

Assessing the Impact of Bank Credit Accessibility on the Performance of Small and Medium Enterprises in Osun State, Nigeria

Enyioko Chilaka Onyekachi (Ph.D)^{*1}; MURITALA Akeem Babatunde (Ph.D)¹;

Oladosu John Oluwajoba (Ph.D)³

^{*1}ORCID: 0009-0006-6893-829; ³ORCID: 0009-0000-7282-3215

^{1,3}Department of Business Administration, Obafemi Awolowo University, Ile Ife, Osun State, Nigeria

²Department of Accounting, Faculty of Administration and Management Sciences, Olabisi Onabanjo University, Ago-Iwoye, Ogun State

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*Corresponding Author: Enyioko Chilaka Onyekachi (Ph.D)

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Abstract

Original Research Article

This study assessed the impact of bank credit accessibility on the performance of Small and Medium Enterprises (SMEs) in Osun State, Nigeria. SMEs are critical to economic development, yet their growth is constrained by limited access to formal credit. A descriptive survey research design was adopted, with data collected from 400 SME owners and managers selected through stratified random sampling across major commercial areas in Osun State. A structured questionnaire measured variables on a five-point Likert scale, while data were analyzed using descriptive statistics and multiple regression analysis at a 5% significance level. Findings revealed that bank credit accessibility significantly influences SME performance, particularly in terms of profitability, productivity, and business expansion. Descriptive results showed a high level of agreement that credit access enhances production capacity (mean = 3.68) and business expansion (mean = 3.98), while high interest rates (mean = 3.83) and collateral requirements (mean = 3.95) were major constraints. The regression analysis indicated that credit accessibility variables jointly explained 55.1% of the variation in SME performance ($R^2 = 0.551$), and the model was statistically significant ($F = 78.420$, $p < 0.001$). Collateral requirements, loan accessibility, and repayment flexibility were the strongest predictors of SME performance. The Durbin-Watson statistic of 1.912 confirmed model reliability. The study concludes that while bank credit significantly enhances SME performance in Osun State, restrictive lending conditions continue to limit its effectiveness. It recommends simplified loan procedures, reduced collateral requirements, improved financial literacy, and expanded credit guarantee schemes to strengthen SME financing and promote sustainable economic growth.

Keywords: Bank credit accessibility, SME performance, profitability, financial inclusion, Osun State.

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1.1 Introduction

Small and Medium Enterprises (SMEs) remain an important driver of economic growth and development in many countries, especially in

developing economies such as Nigeria. SMEs contribute significantly to employment generation, poverty reduction, industrial development, innovation, and income distribution. In Nigeria, the sector supports



economic diversification and reduces excessive dependence on crude oil revenue. Despite their importance, many SMEs continue to face serious operational and financial challenges that affect their growth and long-term sustainability (SMEDAN, 2023). Among the major challenges confronting SMEs is limited access to credit facilities. Finance plays a central role in business establishment, expansion, and survival because it enables enterprises to purchase equipment, employ labour, improve production, and adopt modern technology. Bank credit accessibility refers to the ability of businesses to obtain loans or other financial assistance from formal financial institutions under reasonable conditions. However, many SMEs in Nigeria experience difficulties in securing loans due to high interest rates, collateral requirements, inadequate financial records, and the perceived risks associated with small businesses (Ayyagari et al., 2020).

In Nigeria, financial institutions often consider SMEs risky because of weak managerial structures, unstable market conditions, and poor documentation practices. As a result, many small business owners depend largely on personal savings, family support, cooperative societies, and informal borrowing to finance their operations. Although the government and regulatory agencies have introduced several intervention programmes, including the Bank of Industry (BOI) schemes and Central Bank of Nigeria (CBN) intervention funds, access to these facilities remains difficult for many entrepreneurs (Central Bank of Nigeria, 2023). Consequently, inadequate financing continues to limit the productivity, expansion, and competitiveness of SMEs. Access to bank credit has a direct influence on business performance. Enterprises with adequate financing are more likely to increase production, improve product quality, expand market reach, and achieve profitability and sustainability. Studies have shown that firms with better access to financial resources often experience increased sales turnover, higher productivity, and stronger business growth (Beck & Demirgüç-Kunt, 2022). In contrast, poor access to finance can lead to low production capacity, inability to meet market demand, and eventual business failure.

Osun State, located in southwestern Nigeria, has a growing number of SMEs operating in agriculture, trade, manufacturing, transportation, and service-related activities. These enterprises contribute to employment creation and income generation within the state. Nevertheless, many SMEs in Osun State continue to struggle with inadequate access to formal credit facilities due to strict lending conditions, high collateral demands, and complex loan application procedures (Olowe et al., 2021). Economic challenges such as inflation, exchange rate instability, and rising operational costs have further worsened the financial difficulties faced by SMEs.

The emergence of digital banking, fintech institutions, and microfinance banks has created alternative financing opportunities for SMEs. However, factors such as poor financial literacy, limited digital awareness, and high lending charges still restrict many business owners from fully benefiting from these innovations (PwC Nigeria, 2024). Existing studies have also shown a strong relationship between credit accessibility and SME performance, particularly in areas such as profitability, productivity, and employment generation (Eze & Nkamnebe, 2023; Ibrahim & Bello, 2024). Despite these findings, limited empirical attention has been given to SMEs in Osun State. Against this background, this study examines the impact of bank credit accessibility on the performance of SMEs in Osun State, Nigeria. The study seeks to provide empirical evidence on how access to bank financing influences business performance indicators such as profitability, productivity, expansion, and sustainability. It also aims to offer recommendations that may assist policymakers, financial institutions, and entrepreneurs in improving SME financing and promoting economic development in Nigeria.

1.2 Statement of the Problem

Small and Medium Enterprises (SMEs) play a vital role in economic growth, employment creation, income generation, and poverty reduction in Nigeria. Despite their contributions to national development, many SMEs continue to experience financial constraints that hinder their growth and long-term survival. One of the

major challenges facing SMEs in Osun State is limited access to bank credit. Financial support is essential for business expansion, procurement of raw materials, acquisition of equipment, innovation, and daily operations. However, many SME operators are unable to obtain adequate loans from commercial banks and other formal financial institutions. Commercial banks in Nigeria often impose strict lending conditions such as high collateral requirements, high interest rates, complex documentation procedures, and guarantor demands, which many small business owners cannot meet. Consequently, SMEs rely heavily on personal savings, family support, cooperative societies, and informal borrowing, which are usually insufficient for sustainable business growth. In addition, economic instability, inflation, exchange rate fluctuations, and rising operational costs have increased the reluctance of banks to provide credit facilities to small businesses.

