*International Journal of*
Advanced Research in Accounting, Economics and Business Perspectives
p-ISSN: 2636-6894 | e-ISSN: 2636-6886

**IJARAEBP**
*Vol. 5, No. 1*
*June, 2021*

# Impact of Bank Credits on Performance of Micro, Small and Medium Scale Enterprises in Gombe State

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**Article DOI:** 10.48028/iiprds/ijaraebp.v5.i1.04

**Abstract**

This study examined the impact of Bank Credit on the Assets of MSMEs in Gombe State. Assets of MSMEs is the dependent variable while the indicators of credits are the independent variable. The population of this study is Five Hundred and Thirty-Nine Thousand, One Hundred and Nine (539,109) Micro, Small and Medium Enterprises (MSMEs) in Gombe State according to SMEDAN and NBS, (2017). The sample size is 400 MSMEs owner-managers in Gombe State. The study used both descriptive and regression tools in the analysis of the variables. The results revealed that the Low Interest Bank Credits to MSMEs (LTBC) has a positive and significant impact on the Assets of MSMEs in Gombe State. On the other hand, though Volume of Bank Credits to MSMEs (VBC) was positively related to Assets of MSMEs in Gombe State but it was statistically insignificant in explaining any variation in the Assets of MSMEs in Gombe State. The $R^2$ of 0.73 percent suggested a strong explanatory power of the model in explaining the variation in the Assets of MSMEs in Gombe State. This implies that bank credits have contributed to the Assets of MSMEs in Gombe State. Therefore, the study recommended that government should design a better mechanism to improve the Volume of Bank Credits to MSMEs in Gombe State and the MSMEs in Gombe State should carefully choose the best credit facilities with low interest rate and that can increase their Assets since the study revealed that Low Interest Bank Credits to MSMEs increase the Assets of MSMEs in Gombe State.

**Keywords:** *Assets, Credits, Low Interest, MSMEs*

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**Background to the Study**

The role of small and medium scale enterprises in driving economic growth in nations, the world over, is well documented. Empirical evidences suggest that the foundation of the prosperity of the industrialized nations of the world was laid by small and medium scale enterprises. For example, the industrial revolution in Britain in the 19th century did not start with large scale industries, but with inventions in small scale industries that boosted productivity in the textile industry. Again, the fashion industry in Italy was founded on its cottage industries and China which is regarded today as the "workshop of the world" is anchored on low-tech manufacturing activities. With small and medium scale enterprises, these nations were able to tackle the problem of unemployment, reduce poverty, increase productivity and achieve overall economic prosperity. In recognition of the role of small and medium scale enterprises in the economic development process of nations, there has been a shift of emphasis by successive governments in Nigeria away from large-scale capital-intensive industrialization in favour of small and medium scale enterprises (MSMEs), especially beginning from the 1980s, (Ovat, 2013; Afolabi, 2013).

The growth and development of SMEs is therefore seen as a cardinal and veritable tool in the industrialization process of Nigeria. But the existence and survival of these micro, small and medium scale enterprises to a large extent depends on adequate financing. As has been observed by Ovat (2013), and Afolabi (2013) as cited in Ovat (2016), the bane of MSMEs in Nigeria is financial constraint. One of the major sources of funds for the survival of the MSMEs to perform their expected role of rapid industrialization and economic growth is commercial banks' credit. Commercial banks through their financial intermediation role are expected to provide financial leverage for micro, small and medium scale enterprises. But in most developing countries in Sub-Sahara Africa including Nigeria, micro small and medium scale enterprises are plagued with paucity of capital, thus affecting their ability to grow (World Bank, 2013).

In recognizing the significance of MSMEs as well as finance being the major constraint of MSMEs' growth, the governments over the years have introduced and implemented a number of measures and mostly funding schemes. Interventions or schemes at national and state levels have been introduced in a bit to increase profitability and performance of MSMEs and the schemes include Rural Banking Programme, the Peoples' Bank of Nigeria (PBN), the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN); schemes like the Community Banking Scheme, Small and Medium Enterprises Equity Investment Scheme (SMEEIS), Commercial Agriculture Credit Scheme (CACS) among others, as well as the establishment of the government development finance institutions like Bank of Industry (BOI), Infrastructure Bank Plc., Nigeria Export Import Bank (NEXIM) among others (Olawepo and Ariyo, 2011). Current efforts by government to stimulate MSME sector includes; establishment of collateral registry for MSMES by CBN, establishment of development bank of Nigeria which started operations in 2017, establishment of MSME rating agency, Npower Scheme, Trader Money Scheme, Anchor Borrower Scheme, Conditional grant scheme, Incentivizing business registration compliance for MSMEs (SMEDAN &NBS, 2017). Thus, because of the relevance of credits to MSMEs, the Buba

