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The Aftermath of Covid-19 Pandemic on the Operation of SMEs in Yobe State, Nigeria: The Role of Islamic Finance Models

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Abstract

This study examines the post-COVID-19 operational challenges faced by Small and Medium Enterprises (SMEs) in Yobe State, Nigeria, and explores Islamic finance models as potential mechanisms for recovery and sustainability. Employing a qualitative descriptive approach, primary data were collected through structured field observations of selected SME operators across key economic sectors. The findings reveal that limited access to capital, shortage of skilled personnel, multiple taxation, inadequate raw materials, and heightened insecurity remain the major constraints hindering SME operations in the post-pandemic period. The study further argues that Islamic finance instruments—such as Musharakah, Mudarabah, Murabahah, Ijarah, Salam, and Istisna'—offer viable, ethical, and risk-sharing financing alternatives capable of addressing these challenges. The paper contributes to the growing literature on Islamic social and commercial finance by providing contextual evidence from a conflict-affected and economically disadvantaged region. Policy recommendations emphasize the need for increased Islamic finance awareness, regulatory support, and the integration of Islamic banking products into SME development strategies in Nigeria.

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INTRODUCTION

Provision of human development through Small Medium Enterprises (SMEs) is one of the most reliable driver and apparatus for measuring nation's economic buoyancies. SMEs are regarded as significant traditional contributors to economic growth (Anthony, Kashim, Emmanual and Ibrahim, 2020). Globally, the majority of the firms are SMEs in nature and they play a vibrant role in shaping country's economic growth, provision of employment opportunities, poverty reduction, and provision of social amenities such as education, health care facilities, potable water, roads, electricity, and information technology among others. Small and Medium Enterprises (SMEs) are critical to the development of any economy as they possess great potentials for employment generation, improvement of local technology, output diversification, development of indigenous entrepreneurship and forward integration with large-scale industries (CBN, 2000). Therefore, SMEs serve as an initial source of motivation for economic power (Anthony and Harry, 2015). Jointly together, SMEs firms are the major contributors of nation's Gross Domestic Product (GDP). This assertion is further clearly demonstrate by the fact that the backbone of the European economy is SMEs which is about 98% of the enterprises in the EU and in 2012, SMEs employ 67% of the European workforce and generate 58% of the revenue (Anthony and Harry, 2015). Thus, SMEs are non-subsidiary, independent firms/organizations which employ fewer numbers of employees. This number varies across countries. According to the European Union (EU), SMEs are categories of micro, small and medium-sized enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding 50 million Euros. In Nigeria, the Central Bank of Nigeria in its monetary policies circular No. 22 of 1988 defined SMEs as enterprises which have an annual turnover not exceeding Five Hundred Thousand Naira (N500, 000). To link it up, the economic growth sat national and international levels are shaped to a certain extent by the small and medium-sized enterprises (SMEs) (OECD, 2009 as cited in Kot, Haque and Baloch, 2020).

In Nigeria, SMEs are one among the machine driving the country economic growth, promote and provide job opportunities for both urban and rural settlements. In addition, SMEs are the catalyst for shaping and promoting industrial utilization of local resources for production. The SME sector is the backbone of major developed economies, as well as important contributors to employment, economic and export growth. In South Africa, SMEs account for 91% of businesses, 60% of GDP employment and contribute 52% of total GDP. In Nigeria, SMEs contribute 48% of national, account for 96% of businesses and 84% of employment (Guardian, 2022). At least, 39,654,385 micro, small and medium enterprises (MSMEs) operated in Nigeria as of December 2020 as against 41,543,028 million that were in existence in 2017, indicating a decrease of 4.5 percent. This is contained in a report jointly released by the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) and the National Bureau of Statistics (NBS). A breakdown of the figures showed that micro enterprises (MEs) accounted for 38,413,420 million, while the total number of small and medium enterprises (SMEs) stood at 1,240,965 million representing 3.1 percent (Antony, 2022).

