

EFFECT OF MICROFINANCE BANK SERVICES ON THE GROWTH OF MICRO ENTERPRISES IN NORTH CENTRAL NIGERIA

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Abstract

This study is survey research on the topic effect of microfinance bank services on the growth of micro enterprises in north central Nigeria. Structured questionnaire was used to generate data for the study. The population of this study is 5,188,310 micro enterprises while a sample size of 400 micro enterprises owners are the respondents who the questionnaire was administered to. The questionnaire was structured based on the independent and dependent variables which was measured by the scales developed by Meyer, et al. (1993). SmartPLS 4.0 was used to optimize the variance explained by endogenous latent variables in the partial least square's structural equation modeling technique and explain the proposed relationship. Findings from the study revealed that both micro-Loan and training services have significant effect on enterprises growth in North Central Nigeria. Based on the findings, this study concluded that micro finance bank services have direct effect on the growth of enterprises in North Central Nigeria. Therefore, this study recommends that the Federal Government of Nigeria through the microfinance banks should continue and increase the amount given to micro enterprises as loan; 2. Small and Medium Enterprises Development Agency of Nigeria should embark on awareness campaign on the importance of the micro loan to micro enterprises; 3. Micro enterprises operators who have not ever collected any micro loans should rethink and start collecting because of its impact that will have on their business; similarly, this study is recommending that micro finance bank should embark on training of enterprises operators in areas like book-keeping, marketing and finance management.

Keywords: Micro Enterprises Growth, Micro Loan, Training Services

INTRODUCTION

Micro-finance is a source of financial services for entrepreneurs and small businesses lacking access to banking and related services. Accessing finance has been identified as key element for small and micro enterprises to thrive to build productive capacity, to compete, to create jobs and to contribute to poverty alleviation in developing countries. Microfinance has the ability to strengthen micro enterprises and encourage best practices among operators of micro enterprises. Microfinance has the ability to strengthen micro enterprises and encourage best practices among operators of micro enterprises.

In Nigeria, credit has been recognized as an essential tool for promoting micro enterprises. The introduction of microfinance banks in Nigeria is the inability of Nigerian Deposit Money Banks to provide sufficient financial service to the rural and urban poor people. Micro-finance Banks' Lending has proven to be a potent tool for poverty reduction by helping the poor becoming Entrepreneur and Entrepreneur increases their income, smooth consumption, build assets and minimizing their vulnerabilities in time of contingencies and economic shocks (Napoleon, 2010). Micro finance offered services which include: Micro loan, Training services, Advisory Services and Micro-savings

Micro loan plays vital role in start-up and expansion of businesses, microfinance has been treated as an important tool for economic development (Owenvbiugie & Igbiniedion, 2015). In order to enhance the flow of financial services to the micro enterprises subsector, Government in Nigeria has in the past initiated a series of programmes and policies targeted at the small businesses. In 2003, the Small and Medium Enterprise Development Agency of Nigeria (SMEDAN), an umbrella agency to coordinate the development of the micro enterprises sector was established. In the same year, the National Credit Guarantee Scheme for SMEs to facilitate its access to credit without stringent collateral requirements was re-organized and the entrepreneurship development programme was revived.

Offering training services to micro-enterprises is another service provided by the microfinance institutions. The objective of training programmes is to impart knowledge, education, and other related skills to enterprises owners so as to enhance their skills and effectively manage their businesses. Studies have showed that training sessions is to gain skills such as finance management, human resource management, marketing management, capital management and technological skills. This training would expand growth of business enterprises, generate more revenue in order to repay loans taken (Khavul, 2010; Kessy, 2010). Osoro and Muturi (2014) agree that training offered to micro enterprises is important for the successful performance of these enterprises.

A report by the International Finance Corporation (IFC) estimated that South Africa has 2.6 million micro, small and medium enterprises (SMEs) out of the number 54% are micro-enterprises that is 1,404,000 micro enterprises. While SMEs generate about 34% of the country's GDP and employ approximately 60% of its workforce. Micro enterprises contributed 13.1% to the Country's GDP (www.smallbusinessinstitute.co.za).

