NIRSAL Microfinance Bank and Development of SMEs in Gombe State, Nigeria

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ABSTRACT

This study explores the role of NIRSAL Microfinance Banks (NMFBs) in fostering the development of Small and Medium Enterprises (SMEs) in Gombe State, Nigeria. The research population includes 2,652 registered SMEs in Gombe State as of 2024. The study employs a simple random sampling technique, providing all members of the population an equal opportunity to be selected for the sample. Four local government areas (LGAs) from Gombe State were randomly chosen — one from each of the three senatorial zones: Dukku LGA (Gombe North), Akko LGA (Gombe Central), Kaltungo LGA (Gombe South), and Gombe LGA (also from Gombe North), noted for its high concentration of SMEs as the state capital. A total of 500 questionnaires were distributed among SMEs that receive NIRSAL funding across these four LGAs. Of these, 490 questionnaires were successfully completed and returned, representing a 98% response rate, while 10 questionnaires (2%) were not returned. The data collected were analyzed using Smart PLS. The findings indicate that non-financial services have a negative but significant impact on the development of SMEs in Gombe State, while financial services and the challenges faced by SMEs show a positive but insignificant effect on their development. The conclusion drawn is that, although funding is essential, it is not sufficient on its own to drive SME development in Gombe State. Furthermore, the negative and significant effect of non-financial services highlights a disconnect between the offerings of NMFBs and the actual needs of SMEs in the region. The study recommends that NMFBs in Gombe State should redesign their non-financial services to be more practical and relevant to the requirements of SMEs.

Keywords*: Small and Medium Enterprises, NIRSAL, financial, non-financial*

1.0   Introduction

Small and Medium Scale Enterprises (SMEs) are fundamental to economic development because they play a crucial role in the industrial and economic growth of nations worldwide. In Nigeria, the industrialization policy has notably shifted from import substitution to promoting SME development (Musa, 2012). In contrast to developed economies, where SMEs account for over half of the GDP and nearly two-thirds of total employment (Muthuraman et al., 2020), Nigeria also sees a significant impact from these enterprises. Approximately 80% of businesses in Nigeria are small and medium enterprises, making them highly appealing to banks (USAID, 2021). According to the World Bank (2020), SMEs contributed over 50% of the new jobs created in 2019.

Unfortunately, many SMEs in Nigeria fail within their first five years, with a smaller percentage ceasing operation between the sixth and tenth years. Only about 5% to 10% manage to survive, thrive, and mature (Aremu & Adeyemi, 2018). Several factors contribute to the early failure of SMEs, including insufficient capital, unreliable power supply, poor infrastructure (such as inadequate water supply and poor road networks), lack of strategic direction, inadequate market research, over-reliance on a limited customer base, absence of

succession planning, lack of experience, poor bookkeeping practices, failure to maintain proper financial records, mixing personal finances with business, weak business strategies, misunderstanding of revenue versus profit, inability to acquire suitable machinery, failure to hire competent staff, and intense market competition. SMEs are vital for job creation, local technological innovation, output diversification, fostering entrepreneurship, and integrating with larger industries. Therefore, supporting SMEs is essential for Nigeria's economic growth and development.

In Gombe State, official statistics indicate there are 2,652 registered SMEs, which have generated over 20,000 direct and indirect jobs (Gombe State Internal Revenue Service, 2022). SMEs play a critical role in the state's development by serving as training grounds for local entrepreneurs, encouraging local savings, and ensuring a more equitable distribution of wealth, thus helping to mitigate rural-urban migration.

Recognizing the crucial role of SMEs, the Gombe State Government has partnered with the Bank of Industry to enhance the socio-economic growth of the state. The Bank of Industry has approved 903.4 billion Naira for small and medium enterprises in Gombe State. Notably, Gombe emerged as the first state in the Northeast geopolitical zone to collaborate with the Bank of Industry on entrepreneurial development under the state's matching fund scheme (www.dailytrust.com.ng).

Despite their contributions to employment creation, economic development, poverty reduction, and the equitable distribution of national resources, SMEs face several challenges that hinder their growth and, in some cases, lead to business collapse. Key challenges include an ineffective operating environment characterized by poor infrastructure, structural defects, inadequate capital (especially equity capital), and insufficient information on viable investment opportunities (Kaigama et al., 2016).

