



## Assessment of Small and Medium Enterprise Financing as A Tool for Poverty Reduction in Gombe State

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### Abstract

Poverty remains a persistent challenge in developing economies, particularly in regions like Gombe Metropolis, Nigeria, where economic growth often fails to translate into broad-based welfare improvements. The main objective of this conceptual study is to examine the role of Small and Medium Enterprises (SMEs) financing as a strategic tool for poverty reduction, specifically focusing on the mechanisms of access to finance and employment generation. Adopting a conceptual research design, the study utilizes the Dualism Theory to analyze existing literature and secondary data from sources such as the National Bureau of Statistics (NBS) and the United Nations Development Program (UNDP). The findings reveal that improved access to finance is a critical driver for poverty alleviation, as it enables SMEs to expand operations, increase productivity, and enhance household wealth. Furthermore, SMEs serve as vital labor-intensive engines that generate direct and sustainable income for marginalized groups, including youth and women. Based on these insights, the study recommends that government agencies and financial institutions implement targeted financing schemes, such as low-interest loans and grants, while policymakers should develop programs that encourage SMEs to adopt labor-intensive models to maximize local hiring. Regarding future research directions and limitations, the study notes that its conceptual nature lacks primary empirical data, suggesting a need for future field-based investigations in northern Nigeria. Additionally, the study identifies a significant gap in current literature regarding the role of tax incentives in easing the financial pressure on small businesses, representing a critical area for subsequent academic inquiry.

**Keywords:** SMEs, Access to Finance, Employment Generation, Poverty Reduction, Gombe Metropolis.

## INTRODUCTION

Poverty remains one of the most persistent development challenges in many developing countries, where economic growth has not translated into broad-based welfare improvements. Sub-Saharan Africa continues to record some of the highest poverty levels globally, with limited progress in improving infrastructure, human development, and income opportunities despite episodes of economic expansion (Jibrin et al., 2024). Nigeria reflects this regional paradox. Although endowed with abundant natural and human resources, the country continues to struggle with widespread poverty, with a significant proportion of its population living below the international poverty line. Weak policy implementation, structural barriers, and limited access to productive economic opportunities have contributed to Nigeria's slow progress in reducing poverty. Gombe State mirrors this national reality, ranking among the states with high poverty incidence and limited access to sustainable livelihood opportunities (Pearce & Bah, 2024).

Against this backdrop, the role of small and medium enterprises (SMEs) has gained increasing attention in contemporary development discourse. SMEs are widely recognized as engines of economic growth, employment generation, and income expansion factors that directly influence poverty reduction. However, their performance and contribution largely

depend on access to adequate financing (Kumari et al., 2024). Empirical evidence shows that increased earnings from business activities serve as one of the most effective routes for individuals and households to escape poverty, underscoring the importance of enterprise support mechanisms. In many developing economies, limited access to finance remains a major constraint to SME growth, thereby weakening their potential to contribute meaningfully to poverty reduction.

In Gombe State, where poverty levels remain comparatively high, strengthening SME financing presents an important pathway for improving livelihoods and promoting inclusive economic development (Sun & Xu, 2024). Understanding how financing shapes SME productivity, employment creation, and income generation is therefore essential for designing effective policies targeted at poverty reduction. This study therefore seeks to assess SME financing as a tool for reducing poverty in Gombe State, with a focus on examining the extent of access to finance, the effectiveness of financing mechanisms, and their implications for improving household welfare and economic opportunities within the state.

## STATEMENT OF PROBLEM

Poverty remains one of the most pressing global challenges, demanding deliberate and coordinated action from all nations. In Nigeria, poverty has become a deeply rooted concern, manifesting in widespread deprivation and limited access to essential resources. The situation is particularly severe in many regions where poverty is massive, pervasive, and chronic, affecting a considerable share of the population (Saini & Kashif, 2024). Small and Medium Enterprises (SMEs) have long been recognized as key engines of economic development. They account for more than 90 percent of business activities in Nigeria and contribute significantly to employment creation and national output (Sun & Xu, 2024). Scholars note that SMEs require relatively low capital to start, create substantial employment opportunities, meet local market needs, and in some cases, contribute to export earnings (Kumari et al., 2024). For people living in poverty, these enterprises offer a pathway to steady income and improved livelihoods, which are critical for rising above the poverty line (Pearce & Bah, 2024).

