



Effect of Microfinance Services on Performance of Small and Medium Enterprises in Borno State - A Research Proposal

*Kaltume Mohammed Kamselem Ph.D¹., Forogn Aivin Dore² Amina Muhammad Liman Ph.D³ and Rayyan Yusuf⁴

¹Department of Business Administration and Entrepreneurship, Faculty of Management Sciences, Bayero University Kano – Nigeria.

²Department of Accounting, Airforce Institute of Technology, Kaduna – Nigeria.

³Department of Business Administration and Entrepreneurship, Faculty of Social and Management Sciences, Baba Ahmed University Kano – Nigeria.

⁴Department of Business Administration Faculty of Management Sciences, Federal University Kashere, Gombe State - Nigeria

DOI: 10.5281/zenodo.12828112

Submission Date: 10 May 2024 | Published Date: 26 July 2024

*Corresponding author: [Kaltume Mohammed Kamselem Ph.D](#)

Department of Business Administration and Entrepreneurship, Faculty of Management Sciences, Bayero University Kano – Nigeria.

Abstract

Performance of Small and Medium Enterprises (SMEs) in Nigeria is decreasing by the day considering unstable and dwindling or perhaps decreasing naira value with inflation which directly affects the stocks owned by entrepreneurs and the purchasing power of the potential consumers in the country. This research is proposed to look deep into the factors and or indicators that leads to the poor performance of the SMEs in Nigeria with special interest in Borno state. The study will investigate whether micro credit, micro savings and micro insurance have significant effect of overall performance of the said SMEs in the state. Descriptive survey design will be employed and the researcher intend to use simple random sampling technique in the proposed study. Borno state was chosen to carry out the research because of the nature of problems associated with SMEs finance in the turbulent environment - the state. 346 respondents were proposed and the data when obtained will be analysed using multiple regression analysis technique. However, validity and reliability test will be conducted upon collection of the data during pilot study before the actual or full research is conducted. A well developed and structured questionnaire is designed using Five -Likert scale from strongly disagreed to strongly agreed.

Keywords: Microfinance, Micro Credit, Savings, Insurance, Performance, Enterprises.

1. Introduction

Small and Medium Enterprises (SMEs) play a major role in most economies, particularly in developing countries. SMEs account for the majority of businesses worldwide and are important contributors to job creation and global economic development (Amoah et al., 2022). They represent about 90% of businesses and more than 50% of employment worldwide. Formal SMEs contribute up to 40% of national income (GDP) in emerging economies. These numbers are significantly higher when informal SMEs are included (Mansur & Djaelani, 2023). According to World Bank (2022) estimates, 600 million jobs will be needed by 2030 to absorb the growing global workforce, which makes SME development a high priority for many governments around the world. In emerging markets, most formal jobs are generated by SMEs, which create 7 out of 10 jobs.

However, access to finance is a key constraint to SME growth, it is the second most cited obstacle facing SMEs to grow their businesses in emerging markets and developing countries. SMEs are less likely to be able to obtain bank loans than large firms; instead, they rely on internal funds, or cash from friends and family, to launch and initially run their enterprises. The International Finance Corporation (IFC) estimates that 65 million firms, or 40% of formal micro, small

and medium enterprises (MSMEs) in developing countries, have an unmet financing need of \$5.2 trillion every year, which is equivalent to 1.4 times the current level of the global MSME lending. East Asia and Pacific accounts for the largest share (46%) of the total global finance gap and is followed by Latin America and the Caribbean (23%) and Europe and Central Asia (15%) (Lwesya & Mwakalobo, 2023). The gap volume varies considerably region to region. Latin America and the Caribbean and the Middle East and North Africa regions, in particular, have the highest proportion of the finance gap compared to potential demand, measured at 87% and 88%, respectively. About half of formal SMEs don't have access to formal credit. The financing gap is even larger when micro and informal enterprises are taken into account (World Bank, 2022).

In Africa, the SMEs sector accounts for almost ninety percent of all the enterprises or firms, located in both the rural and urban areas, whereby SMEs provide more equitable distributions of income in all spheres of the countries. Nigeria, been the focus continent of discussion, SMEs account for about 70% of industrial employment (Audu et al., 2021). Moreover, Ayozie and Bawa (2021) describes Nigeria SMEs as a very heterogeneous group of businesses that operate in different sectors of the economy. This means that the SMEs are the major source of providing job opportunities to the people, and also stimulate the development of the countries by promoting business skills and entrepreneurship amongst communities and strengthening the local or domestic production sector as well as the industrial base (Amoah et al., 2022). Therefore, SMEs in Africa have been recognized to be an essential engine for obtaining national development goals, which include economic growth and poverty alleviation (Sule, 2018).

Despite such, SMEs in Nigeria have not been performing creditably well and hence have not played or shows the expected role in the economic growth and development of the nation (Iloh, 2023). The issue has been of high concern to the government, citizenry, practitioners, operators, and the organized private sector groups. Governments at Federal, State and even local levels through budgetary allocations, pronouncements and policies have signified interest and acknowledgement of the important roles of the SMEs sector of the economy and hence made policies for energizing the sector. There have also been supports and aids from fiscal incentives, grants, bilateral and multilateral agencies as well as specialized institutions, which are all geared towards making the SMEs sector vibrant, and also it is a great concern to all, and sundry to promote development and performance of SMEs (Osolor, 2016). With this, it has been a great concern for all the fact that the vital sector has fall shorts of expectations. The situation is more worrying and disturbing when compared with what other developed and developing countries have been able to achieve with their SMEs sectors, and it has been shown that there are high correlation and relationship between the degree of poverty, hunger, unemployment, economic well-being of the citizens of the countries and the degree of vibrancy of the respective SMEs (NBS, 2022).

A number of facts such as; access to finance, culture, family background, location and government policy have been adduced as to why the expectations of SMEs have not been achieved (Iloh, 2023). These clearly shows that the performance of SMEs in Nigeria has not been favorable over the years now. The little progress that was made by the entrepreneurial efforts of the first generation of indigenous industrialists were almost wiped out by the massive traumatic devaluation, dislocation and indeed devastation, that develop as a result of the Structural Adjustment Program (SAP) (Sule, 2018). Subsequently, Ayozie and Bawa (2021) stressed that the policies and good intentions of SAP were based on the neo-classical theory of efficiency, perfect and competitive markets whose assumptions were unfortunately not harmonized with the prevailing constraints, circumstances and operating environment of SMEs in a developing economy like that of Nigeria. The SAP era represents the anti-climax of flourishing, and thriving period for SMEs in Nigeria over the past decade and the economy of the country has been declining with no appreciable real growth. People gradually moved out of the farms into urban areas due to lack of agricultural incentives, and also even in the towns and cities, infrastructure continued to deteriorate, the roads were in bad conditions, water supply was irregular, power outage was a regular phenomenon or issue, and even for people who could afford to make use of electricity-generating sets, petroleum products to power them might not be available as needed. Political instability negatively affected the performance of primary institutions responsible for policy enunciation, monitoring and implementation that result in distortions in the macroeconomic structure and its attendant of low productivity (Lwesya & Mwakalobo, 2023). These and other problems constitute drawbacks to the performance of SMEs, which to all intents and purposes provide the critical building blocks for sustainable industrialization and economic growth. Perhaps, it's assumed that microfinance credit facilities and other contributory responsibilities can reduce the rate of decline in SMEs. According to Omondi and Jagongo, (2018) issuance of loans, savings, insurance, leasing and funding of businesses by microfinance banks can encourage SMEs to expand and boost their businesses which will help in reducing the menace of political thugs, book haram activities, and redundancy, rubbery and begging in Nigeria. It's on this argument that the study on the effect of microfinance services on the performance of SMEs in Borno State emanate to prosper solution.

