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Effect of Capital Structure of Small and Medium-Scale Agro-Enterprises on Access to Microfinance Bank Credit in Surulere Local Government Area, Ogbomoso, Oyo State, Nigeria.

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ABSTRACT

This study examines the effect of capital structure on the access of small and medium-sized agro-enterprises (SMAEs) to microfinance bank credit in the Surulere Local Government Area, Ogbomoso, Oyo State, Nigeria. SMAEs are vital for food security, employment, and rural development but often face challenges in securing credit due to their capital structure. Specifically, the study explores the relationship between debt-equity ratio, financial performance, and access to credit. A total of 80 respondents were surveyed using stratified sampling, with both descriptive and inferential statistics applied. Regression analysis revealed that education level and household size negatively impacted profit, while savings had a positive effect. Additionally, a higher debt-equity ratio was associated with increased credit access. The major challenges identified by the respondents include high interest rates, stringent collateral requirements, long processing times, limited loan amounts, and lack of financial documentation. The findings suggest that adopting strategies to improve the return on investment, such as strategic marketing to increase sales and treating agro-enterprises as serious business ventures rather than side occupations, can improve access to credit. Overall, capital structure plays a significant role in determining the creditworthiness of SMAEs, influencing their ability to secure financial resources for growth and sustainability.

Keywords: *Access to Credit, Small and Medium Scale, Agro-enterprises, Creditworthiness, Debt-Equity Ratio, Microfinance Banks, Ogbomoso, Nigeria.*

INTRODUCTION

A company's capital structure is the total of its long-term financing choices, such as debt and equity, that are used to fund its fixed assets (Khan et al., 2021). The price of debt, the proportion of borrowed funds to equity capital, and other factors are the most crucial determinants of the optimal capital structure. Consequently, the capital structure composition includes ratios like capital structure to earnings and debt to capital structure. Businesses choose a combination of loan and equity that lowers the total cost of funding their long-term assets, according to the capital structure trade-off theory (Hoang et al., 2021). According to the capital structure pecking order theory, businesses would rather use their own cash flow to finance their investments. The alternative is to use their own funds to fund development and expansion (Jarallah et al., 2019). One of the most important financial choices a company's management makes is the capital mix. Both external and internal funding sources are available; internal sources of funding include reserves and/or retained profits obtained from owners, while external funding sources include short-term loans and prolonged debt. The organization's capital structure is critical to its long-term survival, expansion, and viability. According to Horak, Suler, Kollmann, and Marecek (2020), companies should ensure that the share of debt in their capital structure mix is bigger than the proportion of equity.

Recent Ajayi and Obisesan (2020) and Adeoye and Olojede (2019) are two examples of capital structure studies that have employed a number of proxies. Two ratios are short- and long-term debt to total assets/equity and total debt to total assets/total equity that are commonly used in the literature today. Efficiency and performance are anticipated to improve with an increase in the capital structure, particularly in the leverage components because The proportion of total assets to total debt shows how much debt is used to finance the assets of the business and specific capital expenditures that can improve the performance of the company. The proportion of a business's total debt to total assets shows how much of its debt is paid off by its total assets and how much money it or its investors are spending on borrowing. Managers that can determine how much leverage is there in a business's capital structure are compensated by reducing the cost of borrowing for the business and boosting profitability (Ariekpar, 2020). In a liquidation, investors would normally like a low loan ratio for all loans since it displays a higher buffer against the losses experienced by creditors. Many companies try to increase productivity by funding their operations with debt or leverage. Capital structure provides details about how well the company's assets and liabilities are performing overall. To support a company's capital, corporate management deliberately selects the best possible mix of external and internal funding sources. Since financial decisions have a direct impact on a company's capital structure and success, they rank among the most crucial issues for business leaders. On the other hand, Regarding the elements that influence the performance of the company, managers need to be particularly cautious and carefully analyze their capital structure decisions (Olusola et al., 2022).