However, with the coming of global Covid-19 pandemic has lockdown business activities worldwide which resulted to the ditch of the global economy. The situation helped in to price inflation and the rise of general price of agro-business manufactured goods. This condition has worsened the living standard of the people; people are struggling to get food for sustenance. The prolong lockdown strategy adopted during the Covid-19 pandemic has caused economic downturn and destructive impact on SMEs globally. On top of that, with the declaration of Covid-19 pandemic by World Health Organization (WHO), the spread of the virus continues globally. Therefore, Nigeria without an exception faced with this challenge. Since the debut of Covid-19 pandemic in Nigeria on 27th Febuary, 2020, the Nigerian economy appeared to have entered turbulence (Olubusoye and Ephraim, nd).

Yet, the health impacts of COVID-19 have not spared Nigeria. The country recorded its first case of COVID-19 on February 27, 2020, and has subsequently suffered three distinct wave of infection, peaking in June 2020, January 2021, and August 2021. Health and safety measure including inter-state and international travel bans, restrictions on mass gatherings, and school closures have waxed and waned with case numbers, as the federal government has sought to contain the spread of the virus (Lain and Vishwanath, 2021). Nevertheless, many of the primary effects of the COVID-19 crisis on Nigeria have been economic, rather than health related. The early part of the COVID-19 crisis ushered in Nigeria's deepest recession since the 1980s, with services and industry hit especially hard. This partly stemmed from lockdown measures restricting people's ability to go to work. On top of that, the price of oil which represents more than 80 percent of Nigeria's exports and more than 50 percent of government revenues tumbled more than 60 percent between February and May 2020. In the later stages of the COVID-19 crisis, even though economic activity began to recover, inflation started to accelerate, especially for food items that are crucial for consumption among the poor and vulnerable. By disrupting markets, the crisis has exacerbated pre-existing structural distortions including trade restrictions, such as the 2019 border closer which were already driving up prices and eroding purchasing power, even before the pandemic struck (Lain and Vishwanath, 2021). Thus, Yobe state is a rural state economically disadvantaged and is a state which detrimentally affected by high rate of poverty, illiteracy and unemployment and is the area which is affected by *Boko Haram* insurgency, for as a result people were killed, properties were destroyed, people became homeless, poverty is prevalent, children and widows begging on streets, no potable water to drink, no food, no education, no health care facilities and many other factors couple with Covid-19 pandemic resulted to economic disorder. In lieu of the above condition the owners of SMEs has suffered from capital loses.

Therefore, the need to provide alternative mechanism to robust the economic activities of the SMEs owners in the state is needed, so, Islamic finance product and services can be used to serve as a tool or catalyst in solving socio-economic problems of SMEs owners in the state. On top of that, Islamic finance like any other financial institution need funds to run its activities, numerous studies indicate that Islamic financial institutions performs well and growing rapidly more than conventional financial institutions. Islamic financial institutions considered as the segment that quickly facilitate funds for the operation of SMEs. Hence, banking sector is one among the important segment that supports the operation of SMEs through provision of capital. In responding to socio-economic challenges in Yobe state, such as provision of access to financing small and medium micro-enterprises, Islamic banking product and services can be install. Still, Islamic banking in its framework (product and services) can be used to improve the living standard of less fortunate and the poor through achieving the objectives of social justice.

