cash flow problems and business failure can be mitigated.

Umanhonlen, Okoro-Okoro and Umanhonlen (2018) evaluated the impact of microfinance banks on micro, small and medium scale enterprises in Nigeria. Econometric techniques of OLS for analysis were used. The empirical results revealed generally that microfinance bank loan has a significant negative relationship with MSMEs in Nigeria in both short run and at long run. The negative state of the result is an indication that microfinance loan has not really yielded the expected positive impact on MSMEs.

Mwebesa, Kansiime, Asiimwe, Mugambe and Rwego (2018) studied financial record-keeping as an integral part of managing development groups' business environment. The study was carried out in three rural districts of Rubirizi, Kasese and Rukungiri in Western Uganda with the aim of determining the effects of financial record keeping on financial performance of Development groups. A total of 99

respondents were obtained from 33 development groups. In every development group, three leaders i.e. the Chairperson, Treasurer and Secretary were interviewed. Using the Likert scale with five categories from strongly agree to strongly disagree, a mean value of 3.5 indicated a strong agreement to the questions asked. The mean value (4.32) on access to information implied that when members have access to information, transparency and accountability are ensured. Findings indicated that 67 (67.7%) knew the type of financial books recognized by international accounting standards board (IASB). 36 (36.4%) respondents reported keeping money in boxes while 22 (22.2%) kept money in the bank. Findings revealed a significant positive relationship between the financial record keeping and financial performance (r=0.297**, P>0.05).

Musah, Gakpetor and Pomaa (2018) examined financial management practices using four components: working capital management practices, capital structure management, accounting information and financial reporting practices, and the use of capital budgeting techniques and fixed assets management. Performance of MSMEs was examined from the context of profitability measured by Return on Assets and of growth. The study sampled one hundred (100) MSMEs from Accra with data collected through the administration of a questionnaire. Data were analyzed using descriptive statistics and Pearson correlation analysis. The results of the descriptive statistics revealed that working capital management practices had the highest mean score, followed by accounting information and financial reporting practices, capital structure management and finally, the use of capital budgeting techniques and fixed assets management, in that order. The Pearson correlation analysis showed a positive association between the four components of financial management practices and MSMEs' profitability and growth. The results emphasized the need for MSMEs to improve on their financial management practices, their profitability and growth of these firms. The study recommended that the use of capital budgeting techniques be improved, as this area of financial management, even though it impacts positively on the performance of MSMEs had the least score.

Okoli and Okeke (2018) examined the extent owners of micro, small and medium scale enterprises adopt financial management practices for business success in Anambra State. Descriptive Survey research design was adopted. The population comprised 2502 owners of micro, small and medium scale enterprises that were registered with Anambra State Ministry of Commerce, Industry and Technology. A validated structured questionnaire with a reliability coefficient index value of 0.84 using Cronbach alpha was used to collect data. Mean rating and standard deviation were used to analyze data collected while Analysis of Variance (ANOVA) was used in testing the null hypothesis at 0.05 level of significance. The findings of the study revealed among others that such financial management practices as establishing financial plans for specified areas of fund allocation and verifying recorded accounting figures regularly were adopted at a low extent by the owners of MSMEs in Anambra State.

It was also revealed that years of business experience of the owners did not significantly affect their mean ratings on the

extent they adopt the financial management practices in their businesses. The study concluded that the extent of adoption of financial management practices among the owners of MSMEs in Anambra State was low. It was recommended among others that professional bodies such as National Association of Micro, Small and Medium Enterprises (MSME) should organize their members coherently with a view to guiding them through dissemination of relevant and up-to-date information on the identified financial management practices needed for business success.