Despite this potential, poverty remains alarmingly high, especially in northern Nigeria. Reports indicate that more than three-quarters of the population in northern states live below the poverty line. The North Central, North East, and North West geopolitical zones have poverty rates of 67%, 71.2%, and 72.2% respectively (Effendi & Sunani, 2020). This level of deprivation denies people access to quality living conditions and exposes them to adverse life outcomes, including increased vulnerability to crime and social instability. Evidence from Kumari et al. (2024) further reveals that rising income whether through wage employment or small business activities is one of the most effective means by which individuals escape poverty. Gombe State presents a particularly troubling picture. With a poverty rate of 74.6% in 2015, it ranked among the poorest states in Nigeria (NBS, 2020). Although the state is endowed with favorable geographic features, arable land, and promising business opportunities, it remains one of the least populated and financially constrained in terms of internally generated revenue. Given these challenges, SMEs hold strong potential for improving livelihoods if adequately supported through financing mechanisms.

However, existing literature reveals important gaps. Many previous studies on SMEs and poverty alleviation (e.g., Jibrin et al., 2024; Effendi & Sunani, 2020; Sun & Xu, 2024; Pearce & Bah, 2024; Saini & Kashif, 2024) have produced inconsistent or inconclusive results. In addition, several limitations can be observed: Most studies failed to consider tax incentives as a relevant component of SME support, even though it can significantly ease financial pressure on small businesses. The majority of available studies are conceptual, while empirical investigations are limited. SMEs are often left solely to individuals to establish and sustain, despite their strategic importance to economic development.

These gaps underscore the need for further research, particularly in Gombe State, to assess how SME financing including access to finance, tax incentives, employment opportunities, and entrepreneurial skills can be leveraged more effectively as a tool for poverty reduction. This study seeks to address these gaps by providing a comprehensive assessment relevant to policymakers, institutions, and development practitioners.

## RESEARCH QUESTIONS

The following are the research questions;

- i) To what extent does access to finance relate with poverty alleviation program in Gombe State in Nigeria?
- ii) To what extent does employment generation relate with poverty alleviation program in Gombe State in Nigeria?

## LITERATURE REVIEW

### Concept of Poverty Reduction

Poverty reduction is broadly understood as the deliberate efforts aimed at improving the living conditions and economic well-being of individuals and communities who live below established poverty thresholds (Pearce & Bah, 2024). It involves enhancing access to basic necessities such as food, shelter, healthcare, education, and clean water, while also promoting income-generating opportunities that enable sustainable livelihoods. Poverty reduction goes beyond merely increasing income; it encompasses expanding capabilities, improving human development, and providing the poor with

opportunities to participate meaningfully in social, economic, and political life (Sun & Xu, 2024). The concept has evolved over time, influenced by economic, social, and political perspectives. Traditionally, poverty was measured in absolute terms based on the inability to meet minimum consumption levels. Modern approaches, however, adopt multidimensional frameworks, considering factors such as health, education, empowerment, vulnerability, and access to resources as integral components of poverty (Jibrin et al., 2024). Consequently, poverty reduction strategies are increasingly focused on both direct interventions, such as cash transfers and employment schemes, and structural measures, including education reforms, infrastructure development, financial inclusion, and institutional capacity building.

In developing countries, including Nigeria, poverty reduction is considered central to national development. The high prevalence of poverty necessitates deliberate policies that address both the structural and transitional causes of deprivation, such as limited resources, unemployment, low skills, and economic shocks. Small and Medium Enterprises (SMEs) have emerged as a key mechanism for poverty reduction because they create jobs, increase household incomes, stimulate local economies, and enhance access to goods and services (Kumari et al., 2024). In essence, poverty reduction represents a multidimensional and dynamic process aimed at improving human well-being, fostering economic empowerment, and ensuring equitable access to opportunities for sustainable development.

### **Concept of Small and Medium Enterprises (SMEs)**

Small and Medium Enterprises (SMEs) are widely recognized as critical drivers of economic growth, employment creation, and social development. SMEs are typically defined by the size of their workforce, capital investment, and annual turnover, though these criteria may vary across countries and institutions. In general, small enterprises employ fewer people and operate with limited capital, while medium-sized enterprises have relatively larger operations and more structured management systems Adarabioyo et al. (2024). SMEs play a pivotal role in both developed and developing economies. They are often easier to establish than large corporations, require lower start-up capital, and are flexible in responding to market demands (Saini & Kashif, 2024). Importantly, SMEs create employment opportunities, enhance local production, supply goods and services to meet domestic demand, and in some cases contribute to export earnings. In many developing countries, including Nigeria, SMEs account for more than 90% of business operations and contribute over 50% of employment opportunities and Gross Domestic Product (Pearce & Bah, 2024).

