EFFECT OF FINANCIAL INCLUSION ON THE PERFORMANCE OF MICRO, SMALL AND MEDIUM ENTERPRISES IN NORTH-CENTRAL, NIGERIA

Ibrahim, Mohammed Shaba
Department of Policy Planning and Research, National Space Research and Development Agency, Obasonjo Space Centre, Airport Road FCT Abuja
Nigeria
Email: ibrahimnasrda@gmail.com
Correspondence: ibrahimnasrda@gmail.com

Abstract
This study investigated the effect of financial inclusion on the performance of Micro, Small and Medium Enterprises in North-Central, Nigeria. The research problem lies in the inadequacy of financial services and the exclusion of a substantial portion of MSMEs from the formal financial system. Financial inclusion, characterized by the availability and accessibility of financial services, is imperative for the sustainable development of MSMEs. The absence of adequate financial inclusion may hinder their operational capabilities, growth potential, and overall performance. Generally, the study examined the effects of financial inclusion on the performance of micro, small and medium enterprises in North-central, Nigeria. Specifically, the aimed to: determine the effect of access to financial services on the performance of MSMEs in North-central, Nigeria and to determine the effect of financial literacy on the performance of MSMEs in North-central, Nigeria. The study adopted survey research design. The study concluded that financial inclusion have a good effect on the increase of MSMEs Profit, increase of Labor or employee, and increase of Production on the MSME in North Central Nigeria and recommended that financial institutions, should provide more information to MSMEs, which will attract MSMEs business actors to conduct transactions at these financial institutions.

Key words: *Financial Inclusion, Micro Small Medium Enterprises Financial Services, Financial Literacy.*

Introduction

In recent times, financial inclusion (FI) has become a crucial economic strategy for the achievement of national economic growth and sustainability in both developed and developing economies Financial inclusion is a state where individuals and businesses have access to useful and affordable financial products and services that meet their needs and delivered in a sustainable and responsible way i.e., payments, transactions, investments, credit, borrowing, savings, and insurance. The road maps of actions defined and agreed either as a whole nation or sub national levels which they use to actualize the financial inclusion/deepening objectives are referred to as financial inclusion strategies. For strategies to be successful, they should coordinate efforts with the main stakeholders, define responsibilities and state a clear planning of resources by, e.g., targets highlighting. Strategies can encourage efficient and effective procedures aimed at achieving notable development in financial inclusion, this is usually prepared alongside the private sector in order to establish and achieve shared, achievable goals for financial inclusion/deepening (Oyedokun & Amoo, 2023). A very comprehensive way to financial inclusion/deepening addresses at least three parameters to financial inclusion and they are access to financial services and products; usage of financial services and products; and quality of financial services and products (Ovedje, 2021). Micro, Small and Medium Enterprises (MSMEs) are means to achieve most of the economic-related Sustainable Development Goals (SDGs) such as promoting inclusive and sustainable economic growth, increasing employment opportunities, especially for the poor, eradicating poverty, advancing sustainable industrialization and innovation and creating a positive higher quality of life for all (United Nation, 2019). MSMEs are growth supporting sector that not only contribute significantly to improved living standards, but also bring substantial local capital formation and are responsible for driving innovation and competition in developing economies (SMEDAN, 2013). MSMEs account for majority of private sector businesses and economic activity in both developed and developing countries. Economists have recognized that economic growth driven by private enterprise offers a better promise for poverty reduction by reducing the levels of unemployment and strengthening individuals' ability to care for themselves and their families, while generating income necessary for anti-poverty policies of governments (Dorcas, et al., 2023).

The Micro, Small and Medium Enterprises are extremely important to most economies, especially those in emerging nations. MSMEs comprise majorly of enterprises globally and engage in an important role in creating employment and expanding the economy globally. They account for more than 50% of all jobs globally and roughly 90% of all enterprises. In emerging economies, the percentage of formal MSMEs in the GDP can reach up to 40%; however, the numbers are substantially greater when MSMEs in the informal sector are added. It is projected that 600 million jobs will be required by 2030 to accommodate the expanding global workforce, making MSMEs expansion a top focus for many nations the world over. In rising economic power, the MSMEs represent seven out of every ten formal jobs created. Accessing finance was a major barrier to the expansion of MSMEs, and it is also the second-most-mentioned challenge to MSMEs' expansion in developing markets and emerging nations (Ovedje, 2021).

