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FINANCIAL ACCESSIBILITIES OF MICRO-ENTERPRISES IN ILORIN METROPOLIS OF KWARA STATE

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Abstract

Micro enterprises are the engine room for the development of any economy, because they form the bulk of business activities in any growing economy. Nigerian governments having realized the importance of this sector embarked on different programmes to address the problem of poor financing of micro enterprises yet not much success was recorded. Thus, this study examined financial accessibilities of micro-enterprises in Ilorin metropolis of Kwara State. The study employed primary data obtained through questionnaire administration. Descriptive statistics and ordered logit regression were used to achieve the objectives of the study. Results of the regression analysis revealed that collateral requirement is a significant determinant of financial accessibilities of micro-enterprises in Ilorin metropolis with coefficient value of 0.4720 and at 5% level of significance. The study concluded that collateral requirement influences the accessibility of financial accessibility of micro-enterprises in Ilorin metropolis of Kwara State. Therefore, the study recommended that credit giving institutions and government should come up with products for micro-enterprises where collateral requirements are lenient.

Keywords: *Financial Accessibilities, Micro-Enterprises, Regression Analysis*

JEL Classification: *G2, G32*

1. INTRODUCTION

Deterioration in the growth rate in most developing countries is a manifestation of the fall in the standard of living of the people that resulted into poverty. The Nigeria's experience in recent times is pathetic having witnesses a fall in its GDP from an annual average rate of 10.5% in 1985 to 3.2% in 2007. One of the consequences of this decline is the rate of poverty which has increased from 28.1% in 1980 to 71.5% in 2011 (CBN, 2012). However, micro-enterprises are known for their potentials of job creation and poverty reduction across the globe and such businesses are as much a cardinal economic catalyst in the industrialized nations as well as the developing world (Graflund, 2013).

Nigeria is the largest country in Africa with a population of over one hundred and fifty eight million people, and despite its strong economic track record, poverty is still significant and this is often linked to inequality and uneven access to production resources, most especially financial accessibility. Financial access creates opportunities for self-employment and librates

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the poor and women from clutches of poverty. In fact when poor people have access to finance it enable them to do whatever they do best and earn money for it. Thus, access to finance improves the welfare of the poor and brings them into the income stream (Ijaiya & Afolabi, 2013). Studies (such as Achoja, 2012) have also shown that Nigeria has low amount of domestic investment through loans vis-à-vis other emerging markets and this has resulted in gross underperformance of the microenterprise sub-sector, which has undermined its contribution to the economic growth and development of country (Achoja, 2012).

Nigerian government has formulated several policies with a view to developing micro-enterprises in Nigeria as they were recognized as organs for achieving self-independence, employment creation, import substitution, effective and efficient utilization of local raw materials and contribution to economic development of the country (Oni and Daniya, 2012). Despite the initiation of different schemes, one hear of fast proliferation of SMEs in Nigeria without a corresponding decrease in the level of poverty. SMEs in Nigeria have underperformed despite the fact that the SMEs in Nigeria constitute more than 90% of Nigerian businesses, their contribution to the nation's GDP is below 10% (Osemene, Salman and Kolawole, 2017).

Financing microenterprises is considered by many capital providers as a risky venture due to high transaction costs and low returns, and other unforeseen circumstances of the businesses especially in the early stages. The impression has been that lack of funds or inadequate funding is the root cause of several microenterprises unproductive activities and closure in Nigeria. Other problems inhibiting the growth of micro-enterprises are high interest rate which has increased the cost of operation of small businesses; the stringent collateral requirement has hindered micro-enterprises in accessing loans externally. The inability of the micro-enterprises to determine different external sources of funds and other facilities such as advisory services make them unable to undertake profitable investments and hence deter their growth.

Hence, the need to examine the effect of collateral requirement on financial accessibilities of micro-enterprises in Ilorin metropolis. For the purpose of achieving the research objectives, the following hypotheses were formulated and stated in null form:

H₀₁: Collateral requirement does not have significant effect on financial accessibilities of micro-enterprises in Ilorin metropolis.