Many SMEs also operate without proper accounting records or audited financial statements, making it difficult for banks to assess their creditworthiness. As a result, financial institutions classify many SMEs as high-risk borrowers, thereby limiting their access to formal financing. Although government agencies and financial institutions have introduced several intervention programmes to support SMEs, access to credit remains inadequate due to bureaucratic challenges, poor awareness, and implementation gaps. Previous studies have shown that access to bank credit positively influences SME productivity, profitability, and sustainability. However, limited empirical attention has been given to SMEs in Osun State. This study therefore seeks to examine the impact of bank credit accessibility on the performance of SMEs in Osun State, Nigeria, with a view to identifying the major barriers to financing and possible strategies for improving SME development.

1.3 Research Questions

The following research questions shall guide this study:

- i. To what extent does bank credit accessibility influence the performance of Small and Medium Enterprises in Osun State, Nigeria?
- ii. What are the major challenges confronting SMEs in accessing bank credit facilities in Osun State?
- iii. How does accessibility to bank loans affect the profitability and productivity of SMEs in Osun State?

1.4 Objectives of the Study

The main objective of this study is to assess the impact of bank credit accessibility on the performance of Small and Medium Enterprises in Osun State, Nigeria. The specific objectives are to:

- i. examine the extent to which bank credit accessibility influences the performance of SMEs in Osun State;
- ii. identify the major challenges limiting SMEs' access to bank credit facilities in Osun State; and
- iii. evaluate the effect of bank credit accessibility on the profitability and productivity of SMEs in Osun State.

2.0 LITERATURE REVIEW

2.1 Conceptual Review

2.1.1 Bank Credit Accessibility

Bank credit accessibility refers to the ability of Small and Medium Enterprises (SMEs) to obtain loans and other financial assistance from formal financial institutions under reasonable conditions. It includes factors such as collateral requirements, interest rates, repayment terms, and lending procedures. In Nigeria, access to bank credit remains an important factor influencing the growth and survival of SMEs because many small businesses depend on external financing to expand operations, purchase equipment, and improve productivity (Adebayo & Yusuf, 2022). Access to credit contributes significantly to business performance. SMEs that can easily obtain bank loans are often able to increase production,

improve product quality, employ skilled workers, and compete effectively in the market. According to Ogunleye and Adekunle (2023), businesses with better access to finance generally record higher profitability and productivity than firms that rely only on personal savings or informal funding sources. Despite the role of commercial banks in supporting SMEs through overdrafts, loans, and intervention programmes, many entrepreneurs still experience difficulties in securing credit facilities.

One major challenge facing SMEs in Osun State is the strict collateral requirement imposed by financial institutions. Banks often demand landed property, guarantors, or fixed assets before approving loans. However, many small business owners cannot provide these securities, thereby limiting their access to formal credit (Afolabi & Ibrahim, 2021). In addition, poor financial records and inadequate business documentation make it difficult for banks to assess the creditworthiness of many SMEs. High interest rates and short repayment periods also discourage entrepreneurs from obtaining bank loans. Economic instability, inflation, and changes in monetary policies have contributed to rising lending rates in Nigeria. As a result, many SMEs find loan repayment difficult, especially businesses with unstable income. Consequently, several entrepreneurs depend on informal financing sources such as cooperative societies, family contributions, and personal savings, which are usually insufficient for long-term expansion (Oladejo & Salami, 2022). Financial literacy is another important factor affecting access to credit. Many SME operators lack adequate knowledge of accounting practices, financial management, and loan application procedures. Poor record keeping often leads to loan rejection because banks may be uncertain about the repayment ability of borrowers. Olawale and Bello (2022) argued that improving financial literacy among entrepreneurs would increase their chances of accessing formal credit and managing funds effectively.

Technological advancement has also improved access to bank credit in Nigeria. Commercial banks now use digital banking platforms and electronic loan processing systems to simplify

lending procedures. These innovations have enhanced financial inclusion and reduced delays in loan applications. However, challenges such as poor internet access, low digital literacy, and cybersecurity concerns continue to affect the effectiveness of digital lending services in some areas (Balogun & Akinola, 2023). Overall, bank credit accessibility remains essential for SME growth, employment generation, innovation, and economic development in Nigeria. Nevertheless, challenges such as high collateral requirements, rising interest rates, poor financial literacy, and bureaucratic lending procedures continue to limit SMEs' access to finance. Addressing these challenges through flexible lending policies, financial education, and supportive government programmes would enhance the sustainability and contribution of SMEs to the Nigerian economy (Eze & Nwachukwu, 2023).

2.1.2 Performance of Small and Medium Enterprises

The performance of Small and Medium Enterprises (SMEs) remains an important subject in economic and business studies because SMEs contribute significantly to employment generation, poverty reduction, innovation, and national development. In Nigeria, SMEs serve as major drivers of economic activities and provide income opportunities for a large proportion of the population. The ability of these enterprises to survive and expand depends largely on the availability of financial resources, especially bank credit, which supports operational activities, business expansion, and investment in productive assets (Afolabi & James, 2022). Consequently, SME performance is commonly assessed through indicators such as profitability, sales growth, productivity, market expansion, and sustainability.

SME performance refers to the extent to which business objectives are achieved within a specific period. It includes both financial and non-financial outcomes that reflect the efficiency of business operations. Financial performance is measured through profit level, return on investment, revenue growth, and cash flow stability, while non-financial performance

involves customer satisfaction, innovation, employee productivity, and business continuity (Okafor & Bello, 2021). In developing economies such as Nigeria, the performance of SMEs is influenced by several factors including managerial competence, government policies, infrastructure, market conditions, and access to finance. Among these factors, access to bank credit is regarded as one of the most important determinants of business growth and sustainability.

In Osun State, SMEs operate in sectors such as agriculture, trade, manufacturing, hospitality, and transportation. Despite their contribution to local economic development, many SMEs experience financial challenges due to limited access to formal credit facilities. Commercial banks often demand collateral securities, high interest rates, and complex documentation processes before loans are approved. These conditions discourage many small business owners from seeking bank loans (Ogunleye & Akinola, 2023). As a result, many SMEs depend on personal savings, family assistance, cooperative societies, and informal lenders, which are usually insufficient for long-term business growth.

Access to bank credit enables SMEs to improve production capacity, adopt modern technology, and enhance operational efficiency. Enterprises with adequate financing are more capable of expanding their market reach, employing skilled labour, and responding effectively to competition (Eze & Ibrahim, 2022). Studies have shown that SMEs with better access to credit tend to record higher productivity and profitability compared to enterprises that rely solely on internal funding (Adeyemi & Yusuf, 2021). Furthermore, good relationships between SMEs and financial institutions often improve the chances of obtaining working capital and investment loans necessary for business expansion (Nwankwo & Salami, 2023).

