UNRAVELLING THE NUANCED EFFECT OF CREDIT TERMS ON CREDIT ACCESSIBILITY OF SMALL ENTERPRISES IN KOGI STATE, NIGERIA: A STRCTURAL EQUATION MODELING APPROACH

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ABSTRACT

Small enterprises rely on commercial banks' credit for their smooth operations. However, commercial banks' credit terms determine small enterprises 'access to commercial banks' credit which invariably determines small enterprises' performance. In Kogi State small enterprise access to commercial bank credit has been less than impressive. To this end, this study investigated the effect of commercial bank credit terms on small. enterprise performance in Kogi State. To achieve these objectives, the study collected primary data using a structured questionnaire from 375 small enterprise owners across the 21 Local Government Areas in Kogi State. Structural equation modeling (SEM), using Analysis of moment Structures (AMOS) version 22 to analyse the data generated from field work. The findings of the study revealed that credit costs (β = 0.056, p = 0.322) has an insignificant positive effect on small enterprise performance while collateral requirements (β = 0.339, p = 0.000) and repayment conditions (β = 0.303, p = 0.000) have significant positive effects on small enterprises access to credit. The study recommends that the government through the Central Bank of Nigeria (CBN), should formulate and implement policies that will encourage commercial banks to adopt credit terms that will both serve the interests of commercial bank owners and owners of small enterprises in Kogi State thereby improving credit accessibility.

Keywords: *Credit terms, Kogi State, credit cost, collateral requirements, repayment conditions, Structural equation modelling*

1.0 Introduction

Globally, 90% of all companies are small businesses and they account for 50% of jobs. Small-scale enterprises (SSEs) constitute a significant portion of enterprises in most economic jurisdictions across the globe. For instance, Europe has a total of 26.1 million small and medium -sized enterprises (SMEs) in 2024 out of which 1.38 million enterprises were small firms (Alessio & Mert, 2025) and they employ roughly 100 million people and contributing about one third (35.3%) of the value added In Asia, small enterprises employ over 90% of the workforce in South Asia and Southeast Asia and 80% in Central and Western Asia (Sefrina, 2024).

In Latin America and the Caribbean, micro and small enterprises employ 60–90% of the workforce. In North America, small enterprises make up 99.9% of enterprises and provide jobs for around 47% of the private-sector workforce in the United State of America (USA) while in Canada, SMEs provide around 46.8 % of the private labor force. In the Oceania, small enterprises constitute 97.3% of businesses in Australia and provide 61% of employment while in New Zealand, 97% of enterprises are small businesses. In Africa, SMEs are the lifeblood of the continent's economy as they account for 80% of employment and 50% of Gross Domestic Product (GDP). and in Nigeria, SMEs contribute 48% to GDP, account for 96% of all enterprises and 84% of employment (Moniepoint MFB, 2025).

The extent to which small enterprises contribute to economic growth and development is contingent upon their ability to have access to affordable credit, especially, commercial banks credit which form the greater portion of conventional credit available to small enterprises. Unfortunately, unfettered access to affordable credit facilities have been a challenge to small enterprises making investment for expansion and growth very difficult (Sefrina, 2024). Although, there are many factors that could be responsible for poor credit accessibility by small enterprises such as firm and owner's characteristics, many scholars have hinted at the impediments that credit terms could constitute.

Commercial banks (CBs) are banks owned and managed by private individuals and helps in mobilising credit facilities from the surplus spending unit and make them available to the deficit spending units for investment and other purposes. (Adeniyi & Fayigbe, 2024). However, when they advance credit facilities to small enterprises, such facilities are securitized through credit terms to minimise perceived associated risks. These credit terms often include collateral, credit cost and repayment conditions (Auma & Muturi,2017).

