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Effect of Microcredit Availability on the Performance of Micro Enterprises in Abia State, Nigeria

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Abstract
The study assessed the effect of microcredit availability on the performance of micro enterprises in Abia State, Nigeria. The study's objectives were; determine the socioeconomic characteristics of respondents, determine the level of credit availability to microenterprises, determine the factors influencing the level of credit availability, and determine the effect of credit availability on microenterprise performance. The study adopted a proportionate sampling technique in selecting 90 micro entrepreneurs. Primary data were collected from the respondents using a structured questionnaire. Data collected were analyzed using simple descriptive statistics such as means, percentages, frequency distributions, OLS Regression, Analysis of Variance (ANOVA). The study found that 99.6% of respondents, regardless of access to microcredit, were primarily involved in food-based microenterprises. Most were educated, married, experienced, and part of cooperative societies, but only 42% had access to credit, possibly due to compliance with credit terms and the viability of their businesses. A positive and significant relationship was identified between credit availability and microenterprise performance, with 70% of respondents having the socioeconomic characteristics suitable for microcredit. Membership in cooperatives also aided access to credit. The study recommended prioritizing individuals with the necessary qualifications in credit programs to enhance microcredit utilization and support microenterprise development and sustainability
Key Words: Microcredit, Availability, Performance, Micro Agro-enterprises

Introduction

Micro enterprises constitute the major component of the Nigerian economy (Ukoha *et al*., 2021). They provide a means of livelihood for an estimated 65% - 70% of the country's population (Akpabio, 2019). It is the major driver of the non-oil sector of the economy, contributing about one-third of annual economic growth (Akpabio, 2019). Generally, micro-enterprise irrespective of the sector, has no single definition, but the common feature of these definitions is the micro level. Micro-enterprise is conceptualized as an enterprise that is relatively small in size, capital, and operations. These are the commonest enterprises in our present-day society, which contribute positively to the growth and development of society.

Micro-enterprise financing has proven to be a powerful instrument against poverty reduction and development in rural areas. Access to micro-enterprise credit is very important for sustainable micro-enterprise development to be achieved in Nigeria particularly for new enterprises (Obayi *et al*, 2023). More especially, micro-enterprise operators that are agro-based are particularly in need of such an instrument (i.e., finance), because of the seasonal pattern of their activities and the uncertainty they are facing. Access to financing facilities by these micro-enterprises that mostly reside in rural areas has the potential of making the change between crushing poverty and an economically secure life, as well as improving their enterprise

productivity (Ajah *et al.*, 2017). Furthermore, micro-enterprise financing has been recognized as an essential tool for promoting microenterprises (Ogah-Alo *et al*., 2019). In addition, access to microcredit services could boost employability and labor participation by providing them with the means to invest in education and training (Zuzana *et al*., 2020). Therefore, Microcredit access refers to the ability of enterprise owners to secure necessary financial resources on acceptable terms, which include the rate of interest, collateral requirements, and repayment schedule (Olayiwola & Magaji, 2024). For agro micro enterprises, these financial resources are crucial for the procurement of inputs like seeds, fertilizers, and machinery, which can significantly enhance productivity.

The socioeconomic characteristics of micro entrepreneurs, such as education level, enterprise experience, and assets value status, are closely linked to their access to microcredit facilities. Studies have shown that lenders consider these factors as indicators of an enterprise operator's ability to repay loans, thus affecting their willingness to extend credit. For instance, enterprise operators with higher education levels or larger assets status are often perceived as lower-risk borrowers.

However, lack of credit facilities has been regarded as the major constraint micro-enterprise owners' face when they try to improve their economic activity and/or living conditions (Ogbe and Igwemadu, 2021). Despite the fact that capital is an important input for enterprise growth, enterprise operators still have difficulties in accessing this input. In addition, the provision of financial services to entrepreneurs involved in micro agro sector has generally been statics and has declined in some of the developing countries because of risks involved in dealing with agro-entrepreneurs. Furthermore, lack of repayment discipline, loan delinquency and default have plagued micro credit program in developing countries.

Based on this background, this study sought to examine the effect of credit availability on the performance of microenterprises in Abia State. The specific objectives include to: determine the socioeconomic characteristics of respondents, determine the level of microcredit availability to microenterprises, determine the factors influencing the level of microcredit availability, and determine the effect of credit availability on microenterprise performance. It was hypothesized that there was no significant difference between the socioeconomic characteristics of the respondents and microcredit availability,

Methodology

Abia is a State in the southeastern part of Nigeria with Umuahia as the capital. Abia State occupies about 6,320 square kilometers. There are 959,803 micro-enterprises in Abia State (Kingmakers, 2020). First, a random sampling technique was used in selecting 6 LGAs from the 17 LGAs for the study. Furthermore, a proportionate sampling procedure was used in selecting 90 microenterprises within 20km of the selected Local Government Areas. The use of a 20km radius of the LGAs is because of the high economic activities of micro, small, and medium-scale operations, and the ease of accessing the selected respondents for the study. The lists of microenterprises were obtained from the LGA's unit on SME operations at the different headquarters in the selected LGAs. These lists formed the sampling frame for the selection of respondents for the study. Primary data were collected from the respondents using a structured questionnaire and interview schedule. Data collected were analyzed using simple descriptive statistics such as means, percentages, frequency distributions, OLS Regression, and Analysis of Variance (ANOVA).