Yero Micro Finance bank was established by the Gombe State Government in order to provide increased access to credit for the MSMEs. This is done in partnership with the bank of industry in addition to already existing SHONGOM Micro Finance Bank, Tangale Microfinance Bank and other banks operating in the State. Therefore, the study seeks to assess the impact of bank credits on the perf0rmance of MSMEs in Gombe State- Nigeria. To achieve the objective, these research hypotheses were stated as:

**$H_{01}$:** Volume of Bank Credits has no significant impact on the Assets of the MSMEs in Gombe State.

**$H_{02}$:** The low Interest Bank Credit has no significant impact on the Assets of the MSMEs in Gombe State.

## Literature Review

### Conceptual Review

MSMEs have no globally accepted definition. It is defined by different scholars and in different countries differently. In some countries SMEs are defined in terms of their annual turnover and number of employees. In Nigeria, the definition of MSMEs is more of an asset based than employee level based. The federal ministry of commerce and industry defines MSMEs as firms with a total investment (excluding cost of land, but including the cost of capital) of up to N750, 000 and paid employment of up to fifty persons. Similarly, Central Bank Nigeria in its 2005 guideline on small and medium enterprise investment scheme (SMEIS) describe MSMEs using asset criterion as any business that has a maximum capital base of 200 million Naira excluding loan and working capital with no upper or lower limit of staff). In other countries SMEs are defined in term of their industry and nature of their businesses. For the purpose of this paper the definition of Small and Medium Industry Equity Investment Scheme will be adopted that is to say SMEs are those enterprises with a maximum asset of N200,000,000.00 excluding land and working capital with the number of employees not less than 10(otherwisewill be a cottage or micro-enterprise) and not more than 300.Moreover, this definition for SMEs was based on the revised definition by the National Council on Industry in 2001. (Anochie and Ude 2015). For MSMEs to grow and perform their role, they need financing especially, credit financing in form of bank credit.

Bank credit is the total amount of credit available to a business or individual from a banking institution. It consists of the total amount of combined funds that financial institutions provide to an individual or business (Craig and Hardee, 2004). A business or individual's bank credit depends on the borrower's ability to repay the loan and the total amount of credit available in the banking institution. Fatoki, (2013), believe bank credit is an agreement between banks and borrowers where banks make a loan to a borrower based on their assessment of the borrower's creditworthiness. The bank essentially trusts a borrower to repay funds plus interest for either a loan, credit card or line of credit at a later date. Bank credits also refer to money that banks lend or have already lent to customers. Bank credit for individuals has grown considerably during the past half-century as consumers have become used to having multiple credit cards for various needs. However, businesses also use bank credit. Many businesses need funding to pay startup costs, to pay for goods and services or supplement cash flow. As a result, startups or small businesses use bank credit as short-term financing. Udoka and Offiong, (2006) believe that bank credit approval is determined by a borrower's credit rating and income or other considerations, including collateral, assets or how much debt they already have.

The volume of bank creditcan also refer to the amount of credit available to a business or individual from a banking institution in the form of loans. Bank credit, therefore, is the total amount of money a person or business can borrow from a bank or other financial institution. A borrower's bank credit depends on their ability to repay any loans and the total amount of credit available to lend by the banking institution. Types of bank credit include car loans, personal loans, and mortgages (Twin and Khartit, 2020). It can influence MSMEs activities through their borrowing which can impact on their assets and growth. Also, the cost of such loans has to be such that MSMEs can afford by way of low interest on money borrowed so that repayment is done with minimum stress. Bank credit in this study therefore refers to the money that banks have lent to MSMES based on an assessment of their needs, capability and ability to pay back which is either secured or mostly unsecured.

