

PDF - CREDIT ACCESS AND THE PERFORMANCE OF SMALL SCALE AGROBASED ENTERPRISES IN THE NIGER DELTA REGION OF NIGERIA - researchcub.info ABSTRACT

The study was designed to analyze credit access and performance of small scale agrobased enterprises in the Niger Delta region of Nigeria. A multi-stage sampling technique was adopted in selecting 264 and 96 agro-based enterprises that accessed informal and formal credit respectively, through the use of structured questionnaire and oral interview. A total of 360 respondents were selected and used for the study. Socio-economic characteristics of the enterprises were described using descriptive statistical tools such as percentages, means and frequencies. The logit model was used to examine enterprise characteristics that had significant influence on informal and formal credit access by small scale agro-based enterprises. The Heckman model was used to examine the factors affecting informal and formal credit amount accessed. The Poisson regression model was employed to examine the factors affecting frequency of informal or formal credit access by the enterprises. Current ratio and return on capital were employed to examine the performance of enterprises that borrowed from informal and formal credit markets in the area. Separate treatment of Informal and Formal Credit served to identify the similarities and differences between the credit source concerning the determinants of credit access, amount of credit accessed, frequency of access, credit default and financial performance of the enterprises. The results showed that 60.13% of small scale agro-based enterprises had access to the informal credit market, whereas only 21.86% had access to formal credit market. Enterprise age ($p < 0.10$) and social capital ($p < 0.01$) had significant and positive influences on informal credit access, while gender ($p < 0.01$) had a negative influence on informal credit access. Formal credit access was positively influenced by enterprise age ($p < 0.05$), enterprise size ($p < 0.05$), collateral ($p < 0.05$) and education ($p < 0.10$).

Informal credit amount received was positively influenced by enterprise size ($p < 0.10$), guarantor ($p < 0.05$) and social capital ($p < 0.01$), and negatively influenced by gender ($p < 0.05$) and income of enterprise ($p < 0.01$). Formal credit amount received was positively influenced by age of enterprise ($p < 0.10$), size of enterprise ($p < 0.05$), collateral ($p < 0.01$) and social capital ($p < 0.05$). However, influence on income of enterprise ($p < 0.01$) had a negative effect. Frequency of informal credit access had a significant positive influence on experience in borrowing ($p < 0.01$) and social capital ($p < 0.01$), while it had a significant negative influence on income of enterprise ($p < 0.01$) and non-agrobased income ($p < 0.01$). Frequency of formal credit access was positively influenced by education ($p < 0.10$) and collateral ($p < 0.01$), and negatively influenced by interest amount ($p < 0.01$) and non-agro-based income ($p < 0.01$). Furthermore, income of enterprise ($p < 0.01$) had a significant positive effect on informal credit default, whereas, gross profit margin ($p < 0.01$), interest amount ($p < 0.05$) and shock ($p < 0.01$) had a significant negative effect on informal credit default. Also, formal credit default was negatively influenced by gender ($p < 0.01$), education ($p < 0.05$), gross profit margin ($p < 0.01$) and shock ($p < 0.05$). There was a significant difference between mean return on capital employed by

enterprises that borrowed from formal and informal credit institutions, hence their performances varied. It was recommended that Government and development partners in the region should realize these changing realities and design appropriate credit packages for the enterprises in the region. This will go a long way in complementing the amnesty programme of the Federal Government of Nigeria in the region.

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