Therefore, the objectives of the paper are to investigate the operational challenges faced by SMEs in Yobe state after the incidence of Covid-19 pandemic virus and to posit the Islamic finance way-out to such challenges

LITERATURE REVIEW

An Overview of SMEs in Nigeria

Nigeria is unarguably one of the largest economies in the Sub-Saharan Africa. Though the country relies majorly on oil, its economy is also grown by pockets of corporate organizations covering almost all spheres of activities within the country, ranging from multinational corporations with offices within the country, indigenous companies, and largely by small and medium scale enterprises (SMEs) (Mekwunye, 2018). Small and Medium Enterprises (SMEs) are critical to the development of any economy as they possess great potentials for employment generation, improvement of local technology, output diversification, development of indigenous entrepreneurship and forward integration with large-scale industries. In Nigeria, there has been gross under performance of the SMEs sub-sector and this has undermined its contribution to economic growth and development. The key issues affecting the SMEs in the country can be grouped into four namely: unfriendly business environment, poor funding, low managerial skills and lack of access to modern technology (FSS 2020 SME Sector Report, 2007 as cited in CBN, 2022).

Among these, shortage of finance occupies a very central position. Globally, commercial banks which remain the biggest source of funds to SMEs have in most cases, shied away because of the perceived risks and uncertainties. In Nigeria, the fragile economic environment and absence of requisite infrastructure has rendered SME practice costly and inefficient, thereby worsening their credit competitiveness. To improve access to finance by SMEs, the Central Bank of Nigeria has approved the investment of the sum of N500 billion debenture stocks to be issued by the Bank of Industry (BOI) with effect from May, 2010. In the first instance, the sum of N300 billion will be applied to power projects and N200 billion to the refinancing/restructuring of banks existing loan portfolios to Nigerian SME/manufacturing sector. So far, the guidelines for the N200 billion refinancing and restructuring of banks loans to the manufacturing sector has been issued by the Bank, while those for the power sector will be issued at a later date.

Complimentary to the above, the Bank has also established a N200 billion Small and Medium Enterprises Credit Guarantee Scheme (SMECGS), for promoting access to credit by SMEs in Nigeria. The Scheme shall be wholly financed by the Central Bank of Nigeria (CBN) as stipulated in the guidelines: The objectives of the SMECGS are to:

1. Provide guarantee for credit from banks to SMEs and manufacturers.
2. Increase the access of promoters of SMEs and manufacturers to credit.
3. Set the pace for industrialization of the Nigerian economy.

The overall goal of these two initiatives are to increase output, generate employment, diversify the revenue base, increase foreign exchange earnings and provide inputs for the industrial sector on a sustainable basis.

It is evidently clear that the micro, small and medium enterprises could play a catalytic role in the economic transformation of Nigeria. The role includes substantial contribution of the sector to the gross domestic product, employment generation, export, increasing local value addition and technological advancement. Other measures advanced by the advocates of micro, small and Medium enterprises developments in the country include:

1. The low level of capital required in the establishment of the enterprises.
2. The large number of the establishment and their labour intensive modes of operation guarantees employment for a large number of persons (labour intensive).
3. Inventions, adaptations, and general technological development are common in these enterprises.
4. A more equitable distribution of income is usually achieved in this sector.
5. Industrial diversification and a relatively more balanced regional development are assured.
6. The evolution of indigenous enterprise is common amongst these establishments.
7. General enhancement of the tempo of industrial development is visible among these enterprises.
8. Tendency among these enterprises to become feeders of large-scale enterprises and service products made by the latter.

There have been several studies on the performance of SMEs in Nigeria and the impacts of Covid-19 pandemic on SMEs in Nigeria, Kiran (2022), investigate the relationship between the growth of Islamic banks and financial institutions and the operational performance of SMEs enterprises located in Oman. The study find out that owners/managers of SMEs and employees have effective knowledge regarding Islamic financing principles. Further findings indicate that there is positive correlation between operations of Omani SMEs and Islamic financing. It is found that Islamic financing has benefitted SMEs operations as well as could play a signicant role in the growth of SMEs and their operations in the future. Antony, Kashim, Emmanuel, and Ibrahim (2020), examined the impact of policies/programmes and the security situation of productivity of SMEs in Nigeria. The study posits out that multiple taxation is detrimental to SMEs productivity and thus need to harmonize to mitigate cost for SMEs in the country. Kot, Haque and Baloch (2020), investigate the supply chain management in total 613 SMEs of Canada, Iran, Turkey to explore SMEs practices in global context. The result confirmed SCM's determinants, factors, barriers, practices, functioning, environmental and social sustainability statistically significantly differ in contrasting economies while only SCM's determinants do not significantly differ for the size of entity. Dane, Akyuz and Isaac (2021), examined the effect of Covid-19 on the growth of small business in Nigeria. The study finds out that there was negative and significant effect of Covid-19 on the performance (growth) of small businesses in Nigeria.

