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## CREDIT ACCESSIBILITY AMONG PLANK ENTREPRENEURS IN OYO STATE, NIGERIA

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### ABSTRACT

*Accessibility to credit is very important for any business expansion including plank selling. Lack of access to financial services not only retards economic growth, but also increases poverty and inequality. The sampling technique was multi staged. The first stage was 30% of the Local Government Area (LGA) in Oyo State, therefore 11 LGAs out of 33 were used for the study. Stage two involves random sampling of one sawmills in each LGA, and stage three involves random selection of twenty-five (25) plank sellers in each. Descriptive (percentage, frequency and mean) and inferential (multiple regression) statistics were use in the analyses. The study found that males were the major (63.3%) traders in the study areas. The average age of the sellers was  $45.6 \pm 11.5$  irrespective of the sex. A greater percentage of the sellers were married (72.1%), singles were 13.4%, and others were 14.6%. The average household size was  $2.5 \pm 1.0$ , the household size is probably small because they did not really need too much hands in selling the planks unlike farming that need lots of labour. The multiple regression coefficient  $r^2$  is 0.82, this implies that about 82% of the independent variables explain the dependent variable sources of credit. This is also confirmed by the fact that out of fourteen dependent variables, eleven were significant at various significant levels. Furthermore, interest rate ( $p < 0.01$ ) and the proximity to the source of credit ( $p < 0.05$ ) influence the source of credit. The study implies that socioeconomic factors influence accessibility to credit, so also the interest rate charged. It is therefore recommended that loans or credit should be made available for plank sellers at considerable interest rate and the collateral should not be to grievous.*

**Keywords:** Accessibility, Credit, Forest, Plank, Sellers, Traders,

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### INTRODUCTION

Forests have been the major source of livelihood for most Nigerians. The forestry sector is one of the main pivots on which the Nation's welfare

was built. The forest is not only important for material goods but also as a valuable ecological and cultural resource. The forestry subsector contribution to socio-economic development in

the country ranks among one of the highest revenue and employment generating sectors. It also serves as resource base for many forest industries. The raw materials for the production of timber, pulp and paper are derived from the forest.(Azeez *et al.*,2011).

Forest-based industrialization has traditionally focused on large, capital intensive enterprises. however, large enterprises have high capital requirements and require large infrastructural bases (Aiyelaja and Oyeboode, 2011). Increasingly, forest-based small scale enterprises (FBSSSES) are being recognized as vital interface activities because they provide employment and generate income for millions of rural and urban poor worldwide. These activities involve the collection, processing, consumption and trade of forest products and they often provide essential full time, or supplemental sources of income. FBSSSES also contribute significantly to rural as well as urban household economies by producing food, fuel, fodder, implements, medicines, furniture, building construction and culturally significant artifacts for consumption in their total contribution.

Credit enables individuals to smooth out consumption, provides income for investment and improves ability to cope with unexpected expenditure shock (Atieno, 2009). Financial access is important for both poverty alleviation and economic sustainability. Lack of access to financial services not only retards economic growth, but also increases poverty and inequality. Nigeria is in poverty due to poor financial standing and high business risk which reduces the level of accruable profit (Oludimu *et al.*, 2004). Financial access increases incomes through productive investment, helps create employment opportunities, facilitates investments in health and education, and reduces the vulnerability of the poor by helping them to smooth their income patterns over time (World Bank, 2008).

Central Bank of Nigeria (2005) noted that the formal financial system provides services to about 35% of the economically active population while the remaining 65% are excluded from access to financial services. According to the apex financial body, these 65% are often served by the informal sector through Non-Governmental Organisation,- Micro Finance, NGO-MFIS, friends, relations and credit unions. Since capital form the bases of any business including forest based plank selling enterprise,this study examined sources of credit obtainable by the plank sellers and factors influencing accessibility to credit by the sellers, which will enhance the purchase of modern production.