In a report jointly released by the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) and the National Bureau of Statistics (NBS) on 12th January, 2022, in Abuja, it shows that Nigeria has 38,413,420 million micro enterprises out of which 6,149,864 are in North Central Nigeria representing 16%. According to the report, micro enterprises in Nigeria contributed 7.40% to the country's Gross Domestic Product (GDP); while Egypt has 11.2% of micro enterprises contribution to GDP. According to Basil Rahmi, CEO of the Micro, Small and Medium Enterprises Development Agency (MSMEDA) of Egypt. Rahmi mentioned this during the participation of the CEO of MSMEDA in Al Baraka Forum for Islamic Economy held in Saudi Arabia in October, 2022. He stressed that Egypt has taken great strides to provide and facilitate support for micro enterprises and financing through soft mechanisms. It is also providing technical and marketing support services, to help them maintain stability, growth and expansion.

Many studies have been conducted on effect of micro loan and training services on the growth of micro enterprises both locally and the world over. Again, there are also studies on Micro loan and training services on the growth of Micro Enterprises in Nigeria, most of these studies have focused on other geographical regions of Nigeria than North central. For instance, Odeyibi and Olaoye (2012), Olowe et al. (2013) investigated the effect of micro loan on the growth of micro enterprises in some States in the South-West. Onyeneke and Iruo (2012), Oleka, et al. (2014) studied the effect of micro loan on the growth of micro enterprises in some States in the South-East. While, Auwalu, et al. (2022) studied the impact of training on the growth of micro enterprises in Kano Nigeria; Aladejebi (2019) examined the impact of training on the growth of micro enterprises in Lagos Metropolis and Wombo, et al., (2020) examined the effect of training on the growth of micro enterprises owned by Women in Benue State. Therefore, this study seeks to examine the effect of microfinance bank services on the growth of micro enterprises in North Central Nigeria.

Hypotheses

H₀₁: Micro-Loan has no significant effect on the growth of micro enterprises in North Central Nigeria

H₀₂: Training services has no significant effect on the growth of micro enterprises in North Central Nigeria

LITERATURE REVIEW

Micro Enterprises

The definition of micro enterprises varies across nations and continents depending on factors used in the definition. For instance, in countries such as the USA, Britain and Canada, micro enterprises are defined by annual turnover and number of employees. In Britain, a business with an annual turnover of €2 million or less with fewer than 200 paid employees is considered to be micro enterprises. Meanwhile,

in Germany, micro enterprises have employees size limit of two and fifty (250) and in Belgium, it is limited to One Hundred (100) employees (Oni & Daniya, 2012).

In Nigeria, the definition of Micro Enterprises has changed over the years in various dimensions. Different measures used to classify Micro enterprises include investment in machinery and equipment, working capital, capital cost and turnover amongst others. According to the National Council on Industry of Nigeria (1991), micro enterprises are defined as firms whose total investment excluding the cost of land but including working capital is not more than N500, 0000 or US\$50,000 equivalent. Small scale enterprises are classified as those whose total investment excluding the cost of land but including the working capital is not more than N5m or US\$500,000 equivalent. Similarly, the National Policy on micro, small and medium enterprises define micro enterprises based on the total number of employees and total assets with the exclusion of land and buildings. The national policy defines micro-enterprises as those whose total employees does not exceed 10 and whose assets are less than N5, 000,000.

Micro Enterprises' Growth

Concept of growth according to Obiwuru, et al. (2011), refers to ability of an enterprise to achieve such objectives as high profit, quality product; large market share, good financial results and survival at pre-determined time using relevant strategy for action. Consequently, Wang, (2010) viewed growth as product accomplishments, results and achievements in an enterprise. Williams and Andersons, (1991) also defined growth as employee's achievement level in his/her responsibility and duties assigned in the workplace. Understanding determinant factors of Micro enterprises growth is considered an important area of focus in Enterprises (Rosli, 2011). This is because Enterprises contribute to employment growth at a higher rate than larger firms. Anastasia (2008) viewed that enterprises growth construct can be measured by effectiveness, efficiency, satisfaction and innovation of the product. According to Apolot (2012), enterprises growth in sales growth, customer satisfaction and profitability were measure in their businesses. This study therefore adapts the definition of both Apolot (2012) and Obiwuru, et al. (2011).

