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CREDIT ACCESSIBILITY AND SMALL AND MEDIUM SIZED ENTERPRISES (SMES) IN OSUN STATE, NIGERIA

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ABSTRACT

This research study examined the accessibility of credit for small and medium-sized enterprises (SMEs) in Osun State, Nigeria. More specifically, the study examined the factors that impact SMEs' credit accessibility and determined the degree to which government institutional funds and credit schemes have influenced SMEs' credit accessibility in Osun State. The study utilized a descriptive survey research design, randomly selecting 238 SMEs and collecting data through a structured questionnaire. The data was analyzed using both descriptive statistics and a logit regression model. The results demonstrate that small and medium-sized businesses in the research area can more easily obtain financing attributable to government institutional funds. The survey also showed that excessive levels of documentation and bank interest rates had a major detrimental impact on small and medium-sized businesses' ability to obtain funding. Therefore, the study suggests that policy measures be implemented by the government to control the interest rate that banks charge on loans to small and medium-sized enterprises. Second, proactive steps must be taken by the government, financial institutions, and other stakeholders to make credit more accessible to SMEs.

Keywords: credit, credit accessibility, interest rate, loan, small and medium enterprises.

1.0 INTRODUCTION

Nigeria's small and medium-sized businesses (SMEs) are essential to the nation's economy because they foster innovation, job growth, and economic prosperity. SMEs are central to the growth and development of economies worldwide, whether they are in the process of development or already developed (Maharaj & Msomi, 2022). A thriving SME sector is a prominent characteristic of a growing economy (Feeney & Riding, 1997; Nhung et al. 2015).

In Nigeria, SMEs play a substantial role in the overall industrial development, employment generation, production, and value-added within the business landscape (Osuagwu, 2001). They constitute a dominant portion, accounting for 75% of all registered companies in the country. This viewpoint supports Okongwu's (2001) claim that, despite the existence of multinational corporations and other large firms in Nigeria, SMEs play a crucial role in the country's economic, technological, social, and political development as well as driving its industrial prosperity.

Small and medium-sized enterprises (SMEs) in Nigeria have numerous challenges, one of which is their restricted access to credit facilities, notwithstanding the important contributions SMEs have made to the country's economic growth (Maharaj & Msoni, 2022). Access to funding is a vital aspect that determines the sustainability of small and medium enterprises (SMEs) in any economy, according to several business surveys (UNCTAD, 2001; Rasheed *et al.*, 2018). Financing accessibility gives SMEs the chance to grow their operations, adopt new technologies, and make profitable investments, all of which increase their competitiveness and boost the country's overall competitiveness (Imuoghele et al.*,* 2014).

Access to credit, which encompasses SMEs' ability to obtain financial resources from banks and other financial institutions, is crucial for the survival and growth of these enterprises. It allows them to invest in new equipment, expand their operations, hire employees, and meet various financial obligations. According to Eneh and Sylvia (2015), there are several reasons why SMEs in Nigeria struggle to access credit. Firstly, many SMEs lack the necessary collateral, such as real estate or machinery, which banks typically require as security for loans. This limits their ability to obtain credit.

According to Eneh and Sylvia (2015), traditional lending institutions like banks regard SMEs as risky borrowers, primarily due to factors such as the absence of credit history, unstable cash flows, and the volatile business environment in Nigeria. Consequently, financial institutions may impose strict criteria or impose excessively high interest rates, creating challenges for SMEs in meeting the requirements or affording the credit they need.

In the research conducted by Eyiah et al. (2018) bureaucratic obstacles and protracted loan application processes were identified as contributing factors to the difficulties faced by SMEs when seeking credit. SMEs often find themselves entangled in intricate procedures and extensive paperwork, which consume time and demoralize them. These bureaucratic hurdles increase both the cost and duration required to secure credit, further restricting access to credit for SMEs.

Addressing the challenge of credit accessibility for SMEs in Nigeria is imperative for nurturing economic growth and development. It is in this wise that this study seeks to investigate the accessibility of credit by small and medium enterprises in Osun State, Nigeria, while also looking into the effect of credit accessibility on small and medium enterprises in the study area.

Despite the crucial role that small and medium enterprises (SMEs) play in driving economic growth and development, particularly in emerging economies like Nigeria, there exists significant knowledge gap regarding the specific factors influencing credit accessibility for SMEs in Osun State, Nigeria, and how this accessibility impacts their operations and growth prospects. While previous studies (Adebayo,

2020; Adenuga & Olokundun, 2020; Ojo & Ayoade, 2019; Yaseen & Blessing, 2017; Eneh et al., 2015; Adegbemi et al., .2013) have explored the broader challenges of SME financing in Nigeria, such as high collateral requirements and limited financial literacy, they often generalize their findings across various regions, thereby overlooking the unique socio-economic and institutional dynamics of Osun State. Additionally, these studies often neglect to consider the viewpoints of essential stakeholders such as local banks, government agencies, and SME owners, thereby missing valuable insights that could inform effective policies and interventions. Thus, there is a need for empirical research that investigates the contextual factors shaping credit accessibility for SMEs in Osun State, Nigeria, with a focus on the specific objectives outlined below:

1. determine the factors that influences SMEs credit accessibility in Osun State, Nigeria.
2. examine the effect of high interest rate on credit accessibility by SMEs in Osun State, Nigeria
3. ascertain the extent to which government institutional funds and credit schemes have contributed to the accessibility of fund to SMEs in Osun State, Nigeria.
4. investigate the effect of high bank charges and high level documentations on credit accessibility for SMEs owners in Osun State, Nigeria.

