

Research Article

Gashua Microfinance Bank and Its Impact on Small and Medium Scale Enterprises: A Mix Analyses

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Abstract

Objective: Small and medium enterprises (SMEs) are essential in stabilizing and developing emerging economies. Access to finance and credit is vital in sustaining livelihoods and developing microenterprises.

Methods: The study adopted both descriptive and chi-square to evaluate the impact of Gashua microfinance banks on small- and medium-scale enterprises in Bade Local Government, Yobe state. For this purpose, the study used representative random sampling and administered two hundred and fifty (250) questionnaires that were correctly filled out and returned. The data was analysed using regression and structural equation modeling analyses.

Results: The findings revealed that Gashua microfinance banks do not significantly impact small and medium-scale businesses in the Local Government.

Conclusion: The study recommended that the local government and the Gashua microfinance bank join each other and organize a workshop or seminar to educate the small and medium-scale enterprise owners and the Local Government members on the importance of microfinance. Furthermore, ethical finances should also be introduced to address those who are financially excluded due to religious reasons.

Keywords: microfinance bank, small medium scale enterprises, Gashua

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1 INTRODUCTION

Bade local government is one of the local governments in Yobe State, North-East, Nigeria. It is covering land areas

of approximately 772km² (298 square). Because of its strategic location and pro-business economic policies, every local government district attracts micro-entrepreneurs,

including those from other states and nations. Because of this, microbusinesses are a significant source of employment and revenue for many people. This tends to make this local government one of the biggest financial and commercial centres in Yobe state and Nigeria. Access to finance and credit is essential in sustaining livelihoods and developing microenterprises. The inaccessibility of such credit continues to affect this development. Commercial banks or formal institutions view these small and medium-scale enterprises as risky and unprofitable and are, therefore, hesitant to provide such credit to them^[1]. They need to remember the fundamental role of microfinance banks (MFBs), which is the provision of financial intermediation. This is the transfer of capital or liquidity from surplus to deficit^[2]. Also, they play essential roles in any government's economic growth and development because of their potential for poverty reduction^[3]. Globally, Small and medium enterprises (SMEs) are known for their leading role in promoting grassroots economic and equitable sustainable development^[4].

A thriving micro, small, and medium enterprise (MSME) sector is essential for growth and poverty alleviation, particularly in sub-Saharan Africa^[5]. Microfinance institutions and banks have been used as tools to provide support and microcredit to small businesses^[6]. Anaduaka^[7] observed that most big businesses available are assumed to have been started as small businesses. Microfinance is widely recognized as a crucial tool for poverty alleviation and socio-economic well-being^[8,9]. To stabilize and grow emerging economies, SMEs are crucial. Their performance and growth are dependent on their ability to access financial services. These goals include creating jobs, redistributing income, increasing output, fostering technology and entrepreneurship in the country, placing industries across the nation's regions, producing intermediate goods to boost inter- and intra-industrial ties, and more. Small business owners obtain funding from various sources, including personal savings, loans from friends and family, cooperative societies, business companions and partners, and deposit banks and money market funds (MMFs). Small businesses need help to meet the collateral requirements of deposit banks compared to large companies^[10,11].

MFBs are responsible for more than half of the economically active population in Nigeria, whom the deposit banks do not bank since most are poor. To deepen the level of financial inclusion, the Central Bank of Nigeria is paying more attention to the performance of the MFBs and their impact on empowering the poor people and MSMEs' Access to capital^[12]. According to Microfinance activities usually involve small loans typically for working capital, informal appraisal of borrowers and investments^[13], collateral substitutes, such as group guarantees and compulsory savings, Access to repeat and larger loans, based on repayment performance, and streamlined loan

disbursement and monitoring. Microfinance has gained universal consensus as an effective tool for alleviating poverty and improving well-being^[14]. However, the level of financial inclusion in the form of credit transmission for investments in an economy is one of the significant elements in determining its future productive capacity and growth. Insufficient finance is the limiting critical factor facing SMEs and the realization of an entrepreneurial dream globally, especially in developing countries or economies^[15]. Funding availability is one of Nigeria's most critical challenges facing SMEs. This is made worse by the high interest rates, short repayment terms, and the fact that they need more awareness even when credit facilities are offered. Notably, some MFBs refuse to lend to start-ups, which makes it challenging for young entrepreneurs with innovative and business-oriented ideas to get started. Based on the problem above, this study aims to investigate the effects of Gashua Microfinance Bank on small and medium-sized businesses in local government. Specifically, it seeks to address whether a relationship exists between Gashua Microfinance Bank and local and medium-sized businesses in local government, as well as the bank's effects on these businesses.

