



EVALUATION OF CREDIT ACCESSIBILITY AND PERFORMANCE OF SMALL AND MEDIUM AGRICULTURAL ENTERPRISES IN BAUCHI LOCAL GOVERNMENT, BAUCHI STATE, NIGERIA

Sambo, I. M., Danwanka, H. A. and Usman, H.

Department of Agricultural Economics, Abubakar Tafawa Balewa University Bauchi, Bauchi State Corresponding Author's Email: shymis45@gmail.com, GSM: 07063630795

ABSTRACT

The study examines credit accessibility and its impact on the performance of small and medium agricultural enterprises (SMEs) in Bauchi Local Government, Bauchi State, Nigeria. Data were collected through structured questionnaires from a sample of 201 respondents. Analysis was conducted using descriptive and inferential statistics. The findings reveal that 59.7% of respondents had adequate start-up capital, while 51.2% applied for credit in the past year. Furthermore, 57.7% reported that credit improved their businesses. Regarding credit services, 37.3% of respondents rated them as neutral, while 64.2% were members of cooperative societies. The study found no significant improvement in income levels after credit access (mean income before credit: N21,850.74; after credit: №21,706.47). However, expenditure increased from №20,435.32 to №24,032.34. Large-scale purchases increased slightly from 11.9% to 14.9%, while 51.2% of respondents reported improved daily income, and 58.2% observed increased savings. The results suggest that while credit access positively influences business expansion and savings, its impact on income growth remains limited. The study identifies barriers such as high interest rates, collateral requirements, and bureaucratic constraints as key challenges to credit accessibility. To enhance SME growth, the study recommends improving credit accessibility, implementing financial literacy programs, and reducing bureaucratic hurdles in the credit application process.

Keywords: Credit, Accessibility, Agricultural, Business, Performance

INTRODUCTION

Small and Medium Agricultural Enterprises (SMAEs) play a crucial role in economic development, food security, and employment generation, particularly in developing economies. These enterprises encompass businesses engaged in primary agricultural production, agro-processing, and value-added agricultural activities (Opoku-Mensah & Agbekpornu, 2015). Despite their significance, SMAEs often struggle with financial constraints, particularly limited access to credit, which hampers their growth and productivity (Adesiyan, 2015). Credit accessibility is essential for business expansion, technology adoption, and risk mitigation, enabling enterprises to enhance productivity and sustain operations (Obilor, 2019). Financial institutions, particularly banks, serve as key intermediaries in providing credit facilities to businesses. However, SMAEs frequently encounter challenges in obtaining formal credit due to stringent collateral requirements, bureaucratic loan application procedures, and high-interest rates (Essien & Arene, 2012). The agricultural sector is often perceived as high-risk due to income variability, production uncertainties, and long gestation periods, leading to financial institutions' reluctance to extend credit to SMAEs (Nearu, 2014). As a result, many of these enterprises rely on informal lending sources, which may not provide adequate financial support for sustainable growth. The lack of access to credit limits SMAEs' ability to invest in modern technology, improve productivity, and expand their operations. This financial gap hinders their contribution to economic diversification and industrial development, despite their potential to drive rural economic transformation (Ike et al., 2014). In Nigeria, SMEs constitute about 92% of businesses and contribute significantly to employment and GDP; however, their full potential remains untapped due to financial constraints (NAN, 2019). Addressing these constraints is vital for fostering economic growth and enhancing the resilience of agricultural enterprises. Given the crucial role of credit in business sustainability, this study evaluates the impact of credit accessibility on the performance of SMAEs. Specifically, it examines the extent to which financial inclusion influences business growth,





identifies barriers to credit access, and explores policy measures that can enhance financial support for agricultural enterprises. The findings from this study will provide insights into strategies for improving credit accessibility, ultimately strengthening the agricultural sector's contribution to national economic development.

METHODOLOGY

THE STUDY AREA

The study was conducted in Bauchi Local Government Area (LGA), specifically targeting key business zones where agricultural small and medium enterprises (SMEs) operate. Bauchi LGA is extensive, and the study focused on seven selected wards with significant market activities. These markets include Muda Lawal Market, Durum Market, Central Market, Turum Market, Railway Market, Dandango Market, Miri Market, Wunti Market, Makama Market, Liman Katagum Market, and Galambi Market. These locations were chosen based on their commercial significance and the concentration of agricultural SMEs.