Beyond economic contributions, SMEs have a social impact. By generating income and employment, they improve household welfare, reduce poverty, and provide opportunities for skill development and entrepreneurship. They also foster innovation, stimulate competition, and encourage the development of local industries. However, the growth and sustainability of SMEs depend on critical support mechanisms, including access to finance, infrastructure, skilled labor, technology, and government incentives (Kumari et al., 2024). Inadequate access to these resources can limit the capacity of SMEs to achieve their full potential in poverty reduction and economic development. In summary, SMEs are dynamic economic units whose operations extend beyond profit generation; they are integral to social and economic transformation, particularly in regions with high poverty levels. Supporting SMEs through financing, training, and policy interventions is therefore crucial for achieving inclusive growth and reducing poverty in developing economies.

### **Concept of Access to Finance**

Access to finance refers to the ability of individuals, households, or businesses to obtain financial products and services, such as credit, loans, and savings, insurance, and payment facilities, from formal or informal financial institutions. It is a critical factor in economic development, as it enables individuals and businesses to invest in productive activities, expand operations, manage risks, and improve livelihoods (Sun & Xu, 2024).

In the context of Small and Medium Enterprises (SMEs), access to finance is particularly crucial. SMEs often face constraints in securing adequate funding due to limited collateral, perceived high risk, poor financial records, and stringent banking requirements. These constraints hinder their ability to start, sustain, and scale business operations, limiting their capacity to generate income, create employment, and contribute to poverty alleviation (Jibrin et al., 2024). Access to finance is not only about the availability of funds but also encompasses the affordability, appropriateness, and timeliness of financial services. It includes mechanisms such as microcredit, bank loans, government grants, venture capital, and other financial instruments tailored to support SMEs and low-income entrepreneurs.

Improved access to finance empowers SMEs to acquire modern equipment, expand production, hire skilled labor, and penetrate new markets. It also facilitates entrepreneurial innovation and enhances competitiveness, thereby directly contributing to household income growth and poverty reduction. In developing economies, lack of financial access remains a major barrier to economic inclusion, limiting the potential of SMEs to serve as tools for sustainable development. Therefore, enhancing access to finance is widely regarded as a fundamental strategy for promoting entrepreneurship, stimulating economic growth, and reducing poverty Adarabioyo et al. (2024). In summary, access to finance represents a vital link between financial institutions and economic agents, particularly SMEs, enabling productive

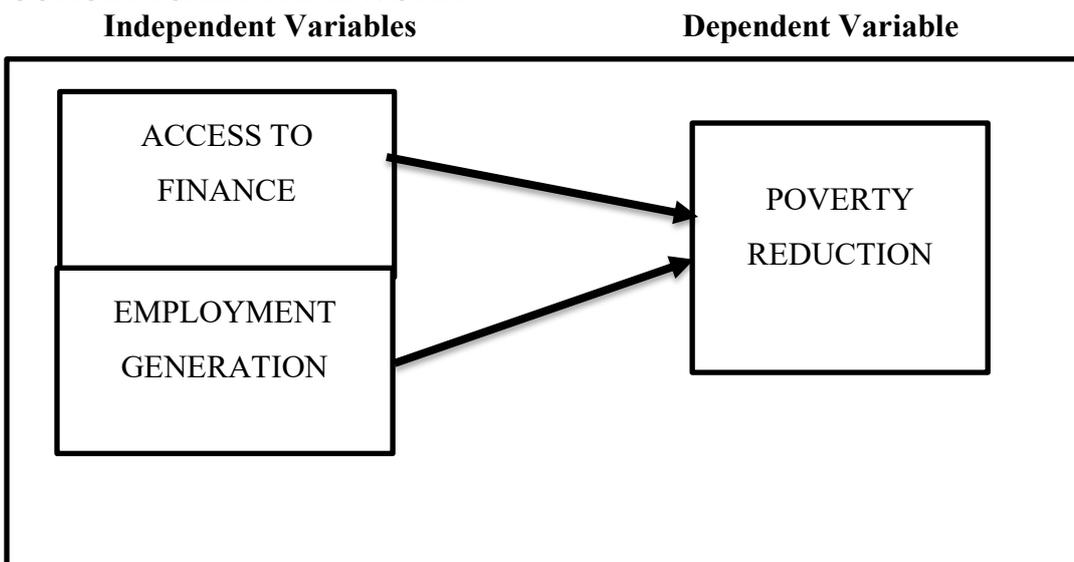
investment, income generation, and social empowerment. Its availability, affordability, and suitability significantly influence the ability of enterprises to drive economic and social development.