2 LITERATURE REVIEW

2.1 Conceptual Review

A subset of financial services, microfinance, is intended for people and small enterprises without access to macro banking and associated services. The microfinance activity includes access to microcredit, lending to SMEs, checking and savings accounts, payment systems, and other services. Microfinance services aim to help excluded clients typically lower socioeconomic groups become self-sufficient by connecting with them and helping them overcome their geographic or social isolation. The microfinance concept has been in operation for centuries in different parts of the world, but unfortunately, its notion has long been misinterpreted as micro-credit to household-based entrepreneurs^[16]. Boomsma et al.^[17] confirmed that these terms are used interchangeably, but microfinance connotes broader activities than micro-credit. It is an appropriate tool that is used or designed to reach the millennium goal. It deals with the management and collection of short-term loans primarily; It aims to give the impoverished, who are typically denied access to formal financial services due to their poverty, that is, their lack of control over assets, access to credit. It obligates the borrowers to properly utilize and completely repay the borrowed amounts, even at the commercial interest rate.

Gashua Microfinance Bank is a Nigerian financial institution in Gashua, Yobe State. It was established in 2008 to provide financial services to the region's individuals, businesses, and groups. The bank offers customers various banking services, including savings, current accounts, loans, and money transfer services. The primary objective

of Gashua Microfinance Bank is to provide access to credit and other financial services to individuals and small-scale businesses who need access to these services from traditional financial institutions. The bank has successfully provided access to credit and other financial services to the region's people, especially those who live in under-served remote areas such as Bade, Jaskusko and Potiskum^[18]. It is a reliable financial institution that has significantly contributed to the region's economic growth, helped create employment opportunities, and improved the standard of living of people in the Local Government. The bank's management team comprises experienced professionals with a great understanding of the local economic environment. They have been able to develop innovative banking products that meet the needs of their customers. The bank's products include microloans, agricultural loans, business loans, and festive loans such as Christmas and Sallah. Small and medium-scale enterprises have smaller workforces and a lower annual turnover than larger corporations. SMEs are defined in terms of their characteristics. These characteristics include the size of capital invested, the number of employees, business turnover, management style, location, and market share^[19]. It is independently owned and operated, generally operates within a limited geographical area, and has a narrower range of products and services; it responds quickly to market changes and customer demand and also has management and is less hierarchical, which enables it to make quick decisions and adapt more easily to changing condition. However, SMEs have been accepted as the engine of economic growth and the promoters of equitable development^[20]. The roles include employment creation, income growth, and often pioneering new technologies and products, which contribute to the country's overall economic growth. The activities of SMEs at a reasonable level create employment, which helps the government generate a lot of revenue through taxes used for developmental projects^[21,22]. Also, small and medium-scale enterprises face some significant challenges, such as access to finance, which serves seed funding required by the SMEs to start their operation and to sustain their growth, access to the market to thrive, and business environment, which plays a significant role in the success of small and medium scale enterprises.

2.2 Empirical Review

Various approaches have been employed in research investigations concerning the influence of MFBs on small and medium-sized businesses to explore the correlation between the two variables. For example, Muhammad and Yakasai^[23] employed descriptive statistics to examine the impact of MFBs on the growth of small and medium-scale enterprises in Lagos state, Nigeria. Because of their higher interest rates than deposit banks, quicker loan disbursements, and MFBs' failure to provide SMEs with training, he discovered that the savings among SMEs are encouraging. On the other hand, most SMEs who

used MFB goods saw financial growth. Muhammad et al.^[24] investigated the impact of microfinance on Micro and Small Enterprises using the purposive and stratified sampling method in Ogun state, Nigeria. 408 MSEs in Ogun State responded to the survey. Simple regression analysis was used to assess the research concerns, and the results showed that MSEs and intermediate financial services (credit disbursement) had a negative association. The growth of businesses and microcredit are positively correlated. Myers^[25] used descriptive statistics to Assess the impact of Microfinance on SMEs in Ledzorkuku-Krowor Municipal Assembly (GHANA). According to the report, a sizable portion of SMEs are aware that MFIs exist. Some recognize that MFI loans, besides providing financial help, have a good impact on fostering their growth.