Microfinance Services

Microfinance is often referred to as the provision of financial services to low-income clients, poor communities and small, micro and medium enterprises that cannot access formal banking services, with a goal of transforming them out of poverty. These financial services include: micro-credit, micro-savings, micro-insurance and fund transfer. Rodman (2012) sees microfinance services as the provision of financial services to low-income earners, who were hitherto not serviced by the formal deposit money banks. In other words, it is the provision of microcredit to poor people to enable them engage in meaningful ventures and grow them accordingly. According to (Osamwonyi & Obayagbona, 2012), Microfinance serves as a means developing a financial system that effectively and efficiently meet the needs of the poor.

Other than lending, microfinance institutions also provide financial and social intermediaries such as: business development trainings, financial literacy and management skills. Accessing microfinance (credit, savings or insurance) and other support business services such as training of small businesses, allows for the accumulation of assets (buying new machines) which in turn enhances productivity, translating into increased sales and later to the realization of profit. Hence, provision of microfinance leads to enterprise development, expansion, profitability, diversification and growth. From the year 2000, Microfinance institutions around the world and especially developing countries have grown dramatically in terms of branches, groups, loan disbursement, number of loans, loans collected, and savings clients (Ngugi & Kerongo, 2014).

Micro Loan

Micro loan is small financial support given to enterprises in order to enhance the enterprises' operations. Kumra and Sharma (2018) defined microcredit, as a provision of credit; thrift and other financial service products of very small amount to poor individuals in urban, semi-urban, and rural areas, to enable them

raise their income levels and to improve living standard. The microcredit is a financial support at specified terms, moderately priced and without financially stressful repayment that is accessible to enterprises (Hassan & Ahmad, 2016). Simply, the microcredit is cash and in-kind loan, provided in smaller amount to the micro and small entrepreneurs meant to improve their business operation. And a microcredit service is provided by the microfinance banking institutions and a range of other organizations including non-governmental organizations, credit unions, co-operatives, non-banking financial institutions and commercial banks (Ashraf & Ibrahim, 2014).

Woolcock (1999) found out that there is a direct impact on microenterprises and accessed credit. He further states that most of microenterprises were able to enhance their production capacity, hire more workers and process more orders. They observed a replacement of old machines with new, more efficient ones evidenced by increase in sales and profits. They maintain that this is due to increase in capacity through addition in machines, as well as retention of skilled employees. Additionally, the availability of timely loans helps micro enterprises in reducing their interest costs as the cost of informally arranged credit is very high (Kole, 1999).

Training Services

Training is a set of activities which are aimed at improving one's performance in that activity or set of activities by changing one's attitude, knowledge, or skill behavior. Its purpose, is to develop the abilities of the individual and to satisfy the current and future manpower needs of the organization (Ross, 2018). Microfinance institutions provide financial training to the people borrowing loans for their entrepreneurial activities. Hence, prior to taking the loan, borrowers are now aware of its prerequisites. In this setting, there is a guarantee to the loan repayment investment-wise (Watson, et al., 2020; Ridwan, et al. 2020). Many researchers discovered that training can improve the business performance (Raven & Le, 2015).

Storey (2013) argues that training services on business skills enhance performance. He concluded that the most important factors of business success among entrepreneurs were: a successful record of previous work history; strong analytical skills acquired in a broad humanistic education; early investment in personal reputation and broad biographical experience outside the narrow field of the profession; early socialization experiences functioning as biographical resources in the discovery of successful business ideas; and a training on how to communicate effectively with customers in an increasingly global and knowledge - based economy. Njoroge and Gathungu (2013) buttressed that the quality of goods and services produced without training is much lower than those produced where there is training.