Kogi state has a large number of small enterprises and a number of commercial banks which operate within the state. However, while some of the small enterprises in the state are struggling to survive few others have closed shops due to their inability to access credit needed for their sustenance. The Kogi State government has made several efforts towards the development of small enterprises in the state (Kogi Enterprise Development Agency [KEDA], 2022). In spite of these efforts by the government, small enterprises continue to encounter challenges in accessing credit from commercial banks which is believed to be due to stringent commercial banks' credit terms that limit access to affordable credit. The concerns generated by this problem have also resulted in research efforts on the determinants of small enterprise performance by researchers across the globe (Widyastuti *et al.,* 2023; Omune & Abuga, 2023). However, the findings of these studies have not been consistent. Surprisingly, despite the seriousness of this challenge, there seems to be lack of interest

among scholars in investigating this problem as evidenced by the paucity of empirical literature on this issue in the state.

Against this backdrop therefore, the study seeks to examine the effect of bank credit terms on the credit accessibility of small enterprises in Kogi State using Structural Equation Modelling (SEM) with Analysis of Moment Structure (AMOS) software. The specific objectives are to:

i. assess the effect of credit cost on small enterprise credit accessibility in Kogi State.
ii. examine the effect of collateral requirements on small enterprise credit accessibility in Kogi State.
iii. examine the effect of repayment conditions on small enterprise credit accessibility in Kogi State.

To aid the achievement of the objectives of this study, the following null hypotheses were empirically tested:

i. Credit cost has no significant effect on small enterprise credit accessibility in Kogi State.
ii. Collateral requirements have no significant effect on small enterprise credit accessibility in Kogi State.
iii. Repayment conditions has no significant effect on the credit accessibility of small enterprises in Kogi State.

2.0 Literature Review.

2.1 Conceptual Review

2.1.1 Commercial bank credit terms

According to Magembe (2019), credit terms refer to the minimum requirements that is imposed on borrowers when accessing loans from financial institutions. Researchers have identified three major components of credit terms, *viz;* credit cost, collateral and repayment conditions (Auma, 2017),

Credit cost can be conceptualised as the price of obtaining fund/credit. It is the rate which is paid for the use of capital. It can also be referred to as the cost of a company's fund; minimum rate of return a firm must earn on its investment (Mogaji, 2011). The various costs associated with small firm have been broadly classified by researchers (Bello, 2018; Ndofor and Lum, 2024) into interest cost and transaction/non-interest costs. Hosseini *et al.* (2012) have explicitly itemised the elements of costs associated with small firm bank lending as follows: search cost, processing fees, paperwork costs, negotiation fees, interest rates, legal fees and travelling expenses that the entrepreneurs meet in the process of acquiring credit.

Collateral is a pledge by the borrower of specific property in favour of a lender to secure repayment of a loan. It protects a lender against a borrower's default. If a borrower defaults on a loan, he forfeits the property

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pledged as collateral (Balogun *et al.,* 2018). In broad terms, collaterals can be classified into conventional and movable collaterals (Central Bank of Nigeria [CBN], 2017). Conventional collaterals are the traditional assets accepted by banks and other financial institutions as collateral (guarantees) for loans. These include: landed property, plant and machinery, vehicles, equipment; and stocks and bonds. SMEs do not generally have access to fixed assets, such as land or buildings, which are usually required by banks as collateral to secure loans. Instead, SMEs mainly rely on movable assets such machinery, equipment, furniture, software, electronic appliances, account receivables, inventory, raw materials, agricultural products, livestock, and vehicles to access finance (Aelex, 2023).

Credit repayment is the process of repaying both the principal and interest by the borrower in agreement with the agreed repayment conditions between the lender and the borrower (Ahmad, 2023). One of the challenges that often confront small enterprises in accessing credit from commercial banks is short repayment period of credit. Generally, repayment period can be classified into short repayment period (up to 1 year), medium repayment period (between1-3 years). and long repayment period (3years and above) with a higher percentage of the credit provided by commercial banks to small enterprises falling under the short-period category.

2.1.2 Small enterprises

Defining small enterprise is a challenging task, as every country has its own definition. This is because the delineation of a business as a small-scale enterprise is a subjective and qualitative judgment.