1.1. Statement of the Problem

SMEs are very dynamic and acknowledged as factory of production, for economic growth, development and poverty alleviation in both developed and developing countries (Mansur & Djaelani, 2023). This universal recognition of SMEs is justified by its potentials in the areas of job creation, ability to mobilize domestic savings for investment, introduction

of business methods, capacity to reduce inequalities, products and services that help to restructure the weak agricultural sector or other uncompetitive transition economies, stability of economic balance through industrial dispersal, promotion or provision of efficient resource utilization, linking participants in supply chain among others (Audu et al. 2021). Despite the significance of SMEs contribution to economic growth, government institutions and policies aimed at supporting and enhancing the capacity of SMEs in Nigeria still yet SMEs fall short of expectations (Peter et al., 2018). Additionally, Aladejebi (2019) posits that the performance of SMEs in Nigeria has been slow and, in some cases, even collapsed due to a number of challenges confronting this important sub-sector of the Nigerian economy. Some of the obstacles highlighted in the body of literature as being responsible for the problems include: deplorable infrastructural facilities; inadequate managerial and entrepreneurial skills; financing challenges; limited demand for their products and services; limited capacity for research and development as well as innovation; insufficient technology system; burden of multiple taxes charge; lack of business plan or good business plan; recruitment of incompetent employees; absence of motivation to staff; choosing of wrong business location; lack of transparency arising from government regulations and regulatory bodies; as well as lack of interest and focus on the side of government in addressing the specific factors responsible for the abysmal performance of the sub-sector (Audu et al., 2021). On the other hand, Buavait et al. (2019) argue that the issues faced by SMEs can never be overemphasized and it is as a result of poor access to funds, management practices, and low equity participation from stakeholders, inadequate infrastructural facilities, societal and attitudinal problems, shortage of skilled manpower, and multiplicity of regulating agencies, little access to markets and lack of access to information.

Similarly, Aladejebi (2019) argues that the main problem facing SMEs in Nigeria is inadequate finance. According to him, the finance may be for the establishment of new business, innovate an existing one or to carry out expansion plans. The inability to attract financial credit has made the sub-sector backward. In his view, commercial banks that are expected to be the launch pad for SMEs development through the provision of loans. Stiff collateral security demands by the banks often mean that SMEs are unable to meet the requirements, consequently losing the chance of obtaining loans. In addition, high-interest rates charge on loans scare off potential entrepreneurs to access financial credits that make the performance of SMEs not to be achieved (Audu et al. 2021). Additionally, Ayozie and Bawa (2021) posits that the most disturbing and the critical factor among challenges affecting the performance of SMEs is funding/finance but concedes that most SMEs are not attractive prospects for banks because they want to minimize their risk profile. SMEs in Nigeria are found to rely largely on their own personal savings or contributions, not only to grow and expand in operation and size but also to innovate, whereas enterprises often need real services support and formal financial assistance. These have put a lot of SMEs into a problem as a result of it; they found themselves in a stage of under-investment in the long term (Taiwo & Benson, 2016) argues that despite the incentives, programs, policies and support aimed at revamping the SMEs, they have performed rather below expectation in Nigeria. They further assert that an average operator would always hinge their failure to lack of access to finance, some think otherwise arguing that difficulty in accessing global market, inappropriate management skills, lack of entrepreneurial skills and know-how, inadequate infrastructure, and the rest are mainly responsible. Finance is usually considered as the main obstacle of SMEs. While this may be true empirical evidence have shown that fund/finance contributes only about twenty-five percent to the success of SMEs, which sounds insignificant. Thus, the creation of other appropriate support systems and enabling environment are indispensable for the success of SMEs in Nigeria (Sule, 2018).

Although studies carried out in Asia, USA, Europe Ghana and Nigeria by (Peter et al. 2018; Mansur & Djaelani, 2023; Taiwo & Benson 2016; Audu et al. 2021; Lwesa & Mwakalobo 2023; Aladejebi 2019; Sule, 2018; Amoah et al., 2022) revealed a significant positive relationship between microfinance and SMEs, despite the fact that there have been quite a few researchers and studies on the subject. This made it abundantly evident that the Borno state and Nigerian still needed to be evaluated. Notably, at a time when SMEs are looking for other sources of boosting revenue to recover from a financial crisis. In the last five years only 78.5% of SMEs survive their first year. In the year 2018 only 82.1% survive, in 2019 81% of SMEs survive, also in 2020 only 80.9% of SMEs survive, in 2021 79.3% SMEs survive and lastly, in 2022 the percentage decline to 78.5% of SMEs that survive their first year of operation (NBS, 2022). Most of the SMEs failed at their first year of operation, only few among them survive beyond their first year of starting and fail in the subsequent years (Fuentes-Callén et al., 2022).

Almost 50% of Businesses fail in their first year of operation, according to research. More specifically, the survey informs that more than 95% of SMEs fail during their first five years. Although risk cannot be completely eliminated, recognizing it better always helps. It is important to conduct deeper market research prior to starting a business. Over 40% of small businesses fail due to no market demand for their products or services. 19% failure was due to being “outcompeted” while 17% was because of their poor product offering (NBS, 2022). According to the Bureau of Labor Statistics (2023) approximately 20% of small businesses operating in Nigeria failed within their first year. The failure rate increases to 30% by the end of the second year, 50% by the fifth year, and 70% by the tenth year.

Following a comprehensive analysis of several relevant literatures, the study pinpoints the gaps in scope and proxies. The study is restricted to SMEs in the state of Borno. It also aims to measure the independent variable, SMEs, using mechanisms such as microcredit, micro-savings, and micro-insurance, and the dependent variable, SMEs' performance. These set the study apart from others because the majority of the examined literature used one or both of the proxies this study design to employ. Additionally, as mentioned in (Amoah et al., 2022) investigations on this topic are extremely uncommon in northeast Nigeria. In light of this, the study will look at how microfinance lead to SMEs performance in Borno State through creating jobs.

1.2 Research Questions

The research survey questionnaire was designed from these following variables to seek the opinion of respondents to determine the reliability of the study.

- i. What are the roles of microcredit on performance of small and medium scale enterprises (SMEs) in Borno state, Nigeria?
- ii. Does micro-savings have effect on performance of small and medium scale enterprises (SMEs) in Borno state, Nigeria?
- iii. What are the roles of micro-insurance on performance of small and medium scale enterprises (SMEs) in Borno state, Nigeria?

1.3 Objectives of the Study

The main objective of this study is to investigate the role of microfinance banks on the performance of small and medium scale enterprises (SMEs) in Borno state. The specific objectives are stated below:

- i. To examine the relationship between microcredit and performance of small and medium scale enterprises (SMEs) in Borno state.
- ii. To examine the relationship between micro-savings and performance of small and medium scale enterprises (SMEs) in Borno state.
- iii. To examine the relationship between micro-insurance and performance of small and medium scale enterprises (SMEs) in Borno state.

1.4 Research Hypotheses

In order to achieve the objectives raised above, the following hypotheses were formulated in null form to guide the study:

H0₁: Microcredit has no significant role on the performance of small and medium scale enterprises (SMEs) in Borno state.

H0₂: Micro-savings has no significant role on the performance of small and medium scale enterprises (SMEs) in Borno state.

H0₃: Micro-insurance has no significant role on the performance of small and medium scale enterprises (SMEs) in Borno state.

1.6 Scope of the Study

The following parties will find the current study to be significant:

First, by revealing the connection between the study's factors, the research will advance knowledge. By evaluating the pertinent ideas that will be applied in the study to determine whether the results will agree with earlier research that backed the theories, the findings will also theoretically contribute. Second, the results of the study will be advantageous to people, governments, microfinance banks, microcredit services, communities, and the small businesses owners. Gaining knowledge about the effect of microfinance services and the issue of small business owners in Borno state can make the state government and management of the microfinance banks to make better decisions and perform better. At the conclusion of the research dissertation the result will also help academic researchers to make references.

1.6 Significance of the Study

More study may be conducted because the few studies that were conducted produced confusing and inconsistent outcomes. Additionally, because SMEs are started and managed by their individual owners, and receive very little attention. The study would be extremely helpful to the government and small and medium-sized businesses in Borno State, Nigeria.

After thorough review of different related literatures, the study identifies the following gaps; Scope and measures. The study is limited to SMEs in Borno state, the study also intended to use microcredit, micro saving and micro insurance as mechanism for measuring the independent variable MFBs and the dependent variable will be measure with the performance of SMEs. These differentiate this study with others, since most of the reviewed studies uses either of the

measures this study intended to use. Additionally, studies related to this are very rare in Borno state as stated in (Amoah et al., 2022).