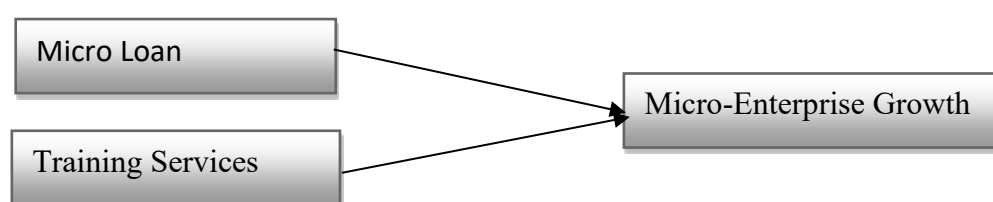


Figure 1: Conceptual Framework of the Study

Micro Loan and Micro Enterprises' Growth

Akinyede and Iriobe (2023) investigated the effect of micro loan on the growth of micro enterprises in Osun State. The study utilized a survey research design and employed a purposive sampling technique to select respondents from the study population. The population of the study is 5,188,310 micro-enterprises and the sample size is 400. Questionnaire was administered to 200 respondents, and the data were analysed using the ordinary least square method using Statistical Package for Social Sciences (SPSS) version 23. The gathered information was analysed, summarized, and interpreted through the use of clear statistical methods, including absolute scores and simple percentages. The analysis revealed that micro loan positive significant effect on the growth of micro enterprises in Osun State, Nigeria. The study

underscores the importance of these factors both individually and collectively, as their contributions to SME growth were positive and significant overall.

Sule (2022) studied the effect of micro loan on the growth of micro enterprises in Kaduna metropolis. The sample for the study were micro enterprises located within Kaduna metropolis. The research design adopted was survey research and the study relied on primary source of data using questionnaire. The data for the study was analyzed using Pearson correlation analysis as inferential statistical tools. Result from the study revealed among other things that there is positive and significant relationship between micro loan and the growth of micro enterprises in Kaduna metropolis. Similarly, Auwalu, et al. (2022) studied the impact of Micro loan on growth of enterprises. The study collected survey data from Micro enterprises in Kano metropolitan area. The study used a criterion sampling technique on 422 samples in the study area, and PLS-SEM was used for data analysis. The study reveals a positive and significant relationship between entrepreneurial skills and the performance of micro enterprises in Kano. Similarly, the relationship between micro loan and micro enterprises performance was positive and significant. Therefore, the study concludes that microfinance banks' services positively and significantly influence micro enterprises growth.

In a study of microfinance credit on the growth of micro enterprises in Kiambu County, Kenya, Wakaba (2021) reported that there is a positive significant relationship between access to credit and growth of the enterprises in Kiambu. The study concludes that the enterprises benefit from loans from microfinance institutions, the micro enterprises seek financial assistance from the micro finance institution due to interest rate, easy loan repayment and amount offered. There is need to provide an enabling environment for micro enterprises to grow and thrive. In the same vein, Yusufu, et al. (2020) examined the effect of micro loan on the growth of Micro enterprises in Nigeria. The descriptive survey design was adopted for the study. The population of the study consists of 100 selected micro enterprises' operators within Wuse business area Abuja, Simple random sampling technique was use to arrive at a sample size of 100. A structured questionnaire was employed as the research instrument used to obtain relevant information from 100 respondents and were all filled and returned. Descriptive statistics, cross tabulation and simple linear regression were used to analyze the data collected. The study revealed a positive relationship between micro loan and micro enterprises growth.

Taiwo and Mike (2020) examined the impact of micro loan on the growth of micro enterprises in Abuja. The study focused on micro savings. The study used survey research design. The population of the study comprises of 57 micro finance banks and 2,794 micro enterprises. A sample of 349 micro enterprises and 26 micro-Finance Banks were selected through stratified random sampling techniques. Copies of questionnaires were distributed to the selected sample. The data was analysed through simple percentages and order logit regression. The finding of the study revealed that an increase in the amount of loan given by microfinance banks increase the growth of micro enterprises. However, Bakare (2019) studied micro loan on micro enterprises growth in Nigeria, for the period 2006-2014. The results from panel data analysis show that credit loan has negative and statistically insignificant relationship with growth enterprises in Nigeria. The result suggests that credit provision from micro finance institution have no apparent effect on growth of enterprises.

Training Services and Micro Enterprises' Growth

Kamara and Kamara (2023) studied the impact of managerial training on the growth of micro enterprises in Freetown Municipality, Sierra Leone. A sample size of 120 potential respondents was identified using random sampling techniques. However, only 107 respondents consented to take part in the survey which constituted 89.17% of the total respondents. Data analysis was done using the Mixed Method Approach as the data collected was both quantitative and qualitative in nature. The quantitative data analysis was done by using descriptive statistics and the qualitative data analysis was done using descriptive research method. The analysis revealed that managerial training has a positive effect on the growth of micro enterprises. The study concluded that in order to sustain and accelerated growth in the operations of

micro enterprises, credits should be client-oriented and not product-oriented. Extensive monitoring activities should be provided for clients who are granted loans.