Performance has been defined generally in the economics viewpoint of social performance, comprising dimensions such as distributed to competency (profitability), industrial efficiency (cost reduction), and innovativeness (advancement). Conduct was the firm's choice of crucial decision variables such as price, advertising, capacity, and quality (Wang, et al., 2015). Effective performance influences the firm to improve maintenance. Firm achievement is demonstrated in managing competitiveness or progress of competitive status that proves superior and justifiable financial performance (Sidi, et al., 2017). Actually, to achieve greater performance, firms must have to adopt strategic positions that will persistently give them the strength to maintain their market. Thus, management must focus their attention on structuring their businesses to be customer focused and practical to industry competitors (Uchegbulam et al., 2015). MSME performance for a long time have been considered as engines of economic development in many countries, where the roles of SMEs have been commendable in terms of innovation, economic growth and job creation. Washington (2014) is on the concerned of the condition in which MSME operates, which is usually influenced by the environmental factors, stand as a subject of persistent argument. Moujib, et al. (2011); cited in Adekunle (2019) indicated that environment factors influence firm’s performance, especially MSMEs in the context of developing countries, for MSMEs to be advanced and achieve financial inclusion, there is need for stakeholders to variables such as financial service, credit accessibility, regulatory environment, technology adoption, financial literacy, and government support programs into MSMEs financial inclusion practices in Northcentral, Nigeria. This study however concentrated on the use of financial service, credit accessibility, regulatory environment, technology adoption, financial literacy, and government support programs as they are peculiar to MSMEs financial such as we have in the Nigeria.

In recent years, the economic landscape of North-central Nigeria has witnessed a surge in the number of Micro, Small, and Medium Enterprises (MSMEs), playing a pivotal role in fostering economic growth, employment generation, and poverty alleviation. However, despite their significance, many of these enterprises face formidable challenges in terms of financial accessibility and inclusion. The overarching problem lies in the inadequacy of financial services and the exclusion of a substantial portion of MSMEs from the formal financial system. Financial inclusion, characterized by the availability and accessibility of financial services, is imperative for the sustainable development of MSMEs. The absence of adequate financial inclusion may hinder their operational capabilities, growth potential, and overall performance. North-central Nigeria, with its unique economic and social dynamics, serves as a pertinent case study to understand the nuanced relationship between financial inclusion and the performance of MSMEs.

Empirical studies of several researchers such as Dorcas et al. (2023); Oyedokun and Amoo (2023); Ephraim et al. (2023); Ogidi and Pam (2021); Anisiuba et al. (2020); Atueyi et al. (2019) and Ibor et al. (2017) on financial inclusion and SMEs performance relied on access, account ownership, usage, financial deepening, development communication, monetary policy, lending rate, bank loans, and quality dimension. To the best knowledge of this research, no detailed study on financial inclusion has combined financial services with loans accessibility, credit accessibility with capital formation, regulatory environment with business startup, technology adoption with employment generation, financial literacy with revenue generation, and government support programs with business expansion on MSMEs performance in in Nigeria and most especially in North-central part of Nigeria. The limited nature of research findings in this area suggests the need to investigate further the nature of the relationship between financial inclusion and performance of micro, small and medium scale enterprises in the study area.

This study aims to address the gap in the existing literature by investigating the specific challenges faced by MSMEs in attaining financial inclusion in North-central Nigeria and examining the consequential impact on their overall performance. Therefore the study specifically aims at to determine the effect of access to financial services on the performance of MSMEs in North-central, Nigeria and to determine the effect of financial literacy on the performance of MSMEs in North-central, Nigeria.

Literature Review

Financial inclusion

Financial inclusion is the process of extending financial products to the unbanked and vulnerable populace. This process enables individuals and businesses to have access to financial services such as deposit, loans, insurance, payments and fund transfer at their convenience and to meet economic needs. In other words, it is the bringing home of financial services at an affordable cost to the disadvantage group in the society, especially the low-income and underprivileged (Anisiuba et al., 2020). Generally, FI is an essential means to an end and not an end in itself. It has been revealed to be a means to achieving financial services accessibility, capital accumulation, poverty alleviation, increasing savings and investments, greater financial stability as well as entrepreneurial and economic growth in both developed and developing countries (Ibor, 2017).