As in most developed economies, Nigeria with the introduction of the National Policy on MSMEs in 2007 has addressed the issue of definition as to what constitute small-scale enterprises by adopting the definition of International Standards for Industrial Classification (ISIC Rev4). The definition adopts a classification based on dual criteria, employment and assets (excluding land and buildings). According to the definition, small enterprises are those enterprises whose total assets (excluding land and building) are above Five Million Naira (N5,000,000) but not exceeding Fifty Million Naira (N50,000,000) with a total workforce of above ten, but not exceeding forty-nine employees (Akwu *et al.,* 2023). For the purpose of this research, the National Policy on MSMEs' definition of small-scale enterprises will be used since it is a more recent definition**.**

2.1.3 Credit Accessibility

Credit refers to loans, advances and discounts (LAD) of specified sums, terms and other conditions made available to individuals and entrepreneurs to start, grow or sustain any productive act for the smooth running

of any business. According to James and Akpokerere (2022) credit facilities can be in any of the following forms; loans, debentures, overdrafts, lease finance and trade creditors.

According to Musamali and Tarus (2013), access to finance has four key dimensions: physical access, affordability, appropriate features that meet the needs of small-scale enterprises, and appropriate terms that ensure effective inclusion of all categories of potential small-scale enterprises. According to the World Bank, objective indicators of access to credit include whether the firm has any credit products (e.g., Overdrafts, loans or line of credit), loan applications and rejections, percentage of bank finance used by firms to pay for their working capital and investment, and interest rate while subjective indicators include whether the firm claims access is one of the top three obstacles and whether the firm states "no need for a loan" as a reason for not applying for a loan (World Bank, 2008).

Poor access to credit facilities has been found to be a key challenge for small enterprises (Włodarczyk *et al.*, 2018). Small enterprises have limited access to credit, locally and internationally, in part because of the perception of higher risk, informational asymmetry, and the higher costs involved in processing small enterprises' credit facilities which constrains achievement of organisational goals (World Economic Forum, 2024).

2.1.4 Conceptual framework

The conceptual framework of this study which adapted from Iqbal and Rao (2022) is shown in Figure 1.

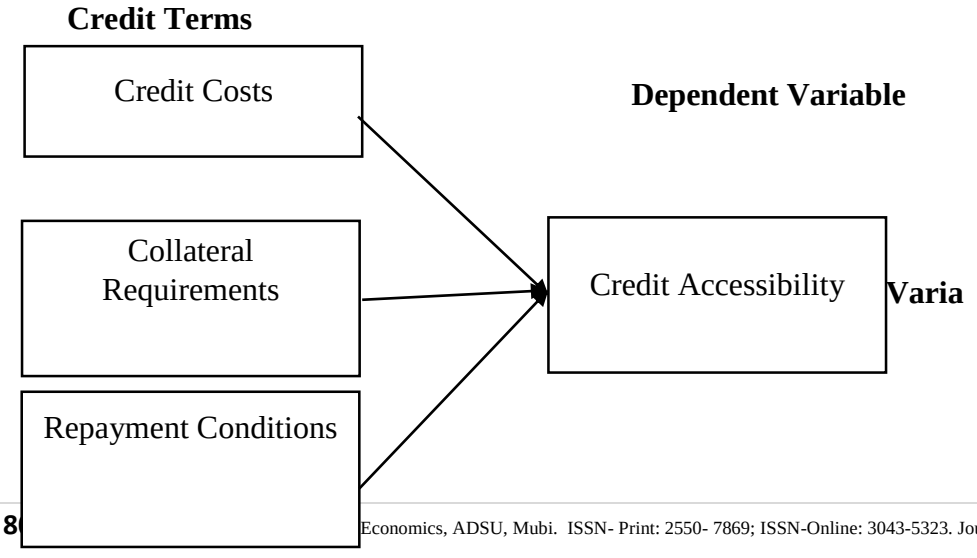

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Figure 1: Conceptual Framework
Source: Iqbal and Rao (2022)

Figure 1 describes the relationship between the predicted variable (credit accessibility) and predictor variables (cost of credit, collateral requirements, repayment conditions).