To address the specific objectives above, the following questions were answered in the course of the study. What are the factors that influence SMEs credit accessibility in Osun State, Nigeria? What is the effect of high interest rate on credit accessibility by SMEs in Osun State? To what extent has government institutional funds and credit schemes contributed to the accessibility of fund by SMEs in Osun State? What effect does high bank charges and high level documentations have on credit accessibility for SMEs owners in the delineated study area?

This study will contribute to a deeper understanding of the distinct factors that impact small and medium-sized enterprises' (SMEs) access to credit within the distinctive socio-economic and institutional framework of Osun State, Nigeria. By concentrating on this particular area, the study intends to reveal regional intricacies that might not be addressed in more general national or regional investigations. Additionally, it seeks to offer valuable perspectives on the economic importance of credit access for SMEs in the locality. This understanding of how credit accessibility shapes SME outcomes can guide decision-makers in efforts to foster SME expansion and progress.

2.0 LITERATURE REVIEW

2.1   The Pecking Order Theory

This study is grounded in the Pecking Order Theory, initially proposed by Donaldson (1961) and later expanded upon by Myers and Majluf (1984). According to this theory, firms follow a hierarchical preference for financing sources, prioritizing internal funds (such as retained earnings) first, followed by debt financing (e.g., bank loans or bonds), and finally equity financing (through issuing new shares). This prioritization is driven by the notion that internal funds are the least costly and least subject to information asymmetry, while debt financing imposes contractual obligations but avoids the signaling issues associated with equity issuance (Myers and Majluf, 1984).

The rationale behind the pecking order theory is that companies generally have more information about their own operations and prospects than the external financial markets. As a result, the announcement of equity issuance may lead to negative signals to the market, suggesting that the company's management believes that its shares are overvalued (Fama & French, 2005). This adverse selection problem makes equity financing less attractive, while debt financing does not dilute ownership and allows companies to benefit from tax deduction on interest expenses.

However, this theory also assumes that companies have asymmetric information. In reality, companies may choose debt financing or equity financing based on other factors such as availability, cost of capital, and risk considerations. Additionally, the pecking order theory does not consider the potential benefits of equity financing, such as accessing new investors or diversifying ownership (Frank & Goyal, 2003).

Overall, the pecking order theory provides insights into the financing decisions of companies and how they prioritize different sources of funding. While it may not fully capture all financing behaviors, it continues to be a valuable framework for understanding corporate finance choices.

Past researchers (Meressa, 2022; Almazari & Idris, 2019; Bakar et al., 2016; Obrimah, 2014; Beck et al., 2008; Myers and Majluf, 1984) have empirically tested the predictions of Pecking Order Theory in the context of SME financing. They have examined factors such as firm size, profitability, growth opportunities, and ownership structure to understand their impact on SMEs' financing choices and credit accessibility. These studies have provided empirical evidence supporting the relevance of Pecking Order Theory in explaining SMEs' financing behavior and its implications for credit accessibility (By applying Pecking Order Theory to the study of credit accessibility and SMEs in Osun State, researchers can gain valuable insights into the financing preferences and behavior of SMEs in the region. This theoretical framework provides a useful lens through which to analyze the complex relationship between SME financing decisions and credit accessibility, contributing to a deeper understanding of the challenges and opportunities facing SMEs in accessing external financing in Osun State, Nigeria

2.2 Empirical Review

A study by Meressa (2022) investigated the factors that influence the financing preferences of micro and small-scale enterprises in Benishangul-Gumuz Regional State, Ethiopia, in relation to the pecking order theory and access to credit. The research employed a cross-sectional survey questionnaire to collect primary data from a sample of 296 enterprises, selected using proportional stratified random sampling. The data analysis, which included descriptive and logistic regression analysis, revealed that various factors significantly affect enterprises' access to credit, including business experience, size, sector, collateral, interest rate, loan repayment period, financial reporting, business plan preparation, location, and the educational status of entrepreneurs. The findings showed that a significant majority of 54.73% (162) of the enterprises opted for external funding through credit to finance their businesses, while 45.27% (134) preferred to rely on internal funding sources. This suggests that most entrepreneurs deviated from the financing decisions predicted by the pecking order hypothesis. Based on these results, the study recommends that the government explore various financing options to support and promote enterprises. Additionally, the government should consider establishing credit guarantee schemes or providing funds for small businesses, which could help mitigate the information asymmetry between lenders and borrowers, thereby facilitating access to credit.