Assets refers to, according to IFRS, a resource owned or controlled by the enterprise as a result of past events and from which future economic benefits are expected to flow to the enterprise. Credit expansion by way of bank loans can fuel the demand for assets and pushes asset prices upwards there by increasing the credit worthiness of the enterprise. Assets can be grouped into two major classes: tangible assets and intangible assets. Tangible assets contain various subclasses, including current assets and fixed assets. Current assets include inventory, accounts receivable, while fixed assets include buildings and equipment. Intangible assets are non-physical resources and rights that have a value to the firm because they give the firm an advantage in the marketplace. Intangible assets include goodwill, copyrights, trademarks, patents, computer programs, and financial assets, including financial investments, bonds and stocks. (Wikipedia, 2021). This study considered operating assets like stock, buildings, cash and cash equivalents, motor vehicles and equipment.

**Empirical Review**

There are several studies conducted on the impact of bank credit on MSMEs performance in developed and developing countries and among them is the work of World Bank (2001) reported that 39 percent of small-scale enterprises and 37 percent of medium scale firms in Nigeria are financially constrained. Arising from the issue of financial constraints to the growth of SMEs, some studies have documented that commercial banks have risen to the challenge in providing financial succor to the SMEs to support their growth in Nigeria. Luper (2012), submitted that Commercial Banks loans to SMEs as a percentage of total credits, decreased from 48.79 percent in 1992 to 0.15 percent in 2010.

In a related study, Omah, Adeoye and Elegunde (2012), investigated the impact of post-bank consolidation on the performance of small and medium scale enterprises in Nigeria, using Lagos state as a case study. Omah, Paroweju, Adeoye and Elegunde (2012) drew a sample size of 50 from the supra-population of the study within Ikeja local Government area of the State and adopted mean, standard deviation and coefficient of variation in their data analysis. The findings showed that small and medium scale enterprises do not have access to finance through banks, due to neo-reorganization in banks as a result of post-bank consolidation and SMEs do not have perfect rapport with financial institutions as a result of their financial background in Nigeria. From the empirical literature reviewed, results are mixed on the role of Commercial banks' financing of SMEs in Nigeria. While some studies maintained and affirmed that Commercial Banks have contributed immensely to the growth of SMEs, others debunked such claims and opined that no substantial contribution has been made by Commercial Banks towards the growth of SMEs in Nigeria.

The role of commercial banks in funding SMEs in recent times in Nigeria, Aliyu and Bello (2013) examined the contribution of commercial banks to the growth of small and medium scale enterprises. The study adopted descriptive method of analysis using ratio and trend analyses. It was discovered that Commercial Banks contribute in financing SMEs but their contribution has declined as government via the Central Bank of Nigeria (CBN) directed that mandatory banks' credit allocation be abolished. The impact of banking reforms in 2004, on the financing of SMEs in Nigeria was examined by Mamman and Aminu (2013). The study used a randomly chosen sample size of 500 respondents and employed Chi square test. The results revealed that there is no significant impact of 2004 banking reform on the financing of SMEs in Nigeria and suggested that there are some constraints that militate against access to credit from Commercial Banks by SMEs.

Also, Nwosa and Oseni (2013), examined the impact of bank loans on manufacturing output in Nigeria between 1992 and 2010. Utilizing error correction modeling technique, the findings indicated that banks' credit to the SMEs had significant impact on manufacturing output both in the short run and long run. On the other hand, a number of studies have shown that commercial banks' role in extending credit to the SMEs in Nigeria is not impressive. Similarly, Imoughele and Ismaila (2014), investigated empirically the impact of Commercial Banks' credit on small and medium scale enterprises in Nigeria between 1986 and 2012, using co-integration and error correction modeling technique. The findings revealed that SMEs and selected macroeconomic variables included in the model are co-integrated indicating a long run relationship between them. The findings further revealed that savings, time deposit and exchange rate have significant impact on SMEs' output in Nigeria, while interest rate has adverse effect. The paper therefore recommended among others that interest rate on credit facility granted to SMEs should be drastically reduced and soft loans devoid of stringent conditions be granted to the SMEs. In a related study, Dada (2014), maintain that access to credit is crucial for the growth and survival of small and medium scale enterprises (SMEs) utilizing data from 1992 to2011 and adopting ordinary least squares regression, the study revealed that Commercial Banks' credit to SMEs and saving and time deposit of commercial banks exert a positive influence on SMEs' development while exchange rate and interest rate have adverse effects on SMEs' development. Dada (2014) therefore recommended that Commercial Banks should lend more to the SMEs at subsidized rate.