H₀₂: Interest rate does not have significant effect on financial accessibilities of micro-enterprises in Ilorin metropolis.

H₀₃: Availability of information does not impact significantly on financial accessibilities of micro-enterprises in Ilorin metropolis.

The next section is literature review. This is followed by methodology and discussions of findings. The last section covers the conclusion and recommendations of the study.

2. LITERATURE REVIEW

2.1 Conceptual Issues

The European Commission (2005) defines a small enterprise as a firm with 10-50 employees and a micro enterprise is defined as one with less than 10 employees. Chigumira and Masiyandima (2003) say, "In Zimbabwe a micro enterprise refers to an enterprise with less than

10 employees and a small enterprise refers to an enterprise with between 10 and 50 employees.” However, In Nigeria, the definition of microenterprises also varies from time to time and according to institutions. The Nigerian Government has used various definitions and criteria in identifying what is referred to as micro and small sized enterprises. At certain point in time, it used investment in machinery and equipment and working capital. At another time, the capital cost and turnover were used. However, amidst several definitions provided by the Government and its attendant agency, the National Council on Industry (1991) defined micro enterprises as an industry whose total project cost excluding cost of land but including working capital is not more than N500,000:00 (i.e. US\$50,000).

The basic features of micro-enterprise encompass: limited capital outlay; it is being owned and managed by one or jointly owned by people; it is mostly financed from personal and family resources; It has a limited number of employees and it is most often labour-intensive, among others (Etumeahu *et al.*, 2009). In line with the provisions of the Revised Microfinance Policy, Regulatory and Supervisory Framework for Nigeria, the following are the various types of microenterprises : Agricultural value chain activities, cottage industries, artisans, service to hotels, schools, restaurants, laundry etc., Trade and general commerce, renewable energy and any other generating enterprises as may be prescribed by the Central Bank of Nigeria (CBN 2014). Fasua (2006) categorized business that fall under microenterprise as follows: firewood supply, packaging of food items, meat retailing, plantain production, restaurant service, small scale poultry raising, rabbit raising, organizing laboursquand, operating a nursery for children, home service, arranging food for parties and host of others.

2.1.2 Problems of Micro Enterprises

Inspite of the array of benefits micro-enterprises offer to their promoters and the general economy of both developing and developed nations, the challenges facing them are monumental. The most worrying among these problems or constraints is funding. The promoters of micro-enterprises especially in Nigeria have insufficient personal savings/funds resulting in low initial promoters equity (SMIEIS, 2002). Most new micro-enterprises are not very attractive prospects for banks, as they want to minimize their risk profile. In Nigeria, the situation is not very different until recently when the Banker's committee intervened in 2001 with a scheme termed the Small and Medium Scale Industries Equity Investment Scheme (SMIEIS).

The scheme relegated to the background government credit schemes that are not well thought-out and implemented (SMIEIS, 2002). Most micro-enterprises are faced with uncoordinated business ideas and plans. As a result of this, they tend to collapse and sometimes fail to be resuscitated due to poor planning. Markson (2000) observe that micro-enterprises promoters, due to lack of appropriate knowledge in decision taking, end up using the common rule of thumb in taking decisions. Further, Nigerian entrepreneurs do not have bankable projects. This has made them to have problems in accessing funds from the conventional banks, mainly due to high credit risk standard including non-security/collateral. Akin to this problem is inability of banks to provide long-term funds due to mismatch between tenor of bank deposits and loans being sought. Also related to the above problems is fluctuating and prohibitive interest rate regime and volatile exchange rate regime. Another problem for many micro-enterprises is termed the "Entrepreneurial myth" or E-myth. The mythic assumption is that an expert in a given technical field will also be expert at running that kind of business (Thompson, 2005).