POPULATION OF THE STUDY

The target population for this study comprises all registered agricultural SMEs in the selected wards, as well as financial institutions, microfinance banks, and cooperatives that provide credit facilities to these enterprises. Table 1 presents the population distribution across the selected wards. **SAMPLE SIZE**

The sample size for this study was determined using **Slovin's formula** due to the large population size registered under SMEDAN and cooperative societies (See Table 1). The formula is given as:

 $R = \frac{N}{1+Ne^{2}}$ Where: R = sample sizeN = population size (693)e = margin of error (0.05)Applying the formula: $R = \frac{693}{1+693 \times 0.05^{2}} = \frac{693}{1+693 (0.0025)} = \frac{693}{1+1.7325} = \frac{693}{2.7325}$ R = 224

Thus, the calculated sample size is **224 respondents**.

S/N	Business Location (Wards)	Business Area	Population	Sample Size (Slovin Method)
1	Birshi/Miri	Wuntin Dada Market	76	26
2	Galambi	Yalwa Market	29	17
3	Dandango/Yamrat	Dandango Market/Railway	35	19
		Market		
4	Dawaki	Dawaki Market/Central Market	40	20
5	Kangyare/Turum	Turum Market/Muda Lawal	182	33
		Market		
6	Makama/Sarki Baki	Makama Market/Wunti Market	70	25
7	Zungur/Liman Katagum	Liman Katagum Market	124	30
8	Kundun/Durum	Durum Market	137	31
Total			693	224

Table 1: Sample Size Selection Procedure

SOURCE: SMEDAN SURVEY (2019)

SAMPLING TECHNIQUE

A multi-stage sampling procedure was employed to select respondents:

i. First Stage: All categories of agricultural SMEs were identified within the selected wards.





- ii. Second Stage: 12 business locations were identified across the study area.
- iii. Third Stage: Eight business zones were purposively selected based on agricultural SME concentration.
- iv. Fourth Stage: The Slovin Method was applied to determine the final sample size.
- v. Final Stage: A structured questionnaire was administered to the selected respondents.

DATA COLLECTION INSTRUMENT AND PROCEDURE

A **structured questionnaire** was used as the primary data collection instrument. The questionnaire contained both **open-ended** and **closed-ended** questions, designed to assess credit accessibility and SME performance. Data collection was conducted manually with the assistance of three trained enumerators, ensuring a 100% retrieval rate.

The questionnaire captured information on:

- i. Socioeconomic characteristics (age, sex, marital status, education, household size, farm size, income sources).
- ii. Credit acquisition details (loan sources, interest rates, collateral requirements, challenges faced).
- iii. Impact of credit on business growth and performance.

MEASUREMENT OF OPERATIONAL VARIABLES

Table 2. Weasurement of Operational Variables				
Variable	Description	Measurement		
SME Growth	Access to credit and business expansion	Dummy $(1 = Yes, 0 = No)$		
Age	Respondent's age	Years		
Sex	Gender of respondent	1 = Male, 2 = Female		
Education	Highest level attained	Categorical (1=Primary, 2=Secondary, etc.)		
Income	Pre-credit annual earnings	Naira		
Collateral	Requirement for loan approval	1 = Land, $2 = House$, etc.		
Interest Rate	Cost of borrowing	Dummy $(1 = \text{High}, 0 = \text{Low})$		
Credit Access	Availability of loans	Dummy $(1 = \text{Yes}, 0 = \text{No})$		
Lending Source	Source of funding	Categorical (1=Family, 2=Bank, etc.)		

Table 2: Measurement of Operational Variables

METHODS OF DATA ANALYSIS

Both descriptive and inferential statistics were used to analyze the collected data.

i. Descriptive Statistics: Frequency, percentage, range, and mean scores were used to address research objectives. The mean score was used to assess the impact of credit accessibility on SME performance.