### Concept of Employment Generation

Employment generation refers to the creation of job opportunities that enable individuals to earn a living, improve their standard of living, and contribute to economic growth. It is a critical component of economic development, as it not only reduces poverty but also promotes social stability, skills development, and human capital accumulation (Sun & Xu, 2024). Generating employment is particularly important in developing countries where high population growth and limited formal sector jobs exacerbate poverty and inequality. In the context of Small and Medium Enterprises (SMEs), employment generation is one of the most significant contributions these businesses make to local and national economies. SMEs are often labor-intensive and can rapidly absorb workers, including youth and women, who are typically marginalized in formal employment sectors. By creating both direct and indirect jobs, SMEs stimulate income generation, increase household welfare, and enhance overall economic participation (Singh & Singh, 2024). Beyond providing wages, employment through SMEs can also impart practical skills, improve entrepreneurial capacity, and encourage innovation among workers.

Moreover, employment generation is not only about the quantity of jobs but also about the quality and sustainability of these opportunities. Sustainable employment ensures that workers have adequate income, job security, safe working conditions, and opportunities for career advancement. For poverty reduction, the creation of stable and reasonably remunerated jobs is critical, as it directly enables households to rise above the poverty line and invest in health, education, and productive assets (Effendi & Sunani, 2020). In summary, employment generation is a fundamental mechanism through which SMEs contribute to poverty alleviation and economic development. By creating job opportunities, enhancing skills, and providing sustainable income, SMEs play a central role in improving livelihoods and promoting inclusive growth, particularly in regions with high poverty incidence such as Gombe State.

### CONCEPTUAL FRAMEWORK



Source: Developed by the Researcher, (2026)

Figure 1: Conceptual Model

### EMPIRICAL REVIEW

#### Access to Finance and Poverty Reduction

Effendi and Sunani (2020) determine the barriers of public access to financial services and their effects on poverty alleviation. The sample used was 6 ASEAN countries (Indonesia, Singapore, Malaysia, Vietnam, Thailand, and the Philippines) from 2006 to 2015. The analytical method used was the MARS. MARS is one of the nonparametric regression methods as an alternative to the multiple linear regression method, which must fulfill parametric assumptions. The results of the study using MARS show that the model formed has a high coefficient of determination, and criteria of the test of the suitability of the model are met. In other words, multivariate adaptive regression spline (MARS) can explain well the variability of the independent variables on the dependent variable. The results of the hypothesis testing using the MARS method show that indicators of macroeconomic, social, bank characteristics, institutions, and regulations affect access to financial services (AFS) and AFS affect poverty alleviation. This finding shows that

increasing AFS will affect poverty reduction, and to increase public AFS can be done by minimizing macroeconomic, regulatory, social, bank, and institutional constraints.

Moreover, Jibrin et al. (2024) evaluated the impact of financial access on poverty alleviation programs in Gombe state: A conceptual overview. The study made use of a variety of relevant literatures that were gathered from recently published journal articles, textbooks, and scholarly earlier research that was relevant to the topic. Preliminary results indicated that every factor influencing financial access has a major impact on reducing poverty. Consequently, the study suggested that in order to help small company owners grow their enterprises, the government should provide loans and other forms of financial support at reduced interest rates. It is also necessary to address the technical aspects of the banks' facility issuance process.

Subsequently, Sun and Xu (2024) explore the relationship between financial assets and health expenditure and catastrophic health expenditure (representing the incidence of return to poverty due to illness) to provide evidence for the development of financial markets to help stop the return to poverty due to illness and consolidate the achievements of poverty alleviation. Results: The results show that the influence of financial assets on the incidence of catastrophic health expenditures is significant and has a threshold effect. At the same time, financial assets have a greater impact than housing on preventing the return to poverty due to illness. Therefore, moving to the financial market can be a viable option for rural households to stop the return to poverty due to illness in the future.

