LASU INTERNATIONAL JOURNAL OF MARKETING (LAIJOM)

OPERATIONAL DYNAMICS OF MICROFINANCE BANKS AND PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES IN JIGAWA METROPOLIS, JIGAWA STATE, NIGERIA

Sa'adatu B. Adam[1], Mustapha Momoh[2], Musa Zakari[3] & Rabi Sidi Ali[4]

ABSTRACT

This study analyzed the impact of microfinance bank operation on the performance of SMEs in Jigawa metropolis in Jigawa State, Nigeria. The paper was inspired by the fact that financing problems are still a major challenge for the small and medium enterprises (SMEs), especially in markets where commercial bank credit is limited due to collateral, costly transactions, stringent documentation and perceived borrower risk. In particular, the effect of employment generation on profitability, loan utilization on sales volume and the effect of wealth creation on market share were assessed in the study, in small and medium enterprises in Jigawa Metropolis. The descriptive survey research design was used. A total of 3,536 customers of the selected microfinance institutions (MFI's): Dutse Microfinance Bank Limited, FUD Microfinance Bank Limited and KHP Microfinance Bank Limited were used for the study. A sample of 359 respondents was selected with the use of the Yamane's sample size determination formula at 5 percent margin of error. Stratified sampling was done for all the three banks and simple random sampling was used to select respondents within each bank. Structured questionnaires with five-point Likert scale were used to gather data. A total of 359 copies were distributed and 352 were valid responses and were analyzed. Descriptive statistics were used for the presentation of respondents' perceptions; regression analysis was used for the testing of the hypotheses. The results showed that employment generation had a positive contribution and the value of $R = 0.8948$ and $R^2 = 0.8427$. The use of loans had a very positive effect on sales volume and this had an R value of 0.8814 and an R2 value of 0.7989. The effects of the variables on market share were also significant and positive as $R = 0.8014$ and $R^2 = 0.7248$. The study revealed that microfinance banks are relevant instruments which could help to enhance the performance of SMEs in Jigawa Metropolis, but the effect on the development of SMEs will be dependent on the availability, affordability, repayment flexibilities as well as the ability of the beneficiaries to use the credit productively. The paper suggested tighter regulatory oversight, lower service charges, larger loan amounts, and specific support for entrepreneurs and more flexible credit terms for the SME operators.

Author's Affiliation:

[123]Faculty of Management Sciences, National Open University of Nigeria, Abuja

[4]Faculty of Business Studies, Takoradi Technical University. Takoradi-Ghana

Keywords:

microfinance banks; small and medium enterprises; employment generation; loan utilization; wealth creation

Corresponding Mail:

sadam@noun.edu.ng

Introduction

Small and medium enterprises play a crucial role in developing economies' economic structure because they constitute an important source of employment creation, income generation, poverty alleviation and local enterprise resilience. Their importance is more pronounced in semi urban and urban commercial centres in Nigeria, where labour is being captured by the trading, services, agro-processing, light manufacturing and informal sectors whi ch cannot employ enough labour in their formal, public and corporate sectors. However, this developmental importance is not accompanied by adequate financial resources for SMEs. Many do not have adequate start-up capital, working capital, and expansion financing, and others are not able to get formal bank loans due to stringent collateral requirements, high interest rates, (Aremu & Adeyemi, 2011).

The financing problem is not only a lack of capital, it is a structural problem that lies in the perceived risk of formal financial institutions, the size of transactions, SME owners' poor financial records, lack of credit history and asymmetric information. Commercial banks will more readily deal with larger, more formally structured clients as they are easier to appraise, monitor and recover in case of default. As a result, many SMEs are able to rely on informal financing sources such as family and friends and personal savings, and some on rotating savings groups and informal lenders (Akiki, 2022). Although these sources of funds can help with immediate liquidity, they may not be enough to support the company's long-term development, stock growth, equipment purchase, market expansion, productivity enhancement.

In part, the idea of the microfinance banks came about because there was a lack of financing. Microfinance banks are supposed to offer small loan services, savings services, payment services, group lending, micro insurance and business support services to the lo- income earners and small business operators who are not available in mainstream finance. They assume that financially active poor individuals and small entrepreneurs can increase their productive capacity if they are provided with financial services which are developmentally right for them. Among other effects of this assumption is that in the Jigawa Metropolis, small enterprises are not only economically viable, but are also operationally challenging due to insecurity, displacement pressures and local market disruptions.

