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# The Impact of Credit Availability on Performance of SMEs in Cross River State

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***Abstract***: *The study investigated the impact of credit availability on performance of SMEs in Calabar metropolis, Cross River state. Data was collected from owners and the management team of selected SMEs using Likert scale structured questionnaires. With a sample size of 67 respondents, regression analysis was employed to analyze the questionnaire responses. The research findings revealed positive relationships between Bank loan (BL) ($b_1$=1.31) and informal financing (IFN) ($b_3$=0.01), while Bank overdraft (BOD) ($b_2$=-0.02), revealed a negative relationship with the performance of SMEs in Calabar metropolis. Bank loan (p-value=0.00) was found to be statistically significant at a p-value threshold of less than 0.05. Arising from the result, the study concluded that credit availability has a positive and significant effect on the performance of SMEs in Calabar Metropolis, Cross River State. The study recommends a constructive informal financing should be provided for businesses to have access to credit, both equity and debt financing be provided for businesses and access to loans should be less stressful for SMEs so that they can access credit easily which will in turn increase performance.*

***Key words***: *credit availability, informal financing, Bank overdraft, Bank loan*

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# 1.0 INTRODUCTION

## 1.1 Background to the Study

Small and Medium Scale Enterprises (SMEs) being an engine growth of the economy, need this credit for capital accumulation which in turn promotes performance and economic growth (Ubesie, and Mbah, 2017). According to the United Nations Industrial Development Organizations (UNIDO) report of 2012, SMEs have a significant role to play in economic development. The sector is the engine growth of the private sector as they make up over 90% of innovators of the world and providing for 50 to 60 percent of employment opportunities. Small and Medium Enterprises (SMEs) are widely acknowledged and regarded as the cornerstone of private sector development and collaboration. Despite their pivotal role, the growth of Small and Medium businesses is consistently impeded by insufficient funding and inadequate management. The unfavorable macroeconomic environment exacerbates this situation, leading financial institutions to adopt a risk-averse stance toward funding SMEs. The hesitancy of financial institutions to provide support to SMEs can be attributed to both the limited capital base of banks and the presence of information asymmetry between SMEs and lending institutions, as highlighted by Jorge (2021). Available information from CBN, 2012 shows that as at 1992, commercial bank loans to SMEs as a percentage of total credit was 27.04% in 1997 and falls to 8.68%, 0.85% and 0.14% in 2002, 2007, and 2010 while 2012 recorded a slight increase of 0.15% (Clement and Abiodun, 2018).

During the 1990s, a number of studies documented that lending to small businesses and the economic activity of small businesses were affected by financial sector disruptions, such as the widespread merging of banks of all sizes and the capital shortfalls occasioned by large loan losses. Although not much previous research has examined discrimination in small business credit markets, there has been an active debate on the question of whether banks discriminate against minority applicants for mortgages. In an influential study in that area, researchers at the Federal Reserve Bank of Boston tried to collect any information that might be deemed economically relevant to whether a loan would be approved along with the borrower's race and financial status (Cross and Daniel, 2020)

In the raw data larger firms had 10 percent of their loans rejected versus rejection rates of 28 percent for small scale businesses. After controlling for the large number of variables collected to establish the credit-worthiness of the borrowers (including, the amount of the debt, debt/income ratio, credit history, loan characteristics, etc.) small scale businesses were still percentage points less likely to be granted the loan (Alhassan and Islam, 2021). 1This study critically examines the effect of credit availability on the performance of small and medium scale enterprise in Makurdi metropolis, Benue state Nigeria, and how more funding can be made to support small businesses.

## 1.2 Statement of the Problem

Makurdi metropolis hosts a significant number of Small and Medium Enterprises (SMEs), often regarded as the backbone of the economy. Despite their crucial role, these enterprises encounter challenges in accessing credit due to their perceived riskiness. This longstanding issue requires concerted attention from both governmental and non-governmental entities. The vitality of small businesses in the development of Calabar cannot be overstated. The economy at large stands to

suffer without adequate credit availability for these enterprises. Contrary to common belief, there is anecdotal evidence suggesting that business credit is predominantly availed to salaried workers and large corporations. This preference is based on the assumption that their ability to repay loans is more reliable than that of small-scale businesses. However, this belief is not always accurate, as some small businesses seeking loans are both profitable and well-managed. This apparent discrepancy underscores the need for an empirical study to investigate the actual circumstances, prompting the initiation of this research.