Siyanbola, Maduemem, Ogbebor and Sanyaolu (2019) investigated the effect of accounting information system on the performances of MSMEs in Nigeria. The population of this study consisted of Micro-Small-Medium scale Enterprises (MSMEs) in Festac - Town, Lagos. Data were extracted from 154 questionnaires administered with 80% retrieval success. The hypotheses were formulated and tested using regression analysis at 5 per cent level of significance (0.05). The data were analyzed and interpreted using both descriptive and inferential statistics. The study found accounting information system having a significant positive effect on MSMEs performance. In conclusion, accounting information systems employed by the managers and owners of MSMEs were found to have contributed positively to their decisions and performances. We therefore recommended that users of accounting information should take cognizance of the quality of accounting information systems provided so as to aid their performance.

Adamu (2019) examined the effect of microfinance banks on the growth of selected small and medium scale enterprises in Makurdi metropolis, Benue State. Descriptive statistics such as frequency, simple percentage and multiple linear regression analysis was used. The result of the regression analysis indicates that a positive relationship exists between Credit by Microfinance (CMF) Job Creation (JOC) of selected MSMEs in Makurdi Metropolis and the relationship is statistically significant ($p<0.05$). A positive relationship exist between Credit by Microfinance and Business Expansion (BEX) of selected MSMEs in Makurdi Metropolis and the relationship is statistically significant ($p<0.05$). A negative relationship exists between Savings Mobilization and the Growth of Small and Job Creation (JOC) of selected MSMEs in Makurdi Metropolis and the relationship is not statistically significant ($p>0.05$). A positive relationship exists between Savings Mobilization (SMB) and Business Expansion (BEX) of selected MSMEs in Makurdi Metropolis and the relationship is statistically significant ($p<0.05$).

Binuyo and Igbinake (2020) investigated the effect of business model on organizational performance of microfinance banks in Oyo state, Nigeria. Descriptive and inferential statistics such as simple and multiple regression analysis was used. Findings revealed that Business Model Dimensions had joint significant effect ($F(3, 26) = 3.523033$, $p<0.05$) on Portfolio at Risk of MFBs in Oyo state, Nigeria. The study recommends that the management of MFBs should initiate policies, program and procedures aimed at enhancing appropriate model alignment, innovation and analysis so as to improve performance through improved portfolio quality.

Adesola, Ewa and Arikpo (2020) determined the effect of microfinance banks dynamics effect on Small-Scale Enterprise Development in Nigeria, Vector error correction mechanism. Result from the analyses revealed that Microfinance banks

loans and advances and investments do not have any significant effect on MSMEs' productivity in Nigeria both in the long run and short run period. The study further reveals that microfinance banks' deposit mobilization does not have any significant effect on MSMEs' productivity in Nigeria in the long run, however, within the short run period microfinance banks deposits mobilization has a significant effect on MSMEs' productivity.

Methodology

The cross-sectional survey research design was adopted for this study. Through this design, the use of questionnaire was considered appropriate as a method of retrieving information for data collection and classification. The study considered the views of respondents from the selected micro-small-medium enterprises in Ogun State, Nigeria. The justification for using survey research design was based on its capability for collecting enormous data; it was also useful in describing the characteristics of a large population extensively. The population of the study consists of one thousand nine hundred (1900) MSMEs registered with Ministry of Commerce and Industry in Ogun State, Nigeria as at 31st December, 2020. Using the Taro Yamane (1967) statistical formula 330 registered MSMEs constituted the sample size for this research study. The data collected were analyzed using Inferential and Descriptive statistics. The research questions were answered using descriptive statistics of percentage, mean and standard deviation. Specifically, inferential statistics of multiple regression analysis was used to test the hypotheses formulated for the study at 0.05 level of significance using Statistical Package for Social Sciences (SPSS).