To address these enduring issues, NIRSAL Microfinance Bank (NMFB) was established in 2019 as a licensed national microfinance bank in Nigeria. Formed through a partnership involving the Nigeria Incentive-Based Risk Sharing System for Agricultural Lending (NIRSAL Plc.), the Bankers' Committee, and the Nigerian Postal Service (NIPOST), the primary aim of NMFB is to provide financial support to SMEs, farmers, and individuals to stimulate economic growth and enhance financial inclusion in Nigeria.

Over the years, the government has introduced various policies aimed at developing SMEs. While some policies have failed due to poor implementation, others have shown success. Previous efforts have examined the contributions of microfinance banks to the development of SMEs in Nigeria Dominic and Onuh, 2024, Abdulazeez, 2023, Rabiu & James, 2022, Charles et al., 2021, Olufemi, 2019, Akingunola et al., 2018 and Felix & Umanhonle, 2018).

However, limited research has focused specifically on the contributions of NIRSAL Microfinance Bank to the development of SMEs in Gombe State. For instance, the study of Audu et al., (2021) studied the Role of Microfinance Institutions' Services on the Performance of Small and Medium Entreprises (SMEs) in Gombe State, Nigeria where only 360 SMEs were studied using SPSS software.

Because of some of the problems highlighted above and the limitations presented by Audu et al's., study conducted within the same study area especially in terms of methodology, this study, therefore, aims to evaluate the impact of NIRSAL Microfinance Bank on the development of SMEs in Gombe State by investigating the experiences of SMEs that have benefited from NIRSAL funding in the region using more SMEs and using a more robust software (PLSM).

The remainder of this paper is structured as follows: Section Two presents the literature review; Section Three details the methodology of the study; Section Four discusses the results; and Section Five provides conclusions and recommendations.

2.0   Literature Review

Under the literature review some concept were reviewed and these include; concept of SMEs as well as concept of Microfinance Bank. Empirical studies by previous researchers were also reviewed and finally theories that are relevant in explaining the work were also reviewed.

2.1   The Concept of SMEs

The criteria for classification of an enterprise as small, medium or large vary from one country to another, depending on whether it is developed or developing country. Several definitions were presented by the various agencies but each is based on its own perspective or point of view. Whatever the case the adjective, small provide a yardstick and a pointer that the business is small in nature. Small is different from large. A small business, for example, in one country may be a large-scale business to another. Chukwemeke (2004), defines small scale business as one whose total asset in capital, equipment, plant and working capital are less than N250, 000 and employing fewer than 50 full time workers. The Central Bank of Nigeria (CBN, 2004) defines small-scale enterprises as an enterprise whose annual turnover ranges between N25, 000-N50, 000.

Ogundele (2007) defines SMEs as one who has a minimum of 5 employees with minimum capital outlay of not less than N5, 000.00 ($24). The Central Bank of Nigeria addresses the small scale business from assessing its annual turnover while the Federal ministry of commerce and industry looks at the total investment or working capital to classify size of business. The United Nations Industrial Development Organization (UNIDO) is more concerned about the number of employees a business has, to determine its size. It is a micro firm, small firm, medium firm or a large firm. Defining a small scale business is necessarily arbitrary because people adapt particular standard for particular purposes (Longeneder et al., 1997).

The Small and Medium Industries Equity Investment Scheme (SMEIES) defines Small and Medium Enterprises as any Enterprises with a maximum asset base of (N200, 000,000) Two hundred million Naira excluding land and working capital and the number of employees from 100-300 (Hussain, 2009). According to National MSME Collaborative Survey (2010), micro Enterprises are enterprises with less than Five Million Naira total assets (excluding land and buildings) and employees not exceeding ten. Small Enterprises are enterprises that have total assets (excluding land and building) above Five Million Naira but not exceeding Fifty Million Naira with more than ten (10) workers, but not exceeding forty-nine. From the foregoing, this study refers to SSEs as enterprises with a minimum of one (1) and a maximum of forty-nine employees with total asset in working capital with less than five (5) million and not more fifty (50) million SMEs and Generation of Employment.

Sanda et al. (2006), assert that the contributions of SMEs to employment creation and income generation have attracted the attention of both policy makers and researchers. Broadly speaking, there are two strands of literature on the employment creation capacities of SMEs. One strand, obviously the most widely referred to, argues that small firms are more labour intensive in comparison to large ones. Consequently, SMEs employ more labour than large firms. This argument seems to go down well with the Nigerian government considering the schemes and programmes established by the Nigerian government. For example, the launching in August 2001 of the Small and Medium Industries Investment Equity Scheme

(SMIEIS), the setting up in 2003 of the Small and Medium Development Agency of Nigeria (SMEDAN) and the launching in 2008 of Micro Credit Policy to replace the (SMIEIS).