According to Owolabi and Inyang (2012), including debt in a company's capital structure can impact its financial performance in both positive and negative ways. Companies with the least amount of debt in their capital structure are the ones that exhibit significant firm value, as evidenced by higher sales, more effective and efficient manufacturing, and lower tax rates. As a result, companies with insufficient debt use in their capital structure frequently face various financial issues, such as significant tax liabilities, a high level of payables, cash flow with noticeable deficits, and in some cases, corporate dissolution. However, you need to know the accuracy of the accounting information system in order to gain a better understanding of a company's capital structure. A strong accounting information system that monitors all important success metrics, including capital structure indicators, is essential since financial performance is a critical strategic undertaking that can positively or negatively affect an organization's fortunes (Enyi et al., 2019). Because Nigeria's manufacturing sector is strategically important to the country's economic development, key players like management, investors, and shareholders need to understand how the capital arrangement affects the manufacturing performance of companies.

Investigating the connection between the financial performance and capital arrangement of listed Nigerian manufacturing companies has become crucial since this announcement. This is evident because the decision of whether to utilize debt or equity to build the capital structure that is subject to change the results anytime, particularly as it impacts shareholder profits and losses and, consequently, share market worth. Nigeria's economy is dependent on microfinance banks (MFBs) (Ademola, Kazeem, & Ajayi, 2022). Gyimah and Boachie (2018) state that MFBs focus on offering services to people and businesses that do not have access to traditional banking. MFBs reduce inequities by offering financial solutions to underserved communities that are not able to access standard banking services (Ademola, 2022). Because MFBs are so important to the Nigerian economy, the Central Bank of Nigeria (CBN) has taken several steps to improve MFB operations. A minimum capital requirement of 200,000,000 Naira for unit MFBs, 1,000,000,000 Naira for state MFBs, and 5,000,000,000 Naira for national MFBs was raised by the CBN, for example. The CBN likewise offered avenues for mergers and acquisitions to ensure that MFBs were stable and sustainable (CBN, 2018).

Global poverty is successfully eradicated by microcredit (Qiao & Li, 2021; Tirumalsety & Gurtoo, 2021). A microfinance package comprising loans, insurance, savings, and other financial services is made available to the impoverished (Orichom & Omeke, 2021). As a result, microfinance institutions (MFIs) provide services related to finance to the impoverished. MFIs provide low-income people in several developing countries with loans so they can launch a range of microbusiness ventures (Baklouti, 2015). The capital structure of a bank has a big influence on its overall stability and monetary results. Sharon and Celani (2019) describe a company's capital structure as the relative amount of debt and equity used to finance its operations (Aziz & Abbas, 2019; Aramvalarthan, Kannadhasan & Babu, 2018). According to Ahmed et al. (2020), capital structure and performance are critically correlated.

In emerging economies such as Nigeria, micro, small, and medium-sized companies (MSMEs) are especially crucial due to their potential and catalytic role in boosting employment generation, increasing output, ensuring that domestic technology is developed, encouraging entrepreneurial development, and ultimately leading to the growth of GDP—a measure of an economy's performance (Okun, 1962; Lee, 2000; Viren, 2001). According to some, expansion may not have an impact on the labor market (Keller and Nabil, 2002; Akinyele, Oloba, and Mah, 2022). According to Floyd and McManus (2018), SMEs are essential to the growth of trade and industry, especially in developing nations where there may be fewer international corporations. According to Waari (2018), SMEs alone may account for as much as 60% of all jobs and 40% of the GDP in emerging nations. The Central Bank of Nigeria (CBN) defines Small and Medium Without including the cost of land and buildings, enterprises (SMEs) are defined as companies with 11–200 workers and an asset base of N5,000,000 (five million naira) but not more than N500,000,000 (five hundred million naira). Many people believe that the SME sector is a crucial pillar for promoting creativity, adaptability, and vitality in both developed and emerging nations. Commercial banks mainly utilize account debit turnover to create categories because the Central Bank of Nigeria has not legally formed the aforementioned definition of SMEs for reporting purposes, she added, adding that even this turnover measure varies greatly amongst institutions. This concept is based on the CBN's numerous monetary circulars and intervention fund programs.