2.1.2 Concept of Financial Accessibility

The traditional idea of financial accessibility is the provision of access to and usage of diverse, convenient, affordable financial services. Financial accessibility covers relevant, cost effective, sustainable and meaningful financial services for the financially underserved population especially the less privileged ones, who may be rural/urban dwellers. Ledger wood goes on to define financial accessibility as the provision of financial services such as deposits, loans, payment services, money transfers, insurance), and accepting a wider variety of assets as collateral to urban and rural poor and low – income households and their micro enterprises. It also includes the use of collateral to compensate for lack of fixed assets examples which are land, buildings, jewelries among its target consumers. Access to finance can be defined as “availability of a supply of reasonable quality financial services at reasonable costs, where reasonable quality and reasonable cost have to be defined relative to some objective standard, with costs reflecting all pecuniary and non-pecuniary costs” (Claussens, 2006).

2.1.3 Factors Influencing Financial Accessibilities

According to Mitchee (2004), the difficulty in obtaining credit is consistently rated by firms as one of the greatest barriers to operation and growth. The access to credit information and the technology in local lending environments determine the extent to which micro enterprises obtain sufficient external financing to exploit profitable projects. The extent to which the business environment inhibits the optimal provision of credit determines the size of the funding gap that micro enterprises might face (Berger et al., 2004). Access to information is important both from the micro-enterprises perspective and from the perspective of the providers of financial services and products. The micro-enterprises require information with which to identify the potential suppliers of the financial products. It requires this information to evaluate the cost of the financial services and products that are being offered. The financial service providers require information with which to evaluate the risk of micro-enterprises which is applying for finance, and to assess the prospects of the micro-enterprises within the market segment.

According to Gichuki, Njeru and Tirimba (2014), one of the problems faced by micro firms when attempting to raise finance is information asymmetry in that they cannot prove the quality of their investment projects to the provider of finance (usually banks). Micro-enterprises managers often suffer from a lack of financial sophistication, as they are often product or service specialist, not specialists in the area of finance. Thus, the information asymmetry problem is partly one relating to difficulties in the spheres of communication and credibility. Banks have always adopted a risk adverse stance towards micro firms, with an accompanying inability to focus on the income generating potential of the venture, when analyzing the likelihood of loan repayment (Beaver, 2002).

Credit constraints can occur when banks increase collaterals for loans. As a result, low interest borrowers (including micro-enterprises) may be removed from the list of potential customers and banks may skip these customers. Gangata & Matavire, (2013) in their study on challenges facing MSEs in accessing finance from financial institutions, found out that very few MSEs succeed in accessing funding from financial institutions, the main reason being failure to meet lending requirements, chief among them being provision of collateral security. Banks have

often been criticized for having high interest rates charged on loans. But sometimes, there are factors beyond their control. For example, the amount of interest payable on loans depend on interest rates charged, which is driven by the base lending rate of interest set by the Central Bank of Nigeria (CBN). The amount of interest rate charged is sometimes, intertwined with the security of the loan, and the use for which it is to be used, or the nature of the business. That is, the more secure loans are charged low interest rates due to, their low risks involved. This leads MSEs to the Micro Finance Institutions (MFIs), who lend unsustainable interests short term loan.

2.2 Theoretical Framework

This study is hinged on three theories, viz: Asymmetry information theory, credit rationing theory and irrelevance and relevance theory.

Asymmetry information theory was developed by Akerlof in 1970. The theory of asymmetric information tells us that it may be difficult to distinguish good borrowers from bad borrowers (Auronen, 2003 and Richard, 2011), which may result into adverse selection and moral hazards problems. The theory explains that in international market, the party that possesses more information on a specific item to be transacted is in a position to negotiate optimal term for the transaction than the other party (Auronen, 2003). The party that knows less about the same specific item to be transacted is therefore in a position of making either right or wrong decision concerning the transaction. Adverse selection and moral hazards have led to significant accumulation of Non-Performing loan in banks (Bester, 1994).