In addition, Oke and Aluko (2015), examined the impact of Commercial Banks in financing small and medium scale enterprises (SMEs) in Nigeria for the period 2002 to 2012. The authors collected annual data from ten Commercial Banks and adopted panel data regression analysis. The results indicate that Commercial Banks have significant impact on SMEs' financing which implies that Commercial banks are capable of making SMEs grow. Again, Iloh and Chioke (2015), examined the relationship between Commercial Bank credits indicators and availability of credit facility to small and medium scale enterprises in Nigeria. Using data extracted from the Central Bank of Nigeria (CBN) Statistical Bulletin for the period, 1980-2010 and adopting the generalized least squares estimation technique, the results showed that Commercial Banks' credits to SMEs have significant effect on Nigeria's economic growth by positively affecting gross domestic product. This implies that SMEs' financing is a great catalyst and driving force for economic growth. The paper recommended that soft and short-term loans should be made available to SMEs for further growth.

Furthermore, Owenvbiugie and Igbinedion (2015), analyzed the role of finance in the growth of small and medium scale enterprises in Edo State, Nigeria. The study adopted a survey research design and a sample of 122 respondents was used. Cronbach Alpha was used to compute the reliability of the instrument and yielded 0.89. The findings showed that SMEs growth was hindered as a result of inability to access funds from financial institutions as a result of stringent policies required by banks and other financial institutions. Consequently, the authors recommended that necessary financial assistance should be given to the sector by government and other stake holders in order to accelerate the growth of SMEs in the rural communities to reduce the current unemployment and rural- urban migration. Funding has remained a major challenge to the growth of small and medium scale enterprises in Nigeria.

Okey (2016), examined the role played by commercial banks' credit in facilitating the growth of SMEs in Nigeria. It adopted co-integration and error correction mechanisms in carrying out this empirical examination. The findings revealed that Commercial Banks' credit has not contributed significantly to the growth of Small and Medium Scale Enterprises in Nigeria. To support the growth of SMEs by Commercial Banks, so that they can be properly positioned to play a catalytic role in rapid industrial take off and development in Nigeria. Auwamba and Ekiembor (2017) examined bank lending and its impact on Small Scale Enterprises in Nigeria they used ordinary least square to analyze data and the result shows that there is a positive impact of bank lending on small scale enterprises in Nigeria and therefore recommend that measures should be taken to reduce interest rate downwards and create additional inducement to boost lending to SMEs.

In another study title the relationship between interest rate and the financial performance of firms listed on the Nairobi securities exchange, Frederick (2013) tried to establish the relationship between interest rate and financial performance of firms listed on Nairobi exchange using secondary data obtained from central bank of Kenya which was analysed using regression. Results found in the study indicated an insignificant positive relationship between interest and performance of firms.

Furthermore, Afşar and Karaçayır (2017), examined the relationship between economic growth and credit volume in Turkey quarterly data was used between 2002 – 2017, which was tested using granger causality and co-integration models. The results revealed that there is unidirectional causality from economic growth to credit volume in both short and long run.

This suggests that there is no consensus among researchers on the impact of bank credits on the growth of MSMEs in Nigeria. Also, following empirical studies reviewed there is no study that has addressed the problem of the impact of bank credits on the Assets of MSMEs in Gombe State. This paper is therefore one of the several attempts to contribute to the on-going debate on the impact of bank credits on Assets of MSMEs in Gombe State.

**Theoretical Framework**

The study adopted the pecking order theory as the theoretical frameworks which were developed by Stewart and Nicolas in 1984. The pecking order theory states that firms prioritize the source of financing from internal sources (cash flow and entrepreneurs' own capital) and external sources according to relative availability and opportunity cost. For most firms the internal sources are always not available or insufficient to undertake the required level of transaction for profitable projects. This call for the external finance to fill the gap (Olutunla and Obamuyi, 2008). If the sum of money borrowed is invested by the firm and the investment has proved to succeed additional assets are created which can again be used as security for further borrowing. From the above it can be assumed that access to credit is expected to positively influence the availability of factors of production such as land, labor capital and equipment subject to the constraint of asymmetric information and high cost of capital (Olutunla and Obamuyi, 2008). The theory also believed that interest rate is expected to be inversely related to volume of credit of a firm. Therefore, as the firm grows there will be a need for credit to sustain that growth and the need to measure the credit received and the performance of the firm become vital. Thus, the theory believed that there is a relationship between credit and MSMEs growth and therefore relevant in this study.