Furthermore, Saini and Kashif (2024) examines the influence of these drivers on sustainable development, specifically considering the mediating role of financial education. The primary objective is to assess whether financial education enhances the influence of FA drivers on sustainable development. The study gauges sustainable development by evaluating customers' perspectives of FA's achievement in attaining Sustainable Development Goals (SDGs) such as poverty alleviation, gender equality, and industrial growth. The findings suggest the significance of digitalization, Fin-Tech, and usage as substantial drivers of FA. The research evaluates both the direct influence of FA drivers on sustainable development and their indirect influence through the mediating effect of financial education.

Also, Metu and Nwogwugwu (2024) determine challenging factors in accessing finance by female micro-entrepreneurs in Anambra state, Nigeria. This study employed both qualitative and quantitative methods in data collection. Multi-stage sampling technique was adopted in selecting the sample, and the data analyzed using LOGIT regression model based on the binary choice that describes the probability of women micro entrepreneur's choice between two mutually exclusive alternatives (accessing or not accessing microcredit). The study identifies fear of default, lack of collaterals, inability to get guarantors and information asymmetry as main factors challenging women's access to finance.

Additionally, Pearce and Bah (2024) estimate the efficiency of SMEs and the effect of access to finance on the efficiency of SMEs the study adopted the stochastic frontier estimation method of determining efficiency of firms. A model of maximum performance (capacity) was estimated using 450 SMEs randomly selected from the population of registered SMEs in the Western Area of Sierra Leone from 2018 to 2020. The model of net business earnings was estimated using the Maximum Likelihood procedure and the firm efficiencies were consequently estimated. The empirical results reveal that the potential of firms is determined positively by capital productivity and labor productivity and negatively by experience of firms, the latter results suggesting that more experience (in terms of age) does not push their production outwards but inwards.

## **Employment Generation and Poverty Reduction**

Additionally, Kumari et al. (2024) analyze the various programs and policy relating to employment generation and to emphasize on its economic impact. Based on the performance of these programs and policies of the union government enhanced the employment opportunities and alleviate poverty among the rural poor. This paper is organized in a systematic manner with three broad segments. The first section of the paper brings out the introductory note, the second segment of gives the paper structure, objectives and the purpose of the study. The third and the final section narrates the analysis, findings and concluding remarks of the paper. The data related to progress and achievements of the employment generation programs are analyzed and compared with other selected programs. The relevant information has been collected from various published sources from ministry of labor and ministry of rural development. The collected information has been listed in the review section and the data has been tabulated and analyzed in the analysis section.

More so, Oyowuso and Iliya (2024) examine the impact of rice farming on poverty reduction and employment generation in Lafia Local Government, Nasarawa State, Nigeria. The primary source of data (questionnaire) was used to collect information from rice farmers, rice milling machine owners, rice milling machine operators and agro-chemical dealers. A sample size of 385 was drawn using Cochran W.G. (1977) because the population of the people involved in the Rice farming business in Lafia local government is not known or infinite. All the data collected was organized, presented and analyzed using both descriptive and inferential statistical tools. The 2 study employed the Chi-square (X) distribution as an analytical statistical method to assess the hypotheses' validity with a 95% confidence level. The aim was to establish

the impact of rice farming on poverty reduction and employment generation within the local government area. The study found that, rice farming has a positive correlation with employment generation in the Lafia Local Government area of Nasarawa State. Other findings include; seasonal unemployment due to a lack of constant water supply for farming, lack of finance, and high cost of farm inputs followed by climate change price fluctuation.

Furthermore, Aluko et al. (2024) investigate the effect of the South African Microfinance Apex Fund (SAMAF) on poverty alleviation and job creation. This case study targeted 103 beneficiary firms and self-employed individuals to send them questionnaires. The data analysis was primarily exploratory and descriptive. The findings show that the majority, 87%, agreed that the loans they accessed were sufficient for their business plans and needs. In addition, they were able to create at least one additional job after receiving the loan and improve their total business income on average compared to before the SAMAF loan. However, due to the risk of non-repayment of loans by recipients living in informal settlements, most microfinance intermediary institutions were unwilling to expand their operations into such settlements. SAMAF, on the other hand, has flaws, one of which is the slow delivery of funds to microfinance intermediary institutions, which needs to be addressed. The study concludes that to address the credit needs of semi-rural and rural residents, microfinance intermediary institutions must do more to expand into these areas and adopt a more aggressive and creative approach to the development of financial products and expand their access to include more of the poorest and most vulnerable households.

