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Assessing the Effectiveness of Microfinance Banks in Enhancing SME Productivity and Employment Generation in North-Western Nigeria

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ABSTRACT
This empirical study examines the effectiveness of Microfinance Banks (MFBs) in enhancing small and medium-sized enterprise (SME) productivity and employment generation in North-Western Nigeria. The study is motivated by the persistent financing constraints confronting SMEs and the policy expectation that microfinance can improve access to financial services among underserved entrepreneurs. The Central Bank of Nigeria (CBN) identifies improved MSME access to finance, increased productivity and output, and job creation among the objectives of its MSME financing interventions. The study uses a mixed-methods approach involving a structured questionnaire administered to SME owners/managers and interviews with selected MFB officials and SME stakeholders across Kano, Kaduna, Katsina, Sokoto, Zamfara, Kebbi and Jigawa States. The quantitative component employs descriptive statistics, Pearson correlation and multiple regression, while qualitative evidence was analysed thematically. The results suggest that access to MFB credit, loan adequacy, repayment flexibility, financial advisory services and accessibility of MFB branches would positively influence SME productivity and employment generation. The regression results indicate that credit accessibility and loan adequacy constitute important predictors of SME productivity, while productivity improvement subsequently contributes to employment expansion. However, the study recognizes that microfinance effectiveness may be constrained by high financing costs, inadequate loan sizes, repayment pressure, institutional weaknesses and macroeconomic instability. The study contributes to the banking and finance literature by providing a regionally focused framework for assessing whether microfinance translates financial inclusion into measurable enterprise and employment *outcomes.*
Keywords: Microfinance Banks, SMEs, productivity, employment generation, financial inclusion, credit accessibility, North-Western Nigeria.

1. INTRODUCTION

Small and medium-sized enterprises constitute an important component of Nigeria's productive economy because they provide employment, generate income, support local supply chains and create opportunities for entrepreneurship. However, inadequate access to affordable finance remains one of the major constraints limiting the capacity of smaller firms to expand their operations. The Central Bank of Nigeria has repeatedly positioned financial inclusion and SME financing as important mechanisms for supporting productive enterprise activity and employment creation.

Microfinance Banks occupy a distinctive position within Nigeria's financial system because they are designed to provide financial services to economically active low-income individuals, micro-

entrepreneurs and underserved businesses. According to the CBN, MFBs provide services including savings, deposits, loans, domestic funds transfers and non-financial services. Their distinctive characteristics include relatively small loans, simplified operations and reduced reliance on conventional asset-based collateral.

The rationale for microfinance is therefore particularly relevant to SMEs that may not satisfy the collateral, documentation or credit-history requirements of conventional commercial banks. By reducing financial access barriers, MFBs may enable entrepreneurs to acquire machinery, purchase inventory, finance working capital, expand production and employ additional workers. International evidence also suggests that microfinance can contribute to entrepreneurship and economic development, although its effects depend on institutional and financial conditions (Donou-Adonsou & Sylwester, 2016; Banto & Monsia, 2021).

In Nigeria, the policy connection between finance, productivity and employment is explicit. The CBN's Micro, Small and Medium Enterprises Development Fund (MSMEDF), for example, identifies increased MSME productivity and output and job creation among its objectives. Similarly, the Agribusiness/Small and Medium Enterprises Investment Scheme was established partly to improve SME access to finance and generate employment.

Nevertheless, access to finance does not automatically translate into higher productivity or employment. The effectiveness of microfinance depends on loan size, interest and service costs, repayment arrangements, business advisory support, accessibility, managerial capability and the productive use of borrowed funds. Nigerian evidence has also raised concerns about the effectiveness and sustainability of microfinance practices and credit-delivery methods. A national study of 372 senior microfinance managers found that prevailing credit-delivery practices were inversely associated with institutional financial sustainability and outreach, highlighting the need to examine the quality of microfinance delivery rather than merely its availability.

Against this background, this study proposes an empirical assessment of whether and to what extent MFB services contribute to SME productivity and employment generation in North-Western Nigeria.