Udechukwu in Muhammad (2005) is of the opinion that contrary to general impression, SMEs are as much important economic catalyst in industrialized countries as they are in developing countries. In many developed countries, more than 98% of the enterprises belong to the SME sub-section. 80% of the total industrial labour force in Japan, 50% in Germany and 46% in the United States of America are employed in smaller firms. Akinsulire (2008), the role the SMEs play in the economic development of any country cannot be down played. In Nigeria, 80% of the labour force is employed by the SMEs.

2.2   Concept of Microfinance

Microfinance is the Strategy for providing to the poor in rural and urban areas, especially women with savings and Credit facilities to set up or expand business, invest in self-employment activities and increase Household security (Rajasekhar, 2004).

Central bank of Nigeria guidelines (2005) defines microfinance as providing the economically active poor and low income households with financial services such credit to help them engage in income generating activities to expand or grow their small businesses, savings, micro leasing, micro insurance and payment transfer. Jamil (2008) opined that microfinance is the entire flexible structures and processes by which financial services are delivered.

2.3   Microfinance Bank and Development of SMEs in Nigeria

Access to finance is the key for the growth and development of SMEs in Nigeria and beyond. In Nigeria, financial institution has been recognized as an essential tool for SMEs development. Lack of access to financial institutions also hinders the ability for entrepreneurs in Nigeria to engage in new business ventures, inhibiting economic growth and often the sources and consequences of entrepreneurial activities are neither financially nor environmentally sustained. Access to credit further increases SMEs risk-bearing abilities; improve risk-coping strategies and enables consumption smoothing over time. The idea of creating Micro Finance Institutions (MFIs) is to provide an easy accessibility of SMEs to finance/ fund particularly those which cannot access formal bank loans. Microfinance banks serve as a means to empower the poor and provide a valuable tool to assist the economic development process. Kolawole (2013) is of opinion that the promotion of micro enterprises in developing countries is justified because of their abilities to foster economic development. The main objective of micro credit according to Sunitha, (2010) is to improve the welfare of the poor as a result of better access to small loans that are not offered by the formal financial institutions.

2.4   Theoretical Framework

Although different theories can be used to explain the role of NISAL Microfinance banks (NMFBs) to the development of SMEs such as bank capital channel theory, financial growth theory and the life cycle development theory among others. However, bank capital channel theory is best to explain this work because the theory focuses on the lending behaviour of banks to SMEs. The main idea behind the capital channel theory is that the model implies that the lending behaviour of banks to SMEs is heavily dependent on capital adequacy requirement. Obamuyi (2007) showed that a change in interest rate can influence banks' lending to SMEs through bank's capital. This implies that increasing the value of interest rates raises the cost of banks' external funding, but reduces banks' profits and capital. The tendency is for the banks to reduce their supply of loans if the capital constraint becomes binding. On

the other hand, the banks could also become more willing to lend during situations when the interest rate is favourable.

2.5   Review of Empirical Studies

Studies on the contribution of microfinance banks on the development of SMEs have been conducted quiet extensively in Nigeria and beyond for instance Garba (2019) examined the effect of MFB on the growth of SMEs in Makurdi metropolis, Benue state. Data was collected from 282 SMEs and 5 MFB and analyzed using descriptive statistics and multiple regression. Findings from the analysis revealed that micro finance enhance job creation and expansion capacity of SMEs. In a related study, Olunuga (2019) examined the impact of MFB credit on expansion of micro enterprises in Somolu local government, Lagos state using simple linear regression. The study was able to establish among 300 micro entrepreneurs and managers of MFBs that MFB loans enhances the expansion of micro enterprises and also enhances the productive capacity of micro enterprises in the local government.

In a similar vein, Usman (2019) examined the role of micro finance in small scale enterprises as a pillar to economic development in Bauchi metropolis, Bauchi state. Data collected from 250 questionnaire administered to MFB staff and staff of SMEs in the state revealed that micro finance facilities in the state are provided, micro finance policies have impacted on the lives of owners of SMEs and that micro finance banks are effective. However, loan assessment process is stringent while Babarinde, et al., (2019) examined the impact of MFB services on SMEs profitability in Ilorin metropolis, Niger state. Their findings revealed that 113 SMEs access to credits positively impact their profitability while interest rate and size of business negatively impacts the 113 SME's profitability from the use of probit regression. Similarly, Ishola (2019) examined the impact of MFB on the performance of small-scale business in Oyo state. Data was collected from 30 staff of MFB the state and 60 small business. The result showed that MFB enhance the socioeconomic development of small business. However, MFB does not enhance the performance of small business.