## **METHODOLOGY**

### **Study Area**

The study was conducted in Oyo State, Southwestern part of Nigeria between Latitudes 2° 38<sup>1</sup> and 4° 35<sup>1</sup> east and has a total population of 5,591,589 (NPC, 2012). There are 33 local government areas in the state. It is bordered in the north by Kwara State, east by Osun State and the south by Ogun states. In the west, it is bordered by Ogun state and by the Republic of Benin. The state has an annual rainfall of between 1000 mm and 1400 mm and has a vast area of fertile land that is suitable for the production of arable crops such as the vegetables, yam, cassava, cowpea, tomatoes, maize and perennial crops such as cocoa, locust bean, Shea nut, Cashew etc. Farming in the state is largely traditional and small scale relying on manual labours that involve the use of cutlasses and hoes (Ademola *et al.*, 2012).

### **Sampling and Data Analysis Technique**

The sampling technique was multi staged. The first stage was 30% of the Local Government Area (LGA) in Oyo State, therefore 11 LGAs out of 33 were used for the study. Stage two involves random sampling of one sawmills in each LGA, and

stage three involves random selection of twenty-five (25) plank sellers in each sawmill. But only 247 questionnaires were valid and used in the analysis. Descriptive tools such as percentage and frequency distribution were used in the analysis with Ordinary Least Squared Model.

## **RESULT**

### **Socio-Economic Characteristics Of Plank Sellers**

The empirical study discovered that males were the major (63.3%) traders of the plank in the study areas (Table 1.). The average age of the sellers was  $45.6 \pm 11.5$  irrespective of

the sex. A greater percentage of the sellers were married (72.1%), singles were 13.4%, and others were 14.6%. The average household size was 4 and majority (47.8%) of the respondents had formal education up to secondary school level, 19.4% had primary education, while 16.2% had tertiary education, while 16.6% of the respondents had no formal education. Education is needed in plank selling because of metric aspect of the trade.

**Table 1. Socio Economic Characteristics of the Plank Seller Households**

Variables	F	%	Mean
<b>Gender</b>			
Male	157	63.6	
Female	90	36.4	
<b>Total</b>	247	100	
<b>Age</b>			
			45.6±11.5
15-30	26	10.5	
31-40	99	40.1	
41-50	76	30.8	
51-60	31	12.6	
61 and above	16	6.1	
<b>Total</b>	247	247	
<b>Marital Status</b>			
	33	13.4	
Single	178	72.1	
Married	22	8.9	
Divorce	14	5.7	
Separated	247	100.0	
<b>Total</b>			
<b>Household size</b>			
			2.5±1.0
1-5	111	44.9	
6-10	124	50.2	
11 and above	12	4.9	
<b>Total</b>	247	100.0	
<b>Education years</b>			
	41	16.6	
No formal	48	19.4	
Primary	118	47.8	
Secondary	40	16.2	
Tertiary	247	100.0	
<b>Total</b>			
<b>Primary occupation</b>			
	23	90.3	
Plank	224	9.7	
<b>Total</b>	247	100.0	

Table 2. reveals further on socioeconomic characteristic of the households, about 7.3%

had between 1 and 5years of experience in the business, 21.1% had between 6 and 10 years of age, and about 17.4% had between 11 and 15years of experience while majority (52.2%) had 16 years and above of plank selling experience. The research found that majority of the plank sellers had ₦100,000 and below as their annual income and about 21.6% had above ₦500,000 as their annual income from plank selling. Most of the sellers (83.8%) belonged to one cooperative/ association or the other to access credit and for social functions. Some were found to belong to cooperative society, traders' association, processors and other social groups.

#### **Information on Credit Accessibility**

The study examined the reasons for obtaining loans in the study area (Table 3). About 76.5 % collect loan for expansion of their businesses, 14.6% for private financial needs and 6.9% collect to start a new business. The study found that some pay back the loan through saving (26.3%), through borrowing (6.5%), profit from the business invested in (56.3%) and others (10.9%). The research found that the sellers have been accessing the facility (73.3%) while 26.7% responded that there was no easy through accessibility to loan.