Jelili (2020), investigates an overview of coronavirus (Covid-19) on SMEs and its impact of economic recovery is examined. The findings of the paper indicate that, recent study provides health implication of Covid-19 which has overwhelmingly explained by World Health Organization (WHO). The paper argue that appropriate measures should be provided especially by given loan support to SMEs in expanding and strengthening the existing and new business opportunities as response to the impact of post-covid-19 economy recovery in the country. Sunday, Tian, Odette and Gidado (2020), investigate financial crises affecting the stability of small and medium scale enterprises. The study revealed that the cessation of movement, the reduction in consumer spending power, and decrease in imports is negatively affecting Nigerian SMEs. Alibi, David and Aderinto (2019), evaluate the impact of government policies on business growth and SMEs that operates in six states that made up the South-West geopolitical zone of Nigeria. The results show that there is a significant relationship government policy and business growth of SMEs in South-Western Nigeria. Antony and Harry (2015), reviews the relationship between policies and SMEs performance in Nigeria. The study found that government policy has a major impact on the competitiveness of SMEs and indicate that SMEs firm performance varies with the choice of the government policy that adopted.

Emmanuel and Daniya (2012), identify the role of government and other financial institutions particularly micro finance institutions in the development of SMEs in Nigeria. The study discovered that financial institutions provide the necessary financial lubricant that facilitates the development of SMEs, but, a lot still need to be done by the government in terms of formulation in order to complement the effort of financial institutions. Theophilus and Ibrahim (2021), examines the nexus relationship between entrepreneurship through SMEs business formation and the growth of the Nigerian economy and explore the link between SMEs development and economy. The finding shows that there is an increasing number of SMEs formations which has also led to the growth of the economy. Where an increase in the amount of SMEs did not contributes to the development of the economy more than the existing businesses. The employment elasticity is positive and significant and shows that the contribution of entrepreneurship regarding employment is the most essential factor that advances economic growth and reduction of unemployment. Okechulwu and Izunwanne (2014), discussed the issues, challenges and prospects of SMEs in Port-Harcourt city, Nigeria. The study found that poor financing, inadequate social infrastructure, lack of managerial skills and multiple taxation were the major challenges confronting SMEs in Port-Harcourt city.

Despite the growing body of literature examining the economic impact of COVID-19 on Small and Medium Enterprises (SMEs) in Nigeria, existing studies predominantly focus on short-term disruptions, financial losses, and policy responses, while largely overlooking the role of alternative financing frameworks in post-pandemic recovery. In particular, empirical evidence linking Islamic finance instruments to SME resilience and recovery remains scarce, especially in conflict-affected and economically marginalized regions such as Yobe State. This study addresses this critical gap by advancing a context-specific analysis of how Islamic finance models can function as viable post-crisis financing mechanisms for SMEs, thereby extending the discourse on inclusive and ethical finance within fragile economic environments.

RESEARCH METHODS

This study adopts a qualitative descriptive research design to explore the operational challenges experienced by SMEs in Yobe State following the COVID-19 pandemic. Primary data were collected through direct field observations of SME activities across selected sectors, including trade, agro-processing, and small-scale manufacturing. The sampling technique employed was purposive convenience sampling, focusing on SMEs that remained operational before, during, and after the pandemic period. Data analysis was conducted using thematic content analysis, whereby observed patterns and recurring issues were categorized into key themes reflecting post-pandemic operational constraints. This approach enables an in-depth contextual understanding of SME realities in a conflict-prone and economically fragile region.