Financial inclusion is a process by which all households, individuals, and businesses regardless of income level have access to affordable, flexible, eco-friendly, and appropriate financial services that meet their daily financial and economic needs to improve their lives. The maxim of financial inclusion fundamentally inferred connecting the unbanked and underbanked individuals, businesses, and households to far-reaching economic benefits and financial services (Siddik et al., 2019; Udo et al., 2023). Financial inclusion-exclusion is a result of numerous factors such as the absence of literacy and awareness, unfavourable demographic and geographical conditions, selfexclusion, income per capita, internet access, inflation, and bank concentration (Thathsarani et al., 2021; Pazarbasioglu, et al., 2020; Asuming, et al., 2018; Sotomayor, et al., 2018; Ajide, 2017; Oyelami et al., 2017). Financial exclusion arises principally from social exclusion and poverty (Barboni et al., 2017).

Financial service

According to Corbet, et al. (2019), finance involves the allocation of resources, such as money or other assets, to optimize their use within an organization or economy which includes investment, budgeting, lending, and borrowing to ensure efficient resource utilization Finance also includes determining the optimal mix of debt and equity financing for an organization. The capital structure decision impacts the cost of capital and the overall financial strategy of the entity, influencing its long-term growth and stability. Lee (2019) see, finance involves the preparation and analysis of financial statements that provide information about an entity’s financial performance and position. This information is crucial for stakeholders, including investors, creditors, and regulators, to make informed decisions. Finance also encompasses the processes and strategies used to manage and mitigate risks associated with financial activities. This includes identifying, analyzing, and taking measures to minimize financial risks, such as market risk, credit risk, and operational risk (Elliott & Elliott, 2022).

Financial service means a service of a financial nature. Financial services include all insurance and insurance-related services, and all banking and other financial services (excluding insurance), as well as services incidental or auxiliary to a service of a financial nature (York, 2023). The financial service industry is not limited to stocks and bonds or banks and automated teller machines. Although these are all components of the industry, it is far broader. The Value Line Investment Survey, a leading investment information and advice service, defines the financial services industry as an amalgamation of insurance companies (property/casualty, life, health, bond), credit businesses (consumer, business, mortgage), insurance brokers, asset managers, and other consumer-related finance operations (Luu et al., 2021).

Financial literacy

According to Agung et al. (2020), financial literacy is knowledge of all the basics of finance, understanding financial concepts, and is used as an individual or individual or company decision-making. Meanwhile, Odebiyi et al. (20202) explains that financial literacy is knowledge of financial concepts, abilities, and skills related to financial concepts, skills in business management, the ability to make strategic business decisions, relatively precise and fast in certain situations. Usama and Yusoff (2019) see financial literacy as an ability of an entrepreneur to understand and analyse financial information and act accordingly. Also, Pandey and Gupta (2018) describe financial literacy as the ability of small business operators/managers to makes sound financial decisions that enhance operations. Financial literacy is the ability of an individual to make informed judgments and take effective decisions regarding the use and management of financial resources (Attamah, 2019).

According to Irikefe and Opusunju (2021), financial literacy is the capacity to comprehend how money functions. It requires expertise in the knowledge and application of traditional and fundamental financial concepts and principles, such as financial planning, compound interest, debt management, profitable savings strategies, and the value of money in general. Entrepreneurs must have and be able to use budget-making abilities to get out of financial jams, the ability to track and control expenditures, debt management skills, and effective planning for retirement (Irikefe & Opusunju, 2021). Based on the preceding, one can deduce that financial literacy has to do with how a person handles money to earn it, i.e. how money is invested to make "more money." Financial literacy is the education and understanding of various financial areas. This concept focuses on the ability to manage personal finance matters in an efficient manner, and it includes the knowledge of making appropriate decisions about personal finance such as investing, insurance, real estate, paying for college, budgeting, retirement and tax planning (Umogbaimonica et al., 2018).