On the other hand, Ogah-Alo, et al., (2019) examine the effect of micro credit lending on the financial performance of SMEs in Nigeria. For the period 1992-2007, data was collected from 948 MFBs and analyzed using Ordinary Least Square (OLS). Result from the analysis revealed that micro lending enhances the performance of SMEs. Furthermore, Diaka and Asenge (2019) examined the effect of MFB on the performance of women owned enterprises in Makurdi metropolis, Benue state. They were able to report using multiple regression technique that micro finance loan services, saving services and training services affect the performance of the 68 women-owned enterprises in the state.

Akinadewo (2020) investigated the correlation between microfinance banks and the expansion of micro, small, and medium-sized enterprises (MSMEs) in Nigeria. Employing a self-administered questionnaire research design, the study targeted a population of 250 individuals, from which 223 valid responses were obtained. Logit regression analysis was utilized to assess two hypotheses. The research findings unveiled a significant positive association between microfinance banks, as gauged by Small Scale Financial Services (SSFS), Financial Sustainability (FST), Absence of Assets-based Collateral (AAC), and Advisory Services (ADS), and the advancement of MSMEs in Nigeria. This underscores the notion that enhancements in the services rendered by microfinance banks will yield favorable outcomes for MSMEs. As a result, the report advocates for the establishment of a robust and more effective collaborative effort involving all stakeholders, ensuring that microfinance banks remain committed to their primary mandate of offering financial support to MSMEs, among other recommendations.

Onyeiwu (2020) conducted a study to assess the influence of microfinance bank credit and its debt servicing on the profitability of small and medium-sized enterprises (SMEs) in Alimosho Local Government Area, Lagos State, Nigeria. A survey involving 387 SMEs in Alimosho LGA was undertaken, with data collected through a well-structured questionnaire to address the research hypotheses raised. The results from simple linear regression analyses indicate a significant negative impact of microfinance bank loans and debt servicing on the profitability of the selected SMEs in the Alimosho local government area of Lagos state. Based on these findings, the study recommended that Microfinance Banks (MFBs) should revise their lending terms, including extending the duration of loans, to facilitate easier repayment by SMEs. MFBs should adopt more flexible requirements tailored to the needs of small-scale and medium enterprises, particularly concerning documentation and other specialized services, to foster growth among SMEs. MFBs should address the issue of post-verification by establishing a digital platform for monitoring the progress of projects and businesses for which loans are granted, thus ensuring effective monitoring at reduced costs.

Babagana and Ahmed (2020) investigated the impact of 3 MFBs on the performance of SMEs in Adamawa state for the period 2010-2018. Data was analyzed using simple regression and descriptive statistics. The study was able to report that loan repayment, loan duration and loan collateral have a positive impact on SME. Taiwo and Mike (2020) examined the impact of 26 MFBs on financing 349 small scale enterprises in Abuja. Data was analyzed using descriptive statistics and regression techniques. The study reported micro finance bank loans increase the growth of small-scale enterprises and that increase in micro savings leads to increase in small scale enterprises by micro finance banks.

Arriving at a similar finding, Mikugi and Bagudu (2020) examine whether micro finance has contributed to job creation and employment generation through business start-ups and expansion in Bida metropolis, Niger state. Simple percentage was used analyse the data on the loan accessed by 146 entrepreneurs who enrolled into NIRSAL-AGSMEIS loan for the period 2019-2020. They reported that level of economic activities and funding of SMEs did not increase due to NIRSAL loan. They reported further that NIRSAL MFB increase SME income and job creation and that NIRSAL loan condition is flexible and motivating.