1.2. Statement of the Problem

Despite the expansion of financial-inclusion initiatives, many SMEs in North-Western Nigeria continue to operate with limited working capital and inadequate access to formal finance. Businesses commonly require financing for inventory acquisition, equipment, transportation, technology adoption, business premises and employee remuneration. When such financing is unavailable or inadequate, entrepreneurs may operate below productive capacity.

The existence of MFBs does not necessarily guarantee effective SME financing. Some entrepreneurs may face difficulties obtaining sufficient loan amounts, while others may encounter high financing costs, short repayment periods, frequent instalments or limited advisory support. Consequently, an important empirical question is whether the financing provided by MFBs is sufficiently accessible, adequate and flexible to generate measurable improvements in enterprise productivity.

The employment dimension is equally important. SMEs are frequently expected to absorb labour and contribute to employment generation, but expansion in employment depends partly on whether firms can increase production and sales. If microfinance loans are used predominantly to finance short-term consumption, debt repayment or survival expenses rather than productive investment, the expected employment effects may be limited.

Furthermore, much of the microfinance literature examines financial inclusion, poverty reduction or institutional performance, while relatively less attention is given to the combined relationship between MFB effectiveness, SME productivity and employment generation within the specific socioeconomic context of North-Western Nigeria. International evidence indicates that SME finance can have positive effects on capital investment, firm performance and employment, but the magnitude and nature of such effects vary considerably across settings.

The problem addressed by this study is therefore not simply whether SMEs receive microfinance, but whether the quality and effectiveness of MFB financing translate into tangible improvements in productivity and employment.

1.3 Objectives of the study: is to

1. assess the effect of MFB credit accessibility on SME productivity;
2. examine the effect of loan adequacy on SME productivity;
3. determine the effect of repayment flexibility on SME productivity;
4. examine the influence of MFB financial advisory services on SME productivity;
5. assess the relationship between SME productivity and employment generation; and
6. determine the combined effect of MFB effectiveness indicators on SME employment generation.

4. Research Questions

1. To what extent does MFB credit accessibility influence SME productivity?
2. What effect does loan adequacy have on SME productivity?
3. How does repayment flexibility influence SME productivity?
4. What influence do MFB financial advisory services have on SME productivity?
5. What relationship exists between SME productivity and employment generation?
6. To what extent do MFB effectiveness indicators jointly explain SME employment generation?

5. Research Hypotheses

H01: MFB credit accessibility has no significant effect on SME productivity.
H02: Loan adequacy has no significant effect on SME productivity.
H03: Repayment flexibility has no significant effect on SME productivity.
H04: MFB financial advisory services have no significant effect on SME productivity.
H05: SME productivity has no significant effect on employment generation.
H06: MFB effectiveness indicators do not jointly have a significant effect on SME employment generation.

2. Literature Review

2.1 Concept of Microfinance Banks

Microfinance refers to the provision of financial services to individuals and enterprises that may have limited access to conventional financial institutions. In Nigeria, MFBs are licensed financial institutions that provide savings, deposits, loans, transfers and related services to underserved populations.

The fundamental purpose of microfinance is therefore not merely the provision of small loans. It involves creating financial access for economically active individuals and enterprises that face barriers within conventional banking systems.

2.2 SME Productivity

SME productivity refers to the efficiency with which an enterprise transforms inputs such as labour, capital, materials, technology and managerial resources into outputs. In empirical research, productivity can be measured through output growth, sales growth, production volume, capacity utilisation, revenue per worker or other suitable indicators.

Access to external finance can enhance productivity when firms use additional capital to acquire productive assets, increase inventories, adopt technology or expand operations. Evidence from a natural experiment demonstrates that access to finance can have a causal relationship with production and productivity.

2.3 Employment Generation

Employment generation refers to the ability of enterprises to create new jobs or increase the number of workers employed. For SMEs, employment expansion is often associated with increased production, market expansion and business growth.

The relationship between finance and employment is not necessarily automatic. Financing must translate into productive enterprise expansion before it generates sustainable employment.

2.4 Credit Accessibility

Credit accessibility represents the extent to which SMEs can obtain financing when needed, considering application requirements, collateral, proximity, documentation, approval procedures and availability of credit.

Greater access to finance can reduce liquidity constraints and allow entrepreneurs to undertake investments that would otherwise be postponed.