Badullahewage (2022) examined the effect of training on the growth of micro enterprises in Sri Lanka. The secondary data sourced through questionnaire were evaluated by thematic technique. Findings from the analysis revealed that training positively and significantly affect the sales growth of the enterprises in Sri Lanka. Similarly, Semegn and Bishnoi (2021) examined the effect of training on the growth of micro enterprises in Amhara National Regional State, Ethiopia. A total of 340 micro enterprises were randomly selected, and a survey method was used. Average Sales volume was used to measure growth of micro enterprises. The findings suggested that the majority of micro enterprises in Ethiopia were engaged in manufacturing and urban agriculture sectors with a share of 48.53% and 26.76% respectively. Paired t-test analysis of the study confirmed that there was a significant difference between the sales, total asset, employment and net profit of micro enterprises after receiving training. The study concluded that training had a significant positive effect on the growth of micro enterprises.

Blama and Kamara (2022) studied the effect training and growth of micro enterprises in Roysambu Constituency, Kenya. The population was 500 registered micro enterprises in the Roysambu constituency. The sample frame was drawn from the Nairobi County Council Registrar of Business and Trading Licenses County Office. In the study, stratified sampling was utilized. A sample size of 222 micro enterprises was used obtained through Taro Yamane formula. Primary data was used which was collated from questionnaires. Descriptive and inferential data analysis methods were used in analyzing the data which was presented using tables and figures. The results also show that there existed a statistically significant linear relationship between training services but statistically insignificant on the growth of micro enterprises.

Auwalu, et al. (2022) studied the impact of training on the growth of micro enterprises in Kano Nigeria. The study collected survey data from Micro enterprises in Kano metropolitan area. The study used a criterion sampling technique on 422 samples in the study area, and PLS-SEM was used for data analysis. The study reveals a positive and significant relationship between training and growth of micro enterprises. Therefore, the study concluded that training is a factor in microfinance services.

Rajapakshe (2021) the study investigated the impact of training on the growth of micro-enterprises concerning the Central Province, Sri Lanka. Primary data were obtained from 200 registered micro enterprises owners in the Central Province through convenience sampling methods. Data collection was conducted using a self-structured questionnaire. Multinomial Logistic Regression models was applied in the study. Multinomial logistic regression is frequently used for the analysis of categorical response data with continuous or categorical explanatory variables. Parameter estimates are usually obtained through direct maximum likelihood estimation. Two models were used to test the hypothesis. According to the results, training has insignificant impact on the growth of micro enterprises in the Central Province, Sri Lanka.

Financial Growth Theory

This study is anchored on Financial Growth Theory. Berger and Udell (1998) propounded the financial growth theory for small businesses where the financial needs and financing options change as the business grows, becomes more experienced and less informationally opaque. They further suggest that firms lie on a size/age/information continuum where the smaller/young/more opaque firms lie near the left end of the continuum indicating that they must rely on initial insider finance, trade credit and/or angel finance. The growth cycle model predicts that as firm grows, it will gain access to venture capital as a source of intermediate equity and mid-term loans as a source of intermediate debt. At the final stage of the growth paradigm, as the firm becomes older, more experienced and more informationally transparent, it will likely gain access to public equity or long-term debt. Problems related to financing are dominant in the literature with regard to small firms. The capital structure of smalls firm differs

significantly from larger firms because small firms rely more on informal financial market which limits the type of financing they can receive. The small firm's initial use of internal financing creates a unique situation in which capital structure decisions are made based on limited financing options. It is widely accepted that small firms have different optimal capital structures and are financed by various sources at different stages of their organizational lives (Berger & Udell, 1998).