The worth of the study is decided by the state and national policy makers who seek to give Nigerians and Borno SMEs a solid economic and industrial foundation by creating regulations that would draw entrepreneurs and foreign investment. Additionally, it will make it easier for SMEs and the government to interact, which will improve the business climate. Understanding the importance of growing their host (the local government, state, and country) will be beneficial to SMEs as well because it is a part of promoting their products. When this study is concluded, it will have contributed to the body of knowledge on the subject of microfinance limits on SMEs, which cannot ignore a rising country like Nigeria. Finally, this study will add to the body of knowledge and serve as a roadmap for anyone interested in pursuing this or a comparable field of study.

2. LITERATURE REVIEW

2.1 Introduction

This section review literatures on the relationship between microfinance and small and medium scale enterprises (SMEs), including definitions of key terms as well as empirical and theoretical reviews.

2.2 Conceptual Review

Small and medium-sized businesses (SMEs), microfinance, and other measures of microfinance (microcredit, microloan, micro savings and micro insurance) are all explained in this section.

2.3 Small and Medium Scale Enterprises (SMEs)

Small and Medium Scale Enterprises are defined in terms of their characteristics. These characteristics include the size of capital invested, the number of employees, business turnover, the management style, location, and the market share (Wairimu & Mwilaria, 2017). In most economies, with a high rate of job growth, it is estimated that SMEs constitute 90percent of total enterprises (World Bank, 2022). SMEs have been accepted as the engine of economic growth and the promoter of equitable development. The activities of SMEs to a reasonable level create employment, which helps the government generate a lot of revenue through taxes used for the developmental project (Haider, Asad, Fatima & Abidin, 2017). Government generates a lot of revenue through taxes paid by small businesses which are used to undertake development projects in the country. The contribution of SMEs to economic development is such that a country can only ignore it to its peril (Ayozie & Bawa, 2021).

Additionally, Small and midsize enterprises (SMEs) are businesses that maintain revenues, assets, or a number of employees below a certain threshold. Each country has its own definition of what constitutes a small and midsize enterprise. Certain size criteria must be met, and occasionally, the industry in which the company operates is taken into account as well (Ogundele, 2021). The European Union (EU, 2022) offers definitions of what constitutes a small-size company as well. Small-size enterprises are companies with fewer than 50 employees, and medium-size enterprises are ones with fewer than 250 employees. In addition to small and midsize companies, there are micro-companies, which employ up to 10 employees (Buavait et al. 2019). In the United States, the Small Business Administration (SBA) classifies a small business according to its ownership structure, number of employees, earnings, and industry.¹ For example, in manufacturing, an SME is a firm with 500 or fewer employees. In contrast, businesses that mine copper ore and nickel ore can have up to 1,500 employees and still be identified as SMEs. Like the European Union (EU, 2023), the U.S. distinctly classifies companies with fewer than 10 employees as a small office/home office (SOHO) (Anyanwu, 2020). Additionally, UK defined SME as generally a small or medium-sized enterprise with fewer than 500 employees. While the medium or small business definition in the EU is a business with fewer than 250 employees, and a turnover of less than €50 million, or a balance sheet total of less than €43 million. 15 Jun 2023

2.4 Performance

The concept of performance is a reference both in theoretical approaches and in practice due to the fact that the field of economic performance includes various terms, through the most important we can mention competitiveness, productivity, profitability, and business growth (Fuertes-Callén et al., 2022). Furthermore, performance is a pluralistic and demonstrates the ability to migrate from one semantic register to another. The fact that this concept is a mobile one is also suggested by the new quantitative dimensions assigned by literature and practice. Some authors such as Amoah et al. (2022). argue that performance is a directed action (in the sense that it should be expressed by a verb), some consider that the noun performance would be perceived as an event. But most times the word "performance" refers either to action (obtaining performance) or event (results) or in many cases it refers to both cases. So, we can agree with the view of many researchers in the field Adama et al. (2017) about the fact that the term "performance" implies at the same time three interpretations: action, the result of the action (by comparing its results with a benchmark), success.

According to Haider et al. (2017) performance is "a particular result obtained in management, economics, marketing, etc. that print features of competitiveness, efficiency and effectiveness of the organization and its procedural and structural components. Performance can be regarded as the equivalent of competitiveness. Firm performance is a concept whose dimensions have changed with the growing competitiveness and complexity of the economic environment in which businesses operate. However, from the above we can conclude that the term performance has a number of defining features which include (EU, 2023), Universality. Term performance is used in all economic fields to characterize the results of a particular type of activity. Concreteness. Performance at the microeconomic level is a concept measured by various indicators. Abstract character appears only if the general assessment is made at the macroeconomic level without reliance on indicators. Customized measuring for each economic field. There are a variety of ways with which you can quantify the economic performance, according to the means chosen - physical and / or value - so each economic area corresponds own measurement indicators. Reporting to a referential. In order to assess the performance of an enterprise is needed to establish a referential value and comparing the result by a predetermined value, which is the target to achieve. Relativity. Economic performance is expressed in relative size, through the deviation efficiency- productivity (Wairimu & Mwilaria, 2017).

2.5 Microfinance Services

Microfinance isn't a new concept. Small operations of this type have existed since the 18th century. The first occurrence of micro-lending is attributed to the Irish Loan Fund system, introduced by Jonathan Swift, which sought to improve conditions for impoverished Irish citizens. In its modern form, micro-financing became popular on a large scale in the 1970s. The first organization to receive attention was the Grameen Bank, started in 1983 by Muhammad Yunus in Bangladesh. In addition to providing loans to its clients, the Grameen Bank also suggests that its customers subscribe to its "16 Decisions," a basic list of ways that the poor can improve their lives (Buavait et al. 2019). The 16 Decisions touch upon a wide variety of subjects, ranging from a request to stop the practice of issuing dowries upon a couple's marriage, to keeping drinking water sanitary. In 2006, the Nobel Peace Prize was awarded to both Yunus and the Grameen Bank for their efforts in developing the microfinance system. There are other microfinance operations around the world. Some larger organizations work closely with the World Bank, while other smaller groups operate in different nations. Some organizations enable lenders to choose exactly who they want to support, categorizing borrowers with criteria such as level of poverty, geographic region, and type of small business.

Microfinance, also called micro-credit is a type of banking service provided to low-income individuals or groups who otherwise wouldn't have access to financial services. While institutions participating in microfinance most often provide lending—microloans can range from as small as \$50 to under \$50,000. But many banks offer additional services such as checking and savings accounts as well as micro-insurance products, and some even offer financial and business education. The goal of microfinance is to ultimately give impoverished people an opportunity to become self-sufficient. Microfinance services are provided to unemployed or low-income individuals because most people trapped in poverty, or who have limited financial resources, don't have enough income to do business with traditional financial institutions. Despite being excluded from banking services, however, people who live on as little as \$2 a day *do* attempt to save, borrow, or acquire credit or insurance, and they do make payments on their debt (Sule, 2018). Thus, many poor people typically look to family, friends, and even loan sharks (who often charge exorbitant interest rates) for help. Microfinance allows people to take on reasonable small business loans safely, and in a manner that is consistent with ethical lending practices. Although they exist all around the world, the majority of micro-financing operations occur in developing nations, such as Bangladesh, Cambodia, India, Afghanistan, Democratic Republic of Congo, Indonesia, and Ecuador. Many microfinance institutions, sometimes referred to as MFIs, focus on helping women in particular (Aladejebi, 2019).

Micro-financing organizations support a large number of activities, ranging from providing the basics-like bank checking and savings accounts—to startup capital for small business entrepreneurs and educational programs that teach the principles of investing. These programs can focus on such skills as bookkeeping, cash-flow management, and technical or professional skills, like accounting. Millions of people have directly or indirectly benefited from microfinance-related operations (Buavait *et al.* 2019). The Consultative Group to Assist the Poor, a Washington-based global nonprofit organization, estimates that, as of 2021, more than 120 million people had directly benefited from microfinance-related operations. However, these operations are only available to some of the world's poor, while an estimated 1.7 billion people lack access to establishing basic financial accounts.