Results and Discussion

Socio-economic Characteristics of the Respondents

Table 1 shows that about 59% of the respondents had age ranging between 21-50years. However, only 32% of the respondents who had access to credit fell within the stated age range. The mean age of the respondents with access to credit was 41years, this means that majority of the respondents were young, vibrant, and enterprising. This study is in line with the findings of Mejeha and Ogbe (2010) that young entrepreneurs are not constrained by physical energy needed in carrying out their business operations.

The Table also shows that 64.4% and 35.6% of the respondents were married and single respectively. In addition, 27.8% of the respondents who were married, as compared to 16.7% of the respondents who were single, had access to credit. This means that being married put one in a favorable position for financial aid.

This may be because lenders expect a high level of accountability and responsibility, of which married micro entrepreneurs have such competencies

Moreover, 93% of the respondents had acquired one form of education or another. In addition, only 43.3% of the respondents with at least primary education were able to access credit. This indicates that majority of the respondents who had access to microcredit were educated. This study is in line with Echeta (2024) that small and medium-scale enterprises with owners who have educational qualifications are more likely to be favored by financial institutions to access microcredit.
Furthermore, 80% of the respondents had business experience ranging between 1-10years, while 20% of the respondents had business experience ranging between 11-25years. However, only 35% of the respondents with about 10years of experience have access to credit. The mean years of practical experience of the respondents with access to credit in micro enterprises was about 8 years, signifying that majority of the respondents had a substantial year of experience on microenterprise management and operations.

Table 1 shows that 53% and 47% of the respondents are members and non-members of co-operative, respectively. This indicates that the majority of the respondents are members of co-operatives. The membership of a co-operative by the respondents could be due to the fact that co-operative societies help provide financial and non-financial assistance when needed at little or no cost. Distribution of respondents based on their socioeconomic characteristics along access to credit or without credit, is presented Table 1.

Table 1: Distribution of respondents based on their socioeconomic characteristics along access to credit or without credit

	21-30		31-40		41-50		51-60		61-70		Total		Mean
Variables	**Freq**	**%**	**Freq**	**%**	**Freq**	**%**	**Freq**	**%**	**Freq**	**%**	**Freq**	**%**	
Access to credit	10	11.1	10	11.1	9	10.0	9	10	2	2.2	40	44.4	40.87
No access to credit	11	12.2	11	12.2	2	2.2	20	22.2	6	6.7	50	55.6	45.12
Total	**21**	**23.3**	**21**	**23.3**	**11**	**12.2**	**29**	**32.2**	**8**	**8.9**	**90**	**100**	
Access to credit/Marital status	**Married**		**Single**										
Access to credit	25	27.8	15	16.7							40	44.4	
Non access to credit	33	36.7	17	18.9							50	55.6	
Total	58	64.4	32	35.6							90	100	
Access to credit/Education	**No formal education**		**Primary**		**Secondary**		**Tertiary**						
Access to credit	1	1.1	7	7.8	15	16.7	17	18.9			40	44.4	
Non access to credit	5	5.6	29	32.2	8	8.9	8	8.9			50	55.6	
Total	**6**	**6.7**	**36**	**40.0**	**23**	**25.6**	**25**	**27.8**			**90**	**100**	
Access to credit/Experience	**1-5**		**6-10**		**11-15**		**16-20**		**21-25**				

Access to credit	16	18.0	15	16.9	6	6.7	2	2.2	1	1.1	40	44.4	
Non access to credit	13	14.6	27	30.3	0	0	0	0	10	11.2	50	55.6	
Total	**29**	**32.6**	**42**	**47.2**	**6**	**6.7**	**2**	**2.2**	**11**	**12.3**	**90**	**100**	
Access to credit/Cooperatives	**Membership**		**Non-Membership**										
Access to credit	36	75	4	9.52							40	44.4	
No access to credit	12	25	38	90.47							50	55.6	
Total	**48**	**100**	**42**	**100**							**90**	**100**	

Source: Field Survey, 2019

Type of microenterprises involved in by the respondents

Table 2 shows that 99.6% of the respondents are involved in food-based microenterprises. This means that the majority of the respondents under study, with and without access to credit, were food-based micro entrepreneurs. However, only 42% of these individuals had access to credit. This could be due to their compliance with credit terms and conditions. The distribution of respondents based on the type of microenterprises involved by the respondents, along with or without access to credit, is presented in Table 2

Table 2: Distribution of respondents based on type of enterprise, with or without access to credit.