Regression analysis was used to assess how much MFBs contributed to financing SMEs in Nigeria between 2003 and 2013^[26]. The study's findings indicated that microfinance improves SMEs' ability to grow and expand, as provided by Nigerian MFBs. Ofeimun et al.^[27] investigated the contribution of MFBs to the development of small and medium-scale enterprises in Nigeria using ordinary least square analysis and confirmed the positive contributions of MFBs towards promoting SMEs' performance and growth. Oleka et al.^[28] showed that financial services obtained from MFBs positively impact MSE growth in Nigeria. By using the Pearson correlation coefficient and multiple regression analysis to examine the effect of microfinance on SMEs growth in Ibadan metropolis (Nigeria), it was discovered that the length of loans has a positive impact on SMEs' growth but is not statistically significant and that high-interest rates, collateral security, and frequency of loan repayment can severely hinder the expansion of SMEs in Nigeria. Olowe et al.^[29] examined the relevance of microfinancing small businesses in Nigeria from 1990 to 2015 using ordinary least squares, and the study found that microfinancing small businesses by MFBs has a significant effect on stimulating the economy. Olugbenga and Mashigo^[30] employed Pearson Product Moment Correlation and Partial Correlation to investigate the relationship between microfinance and small and medium-scale enterprises in Rivers State (Nigeria), and the study confirmed that there is a relationship between MFBs and small and medium-scale enterprises and that favorable relationship among them, there will be tremendous development in Nigeria.

Schumacker and Lomax^[31] employed the Chi-square tool to test the impact of MFBs on the development of SMEs in Damaturu. The study revealed that the bank is in an excellent position to enhance the development of SMEs in the study area even though only some entrepreneurs patronize it due to the interest rate attached to the fund. Moreover, it revealed that the strict borrowing conditions ordained by the bank are also a militating factor that prevents entrepreneurs from

patronizing the bank's service. Shyam-Sunder and Myers^[32] investigated the provision of and access to financial services, particularly credit, which can contribute significantly to the development of microenterprises in South Africa using descriptive statistics and found that microfinance institutions have not performed up to expectation in meeting the financial needs of microenterprises, since the focus is only on income earners who have collateral, which microenterprises in the township do not have. With the aid of multivariate and vector autoregressive econometrics, assess the financial intermediation roles played by MFBs in Nigeria between 1992 and 2014^[33]. In contrast to the negative relationship between the ratio of total investments, the study found that there is a weak relationship between the ratio of loans and advances to GDP, the ratio of total funds mobilized to GDP, and the presence of unidirectional causality from RGDP to MFB intermediation variables. There was also no evidence of a long-run equilibrium relationship between the variables. Sule^[33] applied descriptive statistics to investigate the role of MFBs on employment generation in Karu Local Government Area of Nasarawa State, Nigeria. The study results demonstrated, among other things, that generating jobs was the most critical outcome of MFBs' financial intermediation at the grassroots level. The main issue facing MFBs in this regard was a need for more entrepreneurial skills.

Timmons et al.^[34] evaluated the role of microfinance on small-scale agribusiness in Lilongwe district, Malawi; the study used the logit model and revealed that for each additional profit, the probability of investment decreased by 46% in constrained firms and 39% in unconstrained firms, no significant role of MFIs on growth of small-scale agribusiness entrepreneur and the results have insinuated the review of MFI loans conditions such as interest rates if they are to have a significant role on development of small-scale agribusiness entrepreneurs. Wairimu and Mwilaria^[35] looked at the role of the social intermediation services offered by MFIs on the survival of MSEs in Thika Town, which is both an industrial town and a business hub using descriptive statistics, and the study found that training was the most sought service followed by group liability, microfinance participation, and networking. Watson and Wilson^[36] investigated the impact of microfinance on entrepreneurship in Kyrgyzstan using the nationally representative household survey data for 2013. The study endorsed a binary response model with instrumental variables. It revealed that microcredit significantly impacts entrepreneurship and shows a significant gender difference between men and women when deciding to become an entrepreneur. Muhammad and Mamman^[37] investigates the effects of microfinance on micro and small business growth in Nigeria. The study analyzed a survey of 502 randomly chosen businesses in Nigeria that were financed by MFBs using panel data and multiple regression analysis. It showed compelling evidence that the availability of microfinance does not promote the expansion of micro and small businesses.