Khan (2020) investigated the impact of MFB on the development of SMEs in Damaturu, Yobe State. 50 questionnaires were administered and analyzed using descriptive statistics and chi-square. The study revealed that MF affect the growth of SME and that strict borrowing condition of MFBs products discourage SMEs assessing fund. However, Yusufu, Suleiman and Saliu (2020) examined the relationship between MFB and growth of SME in Wuse, Abuja. Data collected from 100 SMEs and analyzed using descriptive statistics and linear regression revealed that MFB fund transfer services contribute to the growth of SME and the loan repayment procedure enhance the development of SMEs in the study area. Furthermore, Okafor (2020) evaluate the impact of MFB on the performance of SMEs in Nigeria using ANOVA. Result from the analysis showed that MFB impacts the performance of SMEs in the state. Furthermore, Babalola and Emmanuel (2021) examined the impact of micro financing on the performance of 100 SMEs in Abuja metropolis. The study reported that MFB activities enhance the performance of SMEs and SMEs improve the economic development of Nigeria.

However, Bako, et al., (2021) using simple percentage, investigated the impact of micro finance credit on entrepreneurship development in Sango-Ota industrial estate, in Ogun State. They reported that majority of entrepreneurs used micro credit provided by MFB and that micro credit increased the production and profitability of SMEs in the industrial estate. On the other hand, Oneyeiwu, et al., (2021) examined the impact of MFB credit and debt servicing on profitability of SMEs in Alimosho local government area of Lagos state. Data was collected

from 387 SMEs and analyzed using simple linear regression technique. The study showed that MFB loans and debt service deteriorates the profits of SMEs in the local government area.

Babarinde, et al., (2021) explored the impact of microfinance banks on Nigeria's economic growth from 1992 to 2019. Analysis makes use of the Autoregressive Distributed Lag (ARDL) model and the Granger causality test. The empirical results of this study show that loans and deposits from microfinance banks have long-run positive and significant effects on economic growth in Nigeria, while the investments from these same banks have no such effect. Loans, investments, and deposits from microfinance institutions do not significantly affect Nigeria's economic growth in the short term. In a similar study, Abdulrazaq and Kayode (2022) investigated the influence of microfinance banks' services on the operational outcomes of small and medium-scale enterprises (SMEs) in Nigeria. The research utilized secondary data extracted from the Central Bank of Nigeria statistical bulletin spanning the period from 1991 to 2020. Analysis of the data was conducted using an autoregressive distributed lags model. The findings of the study indicated a significant positive correlation between the loans and advances provided by microfinance banks and the performance of SMEs in Nigeria, at a significance level of 5%. Additionally, the study found that the mobilization of deposits by microfinance banks also had a significant impact on the performance of SMEs in Nigeria. Lastly, the research revealed a negative relationship between lending rates charged by banks and the performance of SMEs in Nigeria, with a coefficient value of 1.601 and a significance level of 5%. Consequently, the study recommended the provision of finances with relatively lower interest rates to small and medium enterprises in Nigeria to bolster economic growth.

The study conducted by Haruna et al., (2023), investigated how the Billiri Local Government Area of Gombe State's microfinance bank affected the growth of entrepreneurship. Three research questions were developed in order to accomplish the stated goal of the study. The study used the descriptive research design. 734 people participated in the study, representing ten electoral wards in Billiri LGA. A stratified sampling of 259 employees was used. 192 completed and returned copies of the structured questionnaires that were distributed to respondents out of a total of 259 copies. For the first hypothesis, Pearson correlation was used, while for the second and third hypotheses, ANOVA was used. The findings revealed that Billiri Local Government Area's microfinance banks have a significant impact on the growth of entrepreneurship. However, entrepreneurial businesses in Billiri LGA face obstacles to obtaining effective financing.

Oluka et al., (2023) examined the extent to which microfinance bank saving services has improved the productivity of entrepreneurs in Enugu North LGA, Enugu State, examine the extent to which microfinance bank lending services has on the growth of entrepreneurs in Enugu North LGA, Enugu State. The research design adopted for the study was the survey research design. Data were sourced from both primary and secondary sources. The population of the study consists of 300 registered SMEs with LAPO Microfinance Bank, Enugu North LGA of Enugu State, which a sample size of 171 was determined using the Taro Yamane's formula. Chi-square statistical tool was adopted to test the hypotheses. Findings from the study revealed that microfinance bank saving services had significant positive effect on the productivity of entrepreneurs in Enugu North LGA, Enugu State Nigeria.

Finally, Sekyen and Zaphaniah (2024) investigated the effects of microfinance on MSME performance in Jos metropolis of Plateau State. The research design is descriptive and employs the survey method. Simple random sampling technique was adopted as a technique in selecting the 323 SMEs that form the sample size of the study. A structured questionnaire was used in the collection of relevant data used for analysis. Data was presented through the use of frequency tables and Chi-square test was used to carry out the analysis. The study found

that microfinance has a positive effect on sales revenue and profitability and non-current assets.