The model in this study followed the study of Siyanbola, Maduemem, Ogbebor and Sanyaolu (2019) where they investigated the effect of accounting information system on the performances of MSMEs in Nigeria. The Model is given below;

$SRG_{it} = \beta_0 + \beta_1 AP_{it} + \beta_2 MOA_{it} + \beta_3 IAIS_{it} + \beta_4 UAI_{it} + \mu_{it}$

Where:

AP= Accounting Practice
MOA= Mode of Accounting
IAIS= Impact of Accounting Information System
UAI= Use of Accounting Information
SRG= Sales Revenue Growth

Taking cognizance of their model, the model for this study was modified with respect to the objectives of the study and given as:

Y = f (X)

Where:

MICA=Microfinance institution credit
WCM= Working capital management
FR = Financial reporting
FP = Financial planning
AIS= Accounting Information System

Therefore, the functional relationships are expressed as follows:

MICA= f (WCM)……………………………………………………1

MICA= f (FR) ………………………………………………………2

MICA = f (FP) ………………………………………………………3

MICA = f (AIS) ……………………………………………………..4

MICA= f (WCM, FR, FP, AIS)

Hence, the model specifications of the study are:

$MICA = \beta_0 + \beta_1 WCM + \mu$ ---1

$MICA = \beta_0 + \beta_2 FR + \mu$ ---2

$MICA = \beta_0 + \beta_3 FP + \mu$ ---3

$MICA = \beta_0 + \beta_4 AIS + \mu$ ---4

$MICA = \beta_0 + \beta_1 WCM + \beta_2 FR + \beta_3 FP + \beta_4 AIS + \mu$ ----------------------5

Where:

βo= base constant or the intercept
$\beta_1 - \beta_4$= beta regression coefficient for x

Data Analysis And Discussion
Descriptive Statistics

Table 1.1 - Descriptive Statistics Of The Dependent And Independent Variables

Descriptors	MICA	WCM	FR	FP	AIS
Mean	42.8066	18.718	18.3869	25.8984	21.8131
Variance	133.65	4.177	4.745	8.006	7.883
Std. Deviation	11.5607	2.04373	2.1782	2.8295	2.80762
Minimum	0	10	10	14	6
Maximum	60	20	20	28	24
Range	60	10	10	14	18
Interquartile Range	7.5	2	2	3	4
Skewness	-1.551	-1.895	-1.554	-1.651	-1.615
Kurtosis	2.343	3.681	2.187	3.061	3.621

Source: Author's computation of field data (2021) using SPSS

The mean and standard deviation shows the shows that MICA had more variability in responses as shown by its high values. The skewness of all the variables shows that the dataset lacks symmetry since the skewness of each variable is not equal to zero. Hence, the conclusion that the variables do not follow the normal distribution as expected with survey data. Additionally, the kurtosis confirms the skewness outcome as it shows that none of the variables has a kurtosis value equal to 3. As such, the weight of the tails of each WCP, FP, and AIS are heavier than that of the normal distribution since their kurtosis values are greater than 3, while the individual weights of the distributions of MICA and FR are lighter than the normal distribution since both have kurtosis values less than 3.

Table 1.2 - Normality of the Dependent and Independent Variables

Tests of Normality						
	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	Df	Sig.	Statistic	df	Sig.
FMP	.246	305	.000	.830	305	.000
WCM	.309	305	.000	.673	305	.000
FR	.260	305	.000	.748	305	.000

FP	.240	305	.000	.754	305	.000
AIS	.241	305	.000	.764	305	.000

Source: Author's computation of field data (2021) using SPSS

To ascertain if the variables are normally distributed using the normality test, the rule is that if the p-value of the Kolmogorov-Smirnov or Shapiro-Wilk statistic is greater than 0.05, then the observations of the variable is normally distributed. However, from the table above, none of the variables is normally distributed, as expected, due to the nature of the dataset.