**Methodology**

The population of this study is the Five Hundred and Thirty-Nine Thousand, One Hundred and Nine (539,109) Micro, Small and Medium Enterprises (MSMEs) in Gombe State as reported by SMEDAN and NBS Collaborative Survey Selected findings (SMEDAN and NBS, 2017). The stratified sampling technique was used across Gombe State for the survey and to ensure a more realistic result using primary data obtained from a structured questionnaire administered to owner managers of MSMEs. Yamane formula for calculating sample size of a finite population was used. Thus;

$$n = \frac{N}{1 + N(e)^2}$$

Where, n = Sample Size 0, N = Population, 1 = Constant and e = exponential (usually 5% or 0.05).

$$\therefore n = \frac{539109}{1 + 539109(0.05)^2} = 399.704 = 400$$

Using Taro Yamane's formula, the sample size is approximately 400 respondents are the MSMEs owner managers in Gombe State who are the entrepreneurs will be involved in the survey.

To ensure the face and content validity of the items on the instrument measuring the different variables in the study, the questionnaire was submitted to two experts in finance research and statistics to ascertain whether the items measured what they purported to measure. These experts in conjunction with my supervisor certified the instrument as being valid to measure what it set out to measure at least in content and face validity.

During this process, their comments and corrections led to changes being effected on the items in the questionnaire in terms of appropriateness and precision of words, sentences and expressions. Flaws and errors in terms of phraseology, tautology, grammar and organization of the instrument were identified and the necessary corrections were affected.

To test the hypothesis, a linear multivariate regression model was adapted from John-Akamelu and Muogbo (2018) which express MSMEs growth as a function of profitability, return on assets and return on capital employed was used and modified as thus: The regression model on the impact of Bank Credit and the Assets of MSMEs in Gombe State

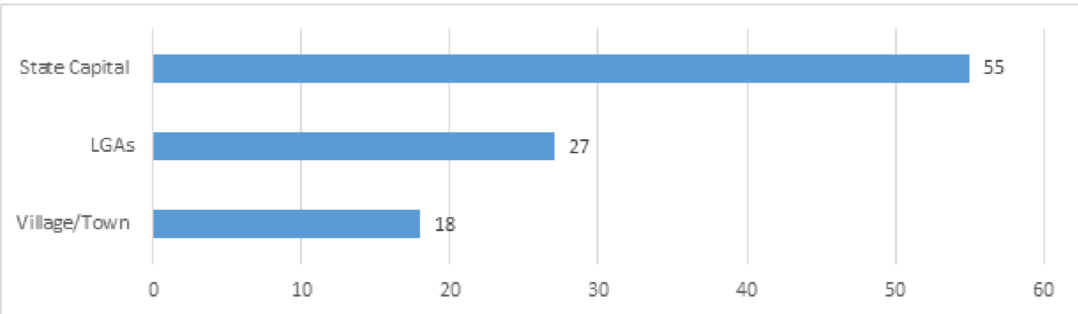
$$Asset = f(VBC, LTBC) \quad (1)$$

Where:
Asset = Assets of the MSMEs in Gombe State
VBC = Volume of Bank Credits to MSMEs in Gombe State
LTBC = The low Interest Bank Credits to MSMEs in Gombe State
μ = Error Term or Other variables
However, the model is specified in econometrics format as:

$$\text{Asset} = \beta_0 + \beta_1 VBC + \beta_2 LTBC + \mu \quad (2)$$

**Data Presentation and Analysis**

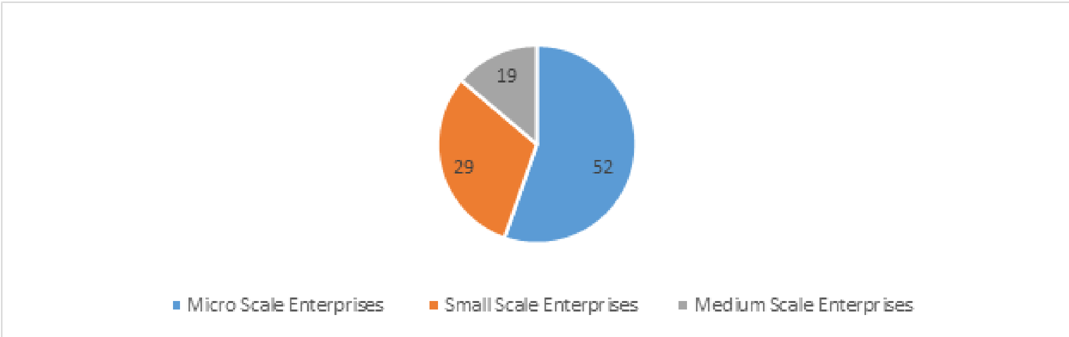
**Figure 1:** The Locations of MSMEs in Gombe State




**Source:** Administered questionnaire, 2019

Figure 1 shows the locations of MSMEs in Gombe State. The result shows that 55% of the total MSMEs are located in the State Capital and 27% of the total MSMEs are located in the Local Government Areas. While 18% of the total MSMEs are located in the Towns and Villages of the State. This implies that majority of the MSMEs are located in the State Capital and this is due to the fact that the State Capital has more social amenities and infrastructural development.

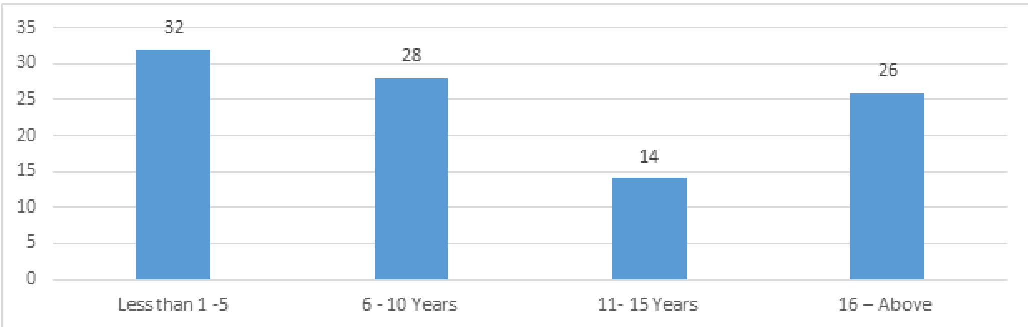
**Figure 2:** The Business Types of MSMEs in Gombe State




**Source:** Administered questionnaire, 2019

Figure 2 shows the business types of MSMEs in Gombe State. The result shows that 52% of the total MSMEs in Gombe State, are Micro Scale Enterprises, 29% are Small Scale Enterprises and 19% Medium Scale Enterprises. This implies that majority of the MSMEs are Micro Scale Enterprises.

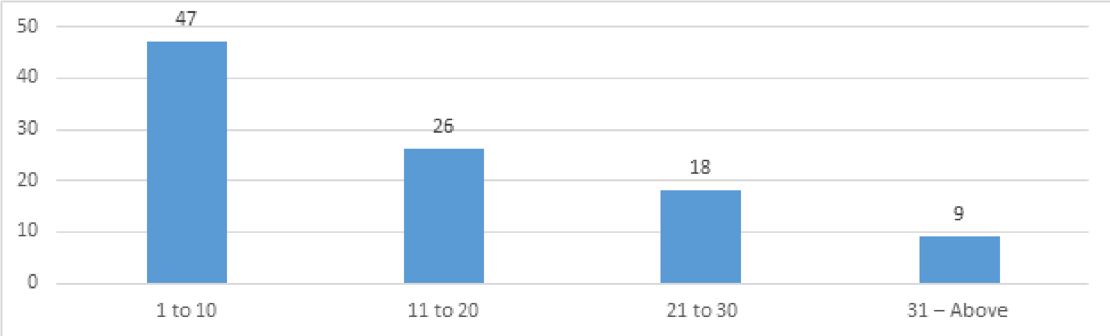
**Figure 3:** The Years of Experience of MSMEs in Gombe State




**Source:** Administered questionnaire, 2019

Figure 3 shows the years of experience of MSMEs in Gombe State. The result shows that 32% of the total MSMEs are between less than 1-5 years in business, 28% of the total MSMEs are between 6-10 years in business, 14% of the total MSMEs are between 11-15 years in business while 26% of the total MSMEs are between 16-above years in business. This implies that a quite number of MSMEs have been in business for many years.