Delphin and Awolusi (2023) explored the impact of credit accessibility on the growth of small and medium enterprises (SMEs) in Bujumbura, Burundi. The researchers investigated three specific aspects: how creditworthiness affects credit accessibility and subsequently influences SME growth; how business characteristics influence credit accessibility and SME growth; and how access to information affects credit accessibility and SME growth. The study employed a descriptive survey design and gathered data from a sample of 186 respondents. Here is a rephrased version of the sentence: The data analysis, which included frequency and percentage tables, mean and standard deviations, and linear and multiple regression analyses, yielded significant findings. Specifically, the study discovered that creditworthiness had a substantial impact on SME growth (Adjusted $R2=0.059$, $p=0.001$), as did business characteristics (Adjusted $R2=0.242$, $p=0.000$) and access to information (Adjusted $R2=0.116$, $p=0.000$). Overall, the study concluded that credit accessibility plays a crucial role in the growth of SMEs. Therefore, the study recommends that SME owners should prioritize obtaining collateral security and proper documentation before seeking credit from financial institutions to enhance their chances of accessing credit and promoting business growth.

The effect of interest rates on the availability of financing for small and medium-sized businesses (SMEs) in South Africa was investigated in a recent study by Msomi (2023). The study used a quantitative research approach to gather data from a sample of 200 South African SMEs, and it then used multiple regression analysis, correlation analysis, and descriptive statistics to analyze the data. With a correlation coefficient of -0.199 ($p < 0.05$), the results showed a strong inverse association between interest rates and loan accessibility, suggesting that SMEs have less access to credit when interest rates are higher. The results show that interest rates significantly and negatively affect small and medium-sized businesses' (SMEs') capacity to obtain financing in South Africa. Furthermore, the study shows that getting inexpensive loans is a major barrier for SMEs, and interest rates play a crucial role in this difficulty. The report suggests that in order to improve SMEs' access to credit, South African authorities take into account enacting steps to lower interest rates and loosen collateral requirements. The report also suggests that SMEs give priority to strengthening their creditworthiness, establishing a solid credit history, and raising their likelihood of obtaining loans.

Eneh et al. (2015), in their study titled "Assessing Credit Accessibility for SMEs in Nigeria," investigated the extent to which small and medium-sized enterprises (SMEs) in Nigeria can access credit from financial institutions. The study employed linear regression and t-test to analyze the data obtained. The study revealed that the performance of SMEs in Nigeria has not improved in comparison to more developed nations. It also highlighted numerous challenges that SMEs faced, which have adversely affected their performance. The study recommended that the subsector should be given necessary attention and support to enhance its performance as a vital driver of economic growth and a catalyst for socio-economic transformation in Nigeria.

Nhung et al. (2015) carried out an empirical analysis of credit accessibility for small and medium-sized enterprises in Vietnam. The study identified the accessibility of credit for SMEs, identified factors influencing access to credit, and examined the interest rates charged on loans in Vietnam. The study's findings revealed that owner characteristics, including educational level and gender, played a significant role in determining credit access, as did SMEs' relationships with banks and customers. However, owner characteristics had no significant impact on loan interest rates. The study also found that the most expensive source of financing was private money lenders, followed by commercial banks and microfinance institutions. It concluded that networks, relationships, and connections continued to have a significant influence on the SME credit market in Vietnam.

Yaseen and Blessing (2017), in their study empirically examined how firm and owner characteristics affect the availability of bank credit to Small and Medium-Sized Enterprises (SMEs) in Nigeria. The study used secondary data and descriptive statistics to analyze the data obtained. The study revealed that medium-sized firms were more likely to secure credit compared to small firms, and higher-performing firms had better access to credit than those with lower performance. Additionally, the study found that firms with sole proprietorship were less likely to obtain credit than partnerships or corporations.

Adegbemi et al. (2013) focused on how financing small-scale enterprises affects economic growth in Nigeria. The study relied on secondary data, and employed ordinary least squares estimation technique for data analysis. The findings showed that while high interest rates had a negative impact on economic growth, loan provisions to small-scale enterprises had a favorable impact on economic performance. The study came to the conclusion that, although having access to finance or capital is important, it is not enough to guarantee the successful development of entrepreneurship.

Based on the above empirical findings, the following hypotheses were formulated:

H_{01}:   Government institutional funds and credit schemes have no significant influence on credit accessibility by SMEs in Osun State, Nigeria.

H_{02} High bank charges and high level documentations have no significant effect on credit accessibility of SMEs owners in Osun State, Nigeria.

3.0 METHODOLOGY

3.1   Research design

The research design used in this study was a descriptive survey, which is perfect for learning about current phenomena by asking people about their opinions, beliefs, actions, or values (Orodho, 2003). Furthermore, descriptive survey research designs are often more efficient in terms of time and cost compared to experimental or longitudinal studies. They enable the rapid collection of substantial data from a diverse sample, making them well-suited for examining broad trends or patterns (Neuman, 2014).