METHODOLOGY

The study used survey design. The population of this study is 5,188,310 Micro Enterprises (SMEDAN and NBS Collaborative Survey, 2021). This comprises of micro enterprises operating in the six States of North Central plus Abuja, FCT. State by state statistics revealed that: Benue State has 870,804 Micro Enterprises; Kogi State has 938,740 Micro Enterprises; Kwara State has 698,613 Micro Enterprises; Nasarawa State has 472,546 Micro Enterprises; Niger State has 889,390 Micro Enterprises; Plateau State has 704,725 Micro Enterprises and Federal Capital Territory has 613,492 Micro Enterprises. Questionnaire used to generate data for this study was structured based on the independent variable and dependent variable which were measured by the scales developed by Meyer, et al. (1993). Each item in the questionnaire had 5 choices of answers based on Likert's Scale option from 1 - strongly disagree, 2 - disagree, 3- Neutral, 4 – agree, and 5 - strongly agree. SmartPLS 4.0 was used to optimize the variance explained by endogenous latent variables in the partial least square's structural equation modeling (PLS-SEM) technique and explain the proposed relationship. This method is suitable when the sample size is small (Hair et al., 2019). The sample size of the study is 400 which was arrived at using the Yamane (1973) formula.

RESULTS AND DISCUSSION

Measurement Model Evaluation

Table 1: Reliability and Validity Construct

Construct	Factor Loadings	(rho_A)	Composite Reliability	AVE
Micro Loan (MCL)	0.778-0.938	0.753	0.334	0.522
Training Services (TRS)	0.760-0.893	0.969	0.817	0.591
Enterprises Growth (ENG)	0.743-0.945	0.793	0.815	0.525

Source: SmartPLS 4, Output (2024)

Table 1 shows that values for Factor Loadings and Composite Reliability of the measurement model. The results indicated that all loadings are more significant than the substantial value of 0.7 (in the range of 0.743–0.945). According to (Hair et al., 2019), the loadings must be at least 0.7. Next, is the internal consistency which was evaluated using rho_A. The findings revealed that the inner loadings of all the variables are more significant than the threshold of 0.7 (Leguina, 2015). The values of rho_A ranged from 0.753 to 0.969; and the values of composite reliability ranged from 0.334 to 0.817, therefore confirming the high reliability of the data. For convergent validity, the Average Variance Extracted (AVE) for all the constructs are also above the nominal threshold of 0.5 (Bagozzi & Yi, 1988). Thus, the study successfully achieved significant convergent reliability and scale validity.

Table 2: Discriminant Validity

Variable	MCL	TRS	ENG
Micro Loan (MCL)	0.762		
Training Services (TRS)	0.715	0.721	
Enterprises Growth (ENG)	0.712	0.715	0.733

Source: SmartPLS 4, Output (2024)

Table 2 shows the results of the discriminant validity measured the degree of variance of each variable in the model. Fornell and Larcker (1981) criterion is applied to validate the AVE of every latent construct,

which is greater than the most significant squared correlations between any other constructs. Table 2 further indicates that the square root of the AVEs for each construct is larger than the cross-correlation with other constructs. This shows that the discriminant validity of this study was also satisfactory as per the (Fornell & Larcker, 1981) method, in which every construct of the study is less than the square root of AVE. Therefore, discriminant validity is acceptable in the measurement model.

Table 3: Collinearity Statistics (Inner VIF)

Factors	Inner VIF
Micro Loan (MCL)	1.191
Training Services (TRS)	1.191

Source: SmartPLS 4, Output (2024)

Table 3 shows the collinearity statistics of the inner VIF. The table showed that the variables are not correlated in explaining the relationship of the variables therefore there is a complete absent of multicollinearity problem. A collinearity happens when the VIF value are >5.00 (Hair et al. 2019).

Table 4: R Square (Predictive Power of the Model)

	R Square	R Square Adjusted
Enterprises Growth	0.701	0.700

Source: SmartPLS 4, Output (2024)

Table 4 shows the Predictive Power of the Model through R-Square. The R-square value is 0.701. The value illustrates that the independent variables: Micro Loan and Training Services accounted for 70.1% of the variance in Growth of enterprises while 29.9 by other variables not contain in the model. The given R^2 is greater than the acceptable threshold of 0.1 (Falk & Miller, 1992) therefore, the model is good for the study.