Credit rationing theory is another important theory that focused on financing gap analysis by Stiglitz and Weiss (1981). In their formulation, Stiglitz and Weiss (1981) argued that agency problems (a conflict of interest between management (agents) and the shareholders (owners) of the organization) and information asymmetries are the major reason why SMEs have constrained access to finance. They argued that only SMEs know their real financial structure, the real strength of the investment project and the effective intention to repay the debt, that is, firms have superior private information (asymmetric information). Hence, the bank manager makes decisions under asymmetric information, and operates under a moral hazard and adverse selection risk.

Stiglitz and Weiss (1981) explained the choice among different financing sources under conditions of asymmetric information and credit rationing. Asymmetric information can lead to credit rationing conditions by modifying the risk-return distribution; this fact encourages banks to refuse capital for investments and produces divergence between capital demand and supply (Alfo & Trovato, 2006). Constrained access to finance derived from financial institutions' credit rationing behavior might not be efficient because managers work under conditions of asymmetric information. This may result in less profitable investments getting financed while more profitable investments are being left out and thus resulting in adverse selection and moral hazard risks. Therefore, asymmetric information can explain asymmetric of credit among firms with identical characteristics, the lenders not being aware of the exact bankruptcy likelihood for the firms, know only that this likelihood is positive and therefore choose to increase debts' cost.

Start-up small firms are more likely to be affected by information asymmetry problems. Deakins, North, Baldock and Whittam (2008) argued those information asymmetries are more acute in new and technology-based propositions. They argued at an early stage, information is limited and not always transparent and assets are often knowledge based exclusive associated with the founding entrepreneur. Especially with manufacturing and technology based firms,

entrepreneurs may be reluctant to provide full information about the opportunity because of concerns that disclosure may make it easier for others to exploit.

There are some categories of SMEs that will face additional problems due to lack of security, such as young entrepreneurs or those from deprived areas. In addition, there may be asymmetries arising from location as well as sector. For example, owners of MSEs in rural environments may face difficulties with access to bank finance. Small firms are more likely to be rationed because they are seen as particularly risky. Although they might be willing to pay more to compensate for the additional risk, the banks will refuse to raise the interest rate sufficiently to equate supply and demand. Lack of information about credit and lack of required security are the major reasons while the amount applied for was higher than the amount received from both formal and informal sources suggesting credit rationing by the institutions.

Finally, the last theory is the social capital theory which was developed by Bourdieu (1984). Social capital is the sum of the resources, actual or virtual, that accrue to an individual or a group by virtue of possessing a durable network of more or less institutionalized relationships of mutual acquaintance and recognition. According to Baker (1990), social capital is the resources that actors derive from specific social structures and then use it to pursue their interests; it is created by changes in the relationships among actors.

Acquaah (2008) opined that social capital theory can be classified into internal and external. The internal social capital theory deals with the structure and social networking relationships among actors (that is, individual members) within a system or organization, while external social capital theory focuses on the structure and social networking relationships. According to Ghoshal and Moran (1996), social capital increases the efficiency of action through higher levels of trust and cooperative behaviour within the members of the network. Nahapiet and Ghoshal (1998) proposed three dimensions of social capital: structural, relational and cognitive. They opined that structural dimension concerns the properties of the social system and of the network of relations as a whole. The term describes the impersonal configuration of linkages between people. While, relational dimension describes the kind of personal relationships people have developed with each other through a history of interactions. Cognitive dimension refers to those resources providing shared representations, interpretations and system of meaning among members.

Fuller and Tian (2006) explained the significance of each from the perspective of micro enterprises. From a structural dimension, Liao and Welsch (2005) asserted that the network ties provide access to resources and information. Micro enterprises are particularly dependent on such networks of interpersonal relationships, and these networks assist them with their functionalities (Murillo and Lozano 2006).