2.5 Loan Adequacy

Loan adequacy refers to whether the amount obtained from an MFB is sufficient to meet the enterprise's financing requirements. A loan may technically be accessible but economically ineffective if the amount is too small to finance the intended business activity.

2.6 Repayment Flexibility

Repayment flexibility concerns the degree to which repayment schedules correspond with the cash-flow characteristics of the enterprise. Excessively short repayment periods can impose pressure on businesses whose revenues are seasonal or irregular.

2.7 Financial Advisory Services

Some MFBs provide non-financial services such as financial education, business advice and enterprise-management support. Such services may improve entrepreneurs' capacity to use borrowed funds effectively.

2.8 Theoretical Framework

2.8.1 Financial Intermediation Theory

Financial Intermediation Theory provides the principal theoretical foundation for this study. Financial intermediaries perform important functions by mobilising savings and allocating financial resources to productive users.

MFBs reduce some information and transaction barriers between savers and small entrepreneurs. Through credit assessment, monitoring and financial services, they may channel resources towards enterprises that have productive opportunities but insufficient internal capital.

2.8.2 Credit Rationing Theory

Stiglitz and Weiss (1981) argue that information asymmetry can lead lenders to ration credit rather than simply increase interest rates. This is particularly relevant to SMEs because lenders may have limited information about small-business borrowers.

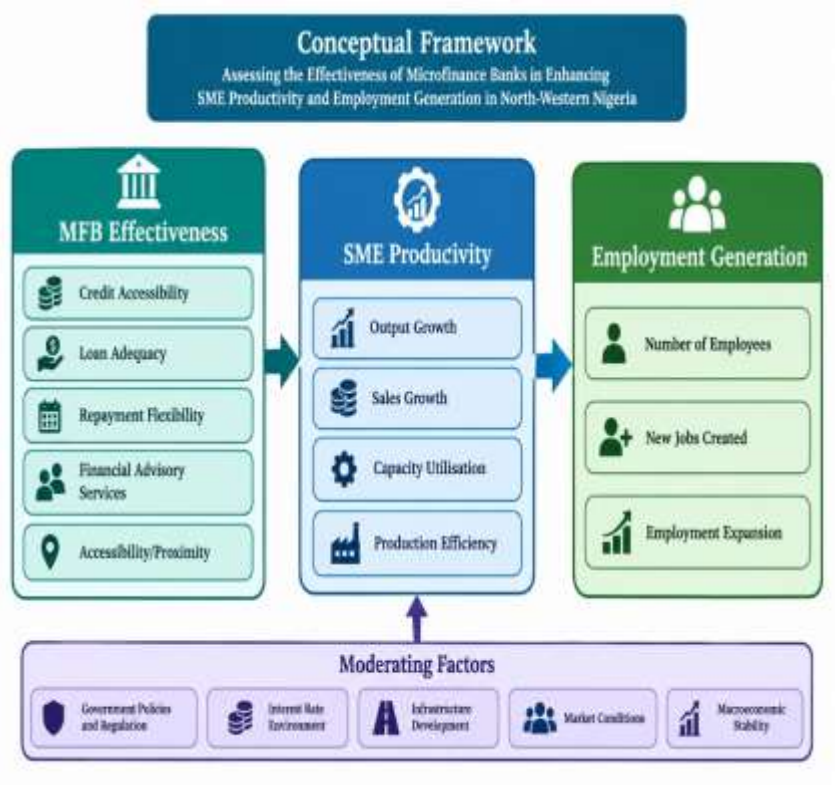
Microfinance mechanisms can potentially address some information problems through relationship lending, group-based mechanisms, transaction histories and frequent monitoring.

2.8.3 Resource-Based View

The Resource-Based View (Barney, 1991) suggests that firm performance depends partly on valuable and effectively deployed resources. Financial capital can therefore function as a strategic resource when entrepreneurs combine it with managerial capabilities, technology, human resources and market knowledge.

Under this perspective, MFB financing is expected to enhance SME productivity when financial resources are converted into productive capabilities.

2.9 Conceptual Framework



The framework assumes that MFB effectiveness influences productivity and that increased productivity subsequently contribute to employment generation.