Table 5: f Square (Impact of specific latent variables)

	f Square
Micro Loan -> Enterprises Growth	1.670
Training Services -> Enterprises Growth	0.078

Source: SmartPLS 4, Output (2024)

Table 5 shows the f Square is used to evaluate the influence of independent constructs on dependent constructs (Leguina, 2015). That is, the Proportionate impact size of specific latent variables. For this study, F-square value for micro-loan in relation to enterprises growth is 1.67% while Training Services in relation to enterprises growth is 0.078; indicating moderate and small and impact of independent variables on the dependent variable respectively.

Structural Model Assessment

After confirming the psychometric properties in the measurement model stage, the study examined the structural model to test the hypothesized relationships. Table 6 summarizes the results for two hypotheses (H_{01} and H_{02}), showing the relationship between Micro Loan (MCL), Training Services (TRS) and Enterprises Growth (ENG).

Table 6: Model's Path Coefficient

Hypotheses	Relationship	Path Coefficient	Sample Mean	Standard Deviation	T-Stats (IO/STDEV)	P Values	Results
H ₀₁ :	MCL -> ENG	24.288	0.761	0.031	24.28	0.000	Not Supported
H ₀₂ :	TRS -> ENG	4.507	0.163	0.036	4.507	0.000	Not Supported

Source: SmartPLS 4, Output (2024)

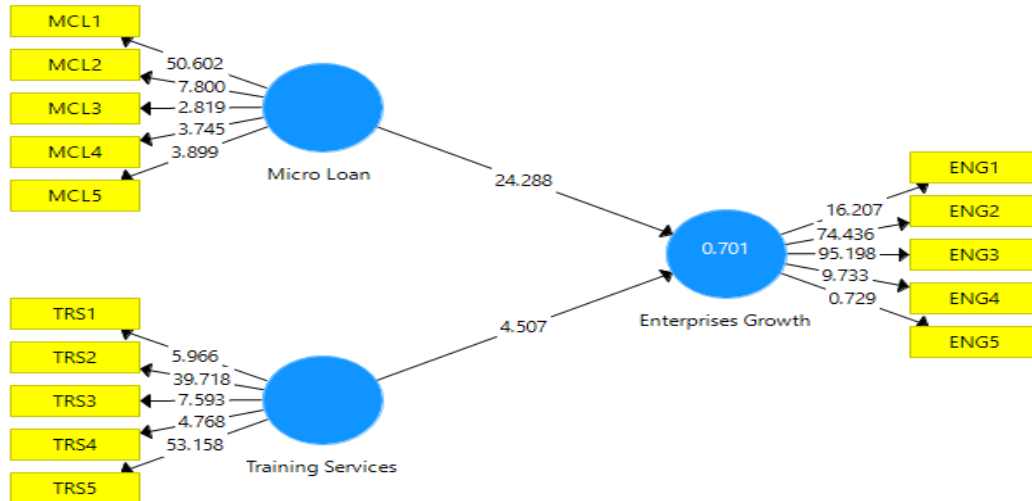


Figure 2: Structural Equation Modeling (SEM) Diagram.

Table 6 presents the SEM results of the hypotheses testing and the path coefficients of the research's model in figure 2. T-values were estimated to inspect the statistical significance of the coefficient. The coefficient significance is examined by SmartPLS 4.0 with a nonparametric bootstrapping method. All the two proposed hypotheses were not supported. The finding revealed a positive significant effect of micro loan on the growth of Micro Enterprises at 95% level of significant. The finding is consistent with findings of (Akinyede & Iriobe, 2023; Auwalu, et al. 2022; Sule, 2022) however, inconsistent with the findings of (Bakare, 2019; Nzibonera & Waggumbulizi, 2020).

Similarly, finding from the second hypothesis (H₀₁) revealed a positive significant effect of training services on enterprises growth at 95% level of significant. The finding is consistent with findings of (Kamara & Kamara, 2023; Badullahewage, 2022; Semegn & Bishnoi, 2021) however, the finding is inconsistent with the findings of (Bakare, 2019; Nzibonera & Waggumbulizi, 2020). The results of the analyses of the two hypnoses were also presented in a histogram form which showed the total effects of micro loan on enterprises growth (See figure 3) and also the total effects of training services on enterprises growth (See figure 4).