2.2 Theoretical Clarification

The underpinning theory of the study is the Pecking Order Theory (POY). The theory was propounded in 1984 by Myers who suggested that firms approach meeting their financial needs in a preferential manner (Myer, 1984). According to the theory, firm owners, considered as insiders, have more superior and authentic information in respect of the true situation of the firm than creditors who are seen as outsiders. This situation leads to what is known as information asymmetry (Martin, 2022). The usefulness of POT is limited by its perceived weaknesses which are as follows. First, it focuses on a narrow range of variables in the determination of cost of financing. Second, the theory has been criticized for its failure to quantitatively measure the effect that information flow has on cost of financing. Third, the effect of the theory on financial decisions by firms in recent empirical investigations, has been shown to be weak

In spite of these shortcomings, this study adheres and sticks to the POT in spite of its perceived weaknesses. The theory is preferred because it is widely applicable, especially, to large and small firms, and it postulates an indirect relationship between credit terms and enterprise performance as well as offers useful explanation on the relationship among the included variables in the current study.

2.3 Empirical Literature Review

Exploring the effect of credit terms on business performance, Widyastuti *et al.* (2023) researched on strengthening formal credit access and performance through financial literacy and credit terms in micro, small and medium businesses in East Java. A sample size of 324 MSMEs from the creative industry were selected using stratified random sampling method. The data collected through a structured questionnaire were analysed using Smart PLS and findings revealed that financial literacy and credit terms positively and significantly affect access to formal credit and MSME performance.

In Uganda, Francis and Anthony (2022) examined the relationship between credit terms, credit accessibility, and sustainability of SMEs using a cross-sectional research design which involved the collection of primary data through a structured questionnaire. 248 SMEs were selected through a simple random sampling technique while correlation and regression analysis were used to establish the relationship between the

variables of the study. The results obtained from the analysis of the data showed that there was a significant positive relationship between terms of credit and credit accessibility in the study area.

In the same vein, the focus of Cehajic and Košak's (2022) research was the examination of the impact macroprudential policies have on SMEs' access to bank finance. The researchers used secondary data from a firm-level survey of European Union countries between 2009 and 2017, Macroprudential Policies Evaluation Database (MaPPED), as well as primary data collected through questionnaire. The data generated was anlaysed using regression analysis. The results showed that a significant positive relationship exists between collateral and access to finance on one hand, and maturity and access to finance on the other hand

The relationship between collateral requirements of rural credit in Brazil was investigated by Menezes *et al.* (2022) using a proprietary database of rural loans obtained from the biggest private banks in Brazil containing over 110 thousand loan observations. The study made use of default as a dependent variable while relationship, sex, age, period of grace, collateral requirements, and rate of the loan were used as independent variables. Employing panel data analysis, results showed that the use of fiduciary lien improved access to credit for more opaque borrowers.

Bello (2018) investigated the effect of interest rate on access to credit by Small Enterprises in Kaduna State. The study examined the relationship between credit repayment and access to credit by small-scale enterprises in Kaduna State. Employing a descriptive survey research design, the study used two sets of written structured questionnaires which were administered and retrieved from 325 Small enterprises and 211 staff of selected commercial banks. Data obtained were analysed using descriptive statistics and logistic regression model. Results showed that interest rate has adverse effect on Small-scale enterprises' access to credit while firm's credit repayment is positively correlated with access to commercial bank credit in Kaduna State. However, Meressa (2022) explored the factors that determine micro- and small-scale enterprises' financing preference and access to credit in Benishangul-Gumuz Regional State of Ethiopia. The researcher collected primary data through a structured questionnaire from a sample of 296 enterprises which were selected using proportional stratified random sampling technique. Using descriptive and logistic regression for data analaysis, findings showed that repayment period had a significant negative effect on credit accessibility.

Oshora *et al.* (2021) focused their study on the determinants of financial inclusion in small and medium enterprises in Ethiopia using explanatory research design and a mixed research approach with generated through both primary and secondary sources. Analysing the data collected using a multiple linear regression model, the finding of the study demonstrated that collateral requirements positively affected firm's access to

finance while costs of borrowing and institutional framework factors exacted negative influence on the firm's access to finance. The study recommended that policymakers should evolve well-functioning financial market system that would make affordable financial services to SMEs.