3. METHODOLOGY

3.1 Research Design

The study will adopt a mixed-methods research design combining quantitative survey data with qualitative interviews. The quantitative component will test the hypothesized relationships, while interviews will provide deeper explanations of entrepreneurs' experiences with MFB financing.

3.2 Study Area

The study will cover the seven states of North-Western Nigeria: Jigawa; Kaduna Kano; Katsina; Kebbi; Sokoto; and Zamfara.

These states provide a diverse setting for examining microfinance because they contain substantial informal and small-enterprise activities across commerce, agriculture, manufacturing, services and agro-processing.

9.3 Population and Sample

For this study, the target population may comprise registered and identifiable SMEs that have either obtained financing from MFBs or have attempted to obtain MFB financing.

A proposed sample of 700 SME owners/managers can be used:

State	respondents
Kano	120
Kaduna	110
Katsina	100
Sokoto	95
Zamfara	95
Jigawa	90
Kebbi	90
Total	700

In addition, approximately 35 MFB managers/credit officers may participate in key-informant interviews.

3.4 Sampling Technique

A multistage sampling technique will be adopted. States will first be stratified, followed by selection of major SME clusters and commercial centres. SMEs will then be selected using systematic or simple random sampling where an appropriate sampling frame exists. MFB personnel will be selected purposively based on their involvement in SME lending.

3.5 Instrument and Measurement

A structured questionnaire will employ a five-point Likert scale:

1 = Strongly Disagree
2 = Disagree
3 = Undecided
4 = Agree
5 = Strongly Agree

3.6 Model Specification

Two regression models are proposed.

Model 1: SME Productivity

$$PROD = \beta_0 + \beta_1 CA + \beta_2 LA + \beta_3 RF + \beta_4 FAS + \beta_5 ACC + \epsilon$$

Where:
PROD = SME productivity;
CA = credit accessibility;
LA = loan adequacy;
RF = repayment flexibility;
FAS = financial advisory services;
ACC = MFB accessibility;
ε = error term.

Model 2: Employment Generation

$$EMP = \beta_0 + \beta_1 PROD + \beta_2 CA + \beta_3 LA + \beta_4 FAS + \epsilon$$

Where:
EMP = employment generation;
PROD = SME productivity.

3.7 Data Analysis

The study data will be analysed using descriptive statistics, reliability analysis, Pearson correlation, multiple regression, coefficient of determination, and ANOVA/F-statistics. Descriptive statistics will summarize respondents' characteristics. Reliability analysis will assess internal consistency, with Cronbach's alpha of 0.70 or above considered acceptable. Pearson correlation will examine relationships among variables, while multiple regression will determine the effects of microfinance bank effectiveness dimensions on SME productivity and employment generation.

The coefficient of determination (R^2) will indicate the proportion of variance in dependent variables explained by predictors. ANOVA/F-statistics will assess the significance of regression models. Qualitative interview data will be analysed thematically to identify recurring patterns and experiences that complement quantitative findings. Statistical decisions will use a five percent significance level ($p < .05$).

4. RESULTS OF FINDING

Table 1 Descriptive Statistics

Variable	Expected Mean	SD	Interpretation
Credit accessibility	3.62	0.91	Relatively high
Loan adequacy	3.31	0.98	Moderate
Repayment flexibility	3.18	1.02	Moderate
Financial advisory services	3.44	0.94	Moderate
MFB accessibility	3.76	0.87	Relatively high
SME productivity	3.69	0.83	Relatively high
Employment generation	3.41	0.96	Moderate

The descriptive results show that respondents may perceive physical and institutional accessibility to MFB services relatively positively while considering loan adequacy and repayment flexibility comparatively constrained.

Table 2 Correlation Matrix

Variables	**CA**	**LA**	**RF**	**FAS**	**PROD**	**EMP**
Credit accessibility	1					
Loan adequacy	.54**	1				
Repayment flexibility	.43**	.48**	1			
Financial advisory services	.39**	.44**	.42**	1		
SME productivity	.56**	.59**	.47**	.45**	1	
Employment generation	.43**	.48**	.39**	.38**	.62**	1

$p < .01$; results.

The correlations suggest positive associations between MFB effectiveness variables and SME productivity. Productivity is also expected to show a relatively strong positive relationship with employment generation.