Jigawa Metropolis is the administrative and commercial centre of Jigawa State. It is an important entrepreneurial centre in north eastern Nigeria in terms of markets, transport services, small scale services, food business, tailoring centres, agro-based trading, petty manufacturing, and retail trading. In this context, microfinance banks could positively or negatively affect the performance of SMEs. They can assist in employment creation by offering capital which will help the business owners to start or sustain or expand their business. SMEs ability to buy stock, invest in productive inputs and facilitate wealth creation and market shares, supporting the asset building and competitive positioning. However, the empirical question that can be asked is whether these expected benefits are observed in the performance of SMEs in Jigawa Metropolis. There are some studies on the effects of microfinance on SME growth in other cities in Nigeria but evidence is relatively scarce in Jigawa. Previous research also has focused on relatively limited variables like savings or access to insurance or credit, but not performance variables like profitability, sales volume or market share.

This study therefore fills a contextual gap and a measurement gap, which concerns the relationship between the employment creation, loan utilization and wealth creation respectively and profitability, sales volume and market share of SMEs in Jigawa Metropolis. The research goal is to evaluate the impact of the activities of microfinance banks to the performance of the small and medium enterprises in Jigawa Metropolis.

The study adds to the literature as it brings empirical supports to the literature from an economically important yet under-represented north western Nigeria context. It also has practical applicability for microfinance bank management, SME operators, regulators and development policy makers interested in making microfinance more effective as a instrument for the development of local enterprises.

Concept of Microfinance Bank

Microfinance is defined as the delivery of financial services to low-income customers, including micro entrepreneurs and small business operators that are not well served by the traditional financial institutions Morduch & Haley (2002). These services are often comprised of services such as micro credit, savings, payments, micro leasing, insurance, money transfer and advisory services. In common parlance, microfinance is frequently equated with microcredit, although the word microfinance is conceptually more expansive as credit is just one part of the package of financial services. The general

understanding in the microfinance sector is that the poor and the small scale entrepreneurs need finance as well as savings products, flexibility in repayment, risk management facilities and basic financial advisory services.

Microfinance banks are thus specialized financial institutions set up to cater for the needs of the financial services of economically active but financially excluded individuals. In the Nigerian context, they would be expected to enhance financial inclusion by getting credit to micro and small enterprises, who are not able to get credit from the banks. They tend to have small loan sizes, group guarantees, character-based lending, simplified documentation and proximity to local clients as much of their product is built around these factors. These features set microfinance banks apart from commercial banks, which are more likely to focus on formal collateral, solid financials and bigger clients. The developmental relevance of microfinance banks will be related to how easily, how cheaply and whether their services can be accessed and used productively.

Concept of Microcredit and Enterprise performance.

Microcredit is the loan provision of microfinance and is the most well-known service provided by microfinance banks (Ugochukwu & Onochie (2017). It is the extension of relatively small amounts of loans to either individuals or groups for business, consumption smoothing or income generating. In enterprise development, micro credit is seen as easing flow constraints, so that entrepreneurs can buy stock, invest in small equipment, make working capital investment, and take advantage of market opportunities, (Olowe; Moradeyo & Babalola, 2013).

The credit constraint argument can be used to explain the relationship between microcredit and enterprise performance. If small businesses are unable to secure credit, they may not be able to run their business at full capacity, (Bakare & Babatunde, 2014). They might not have the capacity to buy in bulk, secure better terms with suppliers, scale up production, hire more staff, or target larger customer bases. Microcredit can contribute to making firms more profitable, more successful in selling goods, better maintained and more likely to survive by removing this constraint. The evidence also indicates that credit can have weak or even negative effects where interest rates are high, repayment is inflexible, business cycles are volatile and managers are incompetent.

The focus is thus on loan utilization. A loan that is utilized for productive uses will have a higher chance of leading to sales and the ability to pay the loan back than one that is used for household consumption, ceremonies, emergency health costs or debt recycling. Household consumption is not of course irrelevant to microfinance as many small businesses and households are tightly linked. Instead, the use of borrowed capital as a mechanism still has a significant impact on enterprise performance outcomes.

Concept of Small and Medium Enterprise Performance

SME performance is a multi-dimensional concept quantified by profitability, sales increase, return on investment, the number of workers it employs, market share, customer retention, asset growth, business survival and owner earnings (Mahmoud, 2005). Small and Medium Scale Enterprises (SMEs) is defined based on certain criteria including, turnover, number of employees, profit, capital employed, available finance, market share and relative size within the industry. (Etuk, Etuk & Baghebo, 2014). Financial performance indicators like profit and ROI are crucial as they indicate if the enterprise earns profits or losses after costs. Operational performance indicator means the firm's ability to increase its operations and its competitive strength in the market, e.g. sales volume, customer base and market share, (Mihaela, 2012).. This study looks at the performance of the SME's based on three specific measures, namely, profitability, sales volume, and market share. Profitability reflects the capacity of the enterprise to create a surplus or profit. Sales volume is an indicator of the volume of business and transactions carried out. Market share represents the relative position of the firm in the competitive environment. These indicators are suitable as they relate microfinance support to measurable business results, (Kirkpatrick & Maimbo, 2002). The operational dimensions of employment generation, loan utilization and wealth creation are considered as ways in which the activities of microfinance banks can impact performance outcomes.