2.3.1 Micro Credit

Microcredit, also called **micro-banking** or **microfinance**, a means of extending credit, usually in the form of small loans with no collateral, to nontraditional borrowers such as the poor in rural or undeveloped areas (Aladejebi, 2019). This approach was institutionalized in 1976 by Muhammad Yunus, an American-educated Bangladeshi economist who had observed that a significant percentage of the world's population has been barred from acquiring the capital necessary to rise out of poverty. Yunus set out to solve this problem through the creation of the Grameen Bank in Bangladesh. The

Grameen approach is unique because the small loans are guaranteed by members of the borrower's community; pressure within the group encourages borrowers to pay back the loans in a timely manner. Grameen's clients are among the poorest of the poor, many of whom had never possessed any money and relied on a barter economy to meet their daily needs. Using microloans, borrowers are able to purchase livestock or start their own businesses. By 1996 Grameen had extended credit to more than three million borrowers and was the largest bank in Bangladesh, with more than 1,000 branches. According to Taiwo and Benson (2016) the success of microloans in Bangladesh led to similar programs in other less-developed nations, including Bolivia and Indonesia. Some are sponsored by foundations, religious organizations, or nongovernmental organizations such as Opportunity International and the Foundation for International Community Assistance. In 2008 the Mexican bank Compartamos was criticized for parlaying its micro-lending program into a profit-making operation, charging high interest rates widely regarded as usurious. An alternative approach to Grameen-style lending is stepped lending, in which a borrower begins with a very small loan, repays it, and qualifies for successive loans at higher values.

Microcredit refers to a business loan of a small amount and offers financial support to entrepreneurs in need of short-term funding. This funding is intended to aid low-income group individuals and enable them to pursue their entrepreneurial ambitions. With the assistance of micro credit, individuals can work on growing their existing small businesses or use it to start a new business. Financial backing provided by micro credit can encourage individuals to realize their entrepreneurial ideas (Sule, 2018). This welcome initiative boosts the country's economy, reducing poverty and improving the lifestyle of people. Micro credit is offered by: Commercial banks, Non-profit organizations (NGOs), Government or public banks, Cooperative societies and Credit unions. Microcredit solutions are generally collateral-free, while some instruments may require collateral. Along with that, individuals looking into getting this facility get flexible repayment tenures and affordable interest rates. However, there are some cons regarding microcredit, including too much pressure to repay loans, a large suicide rate among borrowers, and severe debt levels. A contributing factor to the disadvantages is the high interest rates on some microcredit loans – rates can be 30% or even higher. Some argue that microcredit empowers women. In the US and Canada, it is argued that microcredit helps recipients to graduate from welfare programs. Critics say that microcredit has not increased incomes, but has driven poor households into a debt trap, in some cases even leading to suicide (Audu *et al.*, 2021).

2.3.2 Micro Saving

Micro-savings is a microfinance branch, consisting of a small deposit account provided to families or individuals with low income as an opportunity to store funds for potential use. However, micro-savings accounts operate similar to a standard savings account but are structured around smaller amounts. The minimum balance requirements are always excluded, or very minimal, so consumers can save small amounts of money and may not be charged for the service (Moussa, 2020). In developing countries like Nigeria micro-savings plans are usually offered as a means of encouraging savings for education or other future investments. Those who invest in these programs are better prepared to deal with any unexpected expenses, which would usually affect individuals with low income. Many micro-savings programs may charge small fees to use the service or no fee at all. Aladejebi (2019) assert that the aim is to allow the account holder to set aside funds to build up their savings over time, often in small increments. These programs may be offered by non-traditional organizations, including numerous startups that create associated apps to keep the consumer up to date with their spending habits. Micro-savings account creation stems partly from an attempt to reverse a population pattern that continues to consume and spend more than it saves. It's also a way of reducing some of the entry barriers that traditional savings accounts may have. Micro savings is an aspect of microfinance consisting of a small deposit account offered to low-income families or individuals as an incentive to store funds for future use. Micro savings accounts work in a way similar to a normal savings account; however, they are designed around smaller amounts of money. Micro savings is a form of microfinance where organizations and financial institutions encourage individuals to save money. Micro savings accounts are similar to traditional savings accounts, but are designed for small deposits. You can choose to save through formal, semi-formal or informal institutions, and in the form of cash or non-cash. Non-cash forms of saving are assets, such as jewelry, consumer durables, or livestock that can quickly and easily be converted to cash and generally retain their value.

2.3.3 Micro Insurance Performance of Small and Medium Scale Enterprises (SMEs)

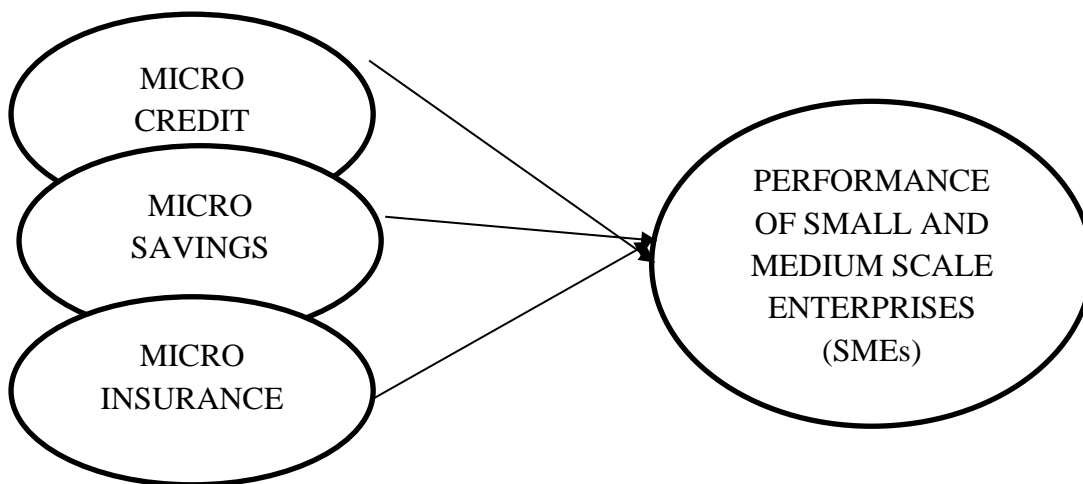
Micro insurance is the protection of low-income people against specific perils in exchange for regular premium payments proportionate to the likelihood and cost of the risk involved. Micro-insurance is the protection of low-income earners against certain risks. It operates like regular insurance and requires regular premium payments in a similar proportion to the cost of the risk involved. Micro-insurance products offer coverage to low-income households or to individuals who have little savings. It is tailored specifically for lower valued assets and compensation for illness, injury, or death. Micro-insurance schemes may cover various risks (health, life, etc.); the most frequent micro-insurance products are: Life micro-insurance (and retirement savings plans), Health micro-insurance (hospitalization, primary health care, maternity, etc.) and Disability micro-insurance. Audu *et al.* (2021) depict on the concept of micro-insurance lets you pay to insure only what you need. For example, it can cover small items such as a one-day trip, a one-time event, or even specific

health needs. It's meant to help people with lower incomes, and it can be sold in any number of ways, such as through licensed insurance agents, community groups, microfinance lenders, and other non-governmental organizations (Aladejebi, 2019). This form of insurance has had some success in developing countries as a way for low-income families to afford insurance, especially health insurance. Micro-insurance can apply to almost any kind of insurance product. Pay-as-you-go (also referred to as "usage-based") auto insurance is a popular form of micro-insurance. With this option, you only pay to ensure the miles you really drive. Those who drive fewer miles pay a lower auto insurance premium (Sule, 2018).

Micro-insurance is a way many more people can insure and protect some of their most valuable assets. It can bring a sense of security to low-income families who could not afford insurance before. Other benefits include transparency. There's the ability to handle claims quickly and accurately. Research shows that when farmers and other small entrepreneurs feel protected by insurance, they are willing to take more risks and invest more in new business ventures. That is good for the economy (Taiwo & Benson, 2016).

2.4 Conceptual Framework

This subsection concern with the model that explain the relationship between the variables both dependent and independent variables



Source: Moussa (2024)
Figure 1: Conceptual Model

2.5 Empirical Review

This subsection reviews the literatures

2.5.1 Micro Credit and SMEs Performance

Taiwo and Benson (2016) explored the roles of these micro finance banks and institutions on small and medium enterprises as well as the extent to which the small businesses have benefited from the credit scheme of microfinance banks. Primary data was obtained via interviews conducted in 15 small businesses across Lagos state with their responses summarized in tables. This study advocates the recapitalization of microfinance banks to enhance their capacity to support small business growth and expansion and also to bring to the knowledge of the management of microfinance banks and institutions the impact of the use of collaterals as a condition for granting credit to small businesses.