A structural relationship also helps micro enterprises to survive competition in the market by compensating for their relative weaknesses like smaller size, lower economies of scale and lower security (Spence and Schmidpeter, 2003). A similar outcome is noted in Putnam (2000) bridging and linking social capital which arises when people from different backgrounds come together for better linkage to external assets and information. From a relational dimension, social capital influences trust, norms, obligations and mutual expectations in addition to increasing identity, respect and friendliness. Spence and Schmidpeter (2003) identified the favourable outcomes which promote images of transparency, goodwill and good citizenship related to social capital accrued through formal engagement, networking within and across sectors, volunteerism and giving to charity. They argue that collective action emerging from such relationships of trust and mutual expectation are crucial for SMEs embedded in their local communities.

Liao and Welsch (2005) asserted that such relational dimensions, which involve a responsibility to other partners in the community, also enable firms to gain financial, physical and emotional support. The cognitive dimension of social capital enhances the possibility of sharing resources and responsibilities amongst the partners and stakeholders in the network (see also Nahapiet and Ghoshal, 1998). Spence and Schmidpeter, (2003) summarized the aspects of social capital that benefit Micro enterprises such as: enabling mutual expectations and enable collective action (trust), forming a kind of insurance, giving access to relevant information, and lastly providing financial assistance.

2.3 Empirical Review

Amoo and Kolawole (2015) investigated the contributions of microfinance banks to small scale entrepreneurial development in Nigeria. The research designs adopted for the purpose of the study were the Survey and Explanatory Research Methods in which case both primary and secondary data were used for analysis purposes. The analysis of data revealed that the microfinance banks are not adequately financing the rural entrepreneurs.

Olowe, Moradeyo and Babalola (2013) examined the impact of microfinance banks on SMEs growth in Nigeria. The population of the study consists of the entire SMEs in Oyo State, and it was restricted to Ibadan metropolis. Purposive sampling technique was used to select the participating SMEs. Pearson correlation coefficient and multiple regression analysis were used to analyze the data. It was discovered that financial services obtained from MFBs have positive significant impact on SMEs growth in Nigeria. Ojo (2009) investigated impact of microfinance on entrepreneurial development using questionnaire as instrument of primary data collection. The study revealed a significant difference in the number of entrepreneurs who used microfinance institutions and those who do not and a significant effect of microfinance institutions activities in predicting entrepreneurial productivity. The study concluded that microfinance institutions have positively affected individuals, business organizations, other financial institutions, the government and the economy at large through the services they offer and the functions they perform in the economy.

Osotimehin, Jegede, Akinlabi and Olajide (2012), examined the challenges and prospects of micro and small scale enterprises development in Nigeria. The study was conducted in Lagos State, South Western Nigeria with the use of questionnaire and interview to gather relevant data. The study found that financial constraints and lack of management skill hamper the efficient performance of micro and small scale enterprises in Nigeria. Babajide, Iyoha and Taiwo (2011) investigated the contributions of microfinance banks to the development of micro, small and medium enterprises in Lagos and Ogun states, Nigeria. The study employed primary and secondary data. Using sample t-test, Pearson correlation coefficient analysis and multiple regression analysis the study discovered that the non-financial services rendered by microfinance banks enhance business performance of MSMEs, while the financial services particularly the asset loans size; asset loan duration and asset loan repayment method do not have the capacity to enhance MSMEs' business growth.

Ediomo and Iboru (2010) studied micro-credit scheme and its impact on rural poverty, using lending scheme operated by a local NGO in Akwa Ibom State as a case study. Personal and group interviews method was used. The findings showed among others that micro-credit schemes present enormous potentials for enhancing income generation; improving households living condition and reducing abject poverty in rural areas. Etebefia and Akinkumi (2013)

evaluated the contribution of small scale industries to the national economy. The study employed secondary data that was obtained from Nigerian Bureau of Statistics publication. The study discovered that the growth of Nigerian Economy depends on how vast the Small Scale Industries are in technology.