Micro, Small and Medium Enterprises (MSMEs)

The definition of MSMEs varies from country to country. The European Union (EU), for instance, defines a small enterprise as one which has a headcount of less than fifty employees and a balance sheet and turnover each of not more than ten million Euros. A medium-sized enterprise has headcount of less than two hundred and fifty, and a turnover of not more than fifty million Euros or a balance sheet of not more than forty-three million Euros. Value of assets refers to the balance sheet of the enterprises which reflects the overall wealth of the enterprise, whereas turnover or sales simply refers to annual sales volumes minus discounts and sales taxes in a given accounting

period (Stanley, et al., 2022). In the USA, according to the Small Business Administration (SBA) Size Standard Office, a firm with less than 500 employees is considered a small business (SBA, 2009). In Kenya, a firm that employs between 5 and 50 persons is defined as small, while one that employs 50 to 200 is a medium-size enterprise. Egypt defines MSMEs as having more than 5 and fewer than 50 employees, Vietnam considers MSMEs to have between 10 and 300 employees. The World Bank defined MSMEs as those enterprises with a maximum of 300 employees, $15 million in annual revenue, and $15 million in assets (World Bank, 2012).

In Great Britain, small scale industries include those with an annual turnover of two million pounds or less and with less than 200 paid employees with no reference made to capital investment. In Indonesia, micro enterprises with household industries made up of three employees or less (including non-paid laborers), small enterprises employ of five to nine employees and two hundred million Indonesian Rupiah (IDR) in net assets, and medium enterprises consisting of twenty to ninety-nine employees and between five hundred million IDR and ten billion IDR (SMRJ, 2008).

Based on nuanced assessment of existing national peculiarities, the National Policy on MSMEs defines MSMEs (which, according to SMEDAN, represents 90% of the enterprises in Nigeria) based on the dual perspective of employment and assets (excluding land and buildings) (SMEDAN, 2009). According to this policy, a micro enterprise is defined as an entity employing less than ten persons with less than five million Naira values of assets. Further, while a small enterprise has 10 to 49 employees and between five and fifty million Naira assets, a medium enterprise employs 50 – 199 persons and posts assets worth of between N50 and N500 million. Because spiraling inflationary pressures make the employment-based criterion more stable than the asset-based definition; where there is a conflict between the criteria, the employment-derived definition takes precedence. Culkin and Smith (2000) also found that small businesses employ 53% of the private workforce and accounts for 47% of sales and 15% of private sector gross domestic product. They also argued that MSMEs make up the largest business sector in every world economy (Stanley et al., 2022

Micro, Small and Medium Enterprises (MSMEs) Performance

The term performance is not a new concept in the field of business study (Aminu & Shariff, 2015). Though many performance measurements exist, there has not been consensus among researchers with respect to its definition. SME performance is a measure that describes the health of an SME that may not only depend on the efficiency and effectiveness but also on the market where the SME operates according to Onyenma (2019). Laitinen (2002) cited in Onyenma (2019) defined performance as an ability of an object to produce results in a dimension determined priority, in relation to a target. Organization's performance is prominent among research construct as dependent variable and important variable in business management field. There seems to be no agreement among researchers of management and social scientist on how performance is measured (Oyadiran, et al., 2015). Performance, by some scholars is self-evident, while others view it in general term when subject to firm's productivity, value engineering and value analysis (Armstrong, 2015). Furthermore, Yigit (2016) emphasized complexities in conceptualizing organization's performance metrics. He stressed that firms can achieves reasonable outcome, provided its inputs equals output.

The state of health or otherwise of a business serves as index for performance measurement (Makinde, et al., 2015). Furthermore, monetary and non-monetary could be used as indices of performance. For instance, monetary indices include return on asset, return on sales, leverage, while non-monetary are standardization, employee's and customer's satisfaction (Nyaingiri & Ogollah, 2015; Su & Tsang, 2015).

With monetary analysis been encountered to be reasonable metric technique, other vital indices have been reflected over time (Hasby, et al., 2017). Anwar, et al. (2016) enumerated investors' efficiency, workers' talents, gains on equity, creativity, net income for the period, sales growth, sustainable rate, client's loyalty and innovative products among others as measurement adopted by firms to evaluate firm's output, while Al-Matari, et al. (2014) used operational input and output as performance indicators. This paper therefore used financial indicators as a measure of organization performance which are briefly substantiated below.