Technological innovations in the banking sector have also improved financial inclusion among SMEs. Digital banking services, mobile banking platforms, and fintech collaborations have simplified financial transactions and loan application processes for small business owners. However, some rural entrepreneurs still face

challenges related to low financial literacy and inadequate awareness of available financial opportunities (Oladejo & Kareem, 2024). In addition, poor managerial skills, weak financial planning, and ineffective utilization of borrowed funds continue to affect the growth and sustainability of some SMEs. Government agencies such as the Bank of Industry, Small and Medium Enterprises Development Agency of Nigeria, and Central Bank of Nigeria have introduced several intervention programmes aimed at improving SME financing through low-interest loans and credit support schemes. Despite these efforts, challenges such as bureaucratic delays and inadequate implementation have limited the effectiveness of some programmes (Olawale & Johnson, 2022). In conclusion, SME performance is strongly connected to access to bank credit. Adequate financing improves productivity, innovation, profitability, and business sustainability. Although SMEs in Osun State contribute significantly to economic development, many continue to face difficulties in accessing formal credit. Therefore, improving financial inclusion, simplifying lending procedures, and strengthening entrepreneurial support programmes are necessary for enhancing SME performance and promoting sustainable economic growth in Nigeria.

2.1.3 Extent to Which Bank Credit Accessibility Influences the Performance of SMEs in Nigeria

Bank credit accessibility plays a major role in determining the growth and performance of Small and Medium Enterprises (SMEs) in Nigeria. SMEs contribute significantly to employment generation, poverty reduction, industrial development, and economic growth. However, many of these businesses experience financial difficulties because they lack sufficient access to formal credit facilities. Bank credit accessibility refers to the ability of enterprises to obtain loans and other financial services from commercial banks under favourable conditions. Access to finance enables SMEs to increase working capital, purchase equipment, expand production, and

improve operational activities. As a result, businesses with adequate access to credit often record higher productivity, profitability, and sustainability than firms without financial support.

In Nigeria, many SMEs depend on external financing because personal savings are usually inadequate for business expansion. Access to bank loans assists enterprises in maintaining stable cash flow, increasing sales turnover, and responding effectively to market opportunities. Studies have shown that SMEs with easier access to formal credit are more capable of improving production capacity and employing additional workers. In states such as Osun State, where small businesses dominate economic activities, access to credit remains essential for business survival and competitiveness.

Despite its importance, many SMEs in Nigeria still face challenges in obtaining bank credit. Commercial banks often classify SMEs as high-risk borrowers because of poor financial records, inadequate collateral, and unstable income patterns. Consequently, financial institutions impose strict lending conditions, high interest rates, and extensive documentation requirements, which discourage many business owners from applying for loans. Delays in loan processing and limited financial literacy among entrepreneurs also reduce the chances of accessing credit facilities. These barriers limit the ability of SMEs to grow and contribute effectively to national development.

Access to bank credit positively influences SME performance through increased productivity and operational efficiency. Businesses with adequate financing can purchase raw materials in bulk, adopt modern technology, and improve inventory management. Such advantages support higher output and increased revenue generation. Furthermore, access to finance encourages innovation and entrepreneurship because business owners are able to diversify products and services in response to changing customer demands. SMEs that rely solely on personal savings or informal borrowing methods often struggle to compete effectively in the market.

Government and financial institutions in Nigeria have introduced several programmes to

improve SME financing. The Central Bank of Nigeria established intervention funds and credit guarantee schemes aimed at supporting small businesses. Although these initiatives have improved financial inclusion to some extent, many SMEs still face difficulties due to bureaucratic procedures, inadequate awareness, and strict eligibility conditions. In recent years, digital banking and financial technology have also contributed to improved credit accessibility through mobile banking platforms and digital loan applications. Nevertheless, rural businesses continue to experience challenges associated with poor internet access and limited digital knowledge.

Bank credit accessibility also contributes to employment generation and poverty reduction. SMEs with access to finance can expand operations and employ more workers, thereby improving household income and economic activities within communities. However, excessive dependence on borrowed funds may expose businesses to financial risks, especially when repayment conditions are unfavourable. High interest rates and short repayment periods may increase financial pressure on enterprises during periods of economic instability. Overall, bank credit accessibility has a substantial influence on the performance of SMEs in Nigeria. Adequate access to finance enhances productivity, profitability, innovation, and employment generation, while limited access restricts business growth and sustainability. Therefore, improving financial inclusion policies, simplifying lending procedures, and strengthening financial literacy among entrepreneurs are essential for enhancing SME performance in Nigeria.

2.1.4 Major Challenges Limiting SMEs' Access to Bank Credit Facilities in Nigeria

Access to bank credit remains a major challenge confronting Small and Medium Enterprises (SMEs) in Nigeria. Although SMEs contribute significantly to employment creation, income generation, innovation, and economic development, many business owners still experience difficulties in obtaining loans from commercial banks. Limited access to formal credit reduces the ability of SMEs to expand

operations, improve productivity, and compete effectively in the market. As a result, many SMEs depend on personal savings, cooperative societies, and informal lenders for survival.

One of the major obstacles to obtaining bank credit is the issue of collateral security. Most commercial banks demand valuable assets such as landed property, machinery, or fixed investments before approving loans. However, many SMEs operate on a small scale and lack sufficient assets to satisfy these requirements. Some business owners also fail to provide legal documentation for available assets, making them ineligible for loan consideration. This limitation discourages many entrepreneurs from approaching banks for financial assistance (Afolabi & Adekunle, 2022). High interest rates also reduce SMEs' willingness and ability to obtain loans from banks. Due to inflation, monetary policy changes, and the perceived risks associated with lending to small businesses, banks often charge high lending rates. Many SMEs operate with unstable income and low profit margins; therefore, expensive loan repayment obligations create financial pressure and increase the risk of business failure. Consequently, many SME owners prefer informal financing sources that appear more flexible and affordable (Eze & Nwankwo, 2023).

Another important challenge is poor financial record keeping. Many SMEs in Nigeria lack proper accounting systems and financial management practices. Banks usually require audited financial statements, business plans, and cash flow records before granting loans. However, several SME operators maintain incomplete records and often mix personal finances with business transactions. This creates uncertainty regarding the true financial position of the business and increases banks' fear of default. As a result, many loan applications are rejected because of inadequate financial information (Adeyemi & Yusuf, 2022). Limited financial literacy among SME owners further restricts access to bank credit. Many entrepreneurs do not fully understand loan application procedures, financial planning, or investment management. This weakens their ability to prepare convincing business proposals or meet banking requirements. In many parts of

Nigeria, including Osun State, SMEs are still managed informally without structured financial strategies, reducing their chances of obtaining formal credit facilities (Adebayo & Salami, 2023).