Tiyezye (2021) examined the effect of some factors on SMEs access to finance in Lusaka. The aim of the study was to examine the extent of the effect of collateral requirements and interest rates on SMEs access to finance. The study adopted both qualitative and quantitative approaches using structured questionnaire to generate qualitative and quantitative data from 300 SMEs randomly selected from a total population of 2793 SMEs in Lusaka. Data generated from the field was analysed using percentages and correlation analysis. The results of the study revealed that lack of collateral is positively correlated with rejection of credit and interest rate variables. The researcher recommended that SMEs make use of practical and unconventional sources of funding.

From the above review, it could be observed that previous studies relied on the use of first-generation statistical tools of analysis despite their inherent weaknesses. In addition, it could be observed that there is inconclusiveness in findings given the contrasting results. There is also no evidence from the review that this subject matter has been investigated by previous researchers in the study area. This study sought to fill these gaps by investigating the subject matter using Structural Equation Model.

3.0 Methodology

This study adopted a survey research design. The population of the study comprised all registered 3986 small enterprises in Kogi State as at 2024 (Corporate Affairs Commission, 2024). A sample size of 351 was taken from the population using Watson (2001) formula. The formula is expressed as:

$$\text{Ns} = \frac{Np\ (p)(1-p)}{(Np-1)\ (B/C)^2+(p)(1-p)} \qquad (1)$$

Where:

Ns = Required sample size for the study from the total population;

N = Total number population

P = Proportion predicted to respond in a specific manner (50% or 0.5 is most conservative)

B = Acceptable margin of error during sampling (0.05 = +5%)

C= Z-Statistic at 95% (0.95) Confidence level

$$N_s = \frac{3986\ (0.5)(1-0.5)}{(3986-1)\ (0.05/1.96)^2+(0.5)(1-0.5)} = 351$$

This sample size was increased by 20% to take care of cases of non-responses as recommended by Bujang (2021). This increased the above determined sample size by from 351 to 421 members. The sample was proportionally distributed among the LGAs in the study area. A multi-stage sampling technique was used to select the members in order to have a representative Sample as suggested by Makwana *et al. (*2023) and Bisht (2024).

This study collected data using a structured questionnaire. The respondents were required to state their opinions on how credit terms have affected the credit accessibility of their enterprise in terms of goal achievement by responding to series of items contained in the research instrument drawn on a 5-point Likert-type scale with "1= "Strongly disagree", 2 = "Disagree", 3 = "Neutral", 4 =: "Agree", and 5 = "Strongly agree". These items were adopted from previous empirical studies (Mwenda & Kambura, 2021; Widyastuti *et al.,* 2023).

The psychometric property of the research instrument which included reliability and validity of the research instrument was established through a pilot study 105 participants selected across all the LGAs in Kogi State. The pilot study involved 105 participants which represents 24.9% of the sample size. The results of the Cronbach's alpha test showed that all the constructs included in the study scored above the recommended 0.7 Cronbach' Alpha value.

The model was specified as a structural equation model (SEM) using the Analysis of Moment Structures (AMOS) technique. This technique was preferred to Smart Partial Least Squares (PLS) since the nature of the study was theory testing and confirmation (Dash & Paul, 2021). Data analysis was done with the application of SEM using IBM SPSS AMOS Version 22 to estimate all the parameters of the model.

4.0 Result and Discussion

The study used a validated structured questionnaire to generate data from 421 respondents in the study area. Table 1 presents the outcome of the exercise:

Table 1. Distribution of Research Instrument

	Frequency	**Percentage (%)**
Returned Questionnaire	375	89.1
Non-Response	46	10.9
Total	**421**	**100**

Source: Field survey, 2025

Table 1 shows that out of the 421 questionnaires administered, the researcher was able to retrieve 375 validly filled questionnaires. This represents 89.1% response rate while the remaining 46 questionnaires which represent 10.9% constitute non response rate.