### 1.3 Objectives of the Study

The purpose of this study is to examine the effect of credit availability on the performance of small and medium scale enterprise in Calabar Metropolis, Cross River State Nigeria.

i. To examine the effect of bank loans on the performance of SMEs in Calabar Metropolis, Cross River State Nigeria.
ii. To access the effect of bank overdraft on the performance of SMEs in Calabar Metropolis, Cross River State Nigeria.
iii. To determine the effect of informal financing on the performance of SMEs in Calabar Metropolis, Cross River State Nigeria.

## 2.0 LITERATURE REVIEW

### 2.1 Theoretical Framework

This study is anchored on the theory of financial intermediation developed in 1960 by Gurley and Shaw.

#### 2.1.1 Theory of financial intermediation developed in 1960 by Gurley and Shaw

This theory is founded on the agency theory and the informational asymmetry theory. They argued that, the existence of financial intermediaries is explained by the existence of the following categories of factors: high cost of transaction, lack of complete information in useful time; and the method of regulation. The theory describes the process where surplus units (savers) give funds, that is, through deposits, to intermediaries who include financial institutions such as banks, credit unions, mutual funds and insurance companies) who in return channel out the funds to deficit units (spenders or borrowers or SMEs) (Andries, 2009). The financial intermediation theory explains the role of commercial banks in intermediating funds through business credit availability to owners of SMEs as a social and profitable venture and hence stability. SMEs are categorized as risky borrowers by financial institutions and therefore meeting the lenders requirements has become a challenge for the SMEs to access fund from financial institutions and if they do it is at a very high transaction rate. Due to the constraints of fund the SMEs are not able to invest in new improved asset for the development and innovation of new products, the SMEs would not fully utilize their assets when they break down leading to a limitation of their maintenance, this would lead to a low revenue, stunted SMEs growth, reduced market share and also a low profitability. When there is a healthy financial intermediation SMEs would grow and also makes profits which would lead to economic growth (Andries, 2009; Muriithi, 2017)

## 2.2 Conceptual Framework

The above conceptual framework for this research explains the relationship between flexible working arrangements and employee performance.

### 2.2.1 Credit availability

Credit availability refers to the amount of credit to which a borrower has access at a given time. Asad (2018) defined access to credit as the ability of a firm or households to obtain financial products and services at reasonable cost. On the other hand, firms and household that can't access financial products and services are termed as financially constrained. Harelimana (2017) described access to finance as the ability of individuals or enterprises to obtain financial services, including credit, deposit, payment, insurance, and other risk management services. Those who have only limited access to financial services are referred to as the unbanked or under banked, respectively. (Yhip and Bijan, 2020), viewed access to finance as a contractual agreement in which a borrower receives something of value now and agrees to repay the lender at some later date. The financial services provided to SMEs include financial products and services such as savings, credit, insurance and payment systems (Nyakado and Okello, 2016). Access to credit refers to the possibility that individuals or enterprises can access financial services, including credit, deposit, payment, insurance, and other risk management services. Those who involuntarily have no or only limited access to financial services are referred to as the unbanked or under banked, respectively (Daniel, 2020).

According to Habib et al. (2021) access to credit is the absence of price and non-price barriers in the use of financial services. In a review of finance literature, the study opined that better functioning financial systems ease the external financing constraints that impede firm and industrial expansion. Banks accept deposit from individuals and institutions thus transferring funds from the surplus sector to the deficit sector of the economy. Though they are subject to certain regulations by the regulatory authorities, financial intermediaries still determine the rules for allocating funds, and as such they play a significant role in determining the type of investment activities, the level of job creation and the distribution of income (Habib et al., 2021).

### 2.2.2 Dimensions of credit availability

The proxies of credit availability adopted in this study are bank loan, bank overdraft and informal financing.

#### i. Bank loan

There is a strong relationship between bank loan and the performance of SMEs. The lack of access to credit and capital is a major barrier to the development of SMEs. It prevents them from acquiring the new technology that would make them more productive and more competitive (Saidi et al., 2019). Micro finance credit assists SMEs in the area of accounting, financial management and entrepreneurship that comply with national accounting standards, requirements and best practices. This will improve the performance of SMEs (UNCTAD 2002). (Umar and Ifeyinwa, 2020) argue that only firms with the potential to graduate from micro to small and medium enterprise can be considered as entrepreneurial and businesses that are

merely surviving to sustain a family and are not able to demonstrate any growth are not entrepreneurial. (Rajagopal, 2021) clearly established the relationship between credit and expansion of business, thereby supporting the need for credit for entrepreneurial activity. Small enterprises often operate on short term cycle and that is why there is need for short-term loan in small amounts for them. In order to run their businesses, they require sufficient amount of capital constantly and on time. (Kamau, 2021) states that one of the foremost problems of any entrepreneur is finance. Availability of adequate finance at reasonable costs at the required time is the need and expectation of any entrepreneur, including the owners of small-scale industries.