Mahmuda and Toshihito (2009) assessed the impact of micro-credit programmes in empowering rural women in Bangladesh. On hundred and eighty (180) women were sampled using a well structured questionnaire. The study revealed that only 21% of the women were actually employed. It was also discovered that the women that were empowered had institutional participation, media exposure and family land holdings. Azende (2011) researched on the financing options available to small and medium scale enterprises (SMEs) in Nigeria. Correlation was used to substantiate the similarity in the inherent identified problems of each financing option. Simple percentages combined with mean scores were used to test hypothesis one while Chi-square was used to test hypothesis two. The study revealed that SMEs are significantly financed by informal sources of finance than the formal sources of finance and the conditions for accessing SMEEIS funds was beyond the reach of the predominant SMEs in Nigeria.

Despite all the studies reviewed above, this study uniquely used variables such as availability of information. The study also uniquely examined the nature of micro-enterprises in Ilorin metropolis. Also, different econometric models have been used. Few of the studies in Nigeria have taken the reliability or otherwise of the variables into account. The study took consideration of the reliability of the data and also uniquely employed ordered logit regression analysis. The study hence contributes to the existing body of knowledge by filling the identified gap.

3. METHODOLOGY

This study examined the financial accessibilities of micro-enterprises in Ilorin metropolis. This study adopts a positivist research design as it implies a survey of micro-enterprises in Ilorin metropolis. Quantitative research designs method was used to collect information from various operators of micro-enterprises in Ilorin metropolis. This method enables the researcher to measure the perceptions options of the respondents towards the financial accessibilities of micro-enterprises in Ilorin metropolis of Kwara State. This study employed primary data obtained through administration of questionnaire. A well-structured questionnaire and in-depth interviews were considered as the most appropriate data collection instruments for this study. The questionnaire was used to ensure that questions posed to all respondents are uniformly phrased, so as to allow objective comparisons of results obtained. In accordance to this sample unit, one four hundred (400) structured copies of questionnaire were distributed to operators of micro enterprises in Ilorin Metropolis of Kwara state. However, three hundred and sixty four copies of questionnaire were fully filled and returned. For the purpose of this study, the model is re-modified to capture information availabilities. The model is re-modified and stated as:

$$FA = f(CR, INT, IA) \dots\dots\dots(1)$$

Econometrically, it can be written thus:

$$FA = \alpha_0 + \alpha_1 CR + \alpha_2 INT + \alpha_3 IA + \mu \dots\dots\dots(2)$$

Where:

FA= Financial Accessibilities

CR= Collateral Requirement

INT= Interest Rate

IA= Information Availability

μ is the error term

$\alpha_0 = \alpha_1 = \alpha_2 = \alpha_3$ = Coefficient Parameters

A-priori expectation, $\alpha_1 < 0$; $\alpha_2 < 0$ and $\alpha_3 > 0$.

(i). It is expected that there will negative relationship between collateral requirement and financial accessibilities of micro-enterprises in Ilorin metropolis of Kwara State.

(ii). A negative relationship is expected between interest rate and financial accessibilities of micro-enterprises in Ilorin metropolis of Kwara State.

(iii). A positive relationship is expected between information availabilities and financial accessibilities of micro-enterprises in Ilorin metropolis of Kwara State.

4. FINDING AND DISCUSSIONS

Table 1: Demographic Characteristics of Respondents

▶ Tabulation of Gender(GEND)	Frequency	Percent
Male	132	36.3
Female	232	63.7
Total	364	100.00
▶ Tabulation of Marital Status (MARST)	Frequency	Percent
Single	98	27
Married	120	33
Divorced	73	20
Widowed	73	20
Total	364	100.00
▶ Tabulation of Educational Background (EDU)	Frequency	Percent
No Formal Education	21	6
Primary School	56	15
Secondary School	122	34
NCE/ND	74	20
B.Sc./HND	91	25
Total	364	100.00

Source: Author's Computation, (2019).