3.2   Population and sample size

The study population encompasses the entirety of elements that that one intends to draw inferences about (Cooper & Schindler, 2003). In this particular study, the target population comprises all 2,383 registered small-scale enterprises (SMEs) in Osun State (SMEDAN, 2017). A representative sample of 238, equivalent to 10% of the population, was selected for this study. This approach is supported by Smith and Johnson (2018), who note that a 10% sample size is commonly used in survey research, particularly when dealing with sizable populations and aiming for reasonably accurate generalizations. Kothari (2007) similarly recommends that 10% of the accessible population suffices for descriptive studies.

3.3   Sampling procedure

The study employed a simple random sampling technique to select the 238 SMEs owners/managers participating in the research. Specifically, samples were drawn from four local government areas (LGAs) in the state: Osogbo, Irepodun, Olorunda, and Orolu LGAs, chosen due to their high concentration of commercial activity. Simple random sampling was chosen for its ability to ensure adequate representation of the sample and to provide each registered SME an equal opportunity of selection. Moreover, this technique minimizes sampling bias and enhances researchers' confidence in generalizing the findings from the sample to the broader population, as noted by Creswell (2014).

3.4   Research instrument

This study utilized a self-administered structured questionnaire to collect data, which effectively gathered both quantitative and qualitative data aligned with the research objectives. The questionnaire was segmented into four distinct sections. Section A focused on collecting personal and demographic information from respondents, while Section B examined the factors influencing SMEs' access to credit and the interest rates applied to SME loans. Section C explored the role of governmental institutions and credit schemes in enhancing credit accessibility for SME owners, and Section D investigated the impact of high bank charges and extensive documentation on credit accessibility. The questions measuring each aspect were largely adapted from prior relevant studies and the original questionnaire. To validate the survey instrument, content validity was employed, involving experts in the field reviewing the questionnaire to verify its accurate measurement of the targeted constructs. Additionally,

a pilot test was carried out on a small group comprising 30 SME owners/managers to assess the questionnaire's reliability before commencing full-scale data collection.

3.5   Method of data analysis.

The information gathered underwent analysis through Statistical Package for Social Sciences (SPSS) version 22. Descriptive statistics, including means, frequency tables, and percentage tables, were utilized to outline the characteristics of the participants. In addition, inferential statistics, specifically logistic regression, were applied to assess how independent variables impacted the dependent variable.

3.6   Model Specification

Following Nguyen et al. (2015) and Abayomi et al. (2017), the model employed for the study is specified below

$$Logit\ (Y) = \ln\left(\frac{\pi}{1-\pi}\right) = \alpha + \beta X_i + \epsilon$$

$$\pi = \frac{e^{\alpha+\beta X}}{1 - e^{\alpha+\beta X}}$$

……………Equation 1

However, the researcher made modifications to these models to encompass aspects such as SMEs' credit accessibility, government institutional funds and credit schemes as well as high bank charges, and extensive documentation requirement. In this context, the dependent variable, denoted as "Y," was treated as a binary variable where Y=1 represents respondents who have access to credit and Y=0 denotes those who do not. The probability of Y (π) is given by the logit model below:

Where, Y_i= binary dependent variable (Y_1 =Access to credit, and Y_0, otherwise)
α = Y intercept

β_0 = regression coefficient

X_1 = government institutional fund and credit schemes

X_2 = high bank charges and extensive level of documentation requirement.

e = Error Term

For the analysis of the first and second objectives, descriptive statistics like weighted mean were employed. These objectives are primarily descriptive in nature, focusing on identifying and presenting the factors that influence credit accessibility and the interest rates applied to SME loans.

In contrast, for hypothesis testing, inferential statistics in the form of logistic regression were utilized. This choice was made because the dependent variable in this study is binary, denoting whether respondent has access to credit or not. Logit estimation was specifically applied due to its simplicity and suitability for the research context.

4.0 RESULTS AND DISCUSSION

4.1   Socio-Demographic Characteristics of Respondents

Table 1:

Socio-Demographic Characteristics of Respondents

Variable	Frequency	Percentage (%)
Age		
≤20 years	39	17.3
21-30 years	108	47.8
31-40 years	48	21.2
41-50 years	16	7.1
≥50years	15	6.6
Gender		
Male	92	40.7
Female	134	59.3
Marital Status		
Single	110	48.7
Married	116	51.3
Educational Level		
No formal education	11	4.9
Primary	15	6.6
Secondary	57	25.2
OND/NCE	47	20.8
HND/B.Sc.	96	42.5
How did you get the starting capital for your business?		
Family	85	37.6
Personal saving	100	44.2
Loans from bank	6	2.7
Friends	16	7.1
Co-operative society	19	8.4
Do you have access to credit?		
Yes	142	62.8
No	84	35.0
Total	226	100

Source; fieldwork 2023

The demographic details of the study participants, including age, gender, marital status, educational attainment, etc., are displayed in table 1 above. The result shows that 47.8% of the respondents are between 21-30 years, 21.2% are between 31-40 years, 7.1% are between 41-50 years while 6.6% are above 50 years of age. The mean age of the respondents is within the age group 36-40 years. This implies that a significant number of the respondents belonged to the demographic of young and middle-aged adults, characterized by their active, agile, and physically capable disposition for engaging in economic pursuits The table further classifies respondents by their gender, 59.3% of the respondents

are females while 40.7% of the respondents are males. A higher representation of females in SMEs as depicted by the result may indicate progress towards gender equality and the empowerment of women in entrepreneurship. This could be a positive sign of breaking traditional gender roles and providing more opportunities for women to actively participate in economic activities.