In addition, bureaucratic lending procedures and delays in loan approval discourage SMEs from seeking bank loans. Commercial banks often maintain lengthy documentation and verification processes before approving credit facilities. These delays affect businesses that require urgent funds for operational activities. Many SMEs are unable to satisfy the administrative conditions demanded by banks, leading to loan rejection or delayed approval (Ogunleye & Akinola, 2022). Economic instability and the perception of SMEs as high-risk borrowers also contribute to poor access to credit. Inflation, exchange rate fluctuations, and inconsistent government policies create uncertainty within the business environment. Banks therefore become more cautious in lending to SMEs, preferring larger corporations with stronger financial histories. This situation continues to limit the growth and sustainability of SMEs in Nigeria (Akinwale & Bello, 2023).

2.1.5 Effect of Bank Credit Accessibility on the Profitability and Productivity of SMEs in Nigeria

Access to bank credit plays an important role in the growth, profitability, and productivity of Small and Medium Enterprises (SMEs) in Nigeria. SMEs contribute significantly to employment generation, poverty reduction, and economic development, yet many of them face serious financial challenges that limit their ability to expand operations and improve performance. Bank credit accessibility refers to the ability of business owners to obtain loans and other financial support from formal financial institutions under favourable conditions. In Nigeria, many SMEs depend on external financing to purchase equipment, increase production, and maintain business operations.

Adequate access to credit improves the profitability of SMEs by enabling business owners to meet working capital needs and

invest in productive activities. Enterprises that obtain bank loans are often able to buy raw materials in large quantities, adopt modern technology, and improve service delivery. These factors contribute to increased sales revenue and higher profit margins. Studies have shown that SMEs with regular access to bank financing usually perform better than businesses that rely only on personal savings or informal sources of finance (Ibrahim & Bello, 2023). Access to finance also supports business expansion and helps enterprises respond effectively to market demands.

Bank credit accessibility equally influences the productivity of SMEs. Productivity refers to the efficiency with which businesses utilize available resources to produce goods and services. When SMEs receive adequate financial support, they can acquire modern machinery, improve production methods, and train workers for better performance. Such investments increase output and reduce operational costs. Ogunye and Adebayo (2021) observed that SMEs with access to institutional financing often experience improvements in labour efficiency, product quality, and operational performance. However, businesses that lack access to finance usually operate below capacity, thereby reducing their contribution to industrial growth and national development.

Despite the importance of bank credit, many SMEs in Nigeria still encounter difficulties in accessing loans from commercial banks. Financial institutions often impose strict collateral requirements, high interest rates, and complex loan application procedures. In addition, many small business owners do not maintain proper accounting records, which reduces their chances of obtaining loans. According to Adeyemi and Salami (2022), commercial banks frequently classify SMEs as high-risk borrowers because of weak financial management practices and unstable cash flows. Consequently, many entrepreneurs depend on informal lenders, cooperative societies, and personal savings to finance their businesses. The cost of borrowing also affects the profitability of SMEs in Nigeria. High lending rates increase financial pressure on businesses and reduce net returns from investments.

During periods of inflation and economic instability, many SMEs struggle to repay loans, leading to poor business performance and increased loan defaults (Oladejo & Akinola, 2023). This situation discourages banks from granting additional loans to small businesses.

Furthermore, effective financial management is essential for the proper utilization of borrowed funds. SMEs that maintain proper bookkeeping systems and transparent business operations are more likely to secure loans and utilize them efficiently. Nwankwo and Eze (2024) noted that enterprises with sound financial management practices often experience better growth and repayment performance after obtaining bank credit. In conclusion, bank credit accessibility significantly affects the profitability and productivity of SMEs in Nigeria. Adequate financing enables businesses to expand operations, improve efficiency, and increase profitability. However, challenges such as high interest rates, collateral requirements, and poor financial management continue to limit access to formal credit. Therefore, improving lending conditions, promoting financial literacy, and strengthening government support programmes are necessary to enhance SME performance and economic growth in Nigeria.

2.2 Theoretical Review

Credit Rationing Theory: Credit Rationing Theory was developed by Stiglitz and Weiss (1981). The theory explains that financial institutions may limit the supply of credit to borrowers even when such borrowers are willing to pay higher interest rates. Banks often ration loans because of uncertainty, information asymmetry, and the fear of default. In most developing economies, SMEs usually experience difficulties in accessing bank loans because lenders perceive them as high-risk businesses due to inadequate collateral, weak financial records, and unstable cash flows. The theory is highly relevant to this study because many SMEs in Osun State face barriers in obtaining bank credit despite their need for financial support. Commercial banks often impose stringent lending conditions such as collateral requirements, high interest rates, and extensive documentation procedures, which

discourage small business owners from accessing formal credit facilities. Consequently, limited access to finance affects the ability of SMEs to expand operations, purchase modern equipment, employ skilled labour, and improve productivity. Credit Rationing Theory therefore suggests that improving access to bank credit can significantly enhance SME performance by enabling firms to increase investment, improve production capacity, and sustain business growth. The theory further emphasizes the need for financial institutions to design flexible lending policies that support small businesses and reduce the financing gap experienced by SMEs in Nigeria (Adebayo & Olokoyo, 2023).

Financial Intermediation Theory: Financial Intermediation Theory was propounded by Gurley and Shaw (1960). The theory explains the role of financial institutions as intermediaries between savers and borrowers in the economy. Banks mobilize savings from surplus units and channel such funds to deficit units such as SMEs that require capital for business activities. Through this process, financial institutions contribute to economic growth by allocating resources efficiently. The theory supports this study because SMEs depend heavily on banks for working capital, expansion finance, and investment funding. In Osun State, many small businesses rely on bank loans and overdraft facilities to sustain operations and remain competitive. Access to adequate credit enables SMEs to acquire raw materials, adopt new technologies, improve product quality, and increase market share. Financial Intermediation Theory also emphasizes that effective banking services promote entrepreneurship and stimulate enterprise development. Where financial institutions fail to provide accessible credit facilities, SMEs may experience low productivity, inadequate capital formation, and poor business performance. The theory therefore establishes that accessible bank credit serves as an important mechanism for enhancing the growth and sustainability of SMEs in Nigeria (Ogunleye & Adeyemi, 2022).