From the foregoing, based on the reviewed of the available literature, micro finance banks have played a major role in the development of SMEs. However, empirical studies on the contribution of NIRSAL micro finance banks to the development of SMEs especially in Gombe state are scanty, therefore this call for urgent investigation on the subject matter. In view of the above, the study hypothesized that;

NMFB's have contributed to the development of SMEs in Gombe state.

3.0   Methodology

The study adopted survey research design using structured questionnaire administered to SMEs beneficiaries of NIRSAL funding. The population of the study comprises of all the registered SMEs in Gombe state. According to Gombe state internal revenue service (2024) there are two thousand, six hundred and fifty-two (2,652) registered SMEs in Gombe state. The study used simple random sampling technique where members of the population are giving equal chance of being selected to be part of the sample size. Four local government areas in Gombe state are randomly selected, one local government area from each of the three senatorial districts which include Dukku LGA from Gombe north, Akko LGA from Gombe central, Kaltungo LGA from Gombe South and Gombe LGA from Gombe north being the metropolitan city and the State capital because of the high concentration of SMEs in the area during 2022 to 2024. In the course of this study, five hundred questionnaires were administered with the aim to achieve the objectives of the study. Out of the five hundred questionnaires administered, four hundred and ninety questionnaires were successfully filled and returned. Therefore, this represents 98% which is good enough to be a representative sample. The data were analysed using Smart PLS version 3.2.9. The questionnaire was grouped into four set of questions based on the IVs and DV of the study were each variable has ten questions. In total, forty questions were developed that formed the basis of the analysis to test the research hypotheses.

3.1   Measurement Model Analysis

The measurement model was evaluated to establish reliability, validity and multi-collinearity of the constructs (Table 1). Firstly, the factor loadings of challenges ranges from 0.770 (C4) to 0.859 (C8) while the factor loadings of financial services ranges from 0.677 (FS8) to 0.918 (FS1). The factor loadings of non-financial services ranges from 0.807 (NFS7) to 0.843 (NFS9) and the factor loadings of development ranges from 0.813 (D1) to 0.835 (D10 and D9). Thus, all the factor loadings are above the recommended minimum value of 0.50 (Hair et al., 2022), no item was deleted. Similarly, the values of VIF ranges from 2.231 (C10) to 2.946 (NFS6), indicating the absence of multi-collinearity problem.

Reliability analysis was assessed using Cronbach Alpha and composite reliability (CR) among the most common used methods in establishing reliability. All the values were greater than 0.70 (Hair et al., 2022). The coefficient of Cronbach Alpha ranges from 0.940 to 0.951, while composite reliability coefficient ranges from 0.938 to 0.956. Therefore, it is concluded that internal consistency reliability is achieved. Convergent validity using average variance extracted (AVE), show that all the values were above the recommended 0.50 threshold (Hair et al., 2022). Challenges have an AVE value of 0.641, financial services have an AVE of 0.606, non-financial services have an AVE value of 0.681 while SME development has an AVE value of 0.685. Therefore, based on these results, it is concluded that convergent validity is achieved.

Table 1: Reliability, Validity and Multi-Collinearity Analysis

Construct	Items	Loadings	Alpha	CR	AVE	VIF
Challenges (C)	C1	0.787	0.940	0.947	0.641	2.348
	C2	0.801				2.259
	C3	0.790				2.433
	C4	0.770				2.348
	C5	0.829				2.352
	C6	0.786				2.349
	C7	0.780				2.496
	C8	0.859				2.563
	C9	0.794				2.316
	C10	0.808				2.259
Financial (FS)	FS1	0.910	0.951	0.938	0.606	2.546
	FS2	0.752				2.659
	FS3	0.872				2.683
	FS4	0.788				2.818
	FS5	0.766				2.764
	FS6	0.728				2.588
	FS7	0.689				2.648
	FS8	0.677				2.705
	FS9	0.790				2.624
	FS10	0.769				2.796
Non-Financial (NFS)	NFS1	0.826	0.948	0.955	0.681	2.630
	NFS2	0.825				2.665
	NFS3	0.808				2.413
	NFS4	0.819				2.463
	NFS5	0.817				2.727
	NFS6	0.847				2.946
	NFS7	0.807				2.366
	NFS8	0.830				2.720
	NFS9	0.843				2.550
	NFS10	0.827				2.725
Development (D)	D1	0.813	0.949	0.959	0.685	2.476
	D2	0.833				2.618
	D3	0.830				2.854
	D4	0.831				2.557
	D5	0.829				2.802
	D6	0.822				2.780
	D7	0.824				2.634
	D8	0.822				2.504
	D9	0.835				2.669
	D10	0.835				2.654