4.1 Descriptive Analysis of Respondents' Demographic Features

The researcher used some questions to draw out basic demographic characteristics of the respondents as presented in Table 2.

Table 2: Respondents' Demographic Features

S/N	Demographic Feature	Frequency	Percentage (%)
1.	**Designation**		
	Hired Manager	74	19.7
	Owner Manager	301	80.3
	Total	**375**	**100**
2.	**Educational Qualification**		
	No Formal Education	10	2.7
	Primary	38	10.1
	Secondary	158	42.1
	Vocational/Commercial	25	6.7
	Tertiary	144	38.4
	Total	**375**	**100**
3.	**Sources of Capital**		
	Personal Savings	188	50.1
	Family Source	54	14.4
	Commercial Bank	102	27.2
	Cooperative/Esusu	8	2.1
	Grants	16	4.3
	Others	7	1.9
	Total	**375**	**100**

Source: Field survey, 2025

As presented in Table 2, the distribution of respondents' according to designation reveals that 74 or 19.7% of the small enterprises sampled for the study were managed by hired managers while the remaining 301 or 80.3% were managed by managers who were also the owners of the enterprises. Table 2 equally depicts those an impressive number of the managers have acquired higher-level education required for entrepreneurial success. Finally, analysis shows that personal savings (50.1%) and commercial bank loan (27.2%) are the commonest sources of credit facility.

4.2 Model Analysis

The analysis of SEM is usually done in two stages. These two stages are the measurement model analysis and structural model analysis (Fraihat *et al.,* 2023).

4.2.1 Measurement Model Assessment

The measurement model of the study was assessed by conducting a Confirmatory Factor Analysis (CFA) test using AMOS version 22. The extract of the results is shown in Table 3.

Table 3. Measurement Model Results

	CRC	RPC	ATC	CRQ	AVE
CRC	**0.7064**				0.599
RPC	-0.060	**0.7423**			0.551
SEP	-0.079	0.647			0.545
ATC	0.099	0.246	**0.8216**		0.675
CRQ	0.300	-0.031	0.295	**0.8367**	0.700
Cronbach' s Alpha	0.899	0.729	0.880	0.928	
Composite Reliability	0.798	0.708	0.924	0.932	
Variance Inflation Factor (VIF)	1.000	1.542	-	1.402	

Source: Author's Extraction from AMOS Version 22 Output

The values presented in Table 3 indicate that the measurement model's reliability and validity are good. Cronbach alpha values and composite reliability values are greater than 0.7 minimum threshold recommended by Hair *et al. (*2022). Further, Table 3 also shows that the value of AVE for each of the constructs is higher than 0.5. Discriminant validity was assessed through Fornell- Larcker criterion that draws comparison between the square root of the AVE values with the latent variable correlations. Table 3 indicates that the AVE's square roots for each of the constructs, represented by diagonal bold values are above the highest correlation value with any other construct. This confirms convergent validity (Basbeth *et al.,* 2018). Finally, the VIF indicates that all values are lower than five, confirming the absence of collinearity issues.

4.2.2 Model fit

After establishing the psychometric properties of the measurement model, the study proceeded to confirm the model fit. Table 4 shows the fitness indices and the result obtained for each using AMOS version 22 programme:

Table 4: Model's Fit Indices

S/N	Index name	Result obtained	Comment

1.	Root Mean Square of Error Approximation (RMSEA)	0.071	Acceptable
	Goodness of Fit Index (GFI)	0.911	Acceptable
2.	Comparative Fit Index (CFI)	0.956	Acceptable
	Tucker-Lewis Index (TLI)	0.946	Acceptable
	Normed Fit Index (NFI)	0.935	Acceptable
3.	Chi Square/Degree of Freedom	2.9	Acceptable

Source: Author's Extraction from AMOS version 22 Result

As presented in Table 4, all the indices: RMSEA (0.071), GFI (0.911), CFI (0.956), TLI (0.946), NFI (0.935), and Chi-square/ (2.9) achieved their respective required minimum thresholds of < 0.08, 0.9, 0.9, 0.9, 0.9, and < 3 as recommended (Zainudin, 2015). Therefore, based on above values obtained as presented in Table 4.7, the model fit of the study has been confirmed and SEM can be applied.