Model Estimation

Estimation of Model One

This model determined the effect of working capital management on MSMEs access to microfinance institution credit in Nigeria. The estimated model result is shown below:

Table 2.1 – Working Capital Management and MSMEs Access to Microfinance Credit

	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	17.350	5.923		2.929	.004
WCM	1.361	.315	.241	4.327	.000

a. Dependent Variable: MICA

Source: Author's computation of field data (2021) using SPSS

The regression result shown in the table above depicts a positive effect of financial management practices (FMPs) on the access to microfinance credit by MSMEs in Ogun State, Nigeria. The extent of this positive effect is shown by the unstandardized coefficient of WCM at 1.361, and implies that for every 1% increase in working capital management, access to microfinance credit by MSMEs increases by at least 136%. This outcome shows that working capital management is a viable requirement to accessing credit from microfinance institutions in Ogun State, Nigeria by MSMEs. Moreover, the positive effect of WCM on MICA is significant as the t-statistic of the coefficient of WCM is significant (p-value = 0.000).

Based on the *a priori* expectations of this study, the above result is consistent with theory and validates the hypothesis that financial management practices would improve the likelihood of firms to access credit from financial institutions. The coefficient of the constant is also positive, and implies that if WCM is constant, MSMEs would still have access to microfinance credit.

Evaluation of Model One

Table 2.2 – Robustness Coefficients of Model One

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.241[a]	.058	.055	11.22566

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2359.132	1	2359.132	18.721	.000[b]
	Residual	38308.688	304	126.015		
	Total	40667.820	305			

Source: Author's computation of field data (2021) using SPSS

The summary of the model is shown in the table above. The correlation coefficient validates a positive relationship between WCM and MICA and shows that when standardized, working capital management will still improve access to microfinance credit by 24%. Furthermore, the model summary shows that the coefficient of determination (R^2) stands at 0.058, and depicting that the model has a poor fit as only 5.8% of the changes in MICA can be explained by WCM. The ANOVA table shows that the model used to determine the effect of working capital management on MSMEs access to microfinance institution credit in Nigeria is significant since the F-statistics (18.721) is significant at the 5% level of significance (p-value = 0.000 < 0.05).

Test of Hypothesis One

H_{01}: Working capital management does not have any significant effect on MSMEs access to microfinance institution credit in Nigeria.

From the analysis of the model one and based on the findings, this study rejects the null hypothesis one and concludes that working capital management has a significant effect on MSMEs access to microfinance institution credit in Nigeria ($\beta = 1.361$, $t = 4.327$, p-value = 0.000).

Estimation of Model Two

The second model of the study measured the effect of the impact of financial reporting on MSMEs access to microfinance institution credit in Nigeria. The estimated model two results are shown below:

Table 4.11 – Financial Reporting and MSMEs Access to Microfinance Credit

	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	18.079	5.454		3.315	.001
FR	1.346	.295	.253	4.569	.000

a. Dependent Variable: MICA

Source: Author's computation of field data (2021) using SPSS

The regression result for the estimated model two shown in the table above also depicts a positive effect of financial management practices (FMP) proxied by financial reporting (FR) on the access to microfinance credit by MSMEs in Ogun State, Nigeria proxied by MICA. The extent of the positive effect as shown by the

unstandardized coefficient of FR is 1.346, and implies that for every 1% increase in financial reporting within MSMEs, their access to microfinance credit increases by about 135%. The implication of this is that financial reporting as a financial management practice is essential towards MSMEs' ability towards accessing credit from microfinance institutions in Ogun State, Nigeria by MSMEs. Additionally, the positive effect of FR on MICA is significant as the t-statistic of the coefficient of FR is significant (p-value = 0.000).

Based on theoretical expectations on the relationship between financial reporting and access to microfinance credit by MSMEs, the above result is consistent with theory and validates the hypothesis that financial management practices would improve access to credit from financial institutions by MSMEs. However, the coefficient of the constant for model two is also positive and implies that should FR remain constant, MSMEs would still have access to microfinance credit.