Similarly, Adarabioyo et al. (2024) investigates wealth creation and poverty alleviation through youth participation in agriculture and agribusiness in Ekiti State, Nigeria. An empirical survey was conducted by administering 2000 well-structured questionnaires. The data analysis was performed using R Studio. Descriptive analysis was obtained by cross-tabulating the most preferred agricultural practice and other variables under investigation. The result obtained shows that 51.8% of the respondents were female while 48.2% were males. Of the total respondents, 43.5% mostly preferred livestock farming, 22.0% crop production, 12.6% cash crop, and 10.7% poultry. In addition, 4.8% preferred Fish farming, 4.4% agricultural marketing and 1.9% horticulture. The study shows that female respondents show less preference for crop farming and horticulture. The study also shows that a significant 1370 (78%) of the total respondents are favorably disposed to agriculture and agribusiness.

## Dualism Theory

The Dualism Theory, rooted in development economics and structural change models, explains persistent inequalities in developing economies. It posits that economies often comprise two coexisting sectors: a superior, regulated formal sector and an inferior, largely unregulated informal sector (Aluko et al., 2024). This coexistence is often permanent, with limited interaction between the sectors, and in some cases, the dominance of the formal sector may suppress development in the informal sector. The theory is relevant to this study as it provides a framework for understanding how Small and Medium Enterprises (SMEs) largely operating in the informal sector in Nigeria can contribute to poverty reduction through access to finance, employment creation, and entrepreneurial skill development. While critics argue that dualism oversimplifies economic realities and underestimates the dynamic potential of the informal sector, it remains a useful lens to analyze structural disparities and justify targeted interventions aimed at bridging the gap between formal and informal economic activities. Consequently, the study adopts Dualism Theory to underpin the relationship between SME financing and poverty alleviation in Gombe State.

## METHODOLOGY

This study adopts a conceptual research design, which involves a critical review and synthesis of existing literature, theories, and empirical findings related to Small and Medium Enterprise (SME) financing and poverty reduction. Since the research does not involve primary data collection, the methodology focuses on theoretical analysis, document review, and logical reasoning to examine the relationships between the independent variables access to finance, employment generation and the dependent variable, poverty reduction.

The study relies on secondary sources such as scholarly journal articles, books, government publications, reports from development organizations, and official statistical data from institutions such as the National Bureau of Statistics (NBS) and United Nations Development Program (UNDP). These sources provide insights into the role of SMEs in economic development, the challenges of financing, and the effectiveness of poverty reduction initiatives in Nigeria, particularly in Gombe State.

## FINDINGS

The review of literature and empirical evidence suggests that access to finance is a critical driver of poverty reduction in Gombe Metropolis. Studies show that the majority of Small and Medium Enterprises (SMEs) in the state operate in the informal sector, often constrained by limited access to credit, loans, and other financial services (Kumari et al., 2024; Oyowuso & Iliya, 2024). Improved financial access enables entrepreneurs to invest in business expansion, purchase equipment, acquire raw materials, and hire more workers, which directly increases household incomes and reduces poverty. Evidence from similar contexts indicates that when SMEs gain timely and affordable access to finance, they can

scale operations and enhance productivity, leading to a measurable improvement in the livelihoods of poor families. Therefore, access to finance is strongly linked to poverty alleviation in Gombe Metropolis, serving as a key enabler for economic empowerment and sustainable development.

Employment generation emerges as another vital mechanism for reducing poverty in Gombe Metropolis. SMEs, being labor-intensive, provide significant employment opportunities for youth, women, and other marginalized groups who are otherwise excluded from formal employment (Adarabioyo et al., 2024; Singh & Singh, 2024). Employment not only provides a steady source of income but also equips individuals with skills and experience that can improve their long-term earning potential. Literature highlights that increased employment opportunities through SME growth lead to higher household consumption, better education for children, and improved access to healthcare factors that collectively reduce the incidence of poverty. In Gombe Metropolis, where formal employment opportunities are limited, SME-driven employment is particularly crucial, serving as a practical avenue for economic inclusion and poverty alleviation.