Pecking Order Theory: Pecking Order Theory was introduced by Myers and Majluf (1984). The theory states that firms prefer internal sources of finance before seeking external

funding. According to the theory, businesses first rely on retained earnings, then debt financing, and finally equity financing when internal funds become insufficient. SMEs particularly prefer debt financing because it allows owners to retain control of their businesses. The relevance of the theory to this study lies in the financing behaviour of SMEs in Osun State. Many small business owners operate with limited personal savings and eventually depend on bank credit to finance expansion and operational activities. However, when access to bank loans becomes difficult, SMEs may resort to informal borrowing or reduce business activities due to inadequate capital. Pecking Order Theory further explains that accessible and affordable bank credit helps SMEs bridge financial gaps and improve operational performance. When SMEs obtain credit facilities under favourable conditions, they are able to increase inventory, improve cash flow management, and expand business operations. The theory therefore supports the argument that improved access to bank credit contributes positively to SME growth and profitability (Adetunji & Oladejo, 2024).

Resource-Based Theory: Resource-Based Theory (RBT) was developed by Barney (1991). The theory argues that organizations achieve competitive advantage when they possess valuable, rare, inimitable, and non-substitutable resources. Financial resources are considered strategic assets that enable firms to acquire other productive resources necessary for organizational growth and performance. This theory is applicable to SMEs because access to bank credit provides the financial capacity needed for business development. SMEs in Osun State require financial resources to purchase equipment, recruit qualified personnel, improve marketing activities, and adopt modern business technologies. Without adequate funding, many SMEs struggle to compete effectively in the market. Resource-Based Theory suggests that firms with better access to financial resources are more likely to achieve improved performance and long-term sustainability. Bank credit therefore serves as a strategic resource that enhances the operational capabilities and competitive strength of SMEs. The theory further implies that access to finance

can determine whether a small business survives or fails in a competitive business environment (Ibrahim & Bello, 2023).

Schumpeter's Theory of Innovation: Schumpeter's Theory of Innovation was propounded by Joseph Schumpeter (1934). The theory emphasizes the role of entrepreneurs and financial institutions in promoting economic development through innovation and investment. According to Schumpeter, banks play a significant role in economic growth by providing credit facilities that enable entrepreneurs to introduce new products, technologies, and production methods. The theory is relevant to this study because SMEs contribute significantly to employment generation, poverty reduction, and economic development in Osun State. Access to bank credit allows entrepreneurs to invest in innovation, improve production processes, and expand their businesses. SMEs with sufficient financial support are better positioned to introduce new products, improve service delivery, and compete effectively in local and national markets. Schumpeter's Theory further explains that inadequate access to finance can hinder entrepreneurial development and reduce the growth potential of SMEs. The provision of accessible and affordable bank credit is therefore essential for stimulating innovation, enterprise growth, and economic development in Nigeria (Akinwale & Lawal, 2021).

2.3 Empirical Review

Olowe and Olokundun (2014) carried out a study titled "Bank Credit and the Growth of Small and Medium Scale Enterprises in Nigeria." The study adopted a descriptive survey research design and focused on SMEs operating in Lagos and Ogun States. A sample size of 180 SME operators was selected using stratified random sampling techniques. Primary data were collected through structured questionnaires, while secondary data were sourced from Central Bank of Nigeria publications and bank lending reports. The data collected were analyzed using regression analysis and Pearson Product Moment Correlation. The findings showed that bank credit significantly contributed to SME

expansion, increase in sales turnover, and employment generation. However, stringent collateral requirements and high interest rates limited many entrepreneurs from obtaining adequate loans. The study recommended that commercial banks should reduce lending conditions and design flexible credit facilities specifically tailored toward SMEs.

Akinleye and Fasogbon (2016) examined "Access to Finance and Performance of Small Enterprises in South-West Nigeria." The study employed a cross-sectional survey research design. The researchers selected 220 SME owners from Osun, Oyo, and Ekiti States through simple random sampling. Data were gathered using questionnaires and personal interviews. Descriptive statistics and multiple regression techniques were used for analysis. The results indicated that SMEs with easier access to bank loans experienced higher productivity, improved operational capacity, and increased profitability compared to firms without access to formal credit. The study further revealed that inadequate financial records and lack of collateral were the major barriers to loan accessibility. It recommended financial literacy programmes for SME operators and simplified credit assessment procedures by banks.

Ogunleye and Akanbi (2017) conducted a study on "Commercial Bank Lending and Small Business Performance in Nigeria." The researchers adopted an explanatory research design and sampled 150 SMEs registered with the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) in Osun State. Purposive and convenience sampling techniques were used in selecting respondents. Data were collected through structured questionnaires and analyzed using Ordinary Least Squares (OLS) regression analysis. The findings revealed that access to bank credit had a positive and significant effect on business growth, capital expansion, and market competitiveness of SMEs. Nevertheless, delayed loan disbursement and high repayment conditions negatively affected business operations. The study recommended that banks should improve monitoring systems while ensuring faster loan approval processes for SMEs.

Abdullahi and Danjuma (2018) investigated “The Effect of Bank Financing on the Survival of Small and Medium Enterprises in Nigeria.” The study adopted a quantitative research design and selected 250 SMEs from different sectors, including manufacturing, trading, and services. Stratified sampling techniques were used to ensure representation across sectors. Data were collected using questionnaires and analyzed through logistic regression and descriptive statistics. The study discovered that SMEs that obtained bank financing had better survival rates and stronger operational performance than businesses that relied solely on personal savings. The study also found that poor banking relationships and high lending rates discouraged many SMEs from applying for loans. It recommended the establishment of SME-friendly credit schemes and stronger collaboration between banks and government agencies.

Eze and Nwosu (2019) conducted a study titled “Credit Accessibility and Entrepreneurial Performance among SMEs in Nigeria.” The study adopted a survey research design and focused on 300 SME operators across South-West Nigeria. Data were collected using structured questionnaires distributed through cluster sampling techniques. Inferential statistical tools, including regression and ANOVA, were used in analyzing the data. The findings showed that access to credit significantly improved entrepreneurial performance in terms of profitability, innovation, and business sustainability. However, the study noted that excessive documentation and bureaucratic banking procedures discouraged many small business owners from accessing loans. The researchers recommended that banks should simplify loan processing procedures and provide advisory services to SME operators.

Aderemi and Adeyemi (2020) examined “Financial Inclusion and SME Development in Nigeria.” The study employed a descriptive research design with a sample size of 210 SMEs selected from Osun and Ondo States through stratified random sampling. Data collection involved questionnaires and oral interviews, while data analysis was conducted using correlation and regression analysis. The

findings revealed that SMEs with access to formal financial services and bank credit recorded higher business turnover and greater business stability. The study equally observed that digital banking and mobile financial services improved credit accessibility among rural entrepreneurs. The study recommended expanding financial inclusion programmes and strengthening government-backed loan guarantee schemes for SMEs.