Organizational performance can be defined as the organization's ability to attain its goals by using resources efficiently and effectively" or as "the ability of the organization to achieve its goals and objectives". It is also a measure of the change of the state of an organization or the outcomes that result from management decisions and the execution of those decisions by members of the organization. Organizational performance is considered to be the sum of accomplishments that have been achieved by all departments. The organizational goals that have been set in a given period, outline its accomplishments that are involved in each stage (Oloda, 2017; Clinton & Salami, 2021). The success of a corporation has a crucial role in our day-by-day lives; consequently, a hit corporation represents a key aspect for developing countries consisting including Nigeria. Continuous overall performance is the focal point of any organization due to the fact best through replicating overall performance businesses are seen to develop & development. Thus, organizational overall performance is one of the most vital variables in management research & arguably the most critical indicator of organizational overall performance (Kifordu, et al., 2017).

Access to Financial Services and MSMEs Performance

Ugwu-Oju et al. (2019) assessed the effectiveness of commercial bank loans as sources of funding Small and Medium Enterprises (SMEs) in Southeast, Nigeria. A cross-sectional survey method wherein structured questionnaire was used to collect data was adopted. A sample of 500 respondents was randomly selected from the five industrial hubs in the five states of Southeast, namely Nnewi, Aba, Enugu, Abakiliki, and Owerri. With the aid of pecking order theory (POT)/hypothesis of Lending, percentage formula, and SPSS version 20.0 tools, the data generated from the respondents were analysed. Among others, the results of the analysis revealed that SMEs and commercial banks are highly indifferent to the loans facilities; strict collateral requirements, high interest rates, and the nature of requirements for guarantors dissuade SMEs from accessing loans; and government interventions provided palliative measures but failed to address the problems associated with the loans. The study recommended policy reforms to reduce interest rate, collateral and guarantor requirements. Further research on how to modernise and harmonise other external sources of SME funding such as ‘daily contribution’ and ‘Isusu’ systems is required. The study by Ugwu-Oju et al. provides valuable insights into the challenges faced by SMEs in Southeast Nigeria regarding bank loan accessibility and effectiveness. While the findings are insightful, addressing the methodological limitations and considering broader contextual factors would enhance the study's impact and applicability. Policymakers, researchers, and stakeholders in SME financing could benefit from a more nuanced understanding of the issues highlighted in this research.

Olaniyi and Olaniyi (2017) study evaluated the causal links between financial inclusion and economic output, as well as between financial inclusion and the five sectors of the Nigerian economy using cointegration and Granger causality test. The study employed annual data of total commercial banks' loans and advances, number of banks in Nigeria, gross domestic product (GDP) as well as sectoral GDPs of agriculture (agriculture), building and construction (building), industry (industry), wholesale (wholesale) and services (services). The study covered 1981 to 2013 period and the dataset is collected from the “Ovidius” University Annals, Economic Sciences Series Volume XVII, Issue 1 /2017 198 Central Bank of Nigeria Statistical Bulletin. The results suggested that there is bi-directional causality between financial inclusion and the aggregate economy. In most cases, there is bi-directional causality between financial inclusion and the sectors of the economy as well. The study also showed that financial usage has higher causal links with the economy and its sectors than financial access. Thus, a responsible pursuit of financial inclusion in Nigeria will emphasize not only creation of access to finance, but most importantly, its usage. The study established financial inclusion as a potent accelerator of economic progress, which can help realize the national objectives of building shared prosperity and abolishing extreme poverty. The study recommended that the key issue in banking the unbanked in Nigeria is the task of mainstreaming rural credit from banks and other financial intermediaries in such a way as to realize increased coverage, broaden financial inclusion and stimulate economic growth.

Financial Literacy and MSMEs Performance

Agung, et al. (2020) examined the influence of financial literacy on SMEs performance through access to finance and financial risk attitude as mediation variables. The objective of the study was to examine the determinant variable of the SMEs performance namely financial literacy of the manager. The study used a quantitative approach and the structural equation modeling (SEM) is used to analyze the data. The samples of the study 70 person who managed the SMEs in Brebes district in Central Java due to there are a lot of best performer SMEs in Indonesia from this area. The study found the positive impact of financial literacy, access to finance, and financial risk attitude on the SME performance. This study also found the mediation role of access to finance and the financial risk attitude on the relationship between financial literacy on SMEs performance. From the descriptive of statistics, it is also found that the weakness of the manager of the SME regarding the bank and capital market product. The study recommended that the government needs to create a program to enhance the level of financial literacy among the manager of the SMEs especially the skills and knowledge regarding the bank product, risk management, and capital market product.