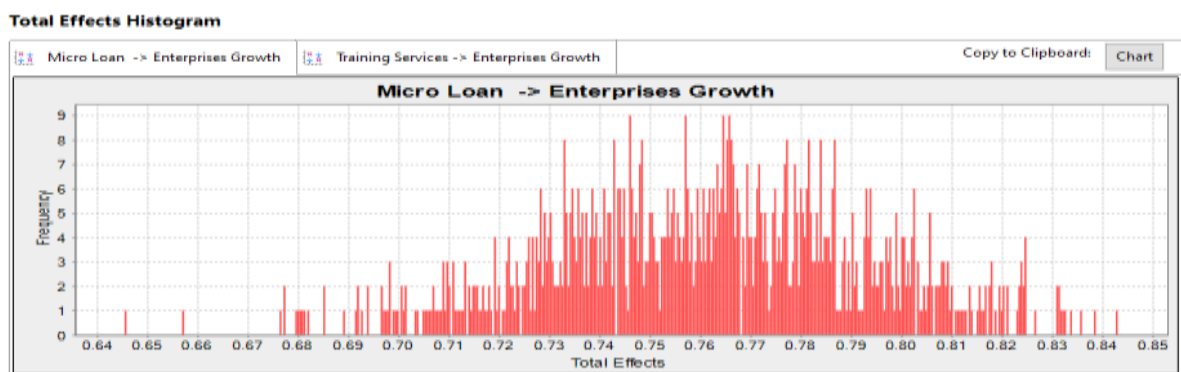


Figure 3: Total effects of Micro Loan on Enterprises Growth

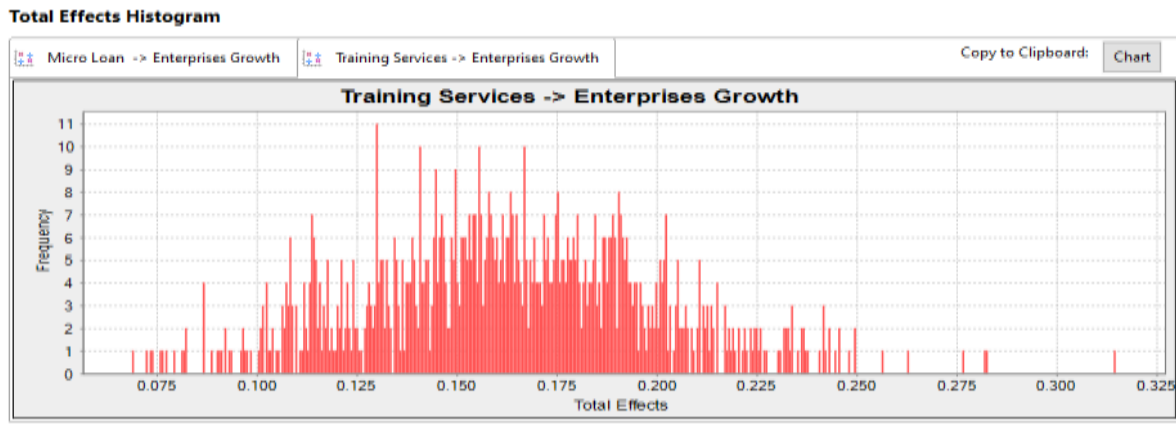


Figure 4: Total effects of Training Services on Enterprises Growth

CONCLUSION AND RECOMMENDATIONS

This study is survey research on the topic effect of microfinance bank services on the growth of micro enterprises in north central Nigeria. Two null hypotheses were proposed: Micro-Loan has no significant effect on the growth of micro enterprises in North Central Nigeria and Training services has no significant effect on the growth of micro enterprises in North Central Nigeria. Data was analysed using SmartPLS 4.0 and the findings revealed that both micro-Loan and training services have significant effect on enterprises growth in North Central Nigeria. Based on the findings, this study concluded that micro finance bank services have direct effect on the growth of enterprises in North Central Nigeria. Therefore, this study recommends that the Federal Government of Nigeria through the microfinance banks should continue and increase the amount given to micro enterprises as loan; 2. Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) should embark on awareness campaign on the importance of the micro loan to micro enterprises; 3. Micro enterprises operators who have not ever collected any micro loans should rethink and start collecting because of its impact that will have on their business; similarly, this study is recommending that micro finance bank should embark on training of enterprises operators in areas like book-keeping, marketing and finance management.

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