RESULTS AND DISCUSSION

CREDIT ACCESSIBILITY OF THE RESPONDENTS

Table 3 shows that 59.7% of SME owners had adequate start-up capital, while 40.3% found it insufficient. Adequate funding is crucial for business stability and growth, as capital constraints hinder operations and expansion. This aligns with Ayunku and Pakepinene (2023), who highlighted the positive impact of funding on SME performance in Nigeria. Additionally, 51.2% of respondents applied for credit in the past year, reflecting a high demand for financial support, while 48.8% did not, possibly due to lack of awareness or fear of indebtedness. This supports Ogbe and Asanya (2024), who reported a 51.55% credit approval rate among cooperatives in Umuahia South. Among those who accessed credit, 57.7% experienced business improvements, while 42.3% did not, indicating that credit effectiveness depends on utilization, loan terms, and the business environment. This aligns with Fowowe (2020), who found financial inclusion enhances agricultural productivity in Nigeria. Regarding credit service quality, 37.3% were neutral, 32.8% rated it as average, 22.9% found it effective, and 5.5% considered it very effective, while 1.5% rated it poor. These mixed perceptions highlight the need for improved financial service efficiency. Lastly, 64.2% of SME owners were cooperative members, benefiting from improved credit access and shared resources, while 35.8%





were not. This supports Ogbe and Asanya (2024), who emphasized the role of cooperatives in providing credit to agro-based enterprises, though their efficiency requires improvement.

Table 5 : Distribution of the Respondents according to Accessionity to Credits Facilities			
Variables	Frequency	Percent	
Start-up capital adequate			
No	81	40.3	
Yes	120	59.7	
Total	201	100.0	
Apply credit in the past year			
No	98	48.8	
Yes	103	51.2	
Total	201	100.0	
Credit improved your business			
No	85	42.3	
Yes	116	57.7	
Total	201	100.0	
Rate credit services offered			
Poor	3	1.5	
Average	66	32.8	
Neutral	75	37.3	
Effective	46	22.9	
very effective	11	5.5	
Total	201	100.0	
Membership of cooperative			
Not member	72	35.8	
Member	129	64.2	
Total	201	100.0	

11 2 5. 11 1 1 .

IMPACT OF CREDIT ACCESSIBILITY ON SMES PERFORMANCE

Table 5 presents the impact of credit accessibility on SME growth in the study area, comparing income levels, expenditure, product purchases, daily income improvement, and savings before and after credit access. The mean income slightly declined from №21,850.74 before credit access to N21,706.47 after, with a modest rise in respondents earning N30,000-N49,000 (17.9% to 19.9%) but a decrease in those earning above №50,000 (3.0% to 2.0%). This suggests that credit access did not immediately boost income levels, consistent with Daniel (2018), who noted that without financial planning, additional credit may increase expenses without directly enhancing revenue. However, mean expenditure rose from №20,435.32 to №24,032.34, indicating that SMEs invested in operational improvements. This aligns with Ayunku and Pakepinene (2023), who found that credit access enables business expansion. Yet, as Daniel (2018) warned, higher spending without strategic financial planning may limit expected gains. Product purchases increased slightly, with the proportion of respondents making large purchases rising from 11.9% to 14.9%. While credit access allowed greater inventory acquisition, it did not significantly impact overall income. Kayode and Abdulwaheed (2024) noted that increasing stock without a structured market strategy does not necessarily improve SME performance. Post-credit, 51.2% of respondents reported daily income improvement, and 58.2% indicated enhanced savings. These findings align with Bongomin et al. (2017), who linked credit access to SME growth, emphasizing financial literacy's role in optimizing its benefits. Additionally, Onah et al. (2024) highlighted how financial education influences credit and savings management, reinforcing the importance of financial planning for sustainable SME growth.





Table 4: Distribution of the Respondents	Based on the Impact Credit Accessibility and the
Performance of SMEs	

Variables	Frequency	Percent
Level of income before credit		
below 5000	3	1.5
6000-14000	69	34.3
15000-29000	87	43.3
30000-49000	36	17.9
above 50000	6	3.0
Mean	N21,850.74	
Total	201	100.0
Level of income after credit		
below 5000	3	1.5
6000-14000	71	35.3
15000-29000	83	41.3
30000-49000	40	19.9
above 50000	4	2.0
Mean	N21,706.47	
Total	201	100.0
Expenditure before credit		
below 5000	13	6.5
6000-14000	65	32.3
15000-29000	88	43.8
30000-49000	30	14.9
above 50000	5	2.5
Mean	N20,435.32	
Total	201	100.0
Expenditure after credit		
below 5000	3	1.5
6000-14000	51	25.4
15000-29000	90	44.8
30000-49000	53	26.4
above 50000	4	2.0
Mean	N24,032.34	
Total	201	100.0
Quantity of product purchase before credit		
Large	24	11.9
Medium	95	47.2
Small	82	40.8
Total	201	100.0