Evaluation of Model Two

Table 2.3 – Robustness Coefficients of Model Two

Model Summary						
Model		R	R Square	Adjusted R Square	Std. Error of the Estimate	
1		.253a	.064	.061	11.18840	
ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2613.014	1	2613.014	20.874	.000b
	Residual	38054.806	304	125.180		
	Total	40667.820	305			

Source: Author's computation of field data (2021) using SPSS

The summary of model two is shown in the table above. The correlation coefficient validates the positive relationship between FR and MICA found in the regression result and shows that when standardized, financial reporting will still improve access to microfinance credit by 25%. Furthermore, the model summary shows that the coefficient of determination (R^2) stands at 0.064, and implies that the model has a poor fit as just 6.4% of the changes in MICA can be explained by FR. Also, the ANOVA table shows that the model used to determine the effect of financial reporting on MSMEs access to microfinance institution credit in Nigeria is significant since the F-statistics (20.874) is significant at the 5% level of significance (0.000 < 0.05).

Test of Hypothesis Two

H_{o2}: Financial reporting does not have any significant effect on MSMEs access to microfinance institution credit in Nigeria.

From the analysis of the model two above and based on the findings, this study rejects the null hypothesis two and concludes that financial reporting has a significant effect on MSMEs access to microfinance institution credit in Nigeria (β = 1.346, t = 4.569, p-value = 0.000).

Estimation of Model Three

This model determined the effect of financial planning on MSMEs access to

microfinance institution credit in Nigeria. The estimated model result is shown below:

Table 2.4 – Financial Planning and MSMEs Access to Microfinance Credit

	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	12.171	5.853		2.079	.038
FP	1.183	.225	.290	5.265	.000

a. Dependent Variable: MICA

Source: Author's computation of field data (2021) using SPSS

The regression result for the estimated model three as shown in the table above indicates a positive effect of financial management practices (FMP) proxied by financial planning (FP) on the access to microfinance credit by MSMEs in Ogun State, Nigeria. The positive effect is as high as 118% as shown by the unstandardized coefficient of FP at 1.183, and further implies that for every 1% increase in financial planning within MSMEs, access to microfinance credit increases by at least at least 118%. The implication is financial planning by MSMEs is a necessary tool towards accessing credit from microfinance institutions in Ogun State, Nigeria. Additionally, this positive effect of FR on MICA is significant as the t-statistic of the coefficient of FR is significant (p-value = 0.000).

Based on the *a priori* expectations of this study, the above result is also consistent with theory and corroborates the hypothesis that financial management practices in the form of financial planning would improve the likelihood of a firm to access credit from financial institutions. However, since the coefficient of the constant is also positive, it implies that if FP is constant, MSMEs would still have access to microfinance credit, hence, confirming that other there are other significant determinants of MICA other than financial planning.

Evaluation of Model Three

Table 2.5 – Robustness Coefficients of Model Three

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.290a	.084	.081	11.08384

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3405.577	1	3405.577	27.721	.000 b
	Residual	37224.010	303	122.852		
	Total	40629.587	304			

Source: Author's computation of field data (2021) using SPSS

The summary of model three is shown in the table above. The correlation coefficient confirms that a positive relation exists between financial planning and MICA and shows that when standardized, sound financial planning will still improve access to microfinance credit by 29%. Furthermore, the model summary shows that the coefficient of determination (R^2) stands at 0.084, and depicting that the model has a poor fit as only 8.4% of the changes in MICA can be explained by FR. The ANOVA table shows that the model used to determine the effect of financial planning on MSMEs access to microfinance institution credit in Nigeria is significant since the F-statistics (27.721) is significant at the 5% level of significance (0.000 < 0.05).

Test of Hypothesis Three

H_{o3}: Financial planning does not have any significant effect on MSMEs access to microfinance institution credit in Nigeria.

From the analysis of model three and based on the findings, this study rejects the null hypothesis three and concludes that financial planning has a significant effect on MSMEs access to microfinance institution credit in Nigeria (β = 1.183, t = 5.265, p-value = 0.000).