Odebiyi, et al. (2020) study examined the influence of financial literacy on the performance of SMEs with particular reference to SMEs registered with Lagos Business directory. The specific objectives are to: determine the level of financial literacy among the SME operators/mangers; and examine the extent financial literacy influence SMEs' performance. The study employs a descriptive survey research design. The total population of the study comprises all 376 SMEs that registered and listed in Lagos Business Directory. Closed-ended questionnaires were employed to collect data from 190 SME entrepreneurs. The result reveals that the majority of the SME operators had a numeracy level of financial literacy of using a calculator for addition and subtraction only. This implied that most of the small business entrepreneurs did not have a spectrum of financial skills. The study also discovered that financial literacy dimensions independently and jointly influence SMEs' performance. The study recommended that SME entrepreneurs should leverage on the spectrum of financial skills, and also there should be a collaboration between SME entrepreneurs and accounting professional bodies in Nigeria, to organize seminars and workshops on financial literacy. Thus, this will go a long way to equip SME entrepreneurs with an array of financial skills such as book-keeping, cash management, inventory management, daily cash reconciliation and budgeting.

Adeyemi, et al. 23)'s study was carried out to investigate how financial literacy and entrepreneurial traits determine the profitability of SMEs in Ogun State, Nigeria. The study used a descriptive survey to obtain a structured description of the population and understand the impact of financial literacy and entrepreneurial traits on SME profitability in Ogun State. The sample consisted of 1,005 SME entrepreneurs selected from 15 local government areas across the three senatorial districts of Ogun State. Five LGAs (three urban and two rural) were purposely selected from each of the three senatorial districts in Ogun State. Descriptive statistics and multiple regression analysis were used in analysing the data. The findings revealed a low level of SME profitability.

The study also found that financial literacy and entrepreneurial traits significantly contribute to SMEs' profitability in Ogun State. The study recommended, amongst others, that awareness should be created among SME entrepreneurs on the relevance of financial literacy and entrepreneurial skills through training programs in order to equip them with the financial literacy skills necessary for business operations.

Financial Intermediation Theories

The study is anchored on the Financial Intermediation Theory which was developed by economists such as Gurley and Shaw in their seminal works during the late 1950s and early 1960s. Their key contributions include the 1960 book "Money in a Theory of Finance," where they analyzed the role of financial intermediaries in channeling funds from savers to borrowers. Another notable contributor is Ben Bernanke, whose later work in the 1980s and 1990s expanded on the concept by examining the effects of financial intermediation on economic activity. These scholars highlighted the importance of financial intermediaries in reducing transaction costs, managing risks, and facilitating economic growth by efficiently allocating resources within the economy.

Finance-Growth Theory

Finance-led growth theory was formulated by Bagehot (1873). The theory focused on finance growth nexus maintain that financial intermediaries create a productive environment for growth and economic sustainability through supply - leading or demand – following effect. The demand-following effect based the argument that the financial system does not stimulate economic growth rather the financial systems simply react and affect development in the real sectors while the supply leading effect contrasts the demand following argument that financial system in an economy does not determine economic growth (Babajide, et al., 2015). Theoretical tussles do exist about the position of financial intermediary systems in economic growth. Some scholars see the position of financial intermediary's systems or financial system as trivial or insignificant to economic growth while others see it as significant to the economic activities and growth.

The Financial Constraint Theory was significantly developed by economists Fazzari, Hubbard, and Petersen in their influential 1988 paper. In their work, "Financing Constraints and Corporate Investment," they explored how financial constraints impact corporate investment decisions, particularly for firms with limited access to external financing. This study highlighted the importance of internal cash flow for investment and the challenges faced by firms with restricted access to external capital markets.

Their research provided substantial empirical evidence on the relationship between financial constraints and corporate behavior, laying the groundwork for further studies on how financial market imperfections affect firm performance.