The demographic characteristics of 364 respondents are displayed in Table 1. The result illustrates that 132 (36.3%) of the respondents were males while 232 (63.7%) of them were females. It was also revealed that 27% (98) of the respondents were Single, 33% (120) of them were married, 20% (73) of them were divorced and 20% (73) were widowed. Obviously, the highest percentage of the respondents was married. Also, the educational background of the respondents is included in the table. It shows that most of the respondents (122) 34% have secondary education, 74 (20%) of them are NCE/ND holders while 91 (25%) of them have

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B.Sc./HND. However, 56 (15%) of the respondents have primary education while 21(6%) of them have no formal education. The results of the survey indicate that majority of the respondents have the ability to read and write so as to provide the required answers to the questionnaire.

Table 2: Nature of Microenterprises

AVERAGE MONTHLY SAVINGS	FREQUENCY	PERCENTAGE
BELOW 1000	63	17.31
1000- 5000	184	50.55
5001- 10000	85	23.35
ABOVE 10000	32	8.79
TOTAL	364	100.00
AVERAGE MONTHLY LOAN TAKEN		
BELOW 10000	85	23.35
10000-20000	156	42.86
20001-30000	54	14.84
30001- 40000	45	12.36
ABOVE 40000	24	6.59
TOTAL	364	100.00
JOB CREATION		
BELOW 3	226	62.09
4-6	41	11.26
7-10	97	26.65
TOTAL	364	100.00

Source: Author's survey, (2019).

Table 2 shows the nature of microenterprises with regards to the level of their savings, loan obtained and job creation in Ilorin metropolis. The result indicates that majority (50.55%) of the microenterprises made monthly average savings of 1000 to 5000 naira, 85 representing (23.35%) of them saves 5001 to 10000 naira while 63 representing (17.31%) of them saves below 1000 naira monthly. However, 32 representing (8.79%) of the 364 microenterprises save above 10,000 naira monthly.

Regarding the amount of loan taken, the result shows that most respondents (156 constituting 42.86%) of the microenterprises obtained 10,000 to 20,000 naira while 85 of the respondents representing (23.35%) took below 1000 naira monthly as loan. Also, 54 (14.84%), 45 (12.36%) and 24 (6.59%) of the enterprises obtained 20,001 to 30000, 30,001 to 40,000 and above 40,000 naira monthly as loan respectively. This clearly indicates that the amount of loan obtained by the microenterprises is grossly small and capable of hindering the growth of the enterprises in the Ilorin metropolis.

Moreover, the responses show that majority (226 comprising 62.69%) of the 364 microenterprises employ below three (3) persons, 41 (11.26%) of them employ 4 to 6 persons while 26.65% (97) of them employ 7 to 10 persons.

Table 3: Estimates of Ordered Logit Regression and the Marginal Effect

INDEPENDENT VARIABLES	Dependent variable is financial accessibilities	
	coefficients of ordered logit (1)	Marginal effect after ordered logit (2)
Collateral Requirement (CR)	-0.4720* (0.2078)	-0.08007* (0.03841)
Interest rate (ITR)	-0.4929 (0.2414)	-0.07864 (0.03585)
Information Availability (IA)	0.5648*** (0.1377)	0.08385*** (0.02042)
Constant cut1	2.8272 (0.8911)	
Constant cut2	2.7254 (0.8850)	
Constant cut3	1.4512*** (2.9945)	
Observations	364	364
Fitness statistics	81.46	
Probability of fitness statistics	0.0000	

Source: Author's Computation, (2019).

Standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1 denotes 1%, 5% , 10% level of significance respectively.

Table 3 shows the ordered logit regressions estimates for the investigation of financial accessibilities of micro-enterprises in Ilorin of Kwara State. Column 1 and Column 2 contain the ordered logistic regression and its marginal effect respectively. The coefficient estimates of the regressions are used to examine the nature of relationship and significance of the independent variables while the marginal effect is used to evaluate the extent (magnitude or size) of impact of the independent variables on the dependent variable. In the model, financial accessibilities is the dependent variable while collateral requirement, interest rate and information availabilities are the independent variables.