The challenges faced by most of the sellers (53.4%) was difficulty to meet up with the collateral expectations, this is corroborated by Azeez *et al*, 2011 that when issue of collateral is easy, the plank sellers will demand more for credit loan. About 51% had problem with the getting guarantor and 52.2 complained about the high of interest rate. The results corroborated with the study by Subeyr and Muturi (2017) that established that collateral requirements have significant association with loan uptake.

**Table 2: Socioeconomic Characteristics of respondents**

Variable	Frequency	Percentage	Mean
<b>Years of Experience</b>			
<b>1-5</b>	18	7.3	18.9 ±14.6
6-10	52	21.1	
11-15	48	19.4	
16 and above	129	52.2	
<b>Total</b>	<b>247</b>	<b>100.0</b>	
<b>Annual Income</b>			
<=100000	69	27.9	
100001-200000	37	14.9	
200001-300000	38	15.4	
300001-400000	21	8.5	
400001-500000	29	11.7	
>500000	53	21.6	
<b>Total</b>	<b>247</b>	<b>100.0</b>	
<b>Association/coop. member</b>			
No	207	83.8	
Yes	40	16.2	
<b>Total</b>	<b>247</b>	<b>100.0</b>	
<b>Type of Association</b>			
Cooperative	98	39.7	
Traders Association	95	38.5	
Village Association	22	8.9	
Processors Association	15	4.8	
Others specify	20	8.1	
<b>Total</b>	<b>247</b>	<b>100.0</b>	
<b>Major Sources Credit</b>			
Bank	41	5.7	
NGO	12	8.5	
Cooperative	71	6.5	
Government agency	13	25.5	
Local lenders	14	2.0	
Personal savings	71	23.5	
Friends and relatives	12	26.3	
Others (Lapo)	13	2.0	
<b>Total</b>	<b>247</b>	<b>100.0</b>	

**Challenges Faced in Loan Collection**

Information is a vital factor in obtaining credit in any entrepreneurship. Most of the plank sellers (66.4%) interviewed confirmed inadequate or lack of information about credit facility as a challenge in the business (Table 4). Also distance to the facility especially during documentation is a problem for the enterprise as observed by about 66% of the respondents. The study found that females (26.3%) had reasons to demand for loan than males (23.1%), about 25.5% were of the

opinion that both sexes can be in need of loan while 25.1 % believed that both sexes need credit facilities to sustain the business. The research discovered that the facility provider did not consider applicants' age so far the person meets the requirements for the facility, which was observed by 61.9% of the respondent. Attendance of meeting of the service provider was also a major (63.2%) factor in granting the financial facility and the size of the business influence (81%).the size of the credit granted. Majority of the plank

sellers (92.3.1%) affirmed that availability of credit facility actually aids the business.

**Table 3: Information on Credit Accessibility and Repayment**

Items	Frequency	Percentage
<b>Reason for obtaining loan</b>		
Expanding ongoing business	194	78.5
Financial need	36	14.6
Starting new business	17	6.9
<b>Total</b>	247	100.0
<b>Source of loan repayment</b>		
Savings	65	26.3
Borrowings	16	6.5
Profit from the business	139	56.3
Others	27	10.9
<b>Total</b>	247	100.0
<b>Ever been turn down</b>		
Yes	181	73.3
No	66	26.7
<b>Total</b>	247	100.0
<b>Difficulty in paying collateral</b>		
Yes		
No	115	46.6
<b>Total</b>	132	53.4
	247	100.0
<b>Inability to provide guarantor</b>		
Yes	121	49.0
No	126	51.0
<b>Total</b>	247	100.0
<b>High interest rate</b>		
Yes	49.0	49.8
No	51.0	50.2
<b>Total</b>	100.0	100.0

**Table 4: Challenge Faced in Loan Collection**

Items	Frequency	Percentage
<b>Lack information on sources</b>		
Yes	83	33.6
No	164	66.4
<b>Total</b>	247	100.0
<b>Distance to source of credit</b>		
Yes	84	34.0
No	157	66.0
<b>Total</b>	247	100.0