Stiglitz-Weiss Theory of Credit Rationing

The Stiglitz-Weiss Theory of Credit Rationing, propounded by Joseph Stiglitz and Andrew Weiss in their seminal 1981 paper, "Credit Rationing in Markets with Imperfect Information," addresses the phenomenon where lenders limit the amount of credit available to borrowers, even if borrowers are willing to pay higher interest rates. The theory posits that this occurs due to information asymmetry between lenders and borrowers. Lenders cannot perfectly distinguish between high-risk and low-risk borrowers, leading them to set an interest rate that does not fully equilibrate supply and demand for loans. Instead, lenders use non-price mechanisms such as credit rationing to manage their risk, thereby avoiding the adverse selection problem where higher interest rates attract riskier borrowers.

Furthermore, Stiglitz and Weiss (1981) argue that credit rationing can occur even in competitive markets due to moral hazard. As interest rates rise, the riskiness of borrowers' projects may increase because borrowers are incentivized to undertake riskier projects to meet their higher debt obligations. This increase in risk can lead to a situation where lenders prefer to ration credit rather than raise interest rates, to maintain the overall quality of their loan portfolios. This theory has significant implications for financial markets, particularly in explaining why some creditworthy borrowers might be denied loans despite high demand, highlighting the importance of creditworthiness and the limitations of interest rate adjustments in resolving credit allocation issues.

The study adopted financial intermediary theory which play a vital role in supporting the overall business environment for MSMEs by offering advisory services, financial literacy programs, and tailored financial products. These services help MSMEs to better manage their finances, make informed business decisions, and mitigate risks. Enhanced financial literacy and business acumen among MSME owners can lead to more efficient use of financial resources and improved operational efficiency.

Discussion of Empirical Findings

The purpose of this study is to see the effect financial inclusion on the performance of micro small and medium enterprises North Central Nigeria. With the focus on the effect of access to financial services and financial literacy on the performance of MSMEs in North-central, Nigeria

The study agrees with scholars in the literature review that there is great need for financial inclusion as a potent accelerator of economic progress, which can help realize the national objectives of building shared prosperity and abolishing extreme poverty. Thus, a responsible pursuit of financial inclusion in Nigeria will emphasize not only creation of access to finance, but most importantly, its usage. That the majority of the SME operators had a numeracy level of financial literacy of using a calculator for addition and subtraction only. This implied that most of the small business entrepreneurs did not have a spectrum of financial skills. They also discovered that financial literacy dimensions independently and jointly influence SMEs' performance.

Reflecting back to the study, a qualitative research approach was chosen and the data was collected by 398 questionnaires distributed and 385 responded and we can agree that financial Inclusion has a positive effect on the improvement and development of MSME in North Central Nigeria. With financial inclusion, the owner will eventually be able to expand its business become high quality and able to develops products that have been made. If it has run smoothly, it will increase the income of the business.

In several respondents who used bank financial inclusion program, the researchers concluded that financial education programs in the form of skills and knowledge of recording and bookkeeping that should be applied by the banking sector to Micro, Small and Medium Enterprises so it can be more effective. However, banks still make it easy for small businesses to get their rights in the form of credit loans for their business by making financial statements from the bank.

Conclusion and Recommendations

Given the result above, we concluded that, MSMEs in North Central Nigeria are quite familiar with financial inclusion program of CBN and used this program to develop their business effectively. financial inclusion also have a good effect on the increase of MSMEs Profit, increase of Labor or employee, and increase of Production on the MSME in North Central Nigeria.

The study recommended that financial institutions, should provide more information to MSMEs, which will attract MSMEs business actors to conduct transactions at these financial institutions. The better information provided, the society will be loyalty and know. Apart from services, financial institutions can also increase assistance to MSMEs. Assistance was carried out so that the development of MSME capital improved and could be managed properly. Mentoring can take the form of coaching related to credit and capital and assistance during the financing process and credit and provide clear information to customers.

MSMEs, should take advantage of accessibility to financial institutions. With the existence of financial inclusion, business people are increasingly becoming obsessed with accessing existing financial institutions. So that MSMEs can increase capital from financial institutions because of the ease of access to these financial institutions.

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