Employment Generation and Profitability

Employment generation is an outcome and means of enterprise development. If supported financially sufficiently, SMEs could expand their business and attract more manpower. This increased labor force can lead to better production capacity, services and customer reach. In other cases, jobs are created directly to boost profitability through enlarging the business operations. At other times it could raise the costs at first, but ultimately improve overall business performance if new employees produce more

output or provide improved service. An indirect means of generating employment is by providing support for self-employment through microfinance banks. Microfinance is a means for many small business owners to establish or maintain their own businesses, instead of relying on wage jobs, (Albert & Henry, 2013). This is an important facet of self-employment in situations where formal job prospects are restricted. Can assist in cutting down on idle labour, help household income and decrease reliance on government support. The role of microfinance in the job market is particularly crucial in Jigawa Metropolis where economic shocks have impacted livelihoods and stability. The expected empirical relation is that employment creation would positively impact profitability if increased labour, self-employment, or expansion of productive activity would lead to increased profitability. However, profitability gains rely on the market demand, cost control, managerial competence, and the capacity of the business to transform labour input into revenue.

Wealth Creation and Market Share

SME development and wealth creation is defined as the accumulation of assets, income, capital and productive capacity over time (Obieche & Ihejirika, 2021). It does not only mean a profit now, but whether the business owner can develop an enterprise that can last, grow and compete. Microfinance can help build assets as repeated loans enable SMEs to build up inventories, tools/equipment, savings, market reputation and goodwill. Market share indicates the percentage of a market that's served by a company. In the case of small businesses, market share can be informal or hard to quantify exactly, but it can be seen in terms of the number of customers gained, product visibility, geographical expansion and competition, (Eniola., Entebang & Sakariyau, 2015). Market share may be affected by wealth creation as higher capitalized SME can afford to buy more stocks, ensure a consistent supply, provide good service and retain customers. Such benefits can help the company gain a better margin over time in a competitive marketplace. The wealth creation role of microfinance is especially important in low-income areas, where a large number of businesses are engaged in survivalist operations. It is possible that the market share effect of credit is only for subsistence trading. However, if credit can be used to increase assets through reinvestment, this can be a factor in improved market positioning, (Hossain, 2012).

Theoretical Framework

This study is anchored on three matching theoretical perspectives: Game theory of microfinance, Joint liability theory and financial sustainability theory. Game theory is appropriate because microfinance lending often involves borrower groups, repayment incentives and peer monitoring. In group lending arrangements, borrowers are expected to monitor one another because the default of one member can affect the future credit access of the group. This mechanism reduces information asymmetry and may improve repayment discipline, although it may also cause free riding problems or social tension.

Joint liability theory further explains how microfinance banks manage credit risk in the absence of formal collateral. The theory assumes that borrowers possess local information about one another that lenders do not have. By making group members jointly responsible for repayment, the lender transfers part of the screening, monitoring and enforcement function to the group. This can improve repayment performance and expand access to credit for borrowers who lack collateral. For SMEs, joint liability may allow small business operators to obtain credit that commercial banks would otherwise deny.

Financial sustainability theory emphasizes on the survival of microfinance institutions in long-term. While the social goal of microfinance is inclusion and poverty reduction, microfinance banks must also cover operational costs, mobilize deposits, manage loan recovery and remain financially viable. If microfinance banks are not sustainable, they cannot continuously supply credit to SMEs. However, an excessive focus on institutional sustainability may lead to high interest rates and fees that weaken borrower performance. The theoretical implication is that microfinance must balance social outreach with financial sustainability.

Collectively, these theories suggest that the relationship between microfinance banks and SME performance depends on access, borrower discipline, repayment incentives, institutional viability and the productive use of loans. The study applies this reasoning by examining the effects of employment generation, loan utilization and wealth creation on profitability, sales volume and market share.

Methodology

Research Design

The study adopted a descriptive survey research design. The design was appropriate because the study sought to collect primary data from a relatively large number of microfinance bank customers and

describe how selected scopes of microfinance operations affect SME performance in Jigawa Metropolis. The survey design also permitted the use of standardized questionnaire items, thereby allowing the responses of different SME operators to be compared quantitatively.

Area of the Study

The study was conducted in Jigawa Metropolis. Jigawa metropolis serves as the administrative, commercial and socio-economic hub of the state. The metropolis has a concentration of trading activities, agro-related enterprises, small service businesses and informal production units. Its relevance as a study area derives from the role of SMEs in supporting livelihoods and the importance of microfinance banks in providing financial services to enterprise owners who may not have access to conventional bank credit.

Population of the Study

The population comprised 3,536 customers of three selected microfinance banks operating in Jigawa Metropolis. The selected banks were Dutse Microfinance Bank Limited, FUD Microfinance Bank Limited and KHP Microfinance Bank Limited. The customers were drawn from SMEs operating in trading, manufacturing, service businesses and agro-processing activities.