The result of the ordered logit regression in Columns 1 and 2 revealed that CR and ITR are inversely related to the GSMEs while are information availability positively related to financial accessibilities of micro-enterprises in Ilorin, Kwara State. This is because the values of the coefficient of collateral requirement and interest rate are negative while that of information availability is positive. It means there is less likelihood of increase in financial accessibility with increase in information on available credit facilities. On the other hand, there is more likelihood that financial accessibilities of micro-enterprises will reduce with rise in other variables (such as collateral requirement and interest rate factor). This means that collateral requirement and interest rate are significant determinant of financial accessibility of micro enterprises in Ilorin metropolis which is consistent with the study of Duru and Lawal (2012).

However, the result indicates that all the variables are statistically significant. The variables are significant at 5% and 10%. This is indicated by the standard errors of the coefficients of the variables which are less than half the values of the coefficients. The coefficients of the cut parameters are used to examine the essence of the response categories (strongly agreed, agreed, undecided disagreed and strongly disagreed). If the cut values are statistically significant, the categories are maintained in the interpretation otherwise insignificant categories are collapsed to for a category. In Table 4.3 all the constant cut values except cut 3 are statistically insignificant therefore we can collapse all other categories apart from category 3 and 4. This means the responses undecided disagreed and strongly disagreed are not being distinguished by the respondents but strongly agreed, agreed are clearly defined. To examine the goodness of fit of the model, the log likelihood chi-square statistics of the model is reported. The fitness statistics of the ordered logit is 16.9 with the P-value 0.0000. Since, the probability values of the fitness statistics is less than 5% level of significant, the model is good fits. So, the result of the model is viable for tenable conclusion and recommendation.

4.1 Regression Analysis

This study employed ordered logit regression. The results of the study revealed that monthly savings by micro enterprises is weak because majority of micro-enterprises contribute less than 10,000 naira and also the study revealed that the loan facilities available to micro-enterprises is extremely poor. However, the study revealed that micro-enterprises contribute significantly to employment generated in Ilorin metropolis. which is consistent with the study of Duru and Lawal (2012) and Omika (2014).

The study also revealed that collateral requirement has a significant impact on financial accessibilities of micro-enterprises in Ilorin metropolis of Kwara State which is consistent with the study of Babajide (2011). Other studies with similar result from are; Ngugi and Kerongo (2014), Safiyyah and Garba (2013), Idowu and Salami (2010), Omika (2014), Shamsudeen (2014) and Afolabi (2013). Therefore the null hypothesis that states that collateral requirement does not have any significant effect on the financial accessibilities of micro-enterprises of Kwara State should not be accepted. The study also revealed that interest rate is a significant determinant of financial accessibilities of micro-enterprises in Ilorin metropolis of Kwara state and therefore the null hypothesis that states that interest rate does not have significant effect on the financial accessibilities of micro-enterprises of Kwara State should not be accepted. Availability of information was revealed in the study has one of the determinant of financial accessibility of micro-enterprises in Ilorin metropolis of Kwara state and therefore the null hypothesis that states that information availability does not impact significantly on the financial accessibilities of micro-enterprises of Kwara State should not be accepted.

The study is also consistent with asymmetry information theory and credit rationing theory because lack of information about credit and lack of required security are the major reasons while the amount applied for was higher than the amount received from both formal and informal sources suggesting credit rationing by the institutions.

5. CONCLUSION AND RECOMMENDATIONS

The study concluded that efforts were made to evaluate financial accessibilities of micro-enterprises in Ilorin metropolis of Kwara state. Based on the findings from the work, this study

concluded that collateral requirement, interest rate and information availability influence the accessibility of financial accessibility of micro-enterprises in Ilorin metropolis of Kwara State. Therefore, the study recommended based on the finding that credit giving institutions and government should come up with products for micro-enterprises where collateral requirements are lenient. Also, the management of credit giving institutions should consider lowering their interest rates as a way of encouraging micro-enterprises to borrow from them. Finally, the management of micro-enterprises should put in place proper accounting practices and adequate internal control systems which will counter problems of information asymmetry that make micro-enterprises risky for credit giving institutions.

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