Iqbal et al.^[38] employed regression analysis and Granger causality to investigate the place of microfinance in the Nigerian economy from 1992-2012. The outcome shows that microfinance activities measured by the advances and loans microfinance institutions provide to society's members have a statistically significant positive effect on the Nigerian economy. Using descriptive statistics, Iqbal et al.^[38] evaluate microfinance and the performance of micro and small enterprises in Pakistan. The study discovered a notable distinction between the two groups regarding performance metrics, such as increasing sales, income, assets, employment, and meeting household expenses. Geoffrey and Emenike^[39] evaluated how MFBs have helped finance SMEs in Nigeria from 2003 to 2013. The study employed regression analysis and found strong evidence that access to microfinance significantly enhances the growth of SMEs. Morellec and Schürhoff^[40] used Asymmetric information models to predict a "pecking order" that reflects a combination of owner-manager preferences and external capital supply constraints whenever insiders know more about the actual value of the firm's prospects than outsiders. According to the pecking order, retained earnings are the most favoured funding source, followed by debt and the issuance of new shares to outside investors. Data from 629 UK SMEs collected during the five years between 1990 and 1995 was shown to be consistent with a hierarchy where debt is not preferred above retained equity. Hickman^[41] examined the relative importance of 39 factors in the leverage decisions of publicly traded U.S. firms and found that pecking order and market timing theories do not provide good descriptions of the data. Alshehri^[42] tested traditional capital structure models against the alternative biting order model of corporate financing and finds that the basic pecking order model, which predicts external debt financing driven by the internal financial deficit, has much greater explanatory power than a static trade-off model which indicates that each firm adjusts toward an optimal debt ratio.

2.3 Theoretical Framework

2.3.1 Pecking Order Theory

Pecking order theory asserts that due to the information asymmetry between a company and outside investors on the true worth of current operations and prospects, external capital (debt and equity) will always be more expensive than internal capital (retained earnings). According to Pecking Order Theory, companies prioritize internal financing sources first^[43]. Firms prefer debt over equity when external funding is required due to the reduced information costs involved with debt offerings. Equity is rarely utilized^[44]. Assume businesses can access retained earnings, debt, and equity as funding sources. There is no issue with adverse selection with retained earnings. Equity is subject to serious adverse selection problems, while debt has only a minor adverse selection problem^[45]. Pecking order theory proposes that the cost associated with

the funding of institutions will increase with asymmetric information^[46].

2.4 Hypothesis Testing

The model measurement of effect on SMS is shown in Figure 1.

H₀: There is positive effect of Gashua Microfinance Bank on SMEs in Bade Local Government

H₁: There is no positive effect of Gashua Microfinance Bank on SMEs in Bade Local Government

3 METHODOLOGY

This study was administered at Bade, one of the Nigerian state of Yobe's local governments. This is because the concentration of academic institutions, the population that makes up the target market, and the availability of research equipment make the place ideal for research. The local government of Bade is located in an area of plains surrounded by Savannah, which is home to peanut, sorghum, and millet crops. The town is mainly focused on commerce, with several lone proprietors and small businesses, most of which are located in the "Gashua market" a small market in the town centre. Focus group talks and follow-up conversations with participants serve as the foundation for this study. The talks are then translated into data and backed by two scale points that use numbers to code the statements. This study targeted customers and non-customers who engage with MFBs' activities. Customers include the management, employees, and sole proprietors of the Gashua microfinance bank; non-customers are considered stakeholders. As a result, the researcher will have plenty of opportunities to obtain the necessary first-hand information. In theory, data should be gathered from the entire population; however, sampling is unavoidable due to a lack of funding, time, and research resources.

Thus, a representative random sampling technique was used to select a population sample, giving each member an equal chance of being chosen. One hundred and fifty (250) questionnaires were then distributed to the customers, sole traders, staff, and management of the MFB to gather their responses. The consistency with which an instrument measures its intended characteristics is known as its reliability. Validity is also employed as a gauge for the instruments' validity. As a result, the t-test and the f-test will be used. Both structural equation modelling and descriptive equations were employed to process the data for the investigation.

The chi-square formula is stated as

$$\sum 2 = \frac{(f_o - f_e)^2}{f_e}$$

where: X² = calculated value of chi-square

Σ = summation

f_o = Observed frequency

f_e = Expected frequency

Df = Degree of freedom (c-1) (r-1) or (column-1) (row-1).

These analyses are suitable to the research work because they are time efficient in terms of output, very simple to analyze the mind adequacy of statistics generated.