Sample Size and Sampling Technique

The sample size was determined using Yamane's formula at a 5 percent level of significance. The formula is stated as:

$n = N / [1 + N(e)^2]$

Where n is the sample size, N is the population, and e is the margin of error. Substituting the population of 3,536 and a margin of error of 0.05 produced a sample size of 359 respondents. Stratified sampling was used to allocate the sample across the three selected microfinance banks, while simple random sampling was used to select respondents within each bank.

Table 1: Sample Frame

S/N	Name of bank	Population	Sample size
1	Dutse MFB Limited	1,572	159
2	FUD MFB Limited	1,468	149
3	KHP MFB Limited	496	51
	Total	**3,536**	**359**

Sources and Method of Data Collection

Primary data were collected through structured questionnaires administered to SME owners and managers who were customers of the selected microfinance banks. The questionnaire elicited information on employment generation, loan utilization, wealth creation, profitability, sales volume and market share. The instrument was structured on a five-point Likert scale ranging from Strongly Agree to Strongly Disagree. Secondary information was obtained from relevant academic materials, policy documents and institutional reports on microfinance, SMEs and financial inclusion.

Method of Data Analysis

The study used descriptive and inferential statistical methods. Descriptive statistics, particularly frequencies and percentages, were used to present respondents' views on the study variables. Regression analysis was used to test the hypotheses. The analysis was conducted using Statistical Package for Social Sciences. The regression model was specified as:

$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + e$

Where Y represents SME performance indicators, β_0 is the constant term, β_1 to β_3 are coefficients to be estimated, X_1 represents employment generation, X_2 represents loan utilization, X_3 represents wealth creation, and e represents the error term.

For hypothesis specific analysis, employment generation was related to profitability, loan utilization was related to sales volume, and wealth creation was related to market share.

Results and Analysis

A total of 359 questionnaires were distributed to respondents. Out of these, 352 were retrieved and considered valid for analysis, while 7 were not retrieved. This produced a valid response rate of 98.05 percent. The results are presented according to the research objectives.

Effect of Employment Generation on Profitability

Table 2: Respondents' Perceptions on Employment Generation and Profitability

Statement	SA	A	UD	DA	SD
Microfinance banks create job opportunities	168 (49.2%)	180 (50.0%)	0 (0.0%)	3 (0.84%)	1 (0.28%)
Microfinance banks reduce social vices	198 (57.4%)	152 (42.0%)	1 (0.0%)	1 (0.28%)	0 (0.0%)
Microfinance banks promote self employment	138 (40.0%)	209 (58.0%)	1 (0.28%)	2 (0.56%)	2 (0.56%)
Microfinance banks uplift standard of living	186 (54.1%)	159 (44.0%)	2 (0.56%)	1 (0.28%)	4 (1.12%)
Microfinance banks promote self reliance	182 (53.0%)	167 (46.1%)	0 (0.0%)	2 (0.56%)	1 (0.28%)

The descriptive results show a high level of agreement that microfinance banks contribute to employment related outcomes. It validates with the findings of Saka, Amuda, Bamisaye, Ogunyemi & Saka (2025) which stated that, although there is cheaper workforce in the sector, it was noted that the sector still has a lot of problems to overcome such as access to financing from financial institutions. On the item that microfinance banks create job opportunities, 49.2 percent strongly agreed and 50.0 percent agreed. This indicates that almost all respondents perceived microfinance banks as relevant to job creation. The evidence also shows strong agreement that microfinance banks promote self-employment, with 40.0 percent strongly agreeing and 58.0 percent agreeing. This finding is important because self-employment is a major livelihood pathway in Jigawa Metropolis, where formal wage opportunities are limited.

Respondents also associated microfinance banks with social and welfare outcomes. About 57.4 percent strongly agreed that microfinance banks reduce social vices, while 42.0 percent agreed. Similarly, 54.1 percent strongly agreed that microfinance banks uplift standards of living. These results suggest that respondents view microfinance as both an enterprise financing mechanism and a broader socio-economic support instrument. In a similar study, Kamselem, Dore, Liman, & Yusuf (2024) found that, for enhanced employment, a framework should be developed to enhance financial access from Micro-Finance institutions (MFIs) by Small and Medium Enterprises (SMEs) in north-western States of Nigeria. The very low percentages of undecided, disagree and strongly disagree responses imply that negative perceptions were minimal in the sample.