RESULT AND DISCUSSION

The Aftermath of Covid-19 on SMEs Operation in Yobe State

There are several challenges/problems on the growth and development of the SMEs operation during Covid-19 pandemic in Yobe state, Nigeria. The study posits the problems that bring about setback in the operation of SMEs in Yobe state, Nigeria:

1. Lack of Capital/Funds: for the success of any business activities it has to do with enough and adequate capital to run the activities and operation of the firm. Capital serve serves as a lubricant that helps in the smoothness of SMEs businesses. Thus, during the period of Covid-19 pandemic SMEs in Yobe state were faced with limited capital to run their activities, this is as a result of restriction of movement and other measures adopted to curtail the pandemic situation. This situation give scene of decrease in market capacity and stoppage in production of commodities by the SMEs and this negatively affect the SMEs firms even after the pandemic and the state economy at large.
2. Inadequate Technical Personnel: for the SMEs to effectively and efficiently undertake its activities easily it has to have enough personnel to run and watch the affairs of the firm. But, with the pandemic situation most of the SMEs in Yobe state are unable to maintain their personnel/staffs due to low market and inactive business environment. Thus, the firms reduce the number of staffs and this helps in the increase of the number of unemployment in the state and the country.
3. Multiple Taxation Policy: SMEs firms payment much or higher tax imposed by government has seriously caused detrimental effects to the movement of the activities of SMEs nationwide. Likewise, SMEs in Yobe state faced with challenges of higher rate of taxation and this contributed to inflation in the price of commodities. Therefore, the situation affects the market of SMEs by decreasing the amount of commodity demanded by the end users as a result the firms would collapse due to decrease in productivity level and low profit earned.
4. Inadequate Raw Materials: inadequate raw material by SMEs firms in Yobe state is another barrier that militate the growth and functioning of SMEs firms in Yobe state. During and after Covid-19 pandemic SMEs lack access to purchase raw material nationally and internationally due to restriction in movement and market opening. This condition has negatively helped in inflation in the price of commodities even after the pandemic and it has helped in worsening the living standard of the poor.
5. Higher Level of Insecurity: insecurity (Boko Haram) insurgency coupled with Covid-19 pandemic is also another hurdle that crippled the sustainability of SMEs in some part of Yobe state. Some of the SMEs firms acquired necessary tools for the operations, but the insecurity challenge in the state made the firms vacillating.

The Role of Islamic Finance as a Catalyst in the Operation of SMEs

Islam permits increase in capital by means of trading. The Almighty Allah (S.W.T) says;
"Oh you who believe, do not consume your property among yourselves Wrongfully, but let there be a trade by mutual consent." Q4:29. Subsequently, Islam prohibits an increase in capital through usury

(*riba*). Allah (S.W.T) says; *"Oh you who believe, fear Allah and give up what remains due to you of interest if you are indeed believers. And if you do not, then be warned of war (against you) by Allah and His messenger, while if you repent you shall have your capital. Do not wrong and you shall not be wrong." Q2:278-279. "O you who believe! Do not consume Riba (usury) doubled and multiplied, But fear Allah that you may be Successful."* Q 3:130. In another Hadith the Prophet (S.A.W) said; *"Allah's curse is upon whoever consumes Riba, whoever pays Riba, the two who are witnesses to it, and the scribe who records it" (Sahih Bukhari).* Sayyid Abul Ala Maududi the fouder of Jama'at-e-Islami, cited in Omar Farooq (2007), had profound the impact on the development of Islamic banking and finance movement, where he expose the evils of interest in his notable book "Sud". *"The main reason why Islam abolishes interest is that it is oppression (Zulm) involving exploitation."*

Islamic banks no doubt can play an integral role in promoting the economic development of Yobe state and the country at large. Quite sure, numerous problems have been identified as the driver for shutting down the activities of SMEs in Yobe state. Accordingly, the need to find the possible solution to such problems became imperative. Therefore, Islamic banking sector will serves as catalyst and actor in bridging both material and financing gap. In terms of provision of adequate funds, raw material, social infrastructure and maintenance of personnel's, Islamic banking product and services remains a therapeutic to the problems of funding faced by SMEs in Yobe state. Several financing option by Islamic bank have been feature as panacea to problems of SMEs in Yobe state.