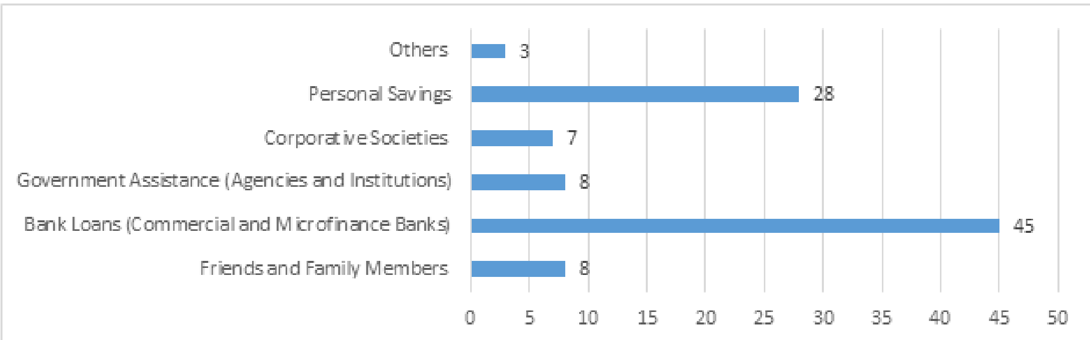
**Figure 4:** The Number of Employees of MSMEs in Gombe State




**Source:** Administered questionnaire, 2019

Figure 4 shows the number of employees of MSMEs in Gombe State. From the result 47% of the total MSMEs have 1 to 10 employees, 26% of the total MSMEs have 11 to 20 employees, 18% of the total MSMEs have 21 to 30 employees and 9% of the total MSMEs have 31 to above employees. This implies that majority of the MSMEs in Gombe State have 1 to 10 employees.

**Figure 5:** The Sources of Fund for Startup Capital of MSMEs in Gombe State




**Source:** Administered questionnaire, 2019

Figure 5 shows the sources of fund for startup capital of MSMEs in Gombe State. The Figure 5 revealed that 8% and 45% of the MSMEs in Gombe State got their startup capital funds from friends and family members and bank loans (Commercial and Microfinance Banks) respectively, 8% and 7% of the total MSMEs in Gombe State got their startup capital funds from government assistance (Agencies and Institutions) and Corporative Societies while 28% and 3% of the total MSMEs in Gombe State got their startup capital funds from Personal Savings and other sources of funds. This implies that bank loans (Commercial and Microfinance Banks) and Personal Savings are the highest sources of MSMEs startup capital funds in Gombe State in Nigeria.

**Table 1:** Volume of Bank Credit to MSMEs in Gombe State

| Average Loan | Reponses | Percentage |
|---|---|---|
| Less than – 999,999 | 024 | 06 |
| 1,000,000-4,999,999 | 112 | 28 |
| 5,000,000-9,999,999 | 168 | 42 |
| 10,000,000 and above | 096 | 24 |
| **Total** | **400** | **100** |

**Source:** Administered Questionnaire, 2019

Table 1 shows the average bank credit to MSMEs in Gombe State in Nigeria. Thus, 6 percent of the MSMEs took an average bank credit of less than 999,999 Naira, 28 percent of the MSMEs took an average bank credit of 1,000,000 to 4,999,999 Naira, 42 percent of the MSMEs took an average bank credit of 5,000,000 to 9,999,999 Naira while 24 percent of the MSMEs took an average bank credit of 10,000,000 Naira and above.

**Table 2:** Average Increase in the Assets after Bank Credit to MSMEs in Gombe State

| Average Loan | Reponses | Percentage |
|---|---|---|
| Less than 999,999 | 136 | 34 |
| 1,000,000-1,999,999 | 076 | 19 |
| 2,000,000 and above | 188 | 47 |
| **Total** | **400** | **100** |

**Source:** Administered Questionnaire, 2019

Table 2 shows the average increase in the asset after bank credit to MSMEs in Gombe State in Nigeria. Thus, 34 percent of the MSMEs have an average of less than 999,999 Naira increase of their assets after bank credit, 19 percent of the MSMEs have an average of 1,000,000 to 1,999,999 Naira increase of their assets after bank credit, while 47 percent of the MSMEs have an average of 2,000,000 Naira and above increase of their assets after bank credit.