The marital status indicates that most (51.3%) of the respondents are married while the remaining (48.7%) are single, As regards education level, 4.9% of the respondents had no formal education, 25.2% had secondary education, and 42.5% of the respondents had tertiary education, The result shows that majority (44.2%) of the respondents got the startup capital for their business through personal saving, 37.6% got theirs through family, 8.4% got theirs through cooperative society, and 7.1% get theirs through friends while 2.7% got theirs through loans from banks. Finally, 62.8% of the respondents have access to credit while 35.0% had no access to credit.

4.2   Factors Influencing SME's Credit Accessibility in Osun State

Table 2:

Factors Influencing Credit Accessibility

Factors influencing credit accessibility.	Yes (%)	No (%)
There is high risk and transaction cost.	205(90.7%)	21(9.3%)
There are high interest rates charged by commercial banks.	199(88.1%)	27(11.9%)
Credit worthiness of SMEs owners is also a major factor militating against credit accessibility.	183(81.0%)	43(19.0%)
Interest rate charged on borrowed funds are very high	178(78.8%)	48(21.2%)
Interest rate charged on borrowed fund is 10% but below 15%.	170(75.2%)	56(24.8%)
Interest rate charged on SMEs is below 10% of the principal amount.	169(74.8%)	57(25.2%)
Are you required to give collateral for the loan?	169(74.8%)	57(25.2%)
Insistence on collateral by lenders	158(69.9%)	68(30.1%)
Non repayment culture of SMEs owners	140(61.9%)	86(38.1%)
There is biased lending from government institutions	128(56.6%)	98(43.4%)
The interest rate charged on borrowed fund is above 15% but below 20%	124(54.9%)	102(45.1%)
Interest rate charged on SMEs is above 30% thus, making repayment to be cumbersome.	122(54.0%)	104(46.0%)
Interest rate charged by lenders is above 20% but below 30%.	106(46.9%)	120(53.1%)
There is lack of registration of business	105(46.5%)	121(53.5%)

Source: Fieldwork, 2023

Table 2 shows the result of factors influencing credit accessibility in the study area. The table revealed that the major factors influencing credit accessibility are high risk and transaction cost (90.7%), high interest rates charged by commercial banks (88.1%), credit worthiness of SMEs owners is also a major factor mitigating against credit accessibility (81.0%), interest rate charged on borrowed funds are very high (78.8%), interest rate charged on borrowed funds are very high (78.8%), interest rate charged on borrowed fund is 10% but below 15% (75.2%), interest rate charged on SMEs is below 10% of the principal amount (74.8%), required to give collateral for the loan (74.8%), insistence on collateral by

lenders (69.9%), non-repayment culture of SMEs owners (61.9%), biased lending from government institution (56.6%), interest rate charged on borrowed fund is above 15% but below 20% (54.9%) while lack of business registration representing (46.5%) did not constitute a major factors influencing credit accessibility of most of the SMEs in the study area.

4.3 Awareness Level of Respondents on Government Institutions and Private Credit Schemes

Table 3:

Awareness Level of Respondents on Government Institutions and Private Credit Schemes

Awareness level of government institutions and private credit schemes	Frequency	Percentage (%)
Are you aware of any governmental credit institution or private credit?		
Yes	149	65.9
No	77	34.1
Which media platform are you conversant with?		
Radio	60	26.5
Television	43	19.0
Social media	123	54.4
Do you frequently see advertisements on relevant governmental credit and private credit scheme options on this media?		
Yes	134	59.3
No	92	40.7
Choose the level of ease of the conditions of the loan		
Convenient	29	12.8
Quite convenient	93	41.2
Undecided	79	35.0
Non convenient	25	11.1

Source: Fieldwork, 2023

Table 3 above indicates the level of awareness of government institution or private credit schemes. Majority 65.9% of the respondents were aware of governmental credit institutions or private credit schemes while 34.1% were not aware. 54.4% of the respondents were conversant with social media as a media platform, 26.5% were conversant with radio as a media platform while 19.0% were conversant with television as a media platform. 59.3% of the respondents do frequently see relevant advertisement of governmental credit and private credit options on this media while 40.7% don't frequently see advertisements. 12.8% of the respondents indicated that the condition attached to the credit facilities is convenient, 41.2% stated that it is quiet convenient, 35.0% were neutral while 11.1% stated that it is not convenient.