Okeke and Ibrahim (2021) investigated “Bank Credit Accessibility and Business Performance of SMEs in South-West Nigeria.” The study adopted a mixed-method research design that combined quantitative and qualitative approaches. A total of 240 SME owners and managers were selected using purposive sampling techniques. Data were gathered through questionnaires and semi-structured interviews. Quantitative data were analyzed using multiple regression analysis, while qualitative data were analyzed through thematic content analysis. The study found that access to affordable bank loans significantly improved sales growth, employee retention, and business expansion. Despite this, many SMEs faced difficulties due to collateral security demands and unstable economic conditions. The researchers recommended flexible lending policies and periodic review of interest rates to support SME sustainability.

Lawal and Ojo (2022) carried out a study titled “Determinants of SME Loan Accessibility in Nigeria.” The study adopted an explanatory survey research design and focused on SMEs in Osun State. A sample size of 175 respondents was selected using systematic random sampling techniques. Data were collected through questionnaires and analyzed using logistic regression analysis. The findings revealed that business registration status, proper accounting records, and previous banking relationships significantly influenced access to bank loans. The study concluded that SMEs with stronger financial management practices had better opportunities of securing credit facilities. It recommended regular financial management training for entrepreneurs and the introduction of collateral-free loans for small businesses.

Adetunji and Salami (2023) examined “Impact of Commercial Bank Loans on SME Productivity in Nigeria.” The researchers used a descriptive survey design and selected 260 SME operators from selected states in South-West Nigeria. Data collection was carried out using structured questionnaires, while data analysis involved descriptive statistics and multiple regression analysis. The findings showed that commercial bank loans positively influenced production capacity, business expansion, and profitability of SMEs. However, fluctuations in lending rates and inflation reduced the effectiveness of bank credit on long-term business performance. The study recommended stable monetary policies and improved access to low-interest financing for SMEs.

Ogunbiyi and Afolabi (2024) conducted a study titled “Bank Credit Accessibility and Sustainability of Small Businesses in Nigeria.” The study adopted a correlational research design and sampled 280 SMEs across different sectors using stratified and purposive sampling techniques. Data were collected through questionnaires and focus group discussions. The researchers used Structural Equation Modelling (SEM) for data analysis. The findings indicated that accessible bank credit significantly enhanced business sustainability, operational efficiency, and competitive advantage among SMEs. The study also found that government intervention programmes played a moderating role in improving credit accessibility. The study recommended stronger collaboration between financial institutions and government agencies to expand SME financing opportunities.

From the reviewed empirical studies, it is evident that bank credit accessibility plays a vital role in improving the performance and sustainability of SMEs in Nigeria. Most studies established that adequate access to bank loans enhances profitability, productivity, business expansion, and employment generation. Nevertheless, recurring challenges such as high interest rates, collateral requirements, inadequate documentation, and bureaucratic loan procedures continue to limit SMEs from accessing sufficient credit facilities. The reviewed literature therefore provides empirical support for the present study on assessing the

impact of bank credit accessibility on the performance of SMEs in Osun State, Nigeria.

3.0 METHODOLOGY

This study adopted a descriptive survey research design to examine the impact of bank credit accessibility on the performance of Small and Medium Enterprises (SMEs) in Osun State, Nigeria. The descriptive survey design was considered appropriate because it enables the researcher to obtain relevant information directly from SME operators regarding their experiences with bank credit facilities and how such credit influences business growth, profitability, operational efficiency, and sustainability. The design also allows for the systematic collection and analysis of quantitative data from a large population within a relatively short period. The population of the study comprised registered Small and Medium Enterprises operating across selected local government areas in Osun State, Nigeria. The SMEs covered different sectors of the economy, including trading, manufacturing, agriculture, services, hospitality, and transportation. According to records obtained from the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) and the Corporate Affairs Commission (CAC), there are over 12,000 registered SMEs operating within Osun State as of 2024. For the purpose of this study, selected SMEs were drawn from major commercial locations such as Osogbo, Ile-Ife, Ilesa, Ede, and Ikirun due to the concentration of business activities in these areas. A stratified random sampling technique was employed to ensure adequate representation of SMEs across various sectors. The SMEs were grouped into strata based on the nature of their businesses, namely manufacturing, trading, agriculture, and services. Thereafter, proportionate sampling was used to select respondents from each category. Using Taro Yamane’s sampling formula, a sample size of 400 SME owners and managers was determined for the study. The sample was proportionately distributed across the selected business sectors and locations to ensure fairness and representativeness. The primary instrument used for data collection was a structured questionnaire designed by the

researcher. The questionnaire was divided into two major sections. Section A focused on respondents' demographic information such as age, gender, educational qualification, years of business operation, and type of business, while Section B contained questions relating to bank credit accessibility and SME performance. The questionnaire utilized a five-point Likert scale ranging from Strongly Agree to Strongly Disagree to measure respondents' perceptions on issues such as loan accessibility, collateral requirements, interest rates, repayment conditions, loan adequacy, and business performance indicators. To ensure the validity of the instrument, the questionnaire was subjected to face and content validation by experts in banking and finance as well as research methodology. Their observations and corrections were incorporated into the final version of the instrument before administration. Furthermore, a pilot study was conducted using 30 SME operators outside the selected sample areas to test the reliability of the instrument. The reliability of the questionnaire was determined using Cronbach's Alpha reliability test, which yielded a reliability coefficient of 0.86, indicating that the instrument was reliable

and suitable for the study. Data for the study were collected through direct administration of questionnaires to SME owners and managers with the assistance of trained research assistants. Respondents were given adequate time to complete the questionnaires, and the completed copies were retrieved immediately to minimize loss and non-response issues. Ethical considerations such as voluntary participation, confidentiality, and anonymity of respondents were strictly observed during the data collection process. The data collected were analyzed using both descriptive and inferential statistical tools. Descriptive statistics such as frequency tables, percentages, mean scores, and standard deviations were used to summarize and interpret respondents' demographic characteristics and responses to the research questions. Inferential statistics, particularly Pearson Product Moment Correlation and multiple regression analysis, were employed to examine the relationship between bank credit accessibility and SME performance in Osun State. The hypotheses formulated for the study were tested at a 5% level of significance using Statistical Package for Social Sciences (SPSS) version 27.0.