Operation Mechanisms of Islamic Banking

The major mode of financing operates in Islamic banks which will be used as a catalyst to the problems of SMEs in Yobe state are; *Musharakah*, *Mudarabah*, *Murabaha*, *Ijarah*, *Bai-Salam* and *Istisna'* financing. *Musharakah*: is an Arabic word literary means sharing. In the business and trade context refers to a joint enterprise in which contributors or partners share profit and loss of the venture. It is a mode of financing that substitute interest-based financing and it does not predict a fixed return. Rather, the return is based on the real profit produce by the joint venture.
In *Musharakah* contract the following rules has to be applied;

1. The contract must take place with free consent of the parties without any duress, fraud or mispresentation.
2. The proportion of profit to be distributed between the partners must be stated at the time of affecting the contract.
3. Losses must be distributed in proportion to the contribution of the partners.
4. Each partner has the right to terminate the partnership at any time by giving notice to the other partner.

Another form of *Musharakah* is known as *Musharakah Mutanaqisa* (Diminishing *Musharakah*), in this form of *Musharakah* the financier and his client participate in joint ownership of property or joint commercial enterprise. In which the share of financier is divided in to units and later the client will purchase the units of the share of the financier one by one periodically. For example; Usmasco Global Link Nigeria Limited wants to purchase a bus to use it for company marketing and earn income through the sale of commodities produce by the company, but the company has little money. The Islamic bank agrees to contribute in the purchase of the bus; consequently, the two of them purchase the bus together. 70% of the amount is paid by Islamic bank and 30% is paid by Usmasco Global Link Nigeria Limited. After the bus is purchased, the bus is used in marketing of the company goods and #3000 is earned on daily basis from the usage. Since Islamic bank has 70% share in the bus, it is agreed that 70% of the earning will be given to Islamic bank and the rest of 30% will be retained by Usmasco Global Link Nigeria Limited who has 30% share in the bus. Also the share of Islamic bank will divided in to seven units. After each two month Usmasco Global Link Nigeria Limited purchases one units from the share of Islamic banks. Therefore the share of Islamic bank reduce to 60% and the share of Usmasco Global Link Nigeria Limited increase to 40% and from then the share of Islamic bank will be reduce to 60% on daily earnings and the share of Usmasco Global Link Nigeria Limited will be increase to 40% from the daily earnings. This process will be continued until after the expiry of the period, where the whole of the bus is owned by Usmasco Global Link Nigeria Limited and Islamic bank will take back the original investment along with income distributed.

Mudarabah: this is a kind of partnership where one party provides the funds and the other party provides the managements and expertise of a capital. The party provides the funds is called the '*Rabb-ul-mal'* and the one provide the managements and expertise is called '*Mudarib'*. *Mudarabah* contract is also divided in to two; the first one is *Mudarabah al-Muqayyadah* (restricted *Mudarabah*) a contract where the *rabb-ul-mal* may specify particular business for the Mudarib to invest only. The second one is *Mudarabah al-Mutlaqah* (unrestricted *Mudarabah*) this one is left to *Mudarib* to undertake whatever business he wishes without restriction. The following are some of the basic rules in *Mudarabah* contract;

1. Right from the beginning the parties involved in *Mudarabah* should agree on the profit sharing ratio to which each one of them entitled.
2. In case of losses the *rabb-ul-mal* may loss the capital he invested in the business and the *mudarib* will loss his expertise and time he spent in managements of the business.
3. *Mudarabah* contract can be terminated at any time by the parties in the contract. The only condition is to give notice to the other party.
4. If the assets of the *Mudarabah* are in cash form at the time of termination, and some profit has been earned, it shall be distributed according to agreed ratio and if the assets are not in cash form the *Mudarib* shall be given an opportunity to sell and liquidate them so that actual profit may be determined.