4.4   Effect of Governmental Institutions and Private Credit Schemes.

Table 4:

Governmental Institutions and Private Credit Schemes

Effect of governmental institutions and private credit schemes.	Yes (%)	No (%)
I am aware of most governmental institutions and private credit schemes where I can get loans.	136(60.2%)	90(39.8%)
I am well informed about the requirements and process (es) involved in obtaining these loans.	142(62.8%)	84(37.2%)
I trust these sources of funds very well	129(57.1%)	97(42.9%)
These credit sources give enough loans that can sustain my business.	149(65.9%)	77(34.1%)
The interest rate from these sources is not too enormous for me to bear with the profitability of my business.	131(58.0%)	95(42.0%)
The payback period is convenient for me.	110(48.7%)	116(51.3%)
The profit yield of my business can accommodate collection of loans.	116(51.3%)	100(48.7%)
I consider the scrutiny process to obtain a loan too stressful.	152(67.3%)	74(32.7%)
The fear of unstable economic condition has been discouraging me from taking a loan.	148(65.5%)	78(34.5%)
My expenses are unpredictable; taking a loan will put me in debt.	161(71.2%)	65(28.8%)

Source: Fieldwork, 2023

Table 4 above shows the effect of governmental institutions fund and credit schemes on credit accessibility by the respondents. The result revealed that 60.2% of the respondents were aware of most governmental institutions and private credit schemes where they can obtain loans while 39.8% disagreed. 62.7% of the respondents were well informed about the requirements and process (es) involved in obtaining these loans while 37.2% disagreed. 57.1% of the respondents trust the sources of funds very well while 42.9% disagreed. 65.9% of the respondents agreed that these credit sources give enough loan that can sustain their business while 34.1% disagreed. 58.0% of the respondents agreed that the interest rate from these sources is not too enormous for them to bear with the profitability from their businesses while 42.0% disagreed. 48.7% of the respondents stated that the payback period is convenient for them while 51.3% disagreed. 51.3% of the respondents stated that the profit yield of their businesses can accommodate collections of loans while 48.7% disagreed. Also, 67.3% of the respondents stated that the scrutiny process to obtain a loan is too stressful while 32.7% disagreed. 65.5% of the respondents agreed that the fear of unstable economic conditions has been discouraging them from taking loans while 34.5% disagreed. Finally, 71.2% of the respondents stated that their expenses are unpredictable; taking a loan will put them in debt while 28.8% disagreed.

4.5   Effect of High Interest Rate on Credit Accessibility

Table 5:

Perceived Effect of High Interest Rate on Credit Accessibility

Effect of High interest rate on credit accessibility	Yes (%)	No (%)
I will be committed to tax payment with high interest rate from loans.	166(73.5%)	60(26.5%)
High interest has been discouraging me to access a bank loan.	161(71.2%)	65(28.8%)
I was unable to employ workers during my period of servicing bank loans.	161(71.2%)	65(28.8%)

If the interest rate is high, I will not be able to take care of my needs from my business' proceeds.	160(70.8%)	66(29.2%)
Huge loan will reduce my profitability.	150(66.4%)	76(33.6%)
I can't pay up the credit irrespective of the interest rate.	128(56.6%)	98(43.4%)
My business expansion will stop me from being faithful to payment of the interest.	103(45.6%)	123(54.4%)
My religious beliefs bar me from taking interest applicable loans.	93(41.2%)	133(58.8%)

Source: Fieldwork, 2023

Table 5 above shows the perceived effect of high interest rate on credit accessibility. The result revealed that the major effect of high interest on credit accessibility included: commitment to tax payment with high interest rate from loans representing (73.5%), discouragement to access a bank loan (71.2%), lack of ability to employ workers during period of servicing bank loans (71.2%), inability to take care of needs from business proceeds (70.8%), reduction in profitability (66.4%) and inability to pay up the credit irrespective of the interest rate (56.6%). Majority (45.6%) of the respondent didn't see high interest on credit affecting their business expansion while religious beliefs of most of the respondents (41.2%) did not affect their accessibility to credit.

4.6 Test of Hypotheses

Hypotheses 1

H_{01}: Government institutional funds and credit schemes does not have significant influence on credit accessibility by SMEs in Osun State

Table 6:

Regression Result on the Effect of Governmental Institutional Funds and Credit Schemes on Accessibility of Funds by SMEs in Osun State

Omnibus Tests of Model Coefficients				
		Chi-square	Df	Sig.
Step 1	Step	10.310	1	.001
	Block	10.310	1	.001
	Model	10.310	1	.001
Model Summary				
Step	-2 Log likelihood	Cox & Snell R Square		Nagelkerke R Square
1	278.732a	.045		.062

	B	S.E.	Wald	Df	Sig.	Exp(B)
Governmental institutional funds and credit schemes	.245	.079	9.707	1	.002	1.278
Constant	-4.049	1.127	12.908	1	.000	.017

Table 6 above shows the extent to which governmental institutional funds and credit schemes has influenced accessibility by SMEs in Osun state. The result indicates that governmental institutional funds and credit schemes have significant ($P < 0.05$) positive influence on credit accessibility by SMEs at 5% level. Hence, the null hypothesis (H_{01}) was rejected while the alternate hypothesis was accepted.