4.0 RESULTS AND DISCUSSION OF FINDINGS

Table 1: Distribution of Respondents on the Extent to which Bank Credit Accessibility Influences the Performance of SMEs in Osun State

S/N	Questions	SA (F, %)	A (F, %)	U (F, %)	D (F, %)	SD (F, %)	Mean	Std. Dev.
1	Bank credit accessibility enhances SMEs' production capacity in Osun State.	120 (30.0%)	140 (35.0%)	60 (15.0%)	50 (12.5%)	30 (7.5%)	3.68	1.23
2	High interest rates on bank loans negatively affect the performance of SMEs.	150 (37.5%)	130 (32.5%)	50 (12.5%)	40 (10.0%)	30 (7.5%)	3.83	1.24
3	Strict collateral requirements limit SMEs' access to bank credit facilities.	170 (42.5%)	120 (30.0%)	50 (12.5%)	40 (10.0%)	20 (5.0%)	3.95	1.18
4	Timely disbursement of bank loans improves SMEs' sales growth and	140 (35.0%)	150 (37.5%)	60 (15.0%)	30 (7.5%)	20 (5.0%)	3.90	1.12

	profitability.								
5	Flexible loan repayment structures enhance SMEs' financial sustainability and performance.	110 (27.5%)	150 (37.5%)	80 (20.0%)	40 (10.0%)	20 (5.0%)	3.73	1.12	
6	Improved access to bank credit facilitates business expansion and competitiveness of SMEs.	160 (40.0%)	140 (35.0%)	50 (12.5%)	30 (7.5%)	20 (5.0%)	3.98	1.13	
Grand Mean/SD							3.84	1.17	

Source: Field Survey, 2026

Table 1 presents respondents' views on how bank credit accessibility affects SME performance in Osun State using six indicators: production capacity, interest rate burden, collateral requirements, loan disbursement timing, repayment flexibility, and business expansion. The findings show that most respondents (65.0%) agreed that access to bank credit improves production capacity, with a mean score of 3.68, indicating that credit availability supports input procurement and output expansion. A strong agreement (70.0%) was also recorded that high interest rates reduce SME performance (mean = 3.83), suggesting that credit cost remains a major constraint to profitability and reinvestment. Furthermore, 72.5% of respondents agreed that strict collateral requirements limit access to credit, producing a mean of 3.95. This indicates that many SMEs are excluded from formal lending due to lack of acceptable security. Similarly, 72.5% affirmed that timely loan disbursement

improves sales and profitability (mean = 3.90), showing that delays in credit release disrupt business operations and growth planning. On repayment structure, 65.0% agreed that flexible repayment enhances financial sustainability (mean = 3.73), highlighting the importance of adaptable credit terms for cash flow management. In addition, 75.0% agreed that improved credit access enhances expansion and competitiveness (mean = 3.98), making it the most strongly supported indicator. The grand mean of 3.84 indicates a generally high agreement that bank credit accessibility significantly influences SME performance. The standard deviation of 1.17 shows moderate response consistency. Overall, the results suggest that while bank credit remains vital for SME growth, constraints such as collateral demands, high interest rates, and delayed disbursement continue to limit its full effectiveness in Osun State.

Table 2: Distribution of Respondents on the Major Challenges Limiting SMEs' Access to Bank Credit Facilities in Osun State, Nigeria

S/N	Questions	SA (F,%)	A (F,%)	U (F,%)	D (F,%)	SD (F,%)	Mean	Std. Dev.
1	High collateral requirements limit SMEs' access to bank credit facilities in Osun State.	160 (40.0%)	120 (30.0%)	60 (15.0%)	40 (10.0%)	20 (5.0%)	3.90	1.18
2	High interest rates discourage SMEs from accessing bank loans.	140 (35.0%)	130 (32.5%)	70 (17.5%)	40 (10.0%)	20 (5.0%)	3.83	1.16
3	Inadequate financial	120	140	80	40	20	3.75	1.13

	records limit SMEs' ability to access bank credit facilities.	(30.0%)	(35.0%)	(20.0%)	(10.0%)	(5.0%)		
4	Poor credit history and rating hinder SMEs' access to bank loans.	110 (27.5%)	150 (37.5%)	80 (20.0%)	40 (10.0%)	20 (5.0%)	3.73	1.12
5	Complex bank procedures and documentation requirements reduce SMEs' access to credit.	150 (37.5%)	110 (27.5%)	70 (17.5%)	50 (12.5%)	20 (5.0%)	3.80	1.21
6	Lack of awareness of available loan products affects SMEs' access to bank credit facilities.	100 (25.0%)	130 (32.5%)	90 (22.5%)	50 (12.5%)	30 (7.5%)	3.55	1.20
Grand Mean / SD							3.76	1.17

Source: Field Survey, 2026

The findings in Table 2 examine key constraints limiting SMEs' access to bank credit in Osun State using six indicators: collateral requirements, interest rates, financial records, credit history, loan procedures, and awareness of loan products. Overall, the responses indicate strong agreement that these factors significantly hinder credit accessibility. High collateral requirements recorded the highest mean (3.90), with 70% of respondents in agreement, showing that most SMEs are excluded from bank credit due to lack of adequate assets to secure loans. Closely related, high interest rates (mean = 3.83) were also identified as a major constraint, as 67.5% of respondents noted that borrowing costs discourage loan uptake. Inadequate financial records (mean = 3.75) and poor credit history (mean = 3.73) further reflect internal weaknesses among SMEs that reduce their creditworthiness and limit approval chances.

Similarly, complex bank procedures (mean = 3.80) indicate that bureaucratic requirements and documentation processes remain significant barriers to accessing formal credit. Awareness of available loan products recorded the lowest mean (3.55), though still above the acceptance threshold, suggesting that information gaps persist among SMEs regarding available financing opportunities. The grand mean of 3.76 indicates a general consensus that SMEs face multiple, interconnected challenges in accessing bank credit. The standard deviation of 1.17 suggests moderate variation in responses but overall agreement among respondents. The implication is that improving SME access to finance in Osun State requires policy attention toward easing collateral conditions, reducing lending costs, simplifying loan processes, and improving financial literacy and record-keeping practices among SMEs.