The survey, which included five Likert scale questionnaires, was also used in the study tested Confirmatory Factor Analysis. The Gashua, Bade local government in Yobe State provided data gathered using the basic random sample technique. A total of 250 surveys with 15 elements each were utilized as useable instances. Descriptive, exploratory, and confirmatory factor analyses (CFA) were used to investigate the gathered data. A descriptive analysis was performed on the data set using the SPSS 21 version's central tendency and normalcy. A statistical method called CFA is used to validate the factor structure of a collection of observed variables.

4 RESULTS AND DISCUSSION

This part provides thorough information and an explanation of the data gathered, the field results, and the analysis and interpretation of the questionnaire and interview responses.

Based on demographic response in Table 1 the level of education was found that 3.3% only held a primary school certificate. O LEVEL was held by 36.3% of respondents, followed by National Diploma (23.1%), Higher National Diploma (9.9%) and Bachelor's Degree (25.3%), with additional credentials held by 2.2% of respondents. The survey found that the majority of SME owners in the Bade local government had some significant education, contrary to the popular belief that most SME owners are illiterate, meaning they have little to no formal education. The table below displays the outcomes:

4.1 Profile of Small and Medium-Scale Enterprises

Regarding the respondents' business registration, the study revealed that just 34.1% of respondents still needed to register, while 65.9% had already registered. All responders who did not register claimed they were unaware of the registration requirements and the expensive CAC fees. This shows that thanks to SMEDAM's free registration, most SMEs in the Bade local government have enrolled. The study found that 44% of SMEs were involved in trading, 34.1% in providing services, and 7.7 to 13.2% in manufacturing and agriculture, respectively. This revealed that SMEs who were into trading dominated the population, followed by service provision, especially hairdressing and tailoring, agriculture, and manufacturing. The World Bank investigation confirms that the owners of SMEs are mostly self-employed household vendors who are into small retail shops, street selling, small manufacturing, and service provision and are neglected by the traditional banks in developing countries.

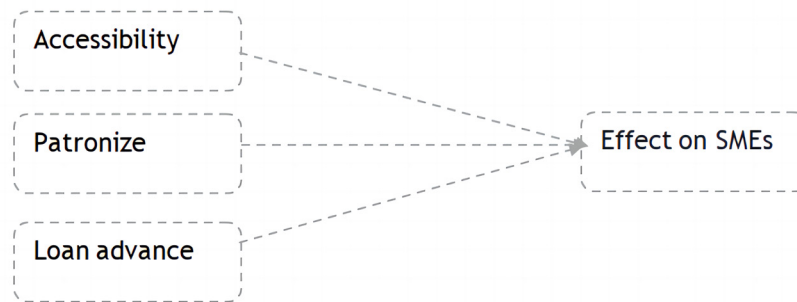


Figure 1. Model measurement.

Table 1. Demographic Respondents

Educational status	Frequency	Percentage (%)
Primary	8	3.3
Secondary	91	36.3
OND / NCE	58	23.1
HND	25	9.9
Degree	63	25.3
Other	5	2.2

Concerning the years in operation, the study revealed that 36.3% of the respondents had been operating for less than five years, 20.9% had been operating between six to ten years, 25.3% had been operating between eleven to fifteen years and 17.6% had been operating their small and medium scale business for more than twenty years. This indicates that the respondents had some level of experience in managing SMEs.

4.2 Small and Medium Scale Enterprises Micro-Credit Services Provided by Gashua Micro-Finance Bank

Products and services offered by microfinance institutions are generally classified under four broad categories: financial intermediation, social intermediation, enterprise or business development, and social services^[47]. However, this study was limited to the financial intermediation and business development services since it applied directly to services offered by Gashua Microfinance Bank to SMEs in Bade local government. In Table 2 the study revealed that 36.3% of Bade local government SME owners have accessed Gashua Microfinance Bank loan facilities. In comparison, 63.7% regarding the extent of services offered by Gashua Microfinance Bank, 31.9% of respondents stated that Gashua Microfinance Bank offered loan advice. In comparison, 68.1% contended that Gashua Microfinance Bank offers no loan advice. On whether Gashua Microfinance Bank offered SME advisory services to SME owners, the majority 92% of the respondents indicated that Gashua Microfinance Bank offered SME advisory services, while 8% stated that MCSL

did not provide any. Regarding loan insurance services, 74.7% respondents indicated that Gashua Micro-Finance Bank does not offer loan insurance services, while 25.3% indicated that Gashua Microfinance Bank offered loan insurance services.