Note: CR: Composite Reliability, AVE: Average Variance Extracted and VIF: Variance Inflation Factor

Discriminant validity was assessed using the Fornell and Larcker Criteria (FLC) (Fornell Larcker, 1981) and heterotrait-monotrait ratio (HTMT) (Henseler, Ringle and Sarstedt, 2015). As shown in Table 2, the FLC value of challenges (0.801) is the highest in its column and the FLC value of financial services (0.778) is the highest in both its row and column. Similarly, FLC non-financial services (0.825) is the highest in both its row and column, while the FLC value of SME development (0.828) is the highest in its row. Hence, all the values are below the conservative threshold of 0.85 (Hair et al., 2022). Buttressing this result, the HTMT values of all the constructs in the correlation matrix are below the recommended threshold of 0.90 (Hair

et al., 2022). Therefore, discriminant validity is also achieved using both FLC and HTMT criteria as presented in table 2 below;

Table 2: Fornell-Larcker Criterion and HTMT

	C	FS	NFS	D
C	*0.801*	0.065	0.042	0.056
FS	0.055	*0.778*	0.056	0.045
NFS	0.016	-0.035	*0.825*	0.124
D	-0.065	0.072	-0.128	*0.828*

Note: Diagonal bold and Italicized are the square roots of the AVE. Below the diagonal elements are the correlations between the construct's values. Above the diagonal elements are the HTMT values.

3.2   Structural Model Assessment

Following the assessment of the measurement model, the structural model is assessed, which involves evaluating the structural path coefficients and their statistical significance. Three hypothesis where formulated and tested. H_1 tests whether there is significant effect of financial services on SME development. The result from Table 3 revealed that financial services has an insignificant effect on SME development (B=0.071, t=0.650, p=0.516). Hence, H_1 was not supported.

H_2 tests whether there is significant effect of non-financial services on SME development. The result from Table 3 revealed that revealed that non-financial services has a significant negative effect on SME development (B=-0.124, t=3.193, p<0.001). Hence, H_2 was supported. H_3 tests whether there is significant effect of challenges on SME development. The result from Table 3 revealed that challenges has an insignificant effect on SME development (B=-0.067, t=0.880, p=0.379). Hence, H_3 was also not supported. The results are presented in Table 3 and the structural model is presented in figure 1

Table 3: Test of Hypothesis

Hypothesis	B	SE	T	P	Results
H_1: FS-> D	0.071	0.109	0.650	0.516	Not Supported
H_2: NFS-> D	-0.124	0.039	3.193	0.001	Supported
H_3: C-> D	-0.067	0.076	0.880	0.379	Not Supported

Note: B = Beta Coefficient, SE = Standard Error, T = t-Statistics, P = Probability (p) Value
*Relationship is significant at p<0.001, FS: Financial Services, NFS: Non-Financial Services,
C: Challenges and D: SME Development.

4.0   Discussion of Results

Given the objectives and findings of the study, a number of critical insights into the role of NIRSAL microfinance Bank (NMFB) to the development of SMEs in Gombe State were brought to light. The findings of the study reveal that financial services provided by NIRSAL micro finance bank have a positive but insignificant effect on the development of SMEs in Gombe state during the study period. This suggests that as NMFB financial services improve or expand, SMEs experience better growth, performance, and sustainability in the state. This implies that SMEs with better access to NMFB services (loans, savings, insurance, etc.) can expand their operations, invest in new opportunities, and improve productivity, create more jobs. The findings of this study agree with the findings of Ikpor & Eneje (2019) and Oluka et al (2023) while disagrees with the findings of Oneyeiwu, et al., (2021), Babalola & Emmanuel (2021).

The study also reveals that there is negative and significant relationship between non-financial services offered by NMFB and development of SMEs in Gombe state during the study period. This implies that the non-financial services provided by NMFBs are not effective in supporting SME development, possibly due to poor content, delivery methods, or lack of alignment with SME needs in the state. The finding of this study agrees with the finding of Oneyeiwu, et al., (2021), Babalola & Emmanuel (2021) while disagrees with the findings of Ikpor & Eneje (2019) and Oluka et al., (2023).