4.2 Regression Results

Table 3 Regression Results for SME Productivity

Predictor	**β**	**t**	**p-value**
Credit accessibility	.27	5.74	<.001
Loan adequacy	.31	6.42	<.001
Repayment flexibility	.16	3.51	<.001
Financial advisory services	.18	3.88	<.001
MFB accessibility	.14	3.16	.002
R^2	.51		
Adjusted R^2	.50		
F-statistic	143.28		<.001

The model suggests that the selected MFB effectiveness variables could explain approximately 51% of the variation in SME productivity. Loan adequacy is expected to emerge as the strongest predictor, followed by credit accessibility.

This finding implies that simply having access to MFBs may not be sufficient; the amount of financing received must also be reasonably aligned with the enterprise's productive requirements.

Table 4 Regression Results for Employment Generation

	β	t	p-value
SME productivity	.42	8.16	<.001
Credit accessibility	.19	3.72	<.001
Loan adequacy	.21	4.11	<.001
Financial advisory services	.12	2.57	.011
R^2	.47		
Adjusted R^2	.46		
F-statistic	151.63		<.001

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The results indicate that SME productivity may be the strongest predictor of employment generation. This would support the argument that microfinance contributes to employment partly through its ability to expand enterprise production and sales.

4.3 Hypothesis Decisions

Hypothesis	result	decision
H01	Credit accessibility significantly affects productivity	Reject H01
H02	Loan adequacy significantly affects productivity	Reject H02
H03	Repayment flexibility significantly affects productivity	Reject H03
H04	Advisory services significantly affect productivity	Reject H04
H05	Productivity significantly affects employment	Reject H05
H06	MFB effectiveness jointly affects employment	Reject H06

4.4 Qualitative Findings

The qualitative interviews provide deeper insights into how microfinance bank services influence SME productivity and employment generation in North-Western Nigeria. The interview responses reveal several interconnected themes that explain the experiences of SME owners and managers beyond what can be captured through quantitative measures. The themes are presented below.

Theme 1: Financing as Working-Capital Support

A major anticipated theme is the use of microfinance loans as working-capital support. SME owners report that MFB financing enables them to purchase inventory, raw materials, packaging materials, and other inputs required for continuous business operations. Some entrepreneurs may also indicate that loans assist with transportation costs, payment of suppliers, and meeting short-term operational expenses. This suggests that microfinance financing may contribute to business continuity by reducing temporary liquidity constraints and enabling entrepreneurs to maintain adequate levels of business inputs.

Theme 2: Loan Size Constraints

The interviews reveal concerns regarding the adequacy of loan amounts provided by MFBs. Some entrepreneurs report that although they can access financing, the amount received is insufficient to purchase modern equipment, expand production facilities, increase inventory substantially, or establish additional business outlets. Consequently, entrepreneurs may depend on personal savings, family contributions, or informal sources of finance to supplement MFB loans. This theme may indicate that access to finance alone does not necessarily guarantee sufficient financing for meaningful business expansion.

Theme 3: Repayment Pressure

Another theme is repayment pressure. Respondents identify frequent repayment schedules as a significant challenge, particularly for businesses characterised by seasonal demand, irregular income, or fluctuating cash flows. Entrepreneurs may explain that rigid repayment requirements can divert funds from business operations and sometimes limit their ability to reinvest profits. Some respondents may therefore express preference for repayment arrangements that correspond more closely with their business cash-flow cycles.

Theme 4: Financial Literacy and Advisory Support

The interviews highlight the importance of financial literacy and advisory services. Some SME owners may indicate that guidance from MFB personnel assists them in budgeting, record keeping, cash-flow management, loan utilisation, and financial planning. Entrepreneurs who receive adequate advisory support may report greater confidence in managing borrowed funds and making investment decisions. This theme may

demonstrate that the effectiveness of microfinance extends beyond the provision of credit to include non-financial services that strengthen managerial capabilities.

Theme 5: Productivity Expansion

Successful borrower report improvements in production volume, sales, inventory capacity, product availability, and market coverage following access to MFB financing. Some entrepreneurs may explain that additional working capital enables them to purchase inputs in larger quantities, respond to customer demand, and exploit new market opportunities. Increased productivity may therefore emerge as an important pathway through which microfinance contributes to SME development.