Concerning the financial advisory service, the study stated that 40.7% respondents opined that Gashua Micro-Finance Bank offered financial advice. In comparison, 59.3% respondents indicated that Gashua Microfinance Bank does not offer financial advisory services. Regarding the short-term loans Gashua Microfinance Bank provides, 31.6% of respondents said the bank did so, while 60.4% denied the service. This suggests that the microfinance under investigation does not offer financial intermediation, lending money to small business associations to help them start new ventures or invest in their current companies. Furthermore, Gashua Microfinance Bank does not offer enterprise development or non-financial services that help SME entrepreneurs build their organizational and human capability by providing expertise and information. They include subsector analysis, bookkeeping, marketing and technology services, skills development, and basic business training.

Computation of degree of freedom and expected frequency:

$$\text{Degree of freedom (Df)} = (r-1)(c-1)$$

where: r = Number of observations in a row;

c = Number of observations in a column;

$$(2-1)(6-1) = 1 \times 5 = 5, \text{ i.e Df} = 5$$

Computation of expected frequency:

$$E(\text{yes}) = \frac{91 \times 189}{545} = 31.56$$

$$E(\text{No}) = \frac{91 \times 356}{545} = 59.44$$

Calculation of the chi-square:

where: O = the observed frequency;

E is the expected frequency

The chi-square in Table 3 value is at the 5% significance

Table 2. Effect of Gashua Microfinance Bank on SMEs

Resp.	Accessibility	Patronize	Loan adv.	Fin. Ser.	S.t loan	Loan insur.	Total
Yes	33	31	29	37	36	23	189
No	58	59	62	54	55	68	356
Total	91	90	91	91	91	91	545

Table 3. Demonstration of Chi-square

Observed (O)	Expected (E)	O-E	(O-E) ²	$\frac{(O-E)^2}{E}$
33	31.56	1.44	2.07	0.07
31	31.56	-0.56	0.31	0.01
29	31.56	-2.56	6.55	0.21
37	31.56	5.44	29.59	0.94
36	31.56	4.44	19.71	0.62
23	31.56	-8.56	73.27	2.32
58	59.44	-1.44	2.07	0.03
59	59.44	-0.44	0.19	0.00
62	59.44	2.56	6.55	0.11
54	59.44	-5.44	29.59	0.50
55	59.44	-4.44	19.71	0.33
68	59.44	8.56	73.27	1.23
Calculated Chi-square				6.37

level with five degrees of freedom. This is in contrast to the chi square's computed value of 6.37. There is a difference between the tabulated and computed values. About the choice, we accept the null hypothesis if the calculated value is less than the looked-up (or table) value of chi-squared. Regarding the research hypothesis, the computed value (6.37) is lower than the searched value (11.07). The null hypothesis is, therefore, accepted. Consequently, the Gashua Microfinancing Bank does not significantly impact the development of small and medium-sized businesses in the Bade local government. The study led to the acceptance of the null hypothesis, which indicates that the Gashua microfinance bank had no discernible impact on small and medium-sized businesses in the Bade local government.

The result showed that this occurred because many small and medium scale enterprises owners in bade local government have a poor/ fair educational background which deprive them from having the knowledge existence and major importance of gashua micro finance bank in their society. Besides, this study also view that the result also occur Mainly because of the high-interest rate associated with the credit and the fact that most of the town's residents practice Islam, which is believed to forbid interest on loans. This is the same with study conducted in Damaturu by Bagozzi and Yi^[47].

In Table 4 the hypotheses H₂, H₃ and H₄ were accepted. In contrast, the hypotheses justify the significant relationship

between the variables by citing literature that supports them. In this case, the three above variables of Accessibility indicate the relationship while the Patronize has proven that there is a significant relationship between the accessibility, patronize, Loan advance would have the effect on Small Medium Enterprise if properly utilized, as estimated P-values 0.000 below 0.05 which accepted the relationship.

As indicated in Table 5 above ($P > 0.000$), the findings of the Goodness of Fit indices suggested that the chi-square is significant. The relative CMIN/Df value of 1.409 is reported as being lower than 5.0, indicating that the model is as fit as suggested by Bagozzi et al.^[48,49]. According to Chau et al.^[50-52], the value of the GFI is 0.978, which satisfies the required value of 0.9 and is regarded as the optimal value for absolute fit. The AGFI was 0.922, exceeding Lomax^[53] suggested cut-off threshold.