Statement of Problem

SMAEs, or small and medium-sized agricultural businesses, are vital to the agricultural sector because they greatly enhance rural development, employment, and food security. However, because of their capital structure, SMAEs frequently have trouble obtaining credit from microfinance banks; their mix of debt and equity may affect their creditworthiness, which may limit their ability to obtain the funding they need for expansion and sustainability; their heavy reliance on internal funds or informal financing limits many SMEs' operational capacity and growth potential; and lack of sufficient collateral and credit history makes it difficult for these businesses to meet the strict requirements set by microfinance institutions.

As a result, their limited credit availability makes it more difficult for them to develop their commercial operations, increase productivity, and invest in contemporary technologies. Many small and medium-sized businesses in Africa have trouble obtaining funding. Formal bank loan applications have an around 50% likelihood of being approved for credit, according to Mwangi (2015). Only about two-thirds of applications are likely to be accepted for micro and small firms, which has a much lower success rate. Over 90% of SMEs' loan applications are denied by financial organizations for various reasons, like exorbitant loan interest rates, subpar financial performance, poor credit profiles, and absence of collateral protection, according to a Bigsten (2014) study.

About 95% of them rely on loans from friends and family and personal savings as their main source of funding, per Mwangi's (2015) research. Bigsten (2014) found similar results, showing that small enterprises were less likely to receive financial support from official financial institutions among firms requesting for loans in six developing countries. The accessibility of microloans for small and medium-sized agro-enterprises was not as much the focus of capital structure study in Nigeria as the financial performance of businesses; for example, While Ngoc et al. (2021), Yasmin and Hassan (2022), and Hossain et al. (2022) found no indication of a connection between financial and debt success. found a substantial inverse relationship between financial

performance and capital structure, while Boussiki (2023) found a favorable correlation. Due to their insufficient capital structure, small and medium-sized agro-enterprises (SMAEs), which are vital to the agricultural industry, have difficulty obtaining bank loans for microfinance. The ideal capital structure for SMAEs is still up for debate, and the current structure may not meet the requirements of microfinance banks, which would limit the number of loans that may be made. Lack of access to different types of loans from the banking sector to finance their lucrative investments is the most important of these problems. Although several legislative measures have been launched by subsequent Nigerian governments in recognition of the significance of MSMEs and the factors affecting their performance, the challenges these MSMEs face have not been addressed (Babajide, Lawal, Somoye, and Nwanji, 2018). This limited access not only hinders the growth and development of SMAEs but also perpetuates food insecurity and poverty. Understanding how the capital structure of SMAEs impacts their ability to obtain credit from microfinance banks is crucial for developing regulations and financial products that are specifically targeted at them. By assessing the connection between capital structure and loan availability, stakeholders can discover possible barriers and design solutions to aid these enterprises in receiving the money they need. To assess the optimal capital structure that would increase SMAEs' access to credit and promote their sustainability, this research seeks to assess the effects of capital structure on their ability to obtain microfinance bank loans.

Research Questions

a) What socioeconomic characteristics are present in small and medium-sized enterprises?

b) What is the financial performance and capital structure of small and medium-sized agro-enterprises?

c) What connection exists between SMEs' capital structure and their ability to obtain bank loans for microfinance?

d) What obstacles must small and medium-sized agro-enterprises overcome to obtain bank financing for microfinance?

e) How does the use of unofficial funding affect SMAEs' creditworthiness?

What strategies may SMAEs employ to improve their capital structure and boost their capacity to secure bank financing for microlending?

Objectives of the Study

General Objective: Assessing the impact of small and medium-sized agricultural enterprises' capital structures on their ability to obtain microfinance bank credit was the main goal of this study.

The specific objectives were to:

1) identify the socioeconomic characteristics of small and medium-sized businesses in the study area was one of the specific goals.

2) evaluate the capital structure and financial performance of small and medium-sized agricultural businesses.

3) assess how the creditworthiness of SMAEs is impacted by informal financing.