In this regard, Islamic bank can stand as *Rabb-ul-mal'* (capital investor), while SMEs may stand as *Mudarib'* (capital manager) who will invest the capital and share the profit according to agreed ratio.

Murabaha: this involves the resale of a working capital or means of production after adding a specific profit margin. Most of the Islamic banks and financial institutions are using *Murabaha* as an Islamic mode of financing and most of their financing operations are based on *Murabaha*. *Murabaha* is a contract where the seller agrees with his buyer to supply him with merchandise on a certain profit added to his cost. The basic component of *Murabaha* is that the seller discloses the real cost he has incurred in acquiring the goods and then add some profit thereon. The following are some of the basic rules of *Murabaha* contract;

1. The item of sale must be in existing at the time of sale.
2. The item of sale must be in the ownership of the seller at the time of the sale.
3. The item of the sale must be a property of value.
4. The item of sale should not be a thing which used for haram purpose like pork, wine and so on.
5. The item of sale must be specifically known and identified by the buyer.
6. The delivery of the sold goods to the buyer must be specifying.

Here, Islamic bank may supply raw material or any social infrastructure (production equipment) needed by SMEs based on agreed profit margin line and period of payment (i.e installmentally).

Ijarah: the word *Ijarah* literary means 'to give something on rent'. But, technically is defined as usufruct of an asset or to employ the services of a person on salary given to him as a consideration for his services. Also there is another form of *Ijarah* known as *Ijarah WaI Iqtina* (lease to own). In this form of *Ijarah* the asset is purchased or constructed and owned by Islamic bank and the client jointly. Then the bank leases its share to the client on agreed rental plus bank's share payments over an agreed period with the elasticity of either monthly repayments arrangement. In leasing, the lessor retains the ownership of the asset, the lessee the possession. The latter will retain the same on payment of rentals over the lease period. The following are some basic rules of *Ijarah* contract;

1. The item of lease must be something valuable. So, anything that has no value or usufruct cannot be considered as leased item.
2. The period of lease must be clearly pronounced.
3. The lease item cannot be used for another purpose other than the one specified in the lease agreement.
4. The rental amount must determine in advance.
5. The lease period commence upon the delivery of the item of lease.
6. The leasing may also be terminated if the lease item losses the function of which was leased.
7. Any negligence or misused by the lessee he is prone to pay damages.

Consequently, in terms of staff or personnel's or any other equipment to be use SMEs Islamic bank may engage in *Ijarah* contract with SMEs.

Bai-Salam: this is a sale in which the seller promises to supply specific merchandise to the buyer at a future date with a price paid at spot. For example; an Islamic bank may buy specific merchandise with a known description such as agricultural produce or other things for a fixed period. The bank pays the price at a spot and wait for the delivery period to receive the goods as promise by the supplier or seller and if the fixed period comes, the seller will deliver the prescribed goods. Both subsistence and low level subsistence farmers may benefit from this financing. The following are some basic rules of *Bai-Salam* contract;

1. The price should be paid by gold, silver or any valuable currency in order to prevent dealings with *Ribah*.
2. The description of the goods should be known such as its kind, types, weight and amount to avoid dispute among the parties involved in the business.
3. The period should be fixed and known and also agreed by the parties.
4. The price should be paid at the spot, so that business will not involve selling of debt for a debt which prohibited by *Shari'ah*.