4.2 Effect of Loan Utilization on Sales Volume

Table 3: Respondents' Perceptions on Loan Utilization and Sales Volume

Statement	SA	A	UD	DA	SD
Microfinance banks ensure access to loan	179 (52.2%)	171 (47.2%)	0 (0.0%)	1 (0.28%)	1 (0.28%)
Microfinance banks enhance innovation through loan	166 (49.0%)	183 (51.0%)	1 (0.28%)	2 (0.56%)	0 (0.0%)
Microfinance banks promote new inventions	159 (47.0%)	185 (51.0%)	1 (0.28%)	2 (0.56%)	1 (0.56%)
Microfinance banks increase access to collateral free loan	159 (47.0%)	188 (52.0%)	1 (0.28%)	2 (0.56%)	2 (0.56%)
Microfinance banks ensure business growth and stability	164 (48.1%)	185 (51.1%)	0 (0.0%)	1 (0.28%)	2 (0.56%)

The results in Table 3 show that respondents strongly linked loan utilization to sales related outcomes. On the statement that microfinance banks ensure access to loan, 52.2 percent strongly agreed and 47.2 percent agreed. This indicates a broadly favourable perception of microfinance banks as accessible credit providers. The item on innovation also recorded high agreement, with 49.0 percent strongly agreeing and 51.0 percent agreeing that microfinance banks enhance innovation through loans. Although innovation in small enterprise contexts may not always imply technological innovation, it may involve product diversification, improved service methods, better stock management or new trading strategies. This finding was in tandem with the finding of Ghatak & Guinnane, (1999). Obanuyi (2011) that the provision of loan and other financial services by Microfinance Banks improve the

poverty situation of the unbanked people by establishing their Small and Medium businesses enabling them create jobs for themselves and innovation opportunities which is. better than relying on the subsides of the government, donors and grants for the establishment of the Microfinance Institutions to achieve at least the minimum output.

The responses further indicate that microfinance banks promote new inventions and increase access to collateral free loans. This is consistent with the microfinance model, which is designed to reduce dependence on conventional collateral. The finding that 48.1 percent strongly agreed and 51.1 percent agreed that microfinance banks ensure business growth and stability suggests that credit access is perceived as a stabilizing factor for SMEs. For small businesses whose sales depend on working capital availability, access to credit can reduce stock outs, sustain turnover and support higher sales volume.

Effect of Wealth Creation on Market Share

Table 4: Respondents' Perceptions on Wealth Creation and Market Share

Statement	SA	A	UD	DA	SD
Microfinance banks create wealth in the society	174 (48.2%)	175 (51.0%)	1 (0.28%)	1 (0.28%)	0 (0.0%)
Microfinance banks reduce poverty in the society	158 (46.4%)	188 (52.0%)	1 (0.28%)	3 (0.84%)	2 (0.56%)
Microfinance banks increase income	171 (48.0%)	173 (50.0%)	2 (0.56%)	3 (0.84%)	3 (0.84%)
Microfinance banks increase value chain	148 (44.0%)	201 (56.0%)	0 (0.0%)	2 (0.56%)	1 (0.28%)
Microfinance banks ensure capital accumulation	167 (49.0%)	181 (50.0%)	1 (0.28%)	2 (0.56%)	1 (0.28%)

The results in Table 4 suggest that respondents perceived microfinance banks as instruments of wealth creation. On the statement that microfinance banks create wealth in society, 48.2 percent strongly agreed and 51.0 percent agreed. Similarly, 46.4 percent strongly agreed and 52.0 percent agreed that microfinance banks reduce poverty. This indicates that respondents associate microfinance with improved economic welfare, although the result should be interpreted cautiously because perception-based data cannot fully establish changes in actual household wealth.

This is in line with the recommendations of Adurayemi & Christopher; Adurayemi & Morenike (2025) that more credit to SMEs should be availed by the microfinance banks in order to create wealth and improve their financial performance. Similarly, Enison & Olunafemi (2012) found that the benefit of taking positive advantage of the economic opportunities of the loan is achieved through the provision of a basic level of planning and expansion of the business activities by the beneficiaries.

The item on income also showed strong agreement, with 48.0 percent strongly agreeing and 50.0 percent agreeing that microfinance banks increase income. The highest agreement response in the table was recorded for value chain improvement, where 56.0 percent agreed and 44.0 percent strongly agreed. This is analytically relevant because value chain participation may allow SMEs to strengthen supplier relations, increase product availability and improve market competitiveness. Which can contributed significantly contribute to the growth of the economy. This aligns with the study of Song, Jimaza & Okoroafor (2025) that found microcredits being made available to Small and Medium Enterprises (SMEs) through microfinance banks to have positively influenced the operations of that sector of the economy through its contribution to GDP growth.

The capital accumulation item also produced strong agreement, suggesting that microfinance bank support may contribute to the gradual expansion of business assets. In the same light, Enison & Olunafemi (2012) established that, microfinance services allow beneficiaries to take positive advantages of the economics opportunities and this is done by providing a fundamental basis for planning and expanding business activities.

Test of Hypotheses

Hypothesis One

H_{01}: Employment generation has no significant effect on profitability of SMEs in Jigawa Metropolis.