Additionally, Audu et al. (2021) examines the role of services rendered by microfinance institutions (MFIs) on small and medium scale enterprises' (SMEs) performance in Gombe state. The study adopts a cross-sectional survey design using primary data collected with a structured questionnaire from a sample of 360 SMEs in Gombe State. The data collected were analyzed using a regression model with the help of SPSS software. The findings of the study reveal that microfinance services (microloan, micro-savings, and training) have a positive significant impact on SMEs' performance (sales growth, profitability, and market share), with $R^2 = .665$, $F(3, 50.16) = 235.237$, $p < .001$. The study further reveals that microloan and training have the highest impact on SMEs' performance in the study area.

Moreover, Lwesya and Mwakalobo (2023) present current research trends in microfinance for small and medium enterprises (SMEs) and microfinance institutions (MFIs), as microfinance plays an increasingly role in entrepreneurship development and poverty alleviation. The study uses a bibliometric analysis, in this work, we performed citation, bibliographic coupling, and keyword evolution analyses. The results show that research in microfinance for SMEs and microfinance institutions continue to grow. The authors found that recent research in microfinance for SMEs and microfinance institutions has evolved around eight thematic clusters, covering (1) access to and constraints on microcredit for SMEs (2) microfinance and economic empowerment, (3) sustainability of MFIs, (4) creditworthiness, microfinance technology infrastructure and financing patterns, (5) Islamic financial inclusion, (6) credit assessment models for microcredit, (7) microfinance and innovative business models, and (8) gender and equity crowd funding.

Subsequently, Đuričin et al. (2020) explore the role of Microfinance in Development of SMEs in Republic of Serbia. The importance of microfinance is in availability of funding business for those segments of the population with difficult access to conventional means of business financing from banking sector. Microfinance represents a way of funding which can create new jobs and reduce the proportion of socially vulnerable population. The existing model of microfinance in Serbia has a limiting effect on its efficient operation and satisfaction of demand for micro credits. The paper aims to point out the importance of microfinance as a support for the development of SMEs in the Republic of Serbia. A research subject is current economic development, characteristics of the SME sector, legislative framework on the microfinance, government program for supporting microfinance, major microfinance institutions in Serbia and national models of microfinance.

Consequently, Aladejebi (2019) examine the impact of Microfinance Banks (MFB) on the growth of SMEs in Lagos metropolis the data for this study was collected via questionnaires given to the owners of SMEs that had accounts with microfinance banks in Lagos metropolis. Out of 209 questionnaires distributed, 205 were viable and analyzed using the SPSS package. The questionnaire contained 2 sections. Section 1 for general information while section 2 contains questions on effects of micro-savings on financial performance, effects of microcredit on the financial performance of the SMEs, effects of training on the financial performance of the SMEs and financial performance. The outcome revealed that the savings among SMEs are encouraging because of higher interest rates compared to deposit banks, faster loan disbursement, failure of MFBs to conduct training for SMEs, while the majority of SMEs experienced financial growth using MFB products.

Similarly, Ruslan *et al.* (2020) investigates the relationship between access to microcredit and SMEs' performance. Using survey data on SME's owners/managers in Terengganu, Malaysia in 2016, the study investigates how access to microcredit affects SME sales and employment growth. Employing the Propensity Score Matching method (PSM), the study showed that SMEs with microcredit borrowing had their sales 25.6% to 25.7% higher than non-microcredit borrowers. After minimizing the selection bias from both observable and unobservable characteristics using Differences in Differences method (DID), the difference was much larger (28.7%). However, both PSM and DID analyses revealed no impact of microcredit access on SME employment growth. The Endogenous Switching Regression method (ESR) confirmed these findings.

2.5.2 Micro Saving and SMEs Performance

Subsequently, Moussa (2020) identified the relationship between micro credits from MFIs and the SMEs' financial performance. Secondary data were collected from 17 SMEs in North Lebanon. Another secondary data was collected from four MFIs in Lebanon concerning the characteristics of their beneficiaries. Data were analyzed using SPSS Ver. 23. The results showed notable relationships between amount of micro loan and the dependent variables, the number of women recipients of credits remains little in Lebanon, the categories of businesses mostly profiting from the MFIs in Lebanon are commerce, service, and trade sectors and the beneficiaries are primarily situated at Mount Lebanon, South, Bekaa, and at the north. This study can be utilized to provide useful empirical evidence for future research and to raise awareness on this significant matter for SMEs' managers, MFIs' managers and clients, and for the analysts.

Additionally, Augendra et al. (2019) examine this assumption. A qualitative approach is used to obtain information from MSMEs and MFIs. Eight enterprises and three MFIs; two of them are cooperatives and one government microfinance agency are studied. There is a high demand for credit whereas not all the demand is satisfied mainly those family businesses involved in the informal sector. The main findings exhibit that even when MFIs credit is at disposal, formal and informal MSMEs prefer to draw a loan from Informal Financial Institutions (IFIs) because the market is more flexible than the MFIs which embrace the same strategies as commercial banks.

Similarly, Rathnayake et al. (2019) examined the nexus between microfinance banks and the growth of micro, small and medium enterprises in Nigeria. Research design method through a self-administered questionnaire to respondents was adopted for the study. The respondents comprise the microfinance banks' management and staff and micro, small, and medium business entrepreneurs, in Lagos State, the commercial hub of Nigeria. The targeted population of this study

was 250 with 223 validly responded. The study tested two hypotheses using logit regression analysis. The hypothesis one shows that the null hypothesis is rejected with the acceptance of the alternate that the microfinance banks in Nigeria channeled their resources to the intended target (t-calculated of 8.181 is greater than t-tabulated of 0.000 at 5% level of significance). The findings further showed that a significant positive relationship exists between microfinance banks, and the growth of micro, small and medium enterprises in Nigeria.

Moreover, Amoah and Mungai (2020) examines the effect of financial literacy training and micro insurance on the financial performance of Small and Medium Enterprises in the Sekondi-Takoradi Metropolis of Ghana. This study aims (i) to determine the effect of financial literacy training on the financial performance of SMEs, (ii) to establish the effect of micro-insurance on the financial performance of SMEs; (iii) and to determine the moderating effect of government regulations on the relationship between financial literacy training, micro-insurance and the financial performance of SMEs. The study was based on the financial intermediation theory and Schumpeter's theory of innovation. The study adopted an explanatory research design, using a sample size of 260 SMEs in the Sekondi-Takoradi metropolis, Ghana. A structured questionnaire was used to collect data on financial literacy training, micro insurance, financial performance, and government regulations from SME owners and microfinance institutions. Analysis of the data collected revealed that both financial literacy training and micro-insurance had a positive and significant effect on the financial performance of SMEs.

Subsequently, Nelson *et al.* (2020) focused on effect of microfinance banks on the growth and survival of SMEs. The study adopted a survey research design using both primary and secondary data. A sample of 125 SME owners/operators who are duly registered with Edumana MFB, Bida constituted the study population. Questionnaires were administered to SME owners/operators, while interviews were conducted with selected staff of the MFB. Data generated were analyzed with the aid of tables, frequencies and percentages while test of hypotheses were done using Spearman Rank correlation coefficient and Chi-square. Findings of the study revealed that the bank's credits facilities and support services have considerably enhanced the survival and growth of SMEs in terms of increased business capital, assets acquisition and sales but not without some challenges such as small size of credit, cumbersome procedures involved in securing credit and unfavorable loan repayment modalities.

Consequently, Lubonja *et al.* (2019) identified the reasons of why the financial leasing market in Albania is in stagnation and understand some of the factors that influence the demand from a SME to be financed through lease. To achieve this and understand firms' behavior, questionnaire has been distributed to companies that have used lease to finance their acts and those that have never used it before. The model used to analyze the results of the questionnaires is the logistic regression. As we will see through the article, factors in need for financing by SMEs or the knowledge firms have about leasing have a direct impact on the possibility of firms to use lease.

2.5.3 Micro Insurance and SMEs Performance

However, Kasumpa (2022) evaluate and comprehend how Microfinance Institutions (MFIs) affect SMEs in Lusaka's Chainta area. The survey was Administered using physical questionnaires and through the use of online questionnaires aided by Google forms. The study included a thorough examination of MFIs' contributions to the expansion and advancement of SMEs as well as how SMEs see MFIs. Descriptive study approach was therefore determined to be appropriate. The findings of the study Indicated that a large number of entrepreneurs are still not able to access external finance from MFIs. Various recommendations have been made to MFIs as well as various stakeholders and Government on how financial inclusion can be improved to assist businesses.