**ii. Bank overdraft**

Romain, (2021), demonstrate that the lack of access to short-term debt drastically inflates working capital requirements and lowers cash flows. Business overdraft is an easy and effective short-term option for many companies to solve cash shortages. It can ensure a company has funds in place and available immediately when something unexpected happens. After an agreement between a company and a bank is made, overdraft occurs when money is withdrawn from a bank account when the available balance goes below zero. The company pays interest for the negative balance at an agreed rate. A survey (Van et al, 2014) about SMEs in the 28 countries of the European Union showed that SMEs preferred to use bank overdraft, bank loan and trade credit. A report by Ipsos & Whitehead (2018) based on the surveys of over 1000 SMEs from 2014 to 2016 in UK revealed that business overdraft accounted for about 20% and ranked second of all external finances in the three years. Given the above account, it is important for a manager to take capital flow and external financing into account when making operational decisions. Bank overdraft is among external source of finance to SMES and it was pledged to contribute too much to the financial performance of SMES. Looking at sectors of industry, SMEs in industry and construction consider bank overdraft more often relevant than SMEs in trade and services (Sadat Ibn, 2023)

**iii. Informal financing**

Informal finance, though carrying higher interest rates, boasts lower transaction costs, while formal finance, abundant but often challenging for informal firms to access due to collateral requirements, adds complexity to financial access for such entities. Allen, Qian, and Xie (2019) found that constructive informal financing, based on information advantages or altruistic relationships (e.g., trade credits, family borrowing), is linked to positive firm performance. Conversely, underground financing, involving violent enforcement by money lenders, doesn't correlate with good firm performance. They also noted a diminishing role of constructive informal financing, particularly in regions with extensive access to bank loans, in supporting firm growth. Sayedi (2018) highlights the diverse financing methods businesses use, including internal sources like personal savings and retained profits, informal sources like money lenders and rotating savings and credit associations, and formal external sources such as bank loans. Startups in Kenya often rely on bootstrapping, using personal savings initially. This approach is viable for smaller investments that don't require third-party financial contributions (Njagi and Njoka, 2021).

### 2.2.3 Concept of SMEs Performance

Survival and growth for Small and Medium Enterprises (SMEs), crucial for rapid industrialization and economic growth, often hinge on sources like bank loans, bank overdrafts, and Esusu. Despite the theoretical expectation that Commercial Banks provide financial support through loans and overdrafts, SMEs in many Sub-Saharan African countries, including Nigeria, face capital shortages hindering their growth (Bosede and Aderonke, 2020). SMEs are widely recognized as vital for global industrial development, with Commercial Banks theoretically expected to offer financial assistance through loans and overdrafts. Esusu, primarily an informal practice, extends into formal work settings, supporting SMEs. Empirical studies in Nigeria on informal finance, financial exclusion, modern cooperatives, micro-financing, and savings mobilization emphasize the significance of Esusu (Oluyomi and Evans, 2018). This study investigates how Commercial Banks in Nigeria utilize bank loans, bank overdrafts, and Esusu to provide credit, facilitating the growth of SMEs. The established role of SMEs in global economic growth is acknowledged, prompting successive Nigerian governments, since the 1980s, to shift focus toward SMEs, deviating from large-scale, capital-intensive industrialization. The growth and development of SMEs are deemed essential for Nigeria's industrialization, contingent upon adequate financing, as emphasized by (Clement et al, 2018).

### 2.2.3 Measures of SMEs Performance

For the purpose of this study, the measures of performance are sales growth and market share. They are thus, explained below

**i. Sales Growth**

Sales growth refers to the amount a company derives from sales compared to a previous corresponding period of time in which the later sales exceed the former. It is usually given as a percentage. Sales growth metrics analyse and measure the pace at which organization’s sales revenue is increasing or decreasing. Sales growth is considered positive for a company‘s survival and profitability. It is an important measure of performance. Sales growth targets play a major role in the perceptions of business managers. Eliasson (1976) reports that planning systems generally begin with sales targets. An emphasis on sales growth also provides a useful and visible benchmark to motivate managers. Kaplan and Norton (1996) argue that firms must use a wide variety of goals, including sales growth, to effectively reach their financial objectives. The main goal of leaders in large companies is to maximize the revenue and that the increase in sales will always continue, even at the expense of lower profits, in both the short and long-term (Baumol, 1962). Baumol has provided an addition to the ever-increasing body of oligopoly theory by substituting sales maximization, with a minimum profit constraint, for profit maximization as the goal of the business firms. Profit maximization is interpreted as the desire to maximize the present value of the firm. Since net revenue, total revenue and assets all expand permanently at the same rate, all this are in the context of a permanent growth maximization model interpretation. Factors that influence sales growth range from promotion to internal motivation and retaining of talented employees to the implicit opportunities for investments in new technologies and equipment in the production process. In addition, it benefits learning curve and opportunities for economies of scale provided by sales growth.