## CONCLUSION

Based on the findings of this study, it is evident that both access to finance and employment generation are pivotal in reducing poverty in Gombe Metropolis. The analysis indicates that improved access to finance enables SMEs to expand their operations, invest in resources, and increase productivity, which directly enhances the income and welfare of households. Similarly, the employment opportunities created by SMEs provide steady income, skill development, and economic inclusion for marginalized groups, thereby directly contributing to poverty alleviation.

The findings further highlight that poverty persists in Gombe Metropolis largely due to limited financial support for SMEs and insufficient employment opportunities within the formal sector. Consequently, strengthening SME financing mechanisms and promoting employment generation through targeted interventions can serve as effective strategies for reducing poverty in the region. Overall, the study confirms that SMEs are not merely economic units but essential instruments for improving livelihoods and fostering inclusive development in Gombe Metropolis.

## RECOMMENDATIONS

- i) Enhance Access to Finance for SMEs: Government agencies, financial institutions, and development partners should implement targeted financing schemes, such as low-interest loans, grants, and microcredit programs, to enable SMEs in Gombe Metropolis to expand operations, increase productivity, and improve household incomes.
- ii) Promote Employment Generation through SMEs: Policymakers and business support organizations should create programs that encourage SMEs to hire locally, provide skills development, and support labor-intensive business models. This will ensure sustainable income opportunities and contribute directly to poverty reduction in the metropolis.

## CONTRIBUTIONS TO KNOWLEDGE

This study contributes to knowledge by highlighting the critical role of Small and Medium Enterprises (SMEs) in poverty reduction, particularly in the context of Gombe Metropolis. First, it provides a conceptual understanding of how access to finance and employment generation through SMEs can directly improve household incomes and enhance livelihoods. Second, the study integrates the Dualism Theory to explain the structural relationship between the formal and informal sectors, showing how targeted interventions in SMEs can bridge economic disparities. Finally, the study identifies gaps in existing literature such as the limited empirical focus on SMEs in northern Nigeria and the neglect of mechanisms like tax incentives and provides a framework for future research and policy formulation aimed at promoting inclusive economic growth and sustainable poverty alleviation.

## Implications of the Study

The study suggests that SMEs are not merely economic units but essential instruments for improving livelihoods and fostering inclusive development.

- i) Economic Empowerment: Improved access to finance enables entrepreneurs to invest in business expansion, acquire raw materials, and hire more workers, which directly increases household incomes and reduces poverty.
- ii) Social Inclusion: SMEs serve as labor-intensive engines that provide significant employment opportunities for youth, women, and marginalized groups who are often excluded from the formal sector.
- iii) Structural Transformation: By applying the Dualism Theory, the study implies that targeted interventions in the informal SME sector can bridge the economic gap between regulated and unregulated sectors in Nigeria.
- iv) Policy Guidance: The findings highlight that poverty persists in Gombe Metropolis largely due to limited financial support; therefore, strengthening financing mechanisms is a primary strategy for regional poverty reduction.

## Limitations of the Study

While providing a framework for poverty reduction, the study acknowledges several constraints:

- a) Conceptual Nature: The research is a conceptual study based on a review and synthesis of existing literature rather than primary empirical data collection.
- b) Geographic Focus: The study is context-specific to Gombe Metropolis and Northern Nigeria, which may limit the generalizability of the findings to other regions with different economic structures.
- c) Methodological Scope: As the study relies on secondary sources such as government publications and scholarly journals, it is subject to the inherent biases or data gaps present in those original reports.
- d) Omission of Specific Support Mechanisms: The study notes that most existing research, including its own current scope, has largely failed to consider tax incentives as a relevant component of SME financial support.

## Future Research Directions

To build upon these findings, the following areas are recommended for future academic inquiry:

- i) Empirical Investigations: There is a significant need for field-based empirical studies in Northern Nigeria to validate these conceptual findings using primary data from local SME owners.
- ii) Impact of Tax Incentives: Future research should investigate how tax breaks and fiscal incentives can ease financial pressure on small businesses to complement direct financing.
- iii) Role of Entrepreneurial Skills: Further study is needed to assess how the combination of financing and specific entrepreneurial skill development impacts the long-term sustainability of poverty reduction.
- iv) Digital Financial Inclusion: Following the trends identified in recent literature, exploring the impact of digitalization and Fin-Tech on financial accessibility for rural SMEs remains a fertile ground for research.

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