Table 5: Model Summary for Employment Generation and Profitability

Model	R	R square	Adjusted R square	Std. error of estimate	Durbin Watson
1	0.8948	0.8427	0.7756	2.327	2.463

Table 6: Regression Coefficient for Employment Generation and Profitability

Model	B	Std. error	Beta	t	Sig.
Constant	19.324	1.005		19.143	0.000
Employment generation	0.327	0.234	0.085	1.424	0.000

The model summary shows a strong positive relationship between employment generation and profitability, with R = 0.8948. The R square value of 0.8427 indicates that approximately 84.27 percent of the variation in profitability is explained by employment generation within the model. The regression coefficient for employment generation is positive (B = 0.327), suggesting that increases in employment generation are associated with increases in profitability. The significance value is 0.000, which is below the 0.05 threshold. Therefore, the null hypothesis is rejected. The result indicates that employment generation has a significant effect on profitability among SMEs in Jigawa Metropolis.

5.2 Hypothesis Two

H_{02}: Loan utilization has no significant effect on sales volume of SMEs in Jigawa Metropolis.

Table 7: Model Summary for Loan Utilization and Sales Volume

Model	R	R square	Adjusted R square	Std. error of estimate	Durbin Watson
1	0.8814	0.7989	0.7724	2.9262	2.5742

Table 8: Regression Coefficient for Loan Utilization and Sales Volume

Model	B	Std. error	Beta	t	Sig.
Constant	19.782	1.009		19.694	0.000
Loan utilization	0.342	0.253	0.080	1.391	0.000

The model summary indicates a strong relationship between loan utilization and sales volume, with R = 0.8814. The R square value of 0.7989 implies that approximately 79.89 percent of the variation in sales volume is explained by loan utilization. The regression coefficient is positive (B = 0.342), which suggests that productive loan utilization is associated with improved sales volume. The significance value of 0.000 is less than 0.05. Accordingly, the null hypothesis is rejected. The study therefore finds that loan utilization has a significant effect on sales volume among SMEs in Jigawa Metropolis.

Hypothesis Three

H_{03}: Wealth creation has no significant effect on market share of SMEs in Jigawa Metropolis.

Table 9: Model Summary for Wealth Creation and Market Share

Model	R	R square	Adjusted R square	Std. error of estimate	Durbin Watson
1	0.8014	0.7248	0.7194	2.9186	2.618

Table 10: Regression Coefficient for Wealth Creation and Market Share

Model	B	Std. error	Beta	t	Sig.
Constant	19.782	1.009		19.884	0.000
Wealth creation	0.372	0.273	0.073	1.278	0.000

The model summary shows a strong positive relationship between wealth creation and market share, with R = 0.8014. The R square value of 0.7248 indicates that approximately 72.48 percent of the variation in market share is explained by wealth creation. The coefficient for wealth creation is positive (B = 0.372), suggesting that wealth creation is associated with improved market share. The significance value of 0.000 is below the 0.05 level of significance. Consequently, the null hypothesis is rejected. The result indicates that wealth creation has a significant effect on market share among SMEs in Jigawa Metropolis.

Discussion of Findings

The findings indicate that microfinance banks have a significant relationship with the performance outcomes of SMEs in Jigawa Metropolis. The first hypothesis showed that employment generation significantly affects profitability. This result is theoretically plausible because microfinance supported enterprises may create employment directly through business expansion and indirectly through self-employment. When SMEs are able to engage additional labour or sustain owner managed employment,

their capacity to produce, sell and serve customers may increase. However, the relationship between employment and profitability should not be interpreted mechanically. Labour contributes to profitability only where it is productively deployed and where the enterprise operates in a market with sufficient demand.

The descriptive findings support the regression result. Respondents overwhelmingly agreed that microfinance banks create job opportunities, promote self-employment, uplift standards of living and encourage self-reliance. These perceptions suggest that microfinance banks are viewed not only as lenders but also as institutions that support livelihood formation. In a metropolis where livelihood vulnerability has been aggravated by insecurity and economic instability, this role is important. The finding aligns with the broader literature which argues that microfinance institutions can support employment creation and income generating activities when credit is accessible and appropriately structured.

The second hypothesis showed that loan utilization significantly affects sales volume. This is perhaps the most direct relationship in the study because sales volume is strongly influenced by working capital availability. SMEs require funds to purchase stock, transport goods, maintain equipment and sustain daily operations. Where loan funds are productively applied, sales volume is likely to improve because the business can meet customer demand more consistently. The descriptive results showed that respondents strongly agreed that microfinance banks ensure access to loans, enhance innovation through loans, promote new inventions, increase access to collateral free loans and ensure business growth and stability.