**ii. Market share**

Market share is the percentage of a market accounted for by a specific entity. It may be defined as the percentage of an industry or market's total sales that is earned by a particular company over a specified time period. Market share is calculated by taking the company's sales over the period and dividing it by the total sales of the industry over the same period. This metric is used to give a general idea of the size of a company to its market and its competitors. It is the percentage of an industry or market's total sales that is earned by a particular company over a specified time period. Market share is calculated by taking the company's sales over the period and dividing it by the total sales of the industry over the same period. This metric is used to give a general idea of the size of a company to its market and its competitors. Marketers need to be able to translate and incorporate sales targets into market share because this will demonstrate whether forecasts are to be attained by growing with the market or by capturing share from competitors. Market share is closely monitored for signs of change in the competitive landscape, and it frequently drives strategic or tactical action (Farris, Bendle, Pfeifer and Reibstein, 2010). Increasing market share is one of the most important objectives of business. The main advantage of using market share as a measure of business performance is that it is less dependent upon macro environmental variables such as the state of the economy or changes in tax policy (Farris et al. 2010).

**2.2.5 Nexus between credit availability and SMEs performance**

Banking and financial services are crucial for small and medium-scale enterprises (SMEs), providing essential financing for startup, sustainability, and expansion. Specialized SME business loans are designed to support their growth, preventing domination solely by those with capital, which is crucial for a balanced business community in modern societies (Olatunji, 2018).

Globally, commercial banks, the primary source of funds for SMEs, often shy away due to perceived risks. Banks view small-scale businesses as risky, maintaining substantial reserves but hesitating to support small industries due to high interest rates ranging from 19% to 30%, posing challenges for many small businesses (Cross and Daniel, 2020). Most SMEs perceive banks as utility providers rather than business partners. Recent evidence suggests that business-lending officers, despite similar training, tend to emphasize personal characteristics of entrepreneurs, raising concerns about fairness and impacting entrepreneurs' perceptions. Positive perceptions of banks by SME owners often hinge on more participative relationships, with accountants playing a crucial role as trusted intermediaries (Bragoli et al., 2022).

While bank loans and overdrafts are common debt financing methods for SMEs, alternative sources like leasing and factoring are also relevant. SMEs, being more financially constrained, utilize less formal finance than larger firms due to reasons such as lack of collateral, credit history, credit rating, tax policies, high growth vulnerability, and other formal requirements. Firms' performance is vital for investors, stakeholders, and the broader economy. Investors seek valuable returns, and a well-performing business can bring substantial and long-term returns, positively impacting employees' income, providing better-quality products for customers, and promoting environmentally friendly production units (Muchiri and Shukla, 2017).

## 2.3 Review of Related Empirical Studies

Oladele (2014), aimed to investigate the impact of financial sources on Small and Medium Enterprises (SMEs) performance in Ado-Ekiti metropolis. The survey utilized a structured questionnaire administered to 225 respondents from 45 conveniently selected registered SMEs. A 4-point Likert Scale gathered data on personal savings, informal and formal sources of finance. Stratified sampling and frequency tables were employed to present respondent demographics. Multiple regression analysis was used, revealing that each financial source (personal savings, informal, and formal) had a significant connection with SMEs' performance. The model summary indicated R2 values of 33.1%, 42.0%, and 46.7% for personal savings, informal, and formal sources, respectively. The overall regression analysis showed an R2 of 35.6%, attributing performance. Notably, formal sources, especially Microfinance Banks (Mfb), exhibited the most significant impact on SME performance in Ado-Ekiti metropolis. The study's limitation lies in focusing on broad objectives rather than specific ones for both formal and informal financing.

Faraja, (2017), aimed to investigate the impact of bank loans on the performance of Small and Medium Enterprises (SMEs). The study employed stratified random sampling to select a sample from the study population. Data collection utilized structured questionnaires and interviews. Regression analysis was the chosen method for data analysis. Results revealed that a significant number of SMEs benefit from bank loans, despite facing challenges in securing them. The majority of SMEs affirmed that obtaining a bank loan resulted in a substantial increase in both profit and sales. The study recommends that banks revise their lending conditions for SMEs to enhance borrowing, thereby fostering the role of SMEs in economic growth. However, a weakness in this empirical review is noted, as it only explored the role of bank loans rather than directly examining their effects on SME performance. Additionally, the study suggests that chi-square analysis might have been more appropriate for determining differences between those utilizing bank loans and those who did not.