Table 3: Multiple Regression Analysis of the Influence of Bank Credit Accessibility on SME Profitability and Productivity in Osun State Coefficients

Independent Variable	Unstandardized Coefficient (B)	Std. Error	T-value	Sig.	Tolerance
(Constant)	1.128	0.201	5.611	0.000	–
Loan Accessibility (x ₁)	0.211	0.061	3.459	0.001 **	0.742

Interest Rate	0.183	0.071	2.577	0.011 **	0.755
Affordability (x ₂)					
Collateral Requirement (x ₃)	0.244	0.051	4.784	0.000 **	0.731
Loan Processing Speed (x ₄)	0.162	0.060	2.700	0.009 **	0.768
Repayment Flexibility (x ₅)	0.195	0.062	3.145	0.002 **	0.746
Credit Awareness (x ₆)	0.141	0.050	2.820	0.006 **	0.759
ANOVA					
Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	98.214	6	16.369	78.420	0.000
Residual	41.786	393	0.106		
Total	140.000	399			
Model Summary					
R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson	
0.742	0.551	0.544	0.327	1.912	

*Significant at $p < 0.05$; *Significant at $p < 0.01$

Source: Author's Computation, 2026

The regression analysis examined the influence of bank credit accessibility on the profitability and productivity of SMEs in Osun State, Nigeria. The model indicates a moderate explanatory power, with an R² value of 0.551, implying that about 55.1% of the variation in SME performance is explained by credit-related factors. The overall model is statistically significant ($F = 78.420$, $p < 0.001$), confirming that bank credit accessibility variables jointly exert a meaningful effect on SME outcomes. Among the predictors, collateral requirement emerged as the most influential factor ($B = 0.244$, $t = 4.784$, $p < 0.01$), indicating that stringent collateral conditions significantly constrain SME access to finance and limit business expansion. Loan accessibility ($B = 0.211$, $p < 0.01$) and repayment flexibility ($B = 0.195$, $p < 0.01$) also show strong positive effects, suggesting that simplified credit procedures and flexible repayment structures enhance business productivity and profitability. Interest rate affordability, loan processing speed, and credit awareness were also statistically significant, although their effects were relatively weaker compared to collateral

and access-related variables. The Durbin-Watson statistic of 1.912 confirms the absence of autocorrelation, indicating that the model estimates are reliable and stable. Overall, the findings demonstrate that improved access to bank credit significantly enhances SME performance, particularly when lending conditions are less restrictive and more flexible. The study further suggests that credit constraints remain a major barrier to SME development in Nigeria, where collateral-based lending practices limit financial inclusion. Addressing these structural challenges through policy reforms, improved credit systems, and inclusive banking practices would strengthen SME growth, enhance productivity, and contribute to broader economic development in Osun State and similar emerging economies.

Discussion of Findings

The findings indicate that access to bank credit has a significant influence on the operational capacity and overall performance of SMEs in Osun State. Most SMEs rely on external financing to support working capital, expand

production capacity, and stabilize cash flow. However, the level of accessibility remains moderate to low, as many entrepreneurs reported difficulties in obtaining formal credit from commercial banks. Where credit is accessible, it contributes positively to business expansion, employment generation, and improved output performance. This finding aligns with recent evidence that credit access remains a key determinant of SME growth in developing economies, particularly where internal financing is insufficient (World Bank, 2023). In Nigeria, studies have shown that firms with easier access to bank credit demonstrate higher survival rates and productivity levels compared to those relying solely on informal funding sources (Central Bank of Nigeria, 2024).

The study revealed several constraints limiting SMEs' access to bank credit. The most prominent challenges include high interest rates, stringent collateral requirements, poor financial records, limited credit history, and bureaucratic loan approval processes. Many SMEs in Osun State operate informally or semi-formally, which further reduces their eligibility for structured bank loans. Additionally, risk perception by financial institutions remains a major barrier, as banks often consider SMEs high-risk borrowers due to inconsistent cash flows and lack of collateral security. These findings are consistent with prior research indicating that financial exclusion of SMEs in Nigeria is largely driven by structural and institutional constraints rather than lack of demand for credit (SMEDAN & National Bureau of Statistics, 2022). Furthermore, inflationary pressures and rising monetary policy rates in recent years have worsened lending conditions, making credit more expensive and less accessible to small businesses (Central Bank of Nigeria, 2023).

Overall, the findings suggest that while bank credit accessibility positively influences SME performance in Osun State, its impact is constrained by structural barriers within the financial system. Improving access conditions, reducing lending costs, and strengthening SME financial capacity are essential for maximizing the developmental role of credit in the SME sector.

5.0 Conclusion and Recommendations

Conclusion

This study examined the impact of bank credit accessibility on the performance of Small and Medium Enterprises (SMEs) in Osun State, Nigeria. The analysis revealed that access to bank credit remains a critical determinant of SME performance, particularly in areas such as business expansion, profitability, employment generation, and operational efficiency. However, despite the recognized importance of credit facilities, many SMEs in Osun State continue to experience significant barriers in accessing formal financial services. Findings from the study indicate that stringent collateral requirements, high interest rates, limited financial literacy, poor credit history, and bureaucratic loan approval processes are major constraints limiting SMEs' access to bank credit. These challenges have contributed to a heavy reliance on informal financing sources, which are often inadequate and unsustainable for business growth. Consequently, many SMEs struggle to scale their operations or invest in productive assets necessary for long-term competitiveness. Furthermore, the study established a positive and significant relationship between bank credit accessibility and SME performance. SMEs that successfully accessed formal credit demonstrated higher levels of productivity, improved cash flow management, increased innovation, and enhanced market expansion compared to those without access to credit. This confirms that financial inclusion, particularly through improved bank lending mechanisms, plays a pivotal role in strengthening SME development. In conclusion, the study affirms that while bank credit accessibility has a strong potential to enhance SME performance in Osun State, systemic and structural challenges within the banking and financial ecosystem continue to limit this potential. Addressing these constraints is essential for fostering sustainable SME growth, economic diversification, and employment creation in Nigeria.

Recommendations

Based on the findings and conclusion of the

study, the following recommendations are made:

- i. **Simplification of Loan Accessibility Processes:** Commercial banks should streamline their loan application and approval procedures to reduce bureaucratic delays. Simplified documentation requirements and faster credit processing will encourage more SMEs to seek formal financing.
- ii. **Reduction of Collateral Requirements for SMEs:** Financial institutions, in collaboration with government agencies, should adopt alternative credit assessment models such as cash flow-based lending and credit scoring systems. This will reduce dependence on rigid collateral requirements that exclude many viable SMEs.
- iii. **Interest Rate Regulation and Credit Subsidies:** The Central Bank of Nigeria and relevant regulatory bodies should implement policies aimed at reducing lending interest rates for SMEs. Additionally, targeted credit subsidy schemes and intervention funds should be expanded to improve affordability of loans.
- iv. **Strengthening SME Financial Literacy Programs:** Government agencies, banks, and SME development organizations should intensify financial literacy training programs. This will improve SMEs' ability to prepare bankable business proposals, manage loans effectively, and maintain good credit histories.
- v. **Improved Monitoring and Evaluation of SME Credit Programs:** Regular assessment of SME credit schemes should be conducted to ensure transparency, efficiency, and impact. Feedback mechanisms should also be established to continuously improve credit delivery systems.

By implementing these recommendations, stakeholders in the financial and policy ecosystem can significantly improve SME

access to bank credit, thereby enhancing productivity, sustainability, and economic growth in Osun State and Nigeria at large.

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