Performance of SMEs Cont'd			
Variables	Frequency	Percent	
Quantity of product purchase after credit			
Large	30	14.9	
Medium	97	48.3	
Small	74	36.8	
Total	201	100.0	
Daily income improved with credit			
No	98	48.8	
Yes	103	51.2	
Total	201	100.0	
Savings improved with credit			
No	84	41.8	
Yes	117	58.2	
Total	201	100.0	

Table 5: Distribution of the Respondents Based on the Impact Credit Accessibility and the Performance of SMEs Cont'd

Source: Field survey, 2024

CONCLUSION AND RECOMMENDATION

In conclusion, while credit accessibility positively influences business expansion and savings among SMEs in Bauchi, its impact on income growth remains limited due to high interest rates, collateral requirements, and bureaucratic constraints; therefore, it is recommended that financial institutions simplify credit processes, reduce interest rates, and implement financial literacy programs to enhance SME sustainability and growth.

REFERENCES

- Adesiyan, O. (2015). Financial challenges and growth of small and medium-sized agribusiness enterprises in Nigeria. *Journal of Agricultural Economics and Development*, 4(2): 25–34.
- Ayunku, P. E., & Pakepinene, G. (2023). Financial inclusion determinants of small and medium scale enterprises performance in Nigeria (2009-2021). Advance Journal of Banking, Finance and Investment, 7(4): 1–24.
- Bongomin, O. C., Mpeera Ntayi, J., Munene, J. C., & Akol Malinga, C. (2017). The relationship between access to finance and growth of SMEs in developing economies: Financial literacy as a moderator. *Review of International Business and Strategy*, *27*(4), 520-538.
- Daniel, C. O. (2018). Business credit availability and its impact on small and medium scale enterprises in Nigeria. *International Journal of Research Science and Management*, 5(9): 21-30.
- Essien, U. A., & Arene, C. J. (2014). An analysis of access to credit markets and the performance of small scale agro-based enterprises in the Niger Delta region of Nigeria. *International Journal* of Food and Agricultural Economics, 2(3): 105–120.
- Fowowe, B. (2020). The effects of financial inclusion on agricultural productivity in Nigeria. *Journal* of Economics and Development, 22(1): 61-79.
- Ike, P. C., Ezeaku, P., & Akenbor, C. O. (2014). Financing agribusiness for sustainable economic development in Nigeria. *Journal of Economics and Sustainable Development*, 5(14): 200–208.
- Kayode, A. Y., & Abdulwaheed, M. J. (2024). Impact of development bank credit financing on growth of SMEs in Nigeria. *International Journal of Research and Innovation in Social Science*, 8(3): 1306-1316.
- Nearu, P. (2014). Agricultural financing and risk management in developing economies. *Journal of* Agricultural Economics and Development, 3(5): 45–53.
- Obilor, I. (2019). Microfinance and economic empowerment in Nigeria. *International Journal of Finance and Banking*, **12**(4): 45-62.





- Ogbe, S. E., & Asanya, K. U. (2024). Effectiveness of credit delivery among agro-based cooperative member enterprises in Abia State, Nigeria. *JORMASS* | *Journal of Research in Management and Social Sciences*, **10**(1): 45–51.
- Onah, O. G., Enete, A. A., Okoye, C. U., Ume, C. O., & Onyia, C. C. (2024). Impact of credit access of farmers in cooperative societies on financial performance: The predictive effect of financial literacy. *International Journal of Social Economics*, 51(11): 1420–1433. https://doi.org/10.1108/IJSE-10-2023-0837
- Opoku-Mensah, P., & Agbekpornu, E. (2015). Agro-business development and economic transformation in Sub-Saharan Africa. *African Journal of Business Studies*, **8**(2): 99-117.