4) identify the challenges faced by small and medium-sized agro-enterprises seeking to secure bank loans for microfinance.

Justification of the study

Studying how capital structure affects small and medium-sized agro-enterprises' capacity to obtain microfinance bank financing is essential due to their significance to the agricultural industry and the overall economy. For these companies, obtaining sufficient funding—which is crucial to their expansion and long-term viability—can be very difficult. By determining the ideal mix of capital that improves creditworthiness and lowers the perceived risk that microfinance institutions place on them, they can improve their financial support by knowing how their capital structure, which includes equity, debt, and internal financing, affects their ability to obtain microfinance bank credit. Additionally, this study might influence financial and policy decisions that directly affect small and medium-sized agro-enterprises. By pinpointing the precise components of capital structure that affect lending availability, regulators and financial institutions can better customize their products and services to fulfill the requirementsof these businesses. The development of more hospitable and supportive financial environments could lead to growth in the agro-enterprise sector. The study's insights might also help agro-entrepreneurs make well-informed financial strategy decisions, enhancing their chances of acquiring the essential finance and achieving the greater aims of economic expansion and food security.

LITERATURE REVIEW

Capital structure is one of the most important decisions in company finance, or how a company finances its assets by combining loan and equity (Dinh & Pham, 2020). How a firm finances its operations using debt, hybrid securities, as well as equity, is another way to define capital structure (Dinh & Pham, 2020). Funding a company's operations and growth is becoming more and more appealing to both internal and external investors. When companies raise funds by issuing debt instruments and equity securities, respectively, the claims of creditors and shareholders increase (Olusola et al., 2022). Capital structure, which deals with matching the size and proportion of the financing sources, includes the proportion of different long-term funding sources. A company's debt and equity capital, which are utilized to fund its assets and give the company money in the form of preferential shares, long-term loans, and retained earnings, make up its capital structure. Because of this, it has to deal with capital allocation and short-term borrowing. Owners are the only ones who contribute capital to a proprietary business unit (Nguyen & Nguyen, 2020; Olusola et al., 2022).

The mix of debt and equity that a business uses to finance its operations is known as its capital structure (Muhammad, Ahsan & Kiran, 2017). The mix of debt and equity that a business uses to finance its operations is known as its capital structure (Muhammad, Ahsan & Kiran, 2017) and best reflects the value and efficacy of the business. Numerous elements, such as ownership, liquidity, earnings, profitability, and size, can affect the capital structure of a business. These elements are directly tied to the total assets and liabilities that comprise the equity section of the business's balance sheet, claim Rosario and Chavali (2019). A company reduces the danger of debt and the chance of bankruptcy each time it looks for investors to provide funds to fund its operations. The owner can also boost operational returns and keep control of the company by selecting debt financing. While Muhammad and Fateh (2016) contend that companies can attain the optimum capital structures by employing the proper debt-to-equity funding ratio, Muhammad et al. (2017) assert that an ideal capital structure blends equity and debt to boost the firm's worth.

Total Debt to Total Equity

As discussed before, the debt and equity index displays the proportion of capital provided by investors and/or creditors. Kurfi (2003) defines it as a comparison between the money received from the company's shareholders and the money received from creditors or lenders. Magpayo (2011) added that principal and interest repayment will result in a substantial reduction in the organization's cash flow. The proportion of money from creditors to money made available by shareholders is shown by dividing the total debt by the whole equity. Because it shows a bigger quantity of money contributed by stockholders, less of this ratio indication is favored by lenders. This creates a larger margin of protection in the event that an asset's value declines or there are outright losses. Bank loans, which are mostly utilized by creditors, are utilized more frequently than shareholder investments when this indicator has a greater rate. Since these factors are included in the financial position statement, the debt-to-equity ratio is considered an item on the balance sheet. Every business has a distinct threshold debt-to-equity ratio since various businesses employ debt financing in different ways. Investors and creditors take into account that companies with people with a higher debt-to-equity ratio are considered riskier than those with a lower ratio. Capital from debt must be immediately returned