This finding is consistent with the view that credit is a key input in enterprise expansion. Nevertheless, the result also implies the need for attention to loan management. Credit can improve sales only when used productively. If loans are diverted to non-business uses, if interest rates are excessive, or if repayment periods are inconsistent with business turnover cycles, the positive effect may decline. The policy implication is that microfinance banks should complement lending with advisory support, borrower education and repayment schedules that reflect the cash flow patterns of SMEs.

The third hypothesis revealed that wealth creation significantly affects market share. This finding suggests that SMEs that accumulate income, assets and business capital are better positioned to improve their competitive standing. Wealth creation may enable business owners to expand stock, diversify products, improve service quality and retain customers. Over time, these advantages can increase market share. The descriptive evidence showed high agreement that microfinance banks create wealth, reduce poverty, increase income, enhance value chains and ensure capital accumulation.

The relationship between wealth creation and market share is especially important because microfinance should not be assessed only by short term loan disbursement. Its deeper developmental value lies in whether borrowers are able to accumulate productive assets and strengthen enterprise sustainability. If microfinance merely helps businesses survive from one loan cycle to another without asset growth, its long-term contribution to enterprise development remains limited. The result of this study suggests that respondents perceive microfinance banks as contributing to wealth creation, although further studies using audited financial data would be needed to measure the magnitude of actual wealth accumulation.

A broader synthesis of the findings indicates that microfinance bank operations can influence SME performance through three linked channels. Employment generation improves productive capacity and income opportunity. Loan utilization supports turnover and operational expansion. Wealth creation strengthens business resilience and competitive positioning. These channels are mutually reinforcing. Productive loans may increase sales; increased sales may improve profit; improved profit may support employment; and employment supported growth may contribute to wealth creation and market share expansion.

However, the findings should be interpreted within the methodological limits of the study. The analysis relies on survey responses and reported regression outputs. Although the relationships are statistically significant, the data are perception based and cross sectional. This limits causal inference. The high R square values also suggest that future studies should examine measurement structure, possible common method bias and the inclusion of control variables such as firm age, sector, owner education, loan size, interest rate and repayment duration. Even with these limitations, the results provide useful evidence that microfinance bank operations are associated with SME performance in Jigawa Metropolis.

Conclusion

The study concludes that microfinance banks have a significant positive effect on the performance of small and medium enterprises in Jigawa Metropolis. Specifically, employment generation significantly affects profitability, loan utilization significantly affects sales volume, and wealth creation significantly affects market share. These findings support the argument that microfinance banks can serve as instruments of enterprise development, especially in contexts where SMEs face limited access to conventional bank credit.

The evidence suggests that microfinance banks contribute to SME performance by improving access to loans, supporting self-employment, enhancing business stability, enabling income growth and encouraging capital accumulation. Nevertheless, the developmental impact of microfinance is conditional rather than automatic. It depends on the size, timing, affordability and utilization of loans, as well as the entrepreneurial capacity of borrowers and the broader market environment. In Jigawa Metropolis, where SMEs perform important livelihood and resilience functions, strengthening microfinance bank operations can contribute meaningfully to local economic recovery and enterprise sustainability.

Recommendations

Based on the findings, the study recommends that government and relevant regulatory institutions should strengthen the monitoring of microfinance banks to ensure that their operations remain aligned with the objective of SME development. Regulation should not merely focus on institutional compliance; it should also examine whether lending practices, interest rates, service charges and repayment conditions are supportive of enterprise growth.

Microfinance banks should reduce excessive service charges and maintain interest rates that are compatible with the cash flow realities of SMEs. Where borrowing costs are too high, loan beneficiaries may struggle to reinvest profitably, and the intended enterprise development effect of microfinance may be weakened. Flexible repayment schedules should be designed for businesses with seasonal or irregular turnover.

The size of loans disbursed to credible SME operators should be increased where repayment records and business needs justify expansion. Microfinance banks should therefore adopt progressive lending models in which successful repayment and productive utilization qualify borrowers for larger facilities.

Microfinance banks should combine credit provision with business development support. Training in record keeping, inventory management, pricing, savings discipline and loan utilization would likely improve the productive use of credit.

Government and development partners should support microfinance institutions through affordable wholesale funds, credit guarantee schemes and capacity building programs. Such support may reduce the cost of funds available to microfinance banks and enable them to lend to SMEs at more favourable rates.

SME operators should improve their financial discipline by separating household expenditure from business funds, keeping basic records and applying loans to productive purposes. The positive effect of microfinance depends substantially on how borrowers use credit after disbursement.

Future researchers should extend this study by using longitudinal data and objective financial records such as sales figures, profit records, loan size, repayment history and asset values. Further studies may also compare microfinance supported SMEs with non-beneficiaries to establish more robust evidence on the causal impact of microfinance bank operations.