Similarly, Ayub *et al.* (2020) examines the influence of business grant, micro saving, and financial knowledge towards Bumiputera SME business performance in Sabah. Total number of 187 questionnaires distributed and 96 were returned. The respondents were selected from TERAJU (Sabah) SMEs directory database and respondents were those who have been assisted and supported by TERAJU programs. The data collected and analyzed using Statistical Package for the Social Science (SPSS 26) and Smart-PLS 3.0. The study confirms that there are significant positive relationships between micro saving towards Bumiputera SME performance in Sabah. However, the study also found that there are no significant relationships between financing knowledge and business grant assistance towards Bumiputera SME business performance in Sabah. The finding of this study has useful implication to help strengthen the provision of government business support to Bumiputera SME in Sabah.

Similarly, Epetimehin and Agboola (2022). examined the effect of microinsurance and microinsurance risk control on Small and Medium Enterprises (SMEs) performance. Nigeria's economy is dominated by Small and Medium Enterprises (SMEs) in Agriculture, Manufacturing, Commerce, Industry and Services. The study used questionnaire in collection of data and adopted a descriptive survey design. The population of the study was 8395 registered SMEs in Lagos State. The study used simple random sampling technique. G-power software was used to determine sample size for the study with 0.15 effect size and 2 predictors. Sample size was three hundred and thirty-one (331). For data analysis

and testing of hypotheses, Statistical Package for Social Science (SPSS) software and Structural Equation Model-Partial Least Square (SEM-PLS) SmartPLS 3.3.3 was used to analyze the collected data. Finding revealed that microinsurance have a positive and significant effect on SMEs performance whereas Microinsurance Risk Control have a negative effect on SMEs performance.

Additionally, Setijawan et al. (2023) explore the factors that influence MSMEs to own disaster insurance, by using quantitative analysis of Panel Fixed Effects Model as the first model and Probit Models as the second and third models as well as qualitative analysis. The result will be utilized to formulate the appropriate disaster insurance product which optimize insurance features based on MSMEs' demand, encourage regulatory support and improve government funding capacity. Indonesia is currently facing approximately IDR19.75 trillion (USD1.4 billion) financing gap to cover the loss caused by disasters hence, there is also a need to create a high- level financing scheme to cover the gap.

Similarly, Taonga and Kueredza (2022) develop a framework for enhancing access to finance from microfinance institutions (MFIs) to women-owned small and medium enterprises (SMEs) in Harare, Zimbabwe. This study was motivated by the inadequacies in the frameworks existing in both developed and developing countries including Zimbabwe, that holistically address enhanced financial access to credit from MFIs by women-owned SMEs. A cross-sectional, mixed method study was employed with both quantitative and qualitative methods being utilized. The collected quantitative data were analyzed using factor analysis with the help of Statistical Package for Social Sciences (SPSS version 26) while qualitative data was analyzed using thematic analysis with the help of NVivo (version 11). The key findings that comprised the developed framework of enhanced financial access from MFIs by women-owned SMEs revealed that facilitating factors are: women SME support systems, efficient infrastructure, collaborations, and regulated interest rates.

2.6 Theoretical Review

This subsection will discuss and review different related theories and choose the underpinning theory among the theories.

2.6.1 Dependency Theory

Dependency theory, an approach to understanding economic underdevelopment that emphasizes the putative constraints imposed by the global political and economic order. First proposed in the late 1950s by the Argentine economist and statesman Raúl Prebisch, dependency theory gained prominence in the 1960s and '70s. According to dependency theory, underdevelopment is mainly caused by the peripheral position of affected countries in the world economy. Typically, underdeveloped countries offer cheap labor and raw materials on the world market. These resources are sold to advanced economies, which have the means to transform them into finished goods. Underdeveloped countries end up purchasing the finished products at high prices, depleting the capital they might otherwise devote to upgrading their own productive capacity. The result is a vicious cycle that perpetuates the division of the world economy between a rich core and a poor periphery. While moderate dependency theorists, such as the Brazilian sociologist Fernando Henrique Cardoso (who served as the president of Brazil in 1995–2003), considered some level of development to be possible within this system, more-radical scholars, such as the German American economic historian Andre Gunder Frank, argued that the only way out of dependency was the creation of a non-capitalist (socialist) national economy.

Dependency theory was developed as a framework for understanding the reasons for the divergence in the development level between wealthier and poorer nations. Historically, the theory was first used to explain the underdevelopment of Latin America and is associated with scholars such as Paul Prebisch and Hans Singer. Prebisch, in 1949 had argued that Latin America is underdeveloped because it relied on the exportation of primary commodities, which resulted in unequal trade terms between Latin American countries and developed western countries. However, several variants of the dependency theory have been used to explain underdevelopment in other world regions, such as Africa (Amin, 1974). Dos Santos (1970) defines dependency as 'a situation in which the economy of certain countries is conditioned by' the development processes of other countries. The main argument of the dependency theory is that the incorporation of the 'satellites' into the world capitalist system dominated and controlled by the 'metropolis' has resulted in an unbalanced relationship that keeps the satellite countries dependent on the economies of the metropolis. The central assumptions of the theory include: (a) Underdevelopment, which is different from un-development, deals with the active extraction of resources from periphery countries for the benefit of the core countries (b) the world is polarized into two: the highly industrialized wealthy core nations and less industrialized poor peripheries (c) The periphery countries are poor because they are forcefully integrated into the international division of labor where they functioned as producers and suppliers of raw materials or repositories of cheap labor (d) Resource diversion is maintained through active collaborations of local elites and dominant states who share common interests.

The dependency theory has been subjected to several criticisms. Kvangraven (2021) argues that most of the criticisms of dependency theory are based on a superficial, incorrect, and incomplete understanding of the theory's core assumptions. Nevertheless, the critiques center on its emphasis on external factors as causes of underdevelopment,

tautology and lack of precision. Kvangraven (2021) states that while some criticism, such as tautology, is valid in some cases, others represent minority perspectives within the dependency tradition. He further criticized the dependency theory for suggesting the impossibility of achieving development within the international capitalist framework and failing to account for the development of some traditional periphery countries. Critics posit that the rise of Hong Kong, Taiwan, South Korea, and Singapore's economies indicates the possibility of attaining economic progress under the integrated world economy. However, Kvangraven (2021) maintains that the economic transformation of these countries does not contradict the basic assumption of the dependency theory. As shall be argued in this essay, the dependency theory still offers a crucial explanatory power in explaining today's world inequalities despite its relegation in the field of development studies.

This has examined the relevance of the dependency theory in explaining today's global imbalances specifically in the area of SMEs. Despite the decline in the popularity of the dependency theory, it can be used to explain the contemporary relationship between microfinance and the SMEs, which has reinforced the SMEs capital dependence on microfinance loans. Through its loan conditionality's, the banks have kept most of the SMEs in a debt cycle leading to the inability of entrepreneurs to absolute power over their various enterprises. This has kept SMEs remain stagnant and widened the inequality gap between MSMEs and SMEs.

2.6.2 Resource Base Theory as Underpinning Theory

The resource-based theory is an organizational strategy that focuses on internal resources as a means of creating a competitive advantage. Competitive advantage is the key concept in resource-based theory. A firm is said to have a competitive advantage when it is able to generate sales or profits that are significantly higher than the average for its industry. The existence of a competitive advantage allows the firm to generate superior returns for shareholders. There are several different ways in which a firm can create a competitive advantage. The most common way is by leveraging its unique resources and capabilities to develop a cost or differentiation advantage. For example, a firm might have access to lower-cost inputs or be able to produce a unique product that commands a premium price. It should be noted that not all resource advantages will lead to a competitive advantage. For an advantage to be sustainable, it must be difficult or impossible for competitors to imitate. The book was founded on the Resource Based theory proposed by Penrose in her essay "The theory of the Growth of the Firm" from 1959. The two underlying assumptions of the resource-based approach of a corporation are resource diversity and resource immobility. If a firm holds a resource or competence that is also held by a large number of other firms, then that resource cannot give the firm a competitive edge.