4.2.3 Assessment of structural model

Sequel to the establishment of the reliability and validity of the research instrument as well as the model fit of the study, the next step is hypothesis testing done through the assessment of the structural model of the study. The decision to accept or reject the hypotheses was based on the results generated via AMOS version 22, and the key criterion will be the significance of the path coefficients (β-Values) determined through the p-values. The structural paths are shown Figure 2

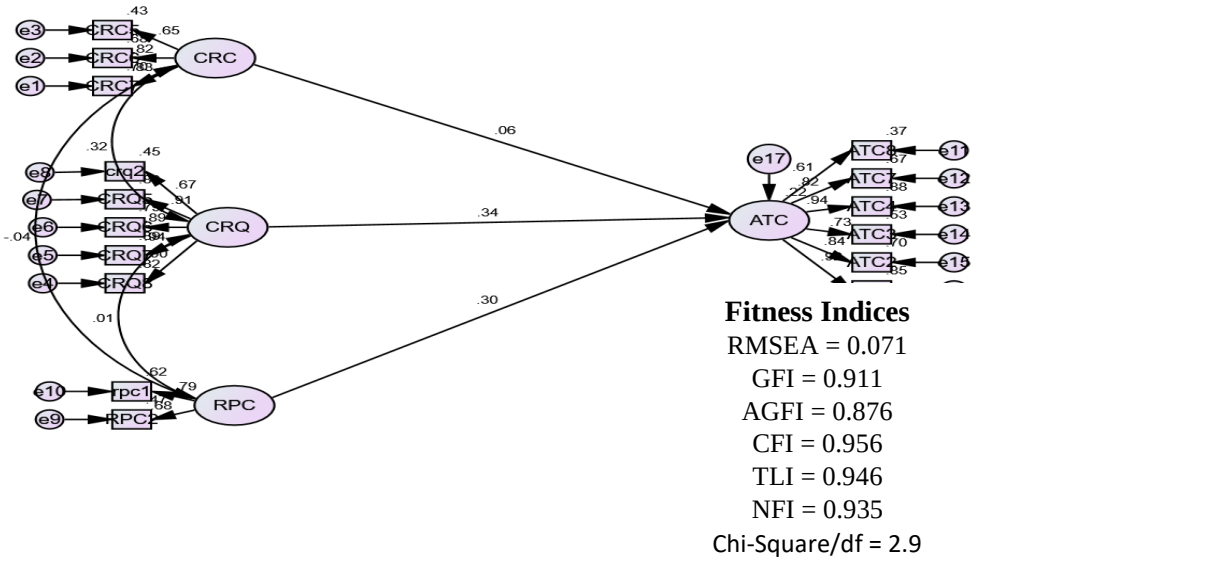

Figure 2. AMOS Path Diagram
Source: AMOS Version 22 Output (2025)

The results obtained from Fig 4.2 are presented in Table 5 for the sake of clarity and easy interpretation

Table 5: SEM Effect Results

Hypothesised Path	Beta Coefficient	S.E	P-Value	Decision
ATC <--- CRC	0.056	0.058	0.322	Accepted
ATC <--- CRQ	0.339	0.042	0.000	Rejected
ATC <--- RPC	0.303	0.083	0.000	Rejected
		$R^2 = 0.22$		

Source: Author's field survey result extracted from AMOS 22 Output (2025)

***Note*:** *P<0.05, **P<0.01 & ***P<0.001

-0.011

Table 5 shows the path coefficients of the effect of the various components of credit terms used in the study on small enterprise performance. A p-value less than 0.05 indicates a significant path coefficient leading to the rejection of the null hypothesis and vice versa. This was used to test the study's hypotheses as presented below:

H_{01}: ***Credit cost has no significant effect on credit accessibility of small enterprises in Kogi State.***

As indicated in Table 5, credit cost ($\beta = 0.056$, $P = 0.322$) has a positive but insignificant effect on credit accessibility of small enterprises in Kogi State. The result shows that when credit cost increases by 1 unit, credit accessibility also increases by 0.056 units. However, this effect is not significant as indicated by the p-value which is higher than 0.05 level of significance. Consequently, the H_{01} is not rejected.