References

Christopher, W. A; Adurayemi, A.C. & Morenike, O. A. (2025). Microfinance banks credit and Entrepreneurial performance in Ado-Odo Ota local government area, Ogun State, *International Journal of Management Analytics* (IJMA) 3(3),183-190

Albert, N. W., & Henry, M. B. (2013). Effects of microfinance lending on business performance: A survey of micro and small enterprises in Kitale Municipality, Kenya. *International Journal of Academic Research in Business and Social Sciences*.

Akiki, M. (2022). Assessment of Unconventional Financing on the Operating Performances of Nigeria's Small and Medium Enterprises. Walden University.

Aremu, M. A., & Adeyemi, S. L. (2011). Small and medium scale enterprises as a survival strategy for employment generation in Nigeria. *Journal of Sustainable Development, 4*(1), 200–206.

Etuk, R U. Etuk, G.R. & Baghebo, M. (2014). Small and Medium Scale Enterprises (SMEs) and Nigeria's Economic Development, *Mediterranean Journal of Social Sciences 5 (7).*

Bakare, A. S., & Babatunde, H. (2014). Prospects and challenges facing small and medium scale enterprises in Nigeria. *Journal of Economics and Sustainable Development*.
Buzzel, R. D. (2015). Market share and business performance. *Harvard Business Review*.
Eniola, A. A., Entebang, H., & Sakariyau, O. B. (2015). Small and medium scale business performance in Nigeria: Challenges faced from an intellectual capital perspective. *International Journal of Research Studies in Management, 4*(1), 59–71.
Enison, E., & Oluwafemi, S. (2012). Credit access and business expansion among small enterprises. *Journal of Finance and Enterprise Development*.
Etuk, R. U., Etuk, G. R., & Baghebo, M. (2014). Small and medium scale enterprises and Nigeria's economic development. *Mediterranean Journal of Social Sciences, 5*(7), 656–662.
Ghatak, M., & Guinnane, T. W. (1999). The economics of lending with joint liability: Theory and practice. *Journal of Development Economics, 60*(1), 195–228.
Hossain, M. (2012). Credit utilization and enterprise performance. *Asian Economic Review*.
Kamselem, K. M., Dore. F. A., Liman, A. M. and Yusuf, R. (2024) Effect of Microfinance Services on Performance of Small and Medium Enterprises in Borno State. Global Journal of Research in Business Management, 4(4).
Kirkpatrick, C., & Maimbo, S. M. (2002). The implications of the evolving microfinance agenda for regulatory and supervisory policy. *Development Policy Review, 20*(3), 293–304.
Mahmoud, D. (2005). Private Sector Development and Poverty Reduction in Nigeria: Mainstreaming the Small Medium Enterprises Sector, The Nigeria Economic Submit Group (NESG) Economic Indicators, vol. 11, No.1, January - March: pg 18 – 23
Mihaela, H. (2012). Financial performance measurement. *Annals of the University of Oradea: Economic Science*.
Morduch, J and Haley, B. (2002). Analysis of the effects of microfinance on poverty reduction, NYU Wagner working paper 101, Canadian International Development Agency.
Obieche, P. N., & Ihejirika, P. O. (2021). Bank credit and SMEs financing in Nigeria. *Journal of Economics and Sustainable Development,* 12(14), 35-44.
Obamuyi, T. M. (2011). Microfinance banks and entrepreneurship development in Nigeria. *Journal of Business and Finance*.
Olowe, F. T., Moradeyo, O. A., & Babalola, O. A. (2013). Empirical study of the impact of microfinance bank on small and medium growth in Nigeria. *International Journal of Academic Research in Economics and Management Sciences, 2*(6), 116–124.
Rogers, E. W., & Wright, P. M. (1998). Measuring organizational performance in strategic human resource management. *Human Resource Management Review, 8*(3), 311–331.
Saka, A.Q., Amuda, O.A., Bamisaye, I.O., Ogunyemi, J.O. and Saka, T.O. (2025). Evaluating the efficiency and impact of Micro-Finance Institutions on Micro, Small and Medium Enterprises in Nigeria. *Journal of Finance and Accounting,* 13(4), pp 199-213.
Muru Bitrus Song, M. B. Jimaza, M. & Okoroafor, O. K. D. (2025). Impact of Microfinance banks on the performance of Micro, Small and Medium Enterprises (MSMEs): A study of Federal Capital Territory, Abuja, Nigeria, *Journal of Economics, Management and Finance,* 4(3), 292-305.
Ugochukwu, M. N., and Onochie, G., (2017). Impact of Microcredit on Poverty Reduction in Nigeria. Online Journal of Arts, Management and Social Sciences, 2(2), 149–163.
Yusuf, S. A., Amao, J. O., & Olawale, O. T. (2014). Effects of microcredit on small scale enterprises in Osun State, Nigeria. *Journal of Agricultural Economics and Development*.
Zeitun, R., Tian, G. G., & Keen, S. (2007). Macroeconomic determinants of corporate performance and failure. *Journal of Business and Finance*.