Resource immobility: This describes a resource that is expensive to develop, acquire, or use, making it difficult for rivals to utilize it. By offering a framework for evaluating whether a procedure or method may produce a lasting competitive advantage, the aforementioned assumptions are used to ascertain whether an entrepreneur is capable of doing so. Technology gives it a distinct advantage over the competition. According to the resource-based perspective, small businesses are made possible when an entrepreneur has the skills and resources necessary to develop and sustain them. According to Penrose (1959), entrepreneurs can only attain sustainable competitive advantage and success with the right resources and competencies that can be used in a sustainable manner over a long period of time. According to the notion, an entrepreneur succeeds spectacularly when they have a thorough awareness of the resource potentials and when they make wise decisions based on their vision, intuition, and creativity. The entrepreneur will not only be able to thrive but also enjoy long-term competitive advantage and financial success in a particular firm with resources that are valuable, scarce, difficult to duplicate, and non-substitutable. Entrepreneurs' accomplishments are fleeting without a lasting competitive edge since rivals will swiftly undo the fruit of their original labor (Udu, *et al.* 2018).

The theory placed a strong focus on the requirement for an entrepreneur to have the essential resources and competencies as a precondition for gaining a long-term competitive advantage. Given the shifting business climate, the aforementioned highlights the requirement for small scale firms to remain proactive. Given the aforementioned, small-scale companies who desire to in order to maintain a competitive advantage in a dynamic business climate, one must have remarkable expertise that would provide thorough awareness of the economic environment.

3. METHODOLOGY

3.1 Research Design

For this investigation, a descriptive survey design will be used. According to Omair (2015) descriptive survey design is relevant for the study on SMEs. Therefore, the research design is appropriate for this study. Additionally, the factors the study intend to use Microfinance bank (measured with microcredit, micro-savings and micro-insurance) and SMEs will be explored, described, and explained using the survey design. Using the information gathered from the field survey, it will be utilized to investigate and describe the topic under investigation.

3.2 Population of the Study

The study intends to use the register SMEs in Borno state, therefore, all individuals who own and manage SMEs would form the population of the study. The rationale behind choosing a study area is to make the workload less onerous while also taking into account how easy it is to get data and information. Borno State is strategically located in the North-East sub-region where there are a lot of crises, insurgency and kidnapping, despite all these, a sizable portion of the populace engages in trade and commerce. All registered Small and Medium Scale Enterprises (SMEs) in Borno State make up the study's population. According to Borno state SMEDAN (2023) there are 2537 registered small and Medium Scale Enterprises in the state. Education, years of work experience, cadre, and gender can be other characteristics shared by population members, but operating various SMEs in the state is the most important common characteristic of interest when taking into account the researcher's objective.

3.3 Sampling Technique

The sample respondents in the study region will likewise be selected using a simple random sampling technique in the study. Borno state was chosen to carry out the research because of the nature of problems associated with SMEs finance in the state.

3.4 Sample Size Determinant

The total sample size was calculated using the Taro Yamane (1967) formula, which is listed below.

$$n = \frac{N}{1+N(e)^2}$$

Where;

N = Total population of the study

n = Sample size

e = Precision level (0.05)

$$n = \frac{2537}{1 + 2537(0.05)^2}$$

$$n = \frac{2537}{1 + 2537(0.0025)}$$

$$n = \frac{2537}{1 + 6.3425}$$

$$n = \frac{2537}{7.3425}$$

$$n = 345.522$$

$$n = \underline{\underline{346}}$$

Therefore, as 2537 registered SMEs in Borno state make up the study's population. According to Taro Yamane, there will be 346 participants in the sample. Because not every employee of SMEs in Borno State will take out the questionnaire. Only registered SMEs with account at Microfinance banks in Borno state will fill the questionnaire.

3.5 Instrument for Data Collection

Data were generated through close-ended questions. Structured questionnaire was used to collect socio-demographic, environmental influences, training, and development variables on the community development using a Likert scale. The Likert scale was divided into five categories: strongly agree, agree, undecided, disagree, and strongly disagree for different statements that represent knowledge, feelings, and practice components.

3.6 Method of Data Analysis

This study intends to use multiple regression for the analysis. It will make use of SPSS package for the analysis. This approach is extremely appealing to research because it allows for the estimation of complex models without putting distributional assumptions. The method thus resolves what appears to be a conflict between explanation, which is frequently stressed in academic research, and prediction, which serves as the foundation for creating management implications. The formula for multiple regression is depicted with these variables, the usual multiple regression equation, $Y = a + \beta_1X_1 + \beta_2X_2$, becomes the quadratic polynomial $Y = a + \beta_1X + \beta_2X^2$. This is still considered a linear relationship because the individual terms are added together (Hair et al., 2019).

The regression models the study intend to use is given below;

$$Y = \alpha + \beta_1MC + \beta_2MS + \beta_3MI$$

Where:

Y = Dependent variable; SMEs

α = Constant term (Intercept)

β = Beta coefficient (Change in dependent caused by unit change of independent variable)

β_1MC = Microcredit

β_2MS = Micro-Savings

β_3MI = Micro-Insurance

3.7 Validity of the Instrument

Validity is the extent to which an instrument measures what it is supposed to measure and performs as it is designed to perform. It is rare, if nearly impossible, that an instrument be 100% valid, so validity is generally measured in degrees. This work is valid because the research question and hypothesis are clearly and logically defined and the data collection method and instrument were chosen carefully.

3.8 Reliability of the Study

Reliability refers to the extent that the instrument yields the same results over multiple trials. Validity refers to the extent that the instrument measures what it was designed to measure. For example, a scale or test is said to be reliable if repeat measurement made by it under constant conditions will give the same result (Moser and Kalton). Testing for reliability is important as it refers to the consistency across the parts of a measuring instrument (Huck).

Reference

- Adama, U. J., Duru, U. I. & Diyoke, O. K. (2017). The role of microfinance banks on employment generation in the grassroots: Evidence from Karu Local Government Area of Nasarawa State, Nigeria. *Asian Journal of Economics, Business, and Accounting*, 4(2): 1-9, doi: 10.9734/AJEBA/2017/35325
- Aladejebi, O. (2019). The impact of microfinance banks on the growth of small and medium enterprises in Lagos Metropolis. *European Journal of Sustainable Development*, 8(3), 261-261.
- Amoah, J., Belas, J., Dziwornu, R., & Khan, K. A. (2022). Enhancing SME contribution to economic development: A perspective from an emerging economy. *Journal of International Studies*.
- Amoah, C., & Mungai, J. N. (2020). Financial literacy training and micro insurance on the financial performance of SMEs in the Sekondi-Takoradi Metropolis, Ghana. *International Journal of Research in Business and Social Science* (2147-4478), 9(7), 247-256.
- Audu, I., Abubakar, A. M., & Baba, M. (2021). The Role of Microfinance Institutions' Services on the Performance of Small and Medium Enterprises in Gombe State, Nigeria. *Journal of Management Sciences*, 4(1).
- Augendra, B., Bernard, T., & Ani, W. (2019). Why Micro and Small Family Enterprises Do Not Borrow from Microcredit Institutions? A Case Study in East Java, Indonesia. *Studies in Business & Economics*, 14(3).
- Ayozie, D. O., & Bawa, I. (2021). Corporate Social Responsibilities (CSR) of Small and Medium Scale Enterprises (SMES) in Nigeria: A Critical Literature Review.
- Ayub, M. S., Harun, M. A., Mifli, M., & Majid, A. (2020). The role of business grant assistance, micro saving and financial knowledge towards Bumiputera SME business performance in Sabah. *Asian Journal of Entrepreneurship*, 1(4), 172-186.
- Bužavaičė, M., Ščeuļovs, D., & Korsakienė, R. (2019). Theoretical approach to the internationalization of SMEs: Future research prospects based on bibliometric analysis. *Entrepreneurship and Sustainability Issues*, 6(3), 1497.
- Britannica Encyclopedia (2019) Theories of economic development
- Đuričin, S., Jovanović, O., & Erić, D. (2020). The role of Microfinance in Development of SMEs in Republic of Serbia. *Erenet profile*, 15(2), 56-66.
- European Commission (2022). "SME Definition."
- European Commission (2022). "Entrepreneurship and Small and Medium-Sized Enterprises (SMEs)."
- Epetimehin, F., & Agboola, O. O. (2022). Microinsurance and Microinsurance Risk Control Impact on Small and Medium Enterprises (SMEs) Performance in Nigeria. Available at SSRN 4232526.
- Fuertes-Callén, Y., Cuellar-Fernández, B., & Serrano-Cinca, C. (2022). Predicting startup survival using first year's financial statements. *Journal of Small Business Management*, 60(6), 1314-1350.
- Haider, S. H., Asad, M., Fatima, M., & Abidin, R. Z. U. (2017). Microfinance and Performance of Micro and Small Enterprises: Does Training have an Impact. *Journal of Entrepreneurship and Business Innovation*, 4(1), 1-13. doi: 10.5296/jebi.v4i1.10566
- Iloh, F. I. (2023). Bank of Industry (BOI) Credit Scheme and Growth of Small and Medium Scale Enterprises in Anambra State, Nigeria.