<b>Gender obtaining more Credit.</b>	57	23.1
Male	65	26.3
Female	63	25.5
Not applicable	62	25.1
Both	247	100.0
<b>Total</b>		
<b>Business size determines</b>		
Yes	156	63.2
No	91	36.8
<b>Total</b>	247	100.0
<b>Age criterion for loan</b>		
<b>Yes</b>	94	38.1
<b>No</b>	153	61.9
<b>Total</b>	247	100.0
<b>Credit improved business</b>		
Yes	228	92.3
No	19	7.69
<b>Total</b>	247	100.0

### Factors Influencing Access to Credit

Ordinary linear regression analysis was used to explain factors influencing credit accessibility among the plank sellers in Oyo state. The multiple regression coefficient  $r^2$  is 0.82, this implies that about 82% of the independent variables which were gender, age, household size, education statuses, annual income, occupation, year of experience and association membership explained the dependent variable, sources of credit (Table 5). This is also confirmed by the fact that out of fourteen dependent variables, eleven were significant at various significant levels. The gender is negatively significant ( $p < 0.05$ ) implying that more female has access to loan than males. The plank sellers' age is negatively significant ( $p < 0.1$ ), implying that the higher the age the lower the accessibility to loan. This implies that credit may not be given to too old sellers because of payment.

Household size is negatively significant ( $p < 0.01$ ). Education status is positively significant ( $p < 0.05$ ) meaning that the more education is a plank seller the more he wants

to expand the business and collect more loan. The result is in support by Le, Sundar and Nguyen (2006) study that showed that education positively influence the probability of obtaining bank loans. Also the study result strongly supports Rand (2007)'s finding who explained with better knowledge that its more likely to know if their loan application will be rejected or not to apply in the first place. The primary and secondary occupations are significant at 1% significant level indicating that planking selling been one major occupation will determine the source of credit. Years of experience ( $p < 0.01$ ) as a plank seller will influence source of credit and the amount to collect. It is positively signification, indicating that the more the year of experience the more the way round to get loan. Annual income ( $p < 0.01$ ) also influence the source of income and reason for obtaining credit ( $p < 0.01$ ). Furthermore, interest rate ( $p < 0.01$ ) and the proximity to the source of credit ( $p < 0.05$ ) influence the source of credit. Especially when the interest rate is high sellers will be discouraging to collect loan.

**Table 5. Determinants of Source of Credit**

<b>Variables</b>	<b>Beta coefficient</b>	<b>t-value</b>	<b>Sign,</b>
Constant $b_0$		4.486	.000
Gender ( $x_1$ )	-.135**	-2.242	.026
Age ( $x_2$ )	-.254*	-2.623	.009
Marital ( $x_3$ )	.089	1.601	.111
Household size ( $x_4$ )	-.256***	-3.491	.001
Education year ( $x_5$ )	.170**	2.261	.025
Primary occupation ( $x_6$ )	-.260***	-4.236	.000
Secondary occupation ( $x_7$ )	-.178***	-2.926	.004
Years of experience ( $x_8$ )	.398***	3.894	.000
Annual income on plank ( $x_9$ )	.253***	3.809	.000
Association/cooperative $x_{10}$ )	-.043	-.711	.478
Reason for obtain loan ( $x_{11}$ )	-.183***	-3.277	.001
Period of payment ( $x_{12}$ )	-.036	-.584	.560
Interest rate ( $x_{13}$ )	-.533***	-9.357	.000
Distance credit source ( $x_{14}$ )	.169**	2.490	.013
$r^2 = 0.84$			
<b>f-value = 21.832, 11.75</b>			

## CONCLUSION AND RECOMMENDATION

The empirical study discovered that males are more dominant in the plank entrepreneurship. The ability to pay back irrespective of age, gender and education statue were factors highly significantly influencing accessibility loan to expand the business so also years of experience, annual income and household

size. Information gap was discovered as the major challenged faced by the entrepreneur in getting the loan. It is therefore recommended that loans or credit should be made available for plank sellers at considerable interest rate, and the collateral should not be to grievous

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