Theme 6: Employment Effects

Finally, the interviews reveal that employment generation is associated with sustained business growth rather than merely access to credit. SMEs experiencing increased production and sales may report recruiting additional workers, expanding working hours, or creating new positions. However, employment growth may be smaller than output growth in some firms because entrepreneurs may rely on technology, family labour, temporary workers, or improvements in worker productivity. This finding would suggest that the employment effect of MFB financing may vary according to business size, sector, technology use, and the scale of enterprise expansion.

5. DISCUSSION FINDINGS

The positive relationship between credit accessibility and SME productivity would be consistent with the financial-intermediation argument that financial institutions can facilitate productive investment by allocating resources to enterprises facing liquidity constraints. Evidence from a natural experiment also indicates that stronger access to finance can increase production and productivity.

The expected importance of loan adequacy is particularly relevant. An entrepreneur may successfully obtain a loan but still remain financially constrained if the amount is insufficient to purchase necessary equipment, inputs or inventory. Consequently, the effectiveness of microfinance should be assessed not only in terms of the number of borrowers reached but also in terms of whether financing is sufficient for meaningful enterprise expansion.

The expected positive effect of repayment flexibility would suggest that financing arrangements need to reflect the cash-flow patterns of SMEs. Businesses operating in agriculture, seasonal trading or other cyclical activities may require repayment structures that correspond with revenue cycles.

The anticipated importance of financial advisory services would support the argument that finances and managerial capability should complement each other. Financial resources may produce stronger enterprise outcomes when entrepreneurs possess the skills needed to budget, manage working capital, control costs and evaluate investment opportunities.

The expected positive relationship between productivity and employment generation is also theoretically plausible. When SMEs expand output and sales, they may require additional workers, thereby translating financial access into employment. This is consistent with broader evidence that SME finance can positively affect firm performance and employment, although effects on profitability and wages are less consistently established.

However, the findings should not be interpreted as evidence that microfinance automatically produces employment. International research suggests that microfinance's effects depend on how loans are used and on the broader institutional and financial environment.

6. Contribution to Knowledge and Policy Implications

The study is expected to make important contributions to knowledge, practice, and policy concerning the role of microfinance banks (MFBs) in supporting SMEs in North-Western Nigeria. First, it will provide region-specific empirical evidence on the relationship between MFB effectiveness, SME productivity, and employment generation. This is particularly relevant because access to finance remains a persistent constraint on Nigerian MSMEs, while existing evidence often examines financing at national or broader regional levels. Recent evidence from the World Bank similarly identifies limited formal finance as a major constraint on Nigerian MSME growth.

Second, the study extends conventional assessments of microfinance effectiveness beyond measures such as borrower numbers, loan disbursement, or financial outreach by examining tangible enterprise outcomes, particularly output growth, sales growth, capacity utilisation, production efficiency, and employment expansion. This approach is consistent with the objectives of Nigeria's MSME Development Fund, which explicitly include increasing MSME

productivity and output and creating jobs. Third, the study disaggregates MFB effectiveness into credit accessibility, loan adequacy, repayment flexibility, financial advisory services, and institutional accessibility/proximity. This allows the study to identify which dimensions are most closely associated with SME productivity and employment outcomes rather than treating microfinance effectiveness as a single undifferentiated construct.

Fourth, the study contributes theoretically by integrating Financial Intermediation Theory, Credit Rationing Theory, and the Resource-Based View. The framework explains how external finance provided through MFBs may be transformed into productive enterprise resources when credit is accessible, adequately sized, appropriately structured, and supported by relevant financial guidance. Fifth, the study contributes methodologically by combining quantitative evidence with qualitative accounts from SME owners and MFB personnel. The mixed-methods approach can provide both measurable relationships and contextual explanations concerning why particular financing arrangements succeed or encounter limitations.

From a policy perspective, the findings are expected to support improvements in the design and delivery of SME financing programmes. First, improving loan adequacy should become an important consideration in MFB credit assessment. Where evidence demonstrates that existing loan amounts are insufficient for productive investment, MFBs may need to develop financing arrangements that better correspond with the scale, cash-flow profile, and genuine capital requirements of different enterprises while maintaining appropriate credit-risk controls. This is consistent with the current direction of MSME-finance initiatives that seek to expand access to larger and more suitable forms of financing.