The study then conclude that governmental institutional funds and credit schemes has significant influence on accessibility of credit by SMEs in Osun state, Nigeria.

Hypotheses 2

H_{o2}: High bank charges and high level documentation does not have significant effect on credit accessibility of SMEs owners in Osun state.

Table 7 :

Regression Result on the Effect of high bank charges and high level documentation on credit accessibility of SMEs,

Omnibus Tests of Model Coefficients				
		Chi-square	Df	Sig.
Step 1	Step	3.965	1	.046
	Block	3.965	1	.046
	Model	3.965	1	.046
Model Summary				
Step	-2 Log likelihood	Cox & Snell R Square		Nagelkerke R Square
1	285.078ᵃ	.018		.024

	B	S.E.	Wald	Df	Sig.	Exp(B)
High interest charges and high level documentation	.-189	.096	3.872	1	.049	1.208
Constant	-2.686	1.078	6.209	1	.013	.068

Table 7 above shows the effect of high interest charges and high level documentation on accessibility of funds to SMEs owners in Osun state. The result revealed that high interest charges and high level documentation have significant (P <0.05) negative effect on accessibility of credits by SMEs at 5% level. Hence the study reject the null hypothesis (H_{o2}) while the alternative hypothesis was accepted. The study concludes that high interest charges and high level documentation have significant effect on accessibility of funds by SMEs in Osun state.

4.7   Discussion of Findings

Factors that influences SMEs credit accessibility in Osun State, Nigeria

The study revealed that high-risk perceptions, high-interest rates, creditworthiness, collateral requirements, and non-repayment culture are the major factors influencing credit accessibility for SMEs in Osun state, while the lack of business registration has a relatively lower impact. Berger & Udell, (2006) revealed that lenders often perceive SMEs as riskier borrowers compared to large corporation thereby affecting their credit access. Also, in terms of high- interest rate, the results indicate that high-interest rates increase the cost of capital for SMEs, thereby making loans less affordable. Beck et al. (2008) lend credence to this and submit that high-interest rates can significantly increase the cost of capital for SMEs, making it more challenging for them to access credit. The results conform to the findings of Mathea (2014) who reported a significant influence of interest rates on loan accessibility by small and micro-enterprises in Kenya. The creditworthiness of SME owners is identified as a key factor influencing credit accessibility in Osun state. This result is congruent with the findings of Petersen & Rajan (1994) and Beck et al. (2008) who emphasized the importance of creditworthiness, including

factors like business experience, financial stability, and management competence, in determining SMEs' access to credit. The collateral requirements also constituted a major factor affecting credit accessibility for SMEs in Osun state Degryse & Ongena (2005) in their studies also highlighted how collateral constraints can limit SMEs' access to finance. Phung & Nguyen (2018) show that collateral availability has a significant impact on decisions to lend to small and medium enterprises thereby playing an important role in whether the loan application of the enterprises is accepted. Based on the above, it is concluded that policy measures should be put in place to address the major factor that limit reedit access by SMEs

Effect of High Interest Rate on Credit Accessibility

The research findings from Table 5 provide insights into how high-interest rates affect credit accessibility for Small and Medium Enterprises (SMEs). A significant proportion (73.5%) of respondents feel committed to tax payment despite high-interest rates on loans, indicating a financial burden that impacts credit accessibility. This result is consistent with the findings of Beck et al., (2008) who reported that high-interest rates can strain SMEs' financial resources, including their ability to meet tax obligations, thus affecting their creditworthiness. Also, 71.2% of respondents feel discouraged from accessing bank loans due to high-interest rates, which can limit their access to necessary funding for business operations and growth. This conforms with the findings of Berger and Udell (2006) that high-interest rates can deter SMEs from seeking bank financing, leading to reduced credit accessibility and potential financial constraints. A significant proportion (71.2%) of respondents face challenges in employing workers while servicing bank loans. This result is in line with Jayaratne & Strahan (1996) who demonstrated how high-interest rates can strain SMEs' cash flow thereby limiting their ability to invest in hiring and retaining employees, thereby affecting business operations. The result also indicates that 66.4% of respondents experience a reduction in profitability due to high-interest rates, which can impact SMEs' sustainability and ability to repay loans. This result conforms to Jayaratne and Strahan (1996) found out that high-interest rates can erode SMEs' profitability by increasing borrowing costs and reducing funds available for investment. . These findings therefore underscore the importance of addressing financial constraints faced by SMEs to promote sustainable growth and development.