Istisna'a: this is a contract where by a party promise to produce a specific goods which is possible to be made according to a certain agreed specification, with a specified price and fixed period of delivery. *Istisna'a*is a financial instrument in Islamic banks in which a manufacturer agrees to construct a certain project on a future time and agreed upon certain price with a specification agreed by both parties. Also there is another form of *Istisna'a* called Parallel *Istisna'a*. In this form of *Istisna'a* a client who wants the project or asset enters *Istisna'a* contract with the bank to provide such asset with the specification. The bank then enters parallel *Istisna'a* contract with a manufacturer (the third party) with the same specification. For example; Usmasco Global Link Nigeria Limited approach the Islamic bank to construct a housing estate with specification for the price of five hundred million naira (#500,000,000). Then the Islamic bank enters an agreement with a Salow Global Links Nig. Ltd (Construction Company) to build the houses with the same specification for four hundred million naira (#400, 000,000). When the building of the houses is finished, Salow Global Links Nig. Ltd hands over the houses to the bank and the bank verifies the specifications and bank also deliver the houses to Usmasco Global Link Nigeria Limited, on the payments agreed upon. The following are some basic rules of *Istisna'a* contract;

1. The description of the object of *Istisna'a* should be known and agreed by the parties involved such as its kind, types, quality and quantity to avoid dispute.
2. The object of *Istisna'a* must be things that are recommended by *Shari'ah*.
3. Period of delivery should be fixed and agreed by the parties.
4. Place of delivery has to be stated in advance, for if the object need transportation and loading expenses.

Bai al-Mu'ajjal: this refers to a sale under which the price of an item involved is payable on a deferred basis either in knob or installment. This may be used for financing present input necessity of factories, agro-businesses and both foreign and domestic businesses. Here Islamic banks undertake financing client or SMEs who approach to buy equipment or raw material for production. The bank buys the goods in cash and gives it to the client on deferred payment on install mental over agreed period of time.

Islamic banks apart from its financing strategy including above mentioned mechanisms, provides loan to client who is in distress (Qard Hasan) which is the only loan provided by Islamic banks to replace conventional banks loan schemes (over-draft, cash credit and demand loan). Therefore, Islamic banking products and services are the most appropriate tool to be use in helping and boosting the business palace of SMEs in Yobe state and Nigeria in general. Especially for the societies that lacks financial services and unable to support their business and day-day consumption. They need financial support to advance their businesses in order to meet up their daily needs. Thus, Islamic bank is an alternative popular mechanism for supporting SMEs due to its ethical principles and easiest way of promoting economy..

CONCLUSION

This study provides contextual evidence on the post-COVID-19 operational challenges confronting Small and Medium Enterprises (SMEs) in Yobe State, Nigeria, a region characterized by economic fragility and prolonged insecurity. The findings reveal that limited access to capital, shortage of skilled personnel, multiple taxation, inadequate raw materials, and persistent security challenges continue to undermine SME sustainability in the post-pandemic period. These constraints not only reflect the lingering economic effects of COVID-19 but also expose long-standing structural weaknesses within the SME ecosystem.

The study further demonstrates that Islamic finance instruments—particularly Musharakah, Mudarabah, Murabahah, Ijarah, Salam, and Istisna'—offer viable, ethical, and risk-sharing financing alternatives capable of supporting SME recovery and resilience. Unlike conventional interest-based financing, Islamic finance emphasizes asset-backed transactions and profit-and-loss sharing, making it more suitable for SMEs operating under uncertainty and income volatility. In this regard, Islamic finance emerges not merely as a complementary financial option but as a strategic mechanism for inclusive and sustainable SME development in post-crisis settings.

From a policy perspective, the findings underscore the need for greater integration of Islamic finance into SME development frameworks, especially in conflict-affected regions. Enhancing awareness of Islamic banking products, improving regulatory support, reducing multiple taxation, and fostering collaboration between government agencies and Islamic financial institutions are critical steps toward strengthening SME recovery. Overall, this study contributes to the literature on post-crisis SME financing by advancing a context-specific understanding of Islamic finance as a tool for economic stabilization, social justice, and long-term development in fragile economies..

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