**Table 3:** Responses on Bank Credit Activities on increment of the Assets of MSMEs in Gombe State

| S/N | Indicators | Yes | No | No Idea |
|---|---|---|---|---|
| 1 | Volume of Bank Credits to MSMEs | 261 | 132 | 007 |
| 2 | The low Interest Bank Credits to MSMEs | 290 | 096 | 014 |

**Source:** Administered Questionnaire, 2019

Table 3 shows bank credit activities on increment of the asset of MSMEs in Gombe State. 261 out of the total MSMEs agreed that volume of bank credits to MSMEs have positive effect on asset increment, 132 out of the total MSMEs disagreed that volume of bank credits to MSMEs has effect on asset increment and 7 out of the total MSMEs have no Idea on effect of volume of bank credits to MSMEs on asset increment. Also, 290 out of the total MSMEs agreed that low interest bank credits by MSMEs have positive effect on asset increment, 96 out of the total MSMEs disagreed that low interest bank credits to MSMEs have effect on asset increment and 14 out of the total MSMEs have no Idea on effect of low interest bank credits to MSMEs on asset increment.

**Regression Analysis and Discussion**

**Table 2:** Linear Regression Results

**Dependent Variable:** Assets

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| (Constant) | | 3507.221 | 8.872 | 0.000 |
| VBC | 0.046 | 4340.894 | 0.309 | 0.557 |
| LTBC | 0.125 | 1962.505 | 2.027 | 0.044 |
| R-squared | 0.73 | | | |
| Adjusted R-squared | 0.69 | | | |
| F-statistic | 19.270 | | | |

**Source:** Output from SPSS 24.0 (2020)

The linear regression results of the impact of Bank Credits on Assets of MSMEs in Gombe State revealed that the Volume of Bank Credits to MSMEs (VBC) and Low Interest Bank Credits to MSMEs (LTBC) have positive impact on the Assets of MSMEs in Gombe State. The result also revealed that a unit increase in the Volume of Bank Credits to MSMEs (VBC) and Low Interest Bank Credits to MSMEs (LTBC) will lead to 0.046 and 0.125-unit increase in the Assets of MSMEs in Gombe State respectively.

However, the probability suggested that the Low Interest Bank Credits to MSMEs (LTBC) has significant impact on the Assets of MSMEs in Gombe State with a probability value of 0.044 at 5% level of significance. While Volume of Bank Credits to MSMEs (VBC) was statistically insignificant in explaining variation in the Assets of MSMEs in Gombe State with a probability value of 0.557 at 5% level of significance. The $R^2$ of 0.73 percent indicates that 73 percent of the variations in the dependent variable are explained by variations in the independent variables this suggested a strong explanatory power of the model in explaining the variation in the Assets of MSMEs in Gombe State. Also, the F-Statistics of 19.270 suggested that the model has a good fit in explaining in the Assets of MSMEs in Gombe State.

**Conclusion and Recommendations**

In conclusion, the study has revealed that the Low Interest Bank Credits to MSMEs (LTBC) has a positive and significant impact on the Assets of MSMEs in Gombe State. On the other hand, though Volume of Bank Credits to MSMEs (VBC) was positively related to Assets of MSMEs in Gombe State but it was statistically insignificant in explaining any variation in the Assets of MSMEs in Gombe State. The $R^2$ of 0.73 percent suggested a strong explanatory power of the model in explaining the variation in the Assets of MSMEs in Gombe State. This implies that bank credits have contributed to the Assets of MSMEs in Gombe State. The study agreed to the study of Okey (2016) who examined the role played by commercial banks' credit in facilitating the growth of SMEs in Nigeria. The findings revealed that Commercial Banks' credit has significant contribution to the growth of Small and Medium Scale Enterprises in Nigeria and its activities in Nigeria.

Therefore, the study recommends among others the following:

The result revealed that Volume of Bank Credits to MSMEs (VBC) was positive but insignificant in explaining the variation in the Assets of MSMEs in Gombe State, government and agencies should design a better mechanism to improve the Volume of Bank Credits to MSMEs in Gombe State.

The MSMEs in Gombe State should carefully choose the best credit facilities with low interest rate and that can increase their Assets since the study revealed that Low Interest Bank Credits to MSMEs increase the Assets of MSMEs in Gombe State.

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