H_{02}: Collateral requirements have no significant effect on credit accessibility of small enterprises in Kogi State.

Table 5 shows collateral requirement ($\beta = 0.339$, $P = 0.000$) has a significant positive effect on credit accessibility of small enterprises in Kogi State. The implication of this is that whenever CRQ rises by 1 unit, there would be a rise in credit accessibility by 0.339 units indicating. Given that the p-value is less than 0.05 level of significance, the effect is declared significant and the null hypothesis rejected.

H_{03}: ***Repayment conditions has no significant effect on credit accessibility of small enterprises in Kogi State.***

Table 5 also presents the result on the effect of repayment conditions on credit accessibility of small enterprises in Kogi State. With RPC ($\beta = 0.303$, $p = 0.000$), the result suggests that an increase in repayment conditions by one unit increases ***credit accessibility*** by 0.303 units. This reveals a significant effect of repayment conditions on ***credit accessibility*** since the p-value is less than 0.05. Hence, the study rejects H_{03} in favour of the alternative hypothesis.

As shown in Table 12, the R^2 value for the model is 0.22. This implies that the explanatory power of the predictor variables is 22%. This falls in the category of a moderate model (Shela *et al.*, 2023).

4.3 Discussion of Results

This study investigated how small enterprise performance is affected by credit terms through the mediating effect of credit access in Kogi State, Nigeria.

The results indicated that credit cost has an insignificant negative effect on small enterprise credit accessibility in Kogi State. Though the negative sign obtained aligns with a priori expectation of the study derived from the underpinning theory and the finding of the study conducted by Bello (2018), it however contrasts sharply with the findings of Francis and Anthony (2022) who found a significant positive effect of credit cost on access to credit. This revelation could be attributed to high interest rate and numerous other charges by commercial banks which discourage small enterprise owners from accessing such credits.

Similarly, the test of the second hypothesis confirmed that collateral requirements have a significant positive effect on credit accessibility of small enterprise in Kogi State. These results correspond with the findings of Cehajic and Kosak (2022) who also established that collaterals had significant positive effect on credit accessibility. However, it conflicts with the findings of Menezes *et al.* (2022) and Tiyezye (2021) who in separate studies established the negative effect of collateral requirement on credit accessibility. The reason for this significant positive effect might be due to the fact that commercial banks make more credit facilities to small enterprises who meet their collateral requirement.

Lastly, the results also revealed that repayment conditions have significant positive effect on credit accessibility of small enterprises in Kogi State. The finding agrees with the findings of Widyastuti *et al*. (2023) who also discovered a significant positive effect of credit terms on the ability of enterprises to access credit facilities. The significant positive effect of repayment conditions as found in this study could be as a result of a cocktail of factors which according to Wafula (2015) include installment credit repayment, grace period, season, payment mode, frequency of repayment, loan repayment duration, and payment schedules. Recent effort by Kogi State government to collaborate with banks in the state through the establishment of Kogi State Enterprise Development Agency could also have contributed positively to this.

5.1 Conclusion

The study investigated the effect of credit terms on the performance of small enterprises in Kogi State. Based on the findings of the study, the researcher concludes that the effect of credit terms on credit accessibility of small enterprises in Kogi State was significant.

5.2 Recommendations

Based on the findings of this study, the following recommendations are suggested as a way of improving small enterprise access to credit in Kogi State through favourable credit terms:

i. Commercial banks should review their policy on interest rate regarding small enterprises' lending as well as credit application procedure in order to reduce credit costs which affect small enterprises' ability to access commercial banks' credit.
ii. The CBN should vigorously pursue policies that seek to encourage commercial banks to be more willing to lend to small enterprises with a reduced emphasis on collateral security.
iii. Commercial banks should relax further their credit repayment condition through the introduction of more credit facilities with longer repayment period, extension of grace periods, and better installment payment policy.

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