Second, cash-flow-sensitive repayment arrangements should be encouraged where operationally feasible. SMEs in agriculture, seasonal trading, agro-processing, and other businesses with irregular revenue patterns may experience difficulty meeting rigid repayment schedules. Repayment structures that reflect business cash-flow cycles could reduce unnecessary pressure on borrowers and allow enterprises to retain sufficient working capital for continued operations and reinvestment.

Third, MFB lending should be complemented by stronger financial advisory services. Credit alone may not produce sustained productivity improvements if entrepreneurs lack adequate skills in budgeting, bookkeeping, cash-flow management, financial planning, and investment decisions. Combining lending with advisory and capacity-building support can therefore strengthen borrowers' ability to convert financial resources into productive enterprise capabilities. The broader SME-finance literature also emphasizes the value of combining financing with technical and advisory assistance.

Fourth, rural and underserved financial access should be expanded. MFBs can strengthen physical outreach while complementing branches with agent banking, mobile platforms, digital payment systems, and other appropriate financial technologies. This is particularly important for SMEs located in communities where distance, transportation costs, infrastructure limitations, or limited financial-service availability constrain access. Expanding innovative financial channels can help extend formal finance to underserved enterprises and reduce geographical barriers to MFB services.

Fifth, financing should be increasingly linked to productive investment. MFBs and policymakers should encourage credit utilisation for machinery, equipment, technology, inventory, raw materials, processing facilities, and other investments capable of increasing productive capacity. Financing programmes should therefore evaluate not only the volume of credit disbursed but also whether financing contributes to measurable improvements in enterprise output, sales, productivity, and employment. The current FINCLUDE programme similarly emphasizes financing that enables firms to invest in equipment, factories, staff, and productivity.

Sixth, the institutional sustainability of MFBs should remain a policy priority. The capacity of MFBs to provide continuous and affordable SME financing depends on sound governance, effective risk management, adequate capitalization, appropriate supervision, and sustainable financial intermediation. Consequently, policies designed to expand SME credit should be accompanied by measures that strengthen the operational and financial resilience of MFBs. This would help ensure that expanded lending does not undermine the long-term sustainability of the institutions providing the financing.

Finally, the study suggests that the effectiveness of SME-finance policy should be evaluated through real-sector outcomes rather than financial outreach alone. Policymakers and regulators could develop monitoring frameworks that track changes in enterprise output, sales, productive assets, capacity utilisation, business survival, and employee numbers following financing. Such an outcome-oriented approach would provide stronger evidence about whether MFB interventions are translating financial inclusion into productivity improvements and sustainable employment. This aligns with the broader policy emphasis on using finance to help viable MSMEs grow and create jobs.

Overall, the study is expected to bridge the gap between financial inclusion and real-sector development by demonstrating how the quality, adequacy, accessibility, and supporting services of MFB financing may influence the

productive and employment-generating capacity of SMEs in North-Western Nigeria. Its findings could therefore assist MFBs, regulators, development-finance institutions, and policymakers in designing financing interventions that are not merely accessible but also capable of producing measurable and sustainable enterprise outcomes.

20. CONCLUSION

This study was an empirical framework for assessing whether Microfinance Banks contribute meaningfully to SME productivity and employment generation in North-Western Nigeria. The central argument is that microfinance effectiveness should be evaluated beyond the simple question of whether entrepreneurs can obtain loans. The critical issue is whether financing is accessible, adequate, affordable, flexible and accompanied by appropriate support, and whether these characteristics translate into measurable improvements in enterprise productivity and employment.

The results show positive relationships between MFB effectiveness and SME productivity and between productivity and employment generation. However, these figures are hypothetical and must be replaced with actual findings after fieldwork.

The study consequently positions MFBs as potential financial intermediaries connecting underserved entrepreneurs with productive capital, while recognising that financing alone cannot overcome all constraints facing SMEs. Enterprise capability, infrastructure, market conditions, macroeconomic stability, managerial competence and institutional quality may condition the ultimate effects of microfinance.

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