Effect of governmental institutional funds and credit schemes on accessibility of funds to SMEs in Osun state

The study aimed to determine the impact of governmental institutional funds and credit schemes on the accessibility of credit for Small and Medium Enterprises (SMEs) in Osun State. The research revealed a statistically significant (p-<0.05) positive influence of government institutional funds and credit schemes on SMEs' access to finance in Osun State, Nigeria. This aligns with the findings of Osano & Languitone (2015), who noted a similar positive influence of small business support services on finance accessibility for SMEs in the Maputo central business district in Mozambique. In contrast, Abdullah (1999) found in his study in Penang, Malaysia, that a considerable portion of SMEs did not benefit from or receive adequate assistance from various support programs offered by government agencies and institutions. Based on these results, the study suggests that it is imperative for the government to strengthen existing institutional fund programs and credit schemes to improve SMEs' access to finance.

Effect of high bank charges and high level documentation on credit accessibility of   SMEs owners in Osun state

The study found that high bank charges and extensive documentation requirements exert a significant (p-<0.05) adverse impact on the accessibility of credit for Small and Medium Enterprises (SMEs) in Osun State, Nigeria. The implication of this finding is that the substantial fees imposed by banks serve as discouraging factors for many SMEs in the study area seeking funding for business investments. This outcome aligns with the findings of Mathea (2014), who identified a noteworthy negative correlation between loan accessibility and interest rates (r=-0.418, P-Value<0.05) among micro and small-sized

enterprises in Gitaru division, Kenya. Ndungu (2016) similarly observed that the interest rates applied to loans were a significant factor affecting credit access for SMEs in Murang'a. This concurs with the observations of Diagne and Zeller (2002) and Foltz (2004), who noted that the interest rates set by banks discourage many small businesses from applying for bank financing. Consequently, this study suggests that the government should implement policy measures to regulate the cost of capital, acting as a deterrent for SMEs in accessing funds.

5.0 CONCLUSION

In conclusion, this study investigated the accessibility of credit by small and medium- scale enterprises in Osun State, Nigeria. Through a comprehensive analysis of various factors, influencing credits accessibility by SMEs and testing the hypotheses for the study using inferential statistics, several key findings have emerged

The study found that high risks and transaction costs are the most significant factors affecting credit accessibility for SMEs, with 90.7% of respondents identifying these as major issues. High interest rates were also a major concern, cited by 88% of respondents, while the creditworthiness of loan applicants ranked third at 81%. Additionally, the study highlighted collateral requirements and a culture of non-repayment as important factors, with 77.8% and 61% of respondents, respectively, indicating these as barriers to credit access.

Furthermore, the results show that government institutional funds have a positive and significant influence ($P < 0.05$) on credit accessibility for small and medium-sized enterprises at the 5% significance level. Additionally, the results indicate that high bank rates and extensive documentation charges have a significant ($P < 0.05$) negative effect on fund accessibility for medium-sized enterprises at the same significance level.

These findings suggest that policymakers and financial institutions must prioritize addressing these challenges to improve credit accessibility for SMEs. This could include implementing measures to reduce transaction costs, interest rates, and collateral requirements, as well as promoting financial literacy and creditworthiness among SMEs. Furthermore, government institutional funds should be increased and made more accessible to SMEs to counterbalance the negative effects of high bank rates and documentation charges. By addressing these issues, we can unlock the potential of SMEs to drive economic growth and development

6.0 RECOMMENDATIONS

Based on the study's findings, the following policy recommendations are proposed to enhance credit accessibility for small and medium-sized enterprises (SMEs). Firstly, the government should implement policies to regulate interest rates on SME loans, making them more accessible and affordable for these businesses. This will help alleviate the financial burden on SMEs, enabling them to invest in their operations and expansion.

To improve credit accessibility, the government should create a credit guarantee fund offering partial guarantees to banks and financial institutions for loans to SMEs. This initiative will mitigate perceived risks and reduce collateral demands, thereby facilitating easier access to funding for SMEs.

Additionally, the government should review and simplify collateral requirements and documentation processes, which are often complex and time-consuming. Streamlining these processes will reduce obstacles for SMEs in accessing credit, enabling more businesses to benefit from loan opportunities.

To further expand credit access for SMEs, the government should boost funding for government credit schemes and make them accessible to a larger number of businesses. This will create more opportunities for SMEs to obtain the financing necessary for growth and success.

Finally, the government should introduce financial literacy programs and training initiatives to educate SMEs on effective financial management, creditworthiness, and accessing finance. By equipping SMEs with the necessary knowledge and skills, the government can enable them to make informed decisions about credit and other financial opportunities, paving the way for long-term success

7.0 LIMITATION OF THE STUDY

The data for the current study were gathered at one point in a time and this present as the limitation of this study. The cross-sectional data analysis may not therefore capture the dynamics of the factors influencing credit accessibility and its impact on small and medium enterprises. Therefore, future research could further apply longitudinal designs to track the same SMEs over an extended period, observing how their credit accessibility and related factors evolved.

8.0 ACKNOWLEDGEMENT

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