18. KASUMPA, N. E. (2022). *THE IMPACT OF MICROFINANCE INSTITUTIONS ON THE DEVELOPMENT OF SMEs IN LUSAKA DISTRICT. A CASE STUDY OF FINACIAL INCLUSION IN CHAINDA TOWNSHIP* (Doctoral dissertation, Cavendish University).
19. Lubonja, F., Gjylameti, B., & Kurti, S. (2019). Financial leasing in Albania and the impact that internal factors of a SME would have on the probability to be financed by lease. *Central European Economic Journal*, 6(53), 189-198.
20. Lwesya, F., & Mwakalobo, A. B. S. (2023). Frontiers in microfinance research for small and medium enterprises (SMEs) and microfinance institutions (MFIs): a bibliometric analysis. *Future Business Journal*, 9(1), 1-18.
21. MAN, (2023). Report on taxes and other levies paid by Manufacturers Association of Nigeria.
22. Mansur, M., & Djaelani, A. K. (2023). Business Strategy Approach to Informal Small Businesses in Increasing Productivity and Competitiveness. *Golden Ratio of Marketing and Applied Psychology of Business*, 3(1), 01-19.
23. Moussa, F. (2020). Impact of microfinance loans on the performance of SMEs: The case of Lebanon. *Verslas: teorija ir praktika*, 21(2), 769-779.
24. Nelson, G., Paul, O. C., & Olumorin, M. O. (2020). Microfinance bank and growth of small and medium scale enterprises (SMEs) in Bida Metropolis of Niger State, Nigeria. *KIU Interdisciplinary Journal of Humanities and Social Sciences*, 1(1), 1-15.
25. Office of the United States Trade Representative (2022). "Small- and Medium-Sized Enterprises (SMEs)."
26. Omondi, R. I., & Jagongo, A. (2018). Microfinance services and financial performance of small and medium enterprises of youth SMEs in Kisumu County, Kenya. *International academic journal of economics and finance*, 3(1), 24-43.
27. Omair, A. (2015). Selecting the appropriate study design for your research: Descriptive study designs. *Journal of health specialties*, 3(3), 153.
28. Oduwole J. (2023). What next for micro, small and medium-sized enterprises in Nigeria?
29. Peter, F., Adegbuyi, O., Olokundun, M., Peter, A. O., Amaihian, A. B., & Ibidunni, A. S. (2018). Government financial support and financial performance of SMEs. *Academy of Strategic Management Journal*, 17.
30. Ruslan, R. A. H. M., Gan, C., Hu, B., & Quang, N. T. T. (2020). Impact of microcredit on SMEs performance in Malaysia. *International Journal of Business and Economics*, 19(1), 109-130.
31. Rathnayake, K. M. N. D., Fernando, P. I. N., & Fernando, A. G. N. K. (2019). Impact of Microfinance Services on Growth of Micro Small and Medium Scale Enterprises: Empirical Evidence from Micro, Small and Medium Scale Enterprises in Kalutara district.
32. Setijawan, E., Sutiyono, G., Wicaksono, G. C., Ardiyanti, H., & Christi, P. (2023). Formulating Natural Disaster Insurance Scheme for Micro, Small, and Medium Enterprises (MSMEs) in Indonesia. *The International Journal of Financial Systems*, 1(1), 57-82.
33. Sule, O. (2018). The impact of microfinance bank on small and medium scale enterprises in Nigeria development. *Scholarly Journal of Business Administration*, 7(2), 26-34.
34. Taiwo, J. N., & Benson, K. N. (2016). The role of microfinance institutions in financing small businesses. *JIBC*, 21(1).
35. The World Bank (2022). "Small and Medium Enterprises (SMEs) Finance."
36. Udu, G. O. C., & Eke, G. J. (2018). Occupational stress and job performance of female bankers in bank branches in Abakaliki, Nigeria. *International Journal of Development and Management Review*, 13(1).
37. Wairimu, Z. Mwilaria, S.M (2017). Microfinance institutions' social intermediation and micro and small enterprises survival in Thika Town, Kenya. *Asia Pacific Journal of Multidisciplinary Research*, 5(2), 87-93. Retrieved from www.apjmr.com

APPENDIX

QUESTIONNAIRE

MICROFINANCE BANKS AND SMALL AND MEDIUM SCALE ENTERPRISES (SMEs) IN BORNO STATE

INSTRUCTION: Below are typical question kindly indicating the option you consider appropriate by ticking against such option.

SECTION A: PERSONAL DATA

1. Gender: (a) Male (b) Female
2. Age: (a) 20-3-yrs (b) 31-40yrs (c) 41-50yrs and above
3. Marital Status: (a) Single (b) Married
4. Years of experience (a) Below 1 yrs (b) 1-5yrs (c) Above 5yrs

SECTION B: QUESTION RELATED TO THE OBJECTIVE OF THE STUDY.

From the list of the option labeled S.A (Strongly agree) A (agree) U (undecided) D (disagree) SD (strongly disagree).

PERFORMANCE OF SMALL SCALE AND MEDIUM ENTERPRISE (SMEs)

S/N	SMEs Performance	SA	A	U	D	SD
1	Can microloan enhance growth of SMEs and employment generation?					
2	Microloan alleviate poverty through issuance of start-up capital?					
3	Microloan and savings boost the financial strength of SMEs in Borno state.					
4	Can personal Savings serve as another source of finance?					
5	The amount of business capital was more in 2018 than in 2017 as a result of using MFBs' products.					
6	The use of microfinance products is the only way to improve the financial performance of the business					
7	The amount realized by the business for net profits in 2018 was more than in 2017 as a result of using MFBs' products					

MICROCREDIT

S/N	Micro Credit	SA	A	U	D	SD
1	The duration to receive loans from the MFBs affect the financial performance of the business					
2	Must you present a collateral before the facility be issue to you?					
3	Long term loans offered by the MFBs affect the financial performance of the business					

4	Medium term loans provided by the MFBs affect the financial performance of the business					
5	Microfinance bank discourage you from collecting their loan?					
6	The interest rate on loan offered by the MFBs affect the financial performance of the business					
7	Short term loans provided by the MFBs affect the financial performance of the business					

MICRO SAVINGS

S/N	Micro Savings	SA	A	U	D	SD
1	Lack of savings kill micro business					
2	Micro-savings service offered by the MFBs is important in the financial performance of the business					
3	Savings through mobile banking allowed by the MFBs affect the financial performance of the business					
4	The minimum savings allowed by MFBs affect the financial performance of the business					
5	The various types of savings accounts offered by the MFBs affect the financial performance of the business					

MICRO INSURANCE

S/N	Micro Insurance	SA	A	U	D	SD
1	Micro insurance involves technicalities that discourage you from patronize?					
2	Health micro insurance is seeming the only micro finance activity that need to be patronize.					
3	Entrepreneurs use micro insurance products					
4	The maximum premium paid by the MFBs affect the financial performance of the business					
5	The risk covered by MFBs will be sufficient to cater other uncertainties as such it affects the financial performance of the business					

CITATION

Kaltume M.K., Forogn A.D., Amina M.L., & Rayyan Y. (2024). Effect of Microfinance Services on Performance of Small and Medium Enterprises in Borno State - A Research Proposal. In *Global Journal of Research in Business Management* (Vol. 4, Number 4, pp. 30–46). <https://doi.org/10.5281/zenodo.12828112>