	Food based		**Non food**		**Total**	
Access to credit/Enterprise	**Freq**	**(%)**	**Freq**	**(%)**	**Freq**	**(%)**
Access to credit	35	42.3	5	62.5	40	44.4
Non access to credit	47	57.3	3	37.5	50	55.6
Total	**82**	**99.6**	**8**	**100.0**	**90**	**100**

Source: Field survey, 2019

Factors influencing the level of credit availability among micro entrepreneurs

Table 3 shows that a linear functional form was used to determine the factors influencing credit availability among micro entrepreneurs. The value of R^2 of 0.454 means that 45.4% of the total variability observed in the dependent variable is accounted for by the independent variables included in the model. The value of F- ratio (3.678) signifies that the model is statistically significant at 1%

Age was significant at 10% and positively related to credit availability. This means that as age of the respondents increased, credit availability also increased. Increase in age among respondents could be likened to the ability to adapt to financial innovations with maturity. This further corroborates the findings of Ogbe and Ejim (2019) that the adoption of financial innovation would position the respondents to gain and enjoy more financial intervention.

Experience was significant at 5% and is positively related to credit availability. This means that as the level of experience in the management of enterprises increased, the level of credit availability also increased. Onubuogu *et al*. (2014) and Esiobu *et al*. (2014) reported that enterprise owners with more experience would have a better knowledge of efficient allocation of resources and market situation and are thus expected to run a more efficient and profitable enterprise. This is in addition to the fact that more experienced enterprise owners are resilient in that they recover more quickly from stress and provocation (Ogbe, 2023).

Value of Assets was significant at 1% and positively related to the level of credit availability. This means that as the value of assets of the business increased, the level of credit availability also increased. Increased value of assets could mean value addition to business operations and sustainability.

Membership of the co-operative was significant at 1% and positively related to credit availability. This means that as membership in the co-operative society increased, credit availability also increased. Membership of a cooperative could mean greater opportunity to learn basic business skills and its application, which will lead to better handling of financial and non-financial matters (Ogbe and Igwemadu, 2021).

Factors influencing the level of credit availability among micro entrepreneurs is presented in Table 3

Table 3: Factors influencing the level of credit availability among micro entrepreneurs

Variable	Linear	T value
Constant	3282.306	(0.144)
Age	488.491	(1.702)*
Education	1086.058	(1.283)
Marital status	3671.586	(0.562)
Experience	1416.125	(2.530)**
Income	-38.315	(-1.215)
Assets	0.009	(2.729)***
Co-operative	12647.680	(2.146)**
R^2	0.454	
R^{-2}	0.330	
F-ratio	3.678***	

Source: Field survey, 2019 *** significant at 1%,** significant at 5% , * significant at 10%

Effect of credit availability on the performance of micro enterprises

Table 4 shows that credit availability was significant at 5% and is positively related to performance. This means that as credit availability increased, performance of microenterprises also increased. Credit availability could define the capacity of a microenterprise in terms of choice of technology, access to markets and access to essential resources, which in turn greatly influences the variability and success of a business enterprise.

Effect of credit availability on the performance of microenterprises is presented in Table 4

Table 4: Effect of credit availability and on the performance of microenterprises

Variable	Linear
Constant	663.699
	(310.823)
Credit availability	0.000
	(2.200)**
R^2	0.113
R^{-2}	0.090
F-ratio	4.840***

Source: Field survey, 2019 *** significant at 1%, ** significant at 5% , * significant at 10%

Test of Hypothesis

There is no significant difference between socioeconomic characteristics and credit availability.

Table 5 shows that F Cal (14.465) was greater than F Tab (2.33). So, reject the Ho and accept the HA. Therefore, there is a significant difference between socioeconomic characteristics and credit availability. The Analysis of Variance showing whether there is a significant difference between socioeconomic characteristics and credit availability is presented in Table 5

Table 5: There is no significant difference between socioeconomic characteristics and credit availability

Model	Sum of Squares	Df	Mean square	F-cal	F-tab
Regression	272.006	7	38.858	14.465	2.33
Residual	83.277	31	2.686		
Total	355.283	38			

Source: Field survey, 2019 Decision rule; if F cal is > F tab, reject the Ho and accept the HA otherwise accept the Ho.

Conclusion and Recommendations

The study showed that majority (99.6%) of the respondents under study with and without access to microcredit, were food based micro entrepreneurs that are educated, married, with substantial years of enterprise practical knowledge and belonged to cooperatives. However, only 42% of these individuals had access to credit. This could be due to the level of their compliance to credit terms and conditions as well as the viability of their microenterprises. Furthermore, there was a positive and significant effect of credit availability on the performance of micro enterprises. More so, majority (70%) of the respondents had the required socioeconomic characteristics that are suitable to access microcredit. Also, that being a member of the cooperative societies could aid respondents in accessing microcredit.

The study therefore recommended that respondents involved in food-based microenterprises with the required age, years of experience with verifiable assets accumulation value, and membership of cooperatives should be selected in credit schemes/programs. These measures would ensure effective microcredit utilization, microenterprises development, and sustainability. In addition, microcredit scheme that will target food-based microenterprises should be encouraged. This move will encourage food security, employment creation, and the growth of local economies.

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