Estimation of Model Four

This model determined the effect of accounting information system on MSMEs access to microfinance institution credit in Nigeria. The estimated model result is shown below:

Table 2.6 – Accounting Information Systems and MSMEs Access to Microfinance Credit

	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	14.481	4.930		2.937	.004
AIS	1.299	.224	.315	5.797	.000

a. Dependent Variable: MICA

Source: Author's computation of field data (2021) using SPSS

The regression result shown in the table above depicts a positive effect of financial management practices (FMP) proxied by accounting information system on the access to microfinance credit by MSMEs in Ogun State, Nigeria. The extent of this positive effect is shown by the unstandardized coefficient of AIS at 1.299, and the accounting information system of MSME, their access to microfinance credit by improves by at least about 130%. The finding shows that accounting information system is a major input in the desire of MSMEs to access credit from microfinance institutions in Ogun State, Nigeria. Moreover, the positive effect of AIS on MICA is significant as the t-statistic of the coefficient of AIS is significant (p-value = 0.000).

Based on the *a priori* expectations of this study, the above result is consistent with theory and conforms to the hypothesis that the better the financial management practices by MSMEs, the better the likelihood to access credit from financial institutions such as microfinance banks. However, the positive and significant value of the constant term in the model implies that zero increase in AIS would still result in an increase in MSMEs ability to access microfinance credit.

Evaluation of Model Four

Table 2.7 – Robustness Coefficients of Model Four

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.315a	.100	.097	10.97549

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4047.583	1	4047.583	33.601	.000 b
	Residual	36620.238	304	120.461		
	Total	40667.820	305			

Source: Author's computation of field data (2021) using SPSS

The summary of model four as shown in the table above shows that the correlation coefficient confirms the regression result of a positive relationship between AIS and MICA. This further implies that when standardized, accounting information system will still improve access to microfinance credit by about 32%. Furthermore, the model four summary shows that the coefficient of determination (R^2) stands at 0.100, and indicates that the model has a poor fit as only 10% of the changes in MICA can be explained by AIS. The ANOVA table also shows that the model used to determine the effect of accounting information system on MSMEs access to microfinance institution credit in Nigeria is significant since the F-statistics (33.601) is significant at the 5% level of significance (0.000 < 0.05).

Test of Hypothesis Four

H_{o4}: Accounting information system does not have any significant effect on MSMEs access to microfinance institution credit in Nigeria.

From the analysis of the model and based on the findings, this study rejects the null hypothesis one and concludes that accounting information system has a significant effect on MSMEs access to microfinance institution credit in Nigeria (β = 1.299, t = 5.797, p-value = 0.000).

Estimation of Multiple Regression Model of the Study

Table 3.1 – Financial Management Practices and MSMEs Access to Microfinance Credit

	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	3.346	6.615		.506	.613
WCM	-.033	.463	-.006	-.072	.943
FR	.464	.405	.087	1.147	.252
FP	.534	.303	.131	1.760	.079
AIS	.813	.293	.197	2.774	.006

a. Dependent Variable: MICA

Source: Author's computation of field data (2021) using SPSS

The multiple regression result shown in the table above depicts a positive effect of FR, FP, and AIS on the access to microfinance credit by MSMEs in Ogun State, Nigeria. However, WCM exhibited a negative effect on access to microfinance credit by MSMEs. The extent of the positive effect of FR, FP, and AIS on the access to microfinance credit by MSMEs is 46.4%, 53.4%, and 81.3% respectively, while the extent of the negative effect of WCM is 3.3% as shown by their respective unstandardized coefficients. However, only the positive effect of AIS on MICA is significant as the t-statistic of the coefficient of AIS is significant (p-value = 0.006) while the individual effects of WCM, FR, and FP on access to microfinance credit by MSMEs are non-significant.