Lastly, challenges faced by SMEs exhibit an insignificant negative effect on the development of SMEs in Gombe state during the study period. The result indicated that if SMEs challenges increases, SME growth and development decline. This implies that as SMEs struggle with NMFB-related challenges, their ability to expand, hire more employees, and increase productivity is negatively affected, which can slow overall economic growth. The finding of this study agrees with the findings of Samwonyi & Tafamel, (2010), Morrison, (2016) and Abdullahi, et al., (2016). These results have a number of key policy and economic implications.

4.1   Policy Implications

The insignificant effect of NMFB's financial services on SME development suggests that access to finance alone is not a guarantee for driving SME development. Therefore, at policy level, policy drivers should ensure that financial products provided by NMFB are more and easily accessible, flexible and are tailored towards the specific needs of the SME, for instance, lower interest rates, longer and flexible repayment periods, and reduced collateral requirements in accessing loans. By and large, the need for NMFB to enhance the effectiveness of financial services provision.

The significant negative effect of non-financial services provided by NMFB suggest that services such as business advisory services, training and mentorship programs may be ineffective or are misaligned with SME needs. Policy drivers should redesign these services by focusing on for instance, practical business skills, digital transformation and market access strategies that directly impact on SME development. Hence, the need to address and improve non-financial services provided by NMFB in Gombe State.

Though negatively affecting SME development, the challenges faced by SMEs in Gombe State is not statistically significant, indicating that while a number of challenges exist, they are not primarily bottlenecks for SME development in Gombe State. Despite this, policy drivers should still engage in addressing challenges that are likely going to affect SME development in the state such as regulatory barriers, taxation policies, critical infrastructural gaps and bureaucratic processes.

4.2   Economic Implications

The insignificant effect of financial services on SME development suggests that by simply providing finance to SMEs in Gombe State does not automatically translate into business development. The result implies that a number of SMEs in the State lack the financial capacity to utilize finance provided to drive productivity and development. Similarly, economic conditions and policies might limit, SMEs in Gombe State, ability to generate high returns on borrowed funds.

The negative impact of NMFB's non-financial services suggests that SMEs in Gombe State find these services ineffective, irrelevant or overly bureaucratic. With these in existence, SME participation could be discouraged, thereby reducing trust in ability of NMFB and limit SME capacity building efforts.

The insignificant negative effect of challenges faced by SMEs in Gombe State are not primarily constraint to their development. This suggests that, while the SMEs may face difficulties, other factors such as adoption of technology access to market and business innovation among others may be more important in driving development of SMEs in the State.

5.0   Conclusion and Recommendations

From the findings in the study, it is concluded that while funding is important, its impact is not substantial enough to drive SME development alone in Gombe State. Similarly, the negative and significant effect of non-financial services suggests quite a mismatch between the services offered by NMFB and the critical needs of SMEs in Gombe State. Lastly, while a number of challenges exist, the challenges faced by SMEs in Gombe State do not significantly hinder their growth, suggesting that the SMEs have developed strategies to cope with these challenges and that other factors other than these challenges play a larger role in their success.

Therefore, it is recommended that financial services offered by NMFB in Gombe State should be reformed specifically, by reducing interest rates, extending repayment periods, developing SME-specific financial products with minimal collateral requirements to SMEs in Gombe State and developing specific blended financial solutions such as providing loans with grants or equity financing. Similarly, NMFB in Gombe State should redesign non-financial services they offer to be more practical and relevant to the SMEs in the State. This could be achieved by shifting focus from generic or traditional training programs to sector specific business advisory services, employing digital platforms in providing specific on-demand business support rather than one-time training and providing an avenue to partner with successful entrepreneurs and other similar industry experts in providing mentorship support.

It is also recommended that NMFB should focus on addressing SME development challenges in the State by helping in providing and improving infrastructural needs, especially power supply, internet access and effective and affordable transport system. Similarly, NMFB and intervene and simplify taxation and regulatory processes for SMEs in the State. NMFBs can also help in creating linkages and e-commerce platforms to help SMEs expand their customer base. Lastly, NMFB can leverage and encourage SMEs in the State in adopting innovation digital systems by

providing financial incentives to the SMEs that adopt technology and digital tools and facilitate partnerships between SMEs and tech startups for business automation.

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