In Table 6 the results of evaluating the factor loading model scenarios are shown in the above Table. In the factor loadings model, all factors were identified good fit indices. The test was conducted on the construct model with 17 items and the factor structure held steady. All levels of the Cronbach's alpha values have been identified, indicating an acceptable level over 0.5. In contrast, the AVE, as advised by Lomax et al.^[53,54] showed high dependability larger than >0.5. CR demonstrate good reliability; this is indicated roughly 0.70 as advised by Meldrum^[54]. Furthermore, as Table 6 above demonstrates, therefore, the reliability and validity has proven its dependability scale.

Table 4. Hypothesis Testing

Hypothesis	Estimate	SE	Beta	CR	P-value	Status
ACC->ISMEs	0.378	0.130	0.340	2.907	0.004	Accepted (H ₂)
PTR->ISMEs	0.349	0.092	0.450	3.793	0.000	Accepted (H ₃)
LA->ISMEs	0.296	0.089	0.930	3.325	0.000	Accepted (H ₄)

Table 5. Fit Indices Measurement

Fit Index	Model	Acceptable Values	Recommended
Df	150		
CMIN (X ²)	211.484		
X ² /Df	1.409	<5.00	<3.00
GFI	0.978	>0.90	>0.90
AGFI	0.922	>0.90	>0.90
CFI	0.980	>0.90	>0.90
IFI	0.908	>0.90	>0.90
RMSEA	0.040	<0.05	<0.08-0.10

Table 6. Validity and Reliability

Item(s)	Factor loadings	Composite Reliability (CR)	Average Variance Extracted (AVE)	Cronbach's Alpha
ACC1	0.690	0.858	0.754	0.852
ACC2	0.789			
ACC3	0.750			
ACC4	0.788			
PTR1	0.898	0.899	0.843	0.890
PTR2	0.897			
PTR3	0.790			
PTR4	0.789			
LA1	0.789	0.867	0.802	0.860
LA2	0.898			
LA3	0.822			
LA4	0.702			
ISMEs1	0.740	825	0.794	0.822
ISMEs2	0.780			
ISMEs3	0.891			
ISMEs4	0.765			

5 SUMMARY, CONCLUSION AND RECOMMENDATION

This study used descriptive statistics and chi-square to examine the impact of Gashua Microfinance Bank on small and medium scale enterprises in Bade local government. This study adopted both quantitative and qualitative data. It administered both descriptive and Structural Equation Modeling through questionnaire to collect the quantitative data in which it was transformed to quantitative data. Sample was taken out of the population by using a representative random sampling technique where each member of the population is having an equal chance of being selected and administered two hundred and fifty hundred (250) questionnaires and responded.

The study found that Gashua Microfinance Bank do not have impact on small and medium scale enterprises due to the poor educational background and of small and medium scale enterprises owners in Bade local government, unawareness of small and medium scale enterprises owners on the importance of MFB on their business alleviation, improvement in their standard of living, poverty reduction and economic growth of the local government; and due to the substantial interest rate attached to the credit and because of the fact that the religious faith of most of the inhabitant of the town is Islam and it is well known that the doctrine of Islam has prohibit interest on borrowing. This is the same with study conducted in Damaturu by Meldrum^[54].

Therefore, the study recommends that the local government should join hand with the gashua microfinance in order to organize a workshop or seminal that will educate the small and medium scale enterprises owners on the importance of micro finance bank, in which it will lead to the growth of their enterprises, improve the standard of living in the society, reduce the poverty rate and increase the economic growth of the Bade local government and Nigeria as a whole. Furthermore, the ethical finances should also be introduced to address those financial excluded due to the religious reason as indicated above. Future research can be compare the products of microfinance and their beneficiaries.

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Conflicts of Interest

The authors declared there is no conflict.

Author Contribution

Muhammad T was involved in developing the content of the research, data analysis. Temidayo AT focused on secondary data concept and the analysis and contributed to the initial draft. Bukar A contributed in the primary data and its analysis and funded the primary data collection.

Abbreviation List

AVE, Average Variance Extracted
CFA, Confirmatory factor analyses
CR, Composite Reliability
MFBs, Microfinance banks
MMFs, Money Market Funds
MSME, Micro, small, and medium enterprise
SMEs, Small, and medium enterprises

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