Evaluation of Overall Model

Table 3.2– Robustness Coefficients of Overall Model

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.347a	.121	.109	10.91263

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4903.910	4	1225.978	10.295	.000b
	Residual	35725.677	300	119.086		
	Total	40629.587	304			

Source: Author's computation of field data (2021) using SPSS

The summary of the overall model is shown in the table above. The correlation coefficient suggests a positive relationship between financial management practices and MICA, while the coefficient of multiple determination (Adj. R^2) stands at 0.109, and implying that the model has a poor fit as only 11% of the changes in MICA can be explained by financial management practices. The ANOVA table also shows that the model used to determine the effect of financial management practices on MSMEs access to microfinance institution credit in Nigeria is significant since the F-statistics (10.295) is significant at the 5% level of significance (0.000 < 0.05).

Discussion of Findings

This study sought to establish the effects of financial management practices of Micro-Small-Medium Enterprises (MSMEs) on access to microfinance institution credit in Nigeria. The descriptive statistics of the returned questionnaire items showed that despite the availability MSMEs often got access to credit from microfinance institutions, but not always. This finding is consistent with the work of Qureshi (2012) who examined the problems and constraints faced by micro, small and

medium-sized enterprises (MSMEs) in Pakistan with regard to access to financing using both qualitative data and quantitative data and found that formal financing is the biggest problem of MSMEs because a substantial portion of MSMEs do not have the security required for collateral. However, the findings negate the work of Duru, Yusuf and Kwazu (2017) who examined the role of microfinance banks credit in the development of small and medium enterprises in Lokoja, Kogi State, Nigeria using descriptive statistics and Chi-square statistic that microfinance banks have mobilized savings for intermediation and micro, Small and Medium Enterprises development in Lokoja.

The study also found that financial management practices such as working capital management, financial reporting, financial planning, and accounting information system are always emphasized and available within the surveyed Micro-Small-Medium Enterprises (MSMEs) in Ogun State, Nigeria. This finding is inconsistent with the work of Fatoki (2016) who examined financial management practices of new micro enterprises in South Africa with particular focus on financial planning and control, financial analysis, accounting information, management accounting, investment appraisal and working capital management, and found that financial management practices of Micro Enterprises are very weak in the areas of financial planning, analysis, control and investment decisions. Also, this finding is inconsistent with the work of Mamman and Aminu (2016) that examined the effect of banking reforms on loan financing of MSMEs in Nigeria and found that there is no significant effect of banking reform on loan financing of MSMEs in Nigeria.

Findings, Conclusion And Recommendations

This study concludes that financial management practices are integral to the stability of micro-small-medium Enterprises in Nigeria and increase their likelihood of accessing credit from financial institutions such as microfinance banks. That is, a micro, small, or medium enterprise that judiciously ensures that financial management practices such as the management of its working capital, detailed financial reporting, adequate financial planning, and an efficient accounting information system, would easily and most likely access credit from financial institutions as these credit institutions emphasize that credit seekers must already have established financial management practices within their businesses.

The study recommends the following:

i. A firm, especially micro, small, or medium enterprises must effectively carry out financial management practices within their businesses, especially if the business would seek credit from financial institutions.

ii. Record keeping is of paramount importance to the ability of an MSME to obtain credit from credit institutions. As such, micro, small, or medium enterprises should ensure adequate record keeping of their businesses no matter the size.

iii. Working capital management was found to be effective towards access to credit by MSMEs. As such, micro, small, or medium enterprises should recognize that the management of their working capital is integral and fundamental to the financial health and operational success of such as a business.

iv. When combined together in a model, the variables of financial management practices were found to have a non-significant on MSMEs access to microfinance institution credit in Nigeria. As such, the owners or management of

these firms must ensure that the right mix of financial management practices are employed so that efficiency in one does not negate efficiency in another and undermine the goal of the whole process.

v. The study found that MSMEs do not always have access to credit. While this may be due to poor financial management practices on the part of the MSMEs, management of credit institutions who have the goal of assisting small businesses to grow should adequately and regularly sensitize these MSME businesses on the need for proper financial management practices.

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