Vedaste and Ruranga (2019), investigated the impact of short-term financing on the performance of Small and Medium Enterprises (SMEs) in Rwanda. The study focused on 196 manufacturing SMEs out of a population of 382 operating in Kigali. A survey, utilizing self-administered questionnaires, collected primary data from SME owners. Guided by the pecking order theory, which prioritizes sources of finance, the research employed descriptive and inferential statistics for data analysis. The findings, derived from a binary logistic model, highlighted a significant and positive relationship between short-term loan financing (including line of credit, overdraft facilities, contract finance, working experience, and organization type) and the financial performance of manufacturing SMEs in terms of profit. In conclusion, short-term loan financing emerged as a potent tool for financing manufacturing firms, suggesting the need for policymakers in Rwanda to consider enhancing financial literacy among SME owners. A weakness identified in the study is the use of a binary logistic model, which is inappropriate when there is only one independent variable. Linear regression, accommodating one independent variable, would have been a more suitable analytical approach.

Mutie et al. (2020), investigated the impact of informal financing on the performance of wholesale and retail businesses in Kenya. The study aimed to establish the effect of informal finances on the performance of these businesses. The population included all 1.56 million businesses in Kenya, with a target of 510,000 licensed businesses in selected counties. Using simple random techniques, a sample of 384 respondents from the 310,000 licensed businesses in six selected counties was collected. Both secondary and primary data, gathered through structured questionnaires, were analyzed using regression and correlation analysis to test the connection between independent and dependent variables. The findings indicated a statistically significant relationship between the variables. While informal financing showed a positive relationship with performance, the use of Shylocks was uncommon due to high interest rates. The study concluded that no single source of finance solely contributes to business performance in Kenya, recommending further research to explore other factors influencing performance. A weakness noted in the study was the use of regression instead of correlation analysis to assess relationships between variables.

## 3.0 METHODOLOGY

The study used a descriptive survey design, where the researcher is solely interested in describing the situation or case under the research study. This allows the researcher to provide insights into the why and how of the research. The study focused on the impact of credit availability on the performance of SMEs in Calabar metropolis, Cross River state of Nigeria. Some SMEs in Calabar metropolis were selected for the study. Calabar is the capital of Cross River state, Nigeria. The population of the study area is made up owners and management team of the selected SMEs in Calabar Metropolis. The study population consists of 67 owners and management team from the selected SMEs in Calabar metropolis. And shown below.

**Table 1: List of owners and management team from the selected SMEs**

| SMEs | Number of owners and management team |
|---|---|
| **Buddyz place** | |
| Owner | 1 |
| Management team | 7 |
| **Crystal marketing agency** | |
| Owner | 1 |
| Management team | 15 |
| **Bite 'N' smile** | |
| Owner | 1 |
| Management team | 6 |
| **Manana services limited** | |
| Owner | 1 |
| Management | 5 |
| **Chibex technology** | |
| Owner | 1 |
| Management team | 4 |
| **G &A Business centre** | |
| Owner | 1 |
| Management team | 3 |
| **Bestsoft Nigeria** | |
| Owner | 1 |
| Management team | 4 |
| **Kaprest Wears and Branding** | |
| Owner | 1 |
| Management team | 5 |
| **Sammy Guide Media** | |
| Owner | 1 |
| Management | 3 |
| **Beken and fort limited** | |
| Owner | 1 |
| Management team | 5 |
| **Total** | **67** |

Source: Field Survey, 2023.

A sample is a selected part of a population that represents the entire population. The selected SMEs are made up 67 owners and management teams. The researcher used the entire population as the sample size since the number is manageable. Thus the sample size for the work is 67. The questionnaire set was carefully structured by taking into consideration factors critical to the quality of instrument developed, this method was adopted independently to reduce the incidence of bias or subject views about the subject on investigation, which was in a statement from seeking to get information from employees on credit availability and SMEs performance.

The questionnaires were segmented into two. The first segment seeks demographic data of the respondent, while the second segment comprises of questions that sought responses through 4 point rating scale that ranges from 1(strongly agree) to 4 (strongly disagree).

**Table 2: Kaiser-Meyer-Olkin Measure of sampling Adequacy**

| KMO and Bartlett's Test | | |
|---|---|---|
| Kaiser-Meyer-Olkin Measure of Sampling Adequacy. | | .749 |
| Bartlett's Test of Sphericity | Approx. Chi-Square | 92.701 |
| | Df | 6 |
| | Sig. | .000 |

**Source: author computation 2023, using SPSS 25**

A pilot test was conducted. The input variable factors used for this study were subjected to exploratory factor analysis to investigate whether the constructs as described in the literature fits the factors derived from the factor analysis. Factor analysis indicates that the KMO (Kaiser-Meyer-Olkin) measure for the study's 3 independent variable items is 0.749 with Barlett's Test of Sphericity (BTS) value to be a 6 at a level of significance p = 0.000. Our KMO result in this analysis surpasses the threshold value of 0.50 as recommended by hair, Anderson, Tatham and Black (1995). Therefore, we are confident that our sample and data are adequate for this study.

**Table 3: Total variance explained**

| Total Variance Explained | | | | | | |
|---|---|---|---|---|---|---|
| | Initial Eigenvalues | | | Extraction Sums of Squared Loadings | | |
| Component | Total | % of Variance | Cumulative % | Total | % of Variance | Cumulative % |
| 1 | 3.720 | 92.995 | 92.995 | 3.720 | 92.995 | 92.995 |
| 2 | .203 | 5.070 | 98.065 | | | |
| 3 | .062 | 1.543 | 99.608 | | | |
| 4 | .016 | .392 | 100.000 | | | |
| Extraction Method: Principal Component Analysis. | | | | | | |

Source: Author computation 2023, using SPSS 25

As shown in the above on the rotated sum of squared loading section, one component accounted for 81.800% of the variance of the whole variables of the study. This shows that the variables have strong construct validity.

**Table 4: Reliability Statistics**

| Reliability Statistics | | |
|---|---|---|
| Cronbach's Alpha | Cronbach's Alpha Based on Standardized Items | N of Items |
| .972 | .975 | 4 |

Source: Author computation, 2023 using SPSS 25

**Table 5: Inter-item correlation Matrix**

| Inter-Item Correlation Matrix | | | | |
|---|---|---|---|---|
| | BL | BOD | IFN | PERF |
| BL | 1.000 | .912 | .944 | .961 |
| BOD | .912 | 1.000 | .925 | .811 |
| IFN | .944 | .925 | 1.000 | .883 |
| PERF | .961 | .811 | .883 | 1.000 |

The table 5 above shows the reliability statistics which indicates that the Cronbach Alpha value for the various variables are reliable for the study at level 0.972 which is above 0.70. Primary data was obtained for this work, through the use of structured questionnaire; the questionnaire was distributed and administered to owners and management team of the selected SMEs used in the study. Secondary source of data was obtained from the review of related literature. In order words, the researcher censured unpublished and published works, journals/periodicals and official documents with relevant ideas. The study used two variables; the independent variable (Credit availability) and the dependent variable (SMEs Performance). The Independent variables include Bank loans, Bank overdraft and informal financing while the dependent variable is effectiveness and efficiency. For this study, regression analysis was employed to determine the effect of the independent variables on the dependent variable. The implicit form of the model is represented below:

The implicit model form of the model is as shown below:

PERF =*f* (BL, BOD, IFN) (1)

Where,

BL = Bank loan

BOD = Bank overdraft

IFN = Informal financing

PERF = Performance

The explicit forms of the formula above are depicted below:

$PERF = b_0 + b_1\ BL + b_2\ BOD + b_3 IFN + U_t$- (2)

*Where:*

$b_0$ = intercept value of the dependent variable

U = the random error term

$b_1, b_2, b_3$ = the regression coefficients of the independent variables

The data for the study will be collected, coded and analyzed using computer-based Statistical Package for Social Sciences (SPSS version 25). Various statistical methods will be used in analyzing this study: percentages, frequency and tables were used to examine the respondents' bio-data. Multiple linear regression analysis will be used to assess the nature and degree of relationship between the dependent variable and a set of independent or predictor variables. However, probability value of the estimate will be used to test the three hypotheses for this study.

## 4.0 RESULTS AND DISCUSSION

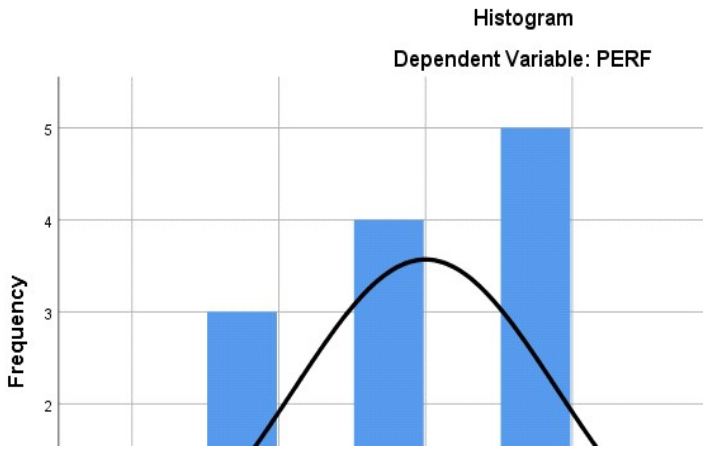
### 4.1 Presentation of Data based on respondent's Demographics

**Table 6: Summary of Respondents' Demographics (n=67)**

| Characteristics | Frequency | Percentages |
|---|---|---|
| **Gender** | | |
| Male | 38 | 56.72% |
| Female | 29 | 43.28% |
| **Total** | **67** | **100.0%** |
| **Age of Respondent** | | |
| 25 | 8 | 11.94% |
| 26-35 | 20 | 29.85% |
| 36-45 | 32 | 47.76% |
| 46 yrs above. | 7 | 10.45% |
| **Total** | **67** | **100.0%** |
| **Educational status of Respondent** | | |
| FLSC | 5 | 7.46% |
| ND/NCE | 20 | 29.85% |
| B.Sc/HND | 25 | 37.31% |
| Postgraduate | 17 | 25.37% |
| **Total** | **67** | **100%** |
| **Position** | | |
| Owner | 10 | 14.93% |
| Manager | 35 | 52.24% |
| Supervisor | 22 | 32.84% |
| **Total** | **67** | **100.0%** |

***Source:*** *Field survey, 2023*

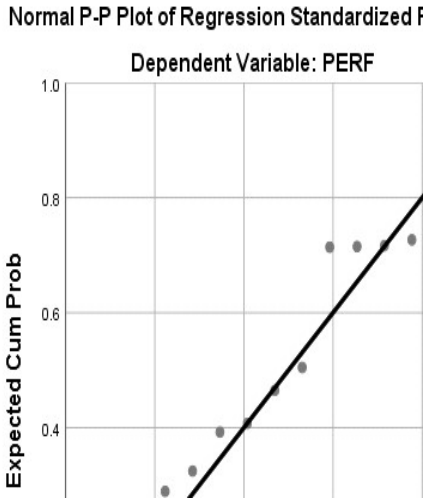
From table 6 shown above, majority of our respondents 38 which represents 56.72% are male, while 29 representing 43.28% are females. This study shows the predominance of Male in small and medium scale enterprises. Majority of the respondents (47.76%) who were between the ages of 36-45years are owners of small and medium business in calabar metropolis. (29.85%) of the respondents were 26-35yrs of age, Also (11.94%) of the respondents are 25years of age, while others constitutes 10.45% were 46 years above. The result above shows the strength of people who are business owners. Majority of our respondents (37.31%) has B.Sc/HND as their highest qualification. 29.85% also have ND/NCE as their highest education qualification, 25.37% have their postgraduate degree as their highest qualification, while 7.46% have FLSC as their highest level of qualification. This shows that upcoming entrepreneurs are highly educated which indicates that better performance is expected in the future. Majority of our respondents 52.24% are managers, 28.6% are supervisors while 13.93% of our respondent are owners of business. This shows the position of respondent in their various businesses. From this description, it shows the strength of people in small and medium scale enterprises.




Author computation 2023, using SPSS 25

Figure 1: Regression standardized residual

Figure 1 above, shows a histogram of the residuals with a normal curve superimposed. The residuals look close to normal, implying a normal distribution of data. Here is a plot of the residuals versus predicted dependent variable performance of SMEs in Calabar Metropolis, Cross River State Nigeria. (PERF). The pattern shown above indicates no problems with the assumption that the residuals are normally distributed at each level of the dependent variable and constant in variance across levels of Y. As long as the data is approximately normally distributed, with a peak in the middle and fairly symmetrical, the assumption of normality has been met.




*Author computation 2023, using SPSS 25*

*Figure 2: Normal P-P plot of Regression standardized residual*

The normal P-P plot is an alternative graphical method of assessing normality to the histogram and is easier to use when there are small sample sizes. The scatter should lie as close to the line as possible with no obvious pattern coming away from the line for the data to be considered normally distributed as in the case of the data for this study.

**Table 7: Anova**

| ANOVA[a] | | | | | | |
|---|---|---|---|---|---|---|
| Model | | Sum of Squares | df | Mean Square | F | Sig. |
| 1 | Regression | 2853.961 | 3 | 951.320 | 73.632 | .000[b] |
| | Residual | 155.039 | 12 | 12.920 | | |
| | Total | 3009.000 | 15 | | | |
| a. Dependent Variable: PERF | | | | | | |
| b. Predictors: (Constant), IFN, BOD, BL | | | | | | |

*Source: Author computation 2023, using SPSS 25*

The F-ratio in the ANOVA table above tests whether the overall regression model is a good fit for the data. The table shows that the independent variables statistically significantly predicts the dependent variable F (3, 15) = 73.632, $p$ <0.00[b] (i.e., the regression model is a good fit of the data).

**Table 8: Model summary**

| Model Summary[b] | | | | | |
|---|---|---|---|---|---|
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |
| 1 | .974[a] | .948 | .936 | 3.59443 | 2.691 |
| a. Predictors: (Constant), IFN, BOD, BL | | | | | |
| b. Dependent Variable: PERF | | | | | |

Source: Author computation 2023, using SPSS 25

The coefficient of determination $R^2$ for the study is 0.948 or 94.8%. This indicates that 94.8% of the variations in the model can be explained by the explanatory variables of the model while 5.2% of the variation can be attributed to unexplained variation captured by the stochastic term. The Adjusted R Square and $R^2$show a negligible penalty (93.6%) for the explanatory variables introduced by the researcher. The Durbin Watson statistics is 2.691 shows that there is minimal autocorrelation in the model of the study; hence the estimates of the model can be used for prediction.

**Table 9: Coefficients**

| Coefficients[a] | | | | | | |
|---|---|---|---|---|---|---|
| | | Unstandardized Coefficients | | Standardized Coefficients | | |
| Model | | B | Std. Error | Beta | T | Sig. |
| 1 | (Constant) | -.042 | 1.499 | | -.028 | .978 |
| | BL | 1.340 | .214 | 1.306 | 6.255 | .000 |
| | BOD | -.339 | .156 | -.395 | -2.172 | .051 |
| | IFN | .013 | .192 | .016 | .069 | .946 |
| a. Dependent Variable: PERF | | | | | | |

*Source: Author computation 2023, using SPSS 25*

From the investigation made using regression analysis, it indicates that a positive relationship exist between Bank loan (BL) and performance of SMEs in Calabar Metropolis, Cross River State

Nigeria. (PERF), the relationship is statistically significant (*p>0.05)* and the relationship is in line with *a priori expectation*. This means that a unit increase in Bank loan (BL) will result to a corresponding increase in performance of SMEs in Calabar Metropolis, Cross River State Nigeria, and this is in line with the study of Faraja (2017), who examine the role of bank loan on performance of SMEs, used regression analysis and the result shows that bank loan leads to significant increase SMEs performance.

A negative relationship exist between Bank overdraft (BOD) and performance of SMEs in Calabar Metropolis, Cross River State Nigeria. (PERF), the relationship is not statistically significant (*p>0.05)* and the relationship is not in line with *a priori expectation*. This means that a unit increase in Bank overdraft (BOD) will result to a corresponding decrease in performance of SMEs in Calabar Metropolis, Cross River State Nigeria, and this is not in line with the study of Vedaste and Ruranga (2019), who studied the effect of short term financing on performance of SMEs, used descriptive and inferential statistics to analyze and the result shows that there is a positive relationship between bank overdraft and SMEs performance.

A positive relationship exist between informal financing (IFN) and performance of SMEs in Calabar Metropolis, Cross River State Nigeria. (PERF), the relationship is not statistically significant (*p>0.05)* and the relationship is in line with *a priori expectation*. This means that a unit increase in informal financing (IFN) will result to a corresponding increase in performance of SMEs in Calabar Metropolis, Cross River State, Nigeria, and this is in line with the study of Mutie, et al (2020), who examined the effect of informal financing on the performance of wholesale and retail businesses in Kenya. Used multiple regression to analyze and the result shows that informal financing has a positive effect on business performance.

## 5.0 CONCLUSION AND RECOMMENDATIONS

### 5.1 Conclusion

The study concluded that credit availability has a positive and significant effect on the performance of SMEs in Calabar Metropolis, Cross River State. This is because, when consumers and businesses can borrow money, economic transactions can take place efficiently and the economy can grow. Credit allows companies access to tools they need to produce the items we buy. A business that couldn't borrow might be unable to buy the machines and raw goods or pay the employees it needs to make products and profit. The study opined that better functioning financial systems ease the external financing constraints that impede firm and industrial expansion, so availability of adequate finance at reasonable costs at the required time is the need and expectation of any entrepreneur, including the owners of small-scale industries. For SMEs to perform their expected role of rapid industrialization and economic growth can achieved through bank loans, bank overdraft and informal financing. Bank loans and bank overdraft through their financial intermediation role, are expected to provide financial leverage for small and medium scale enterprises.

### 5.2 Recommendations

i. Managers / Owners of SMEs should be encouraging both equity and debt financing be provided for businesses.
ii. Managers / Owners of SMEs should be encouraging constructive informal financing for businesses to have access to
iii. Access to loans should be less stressful for SMEs so that they can access credit easily which will in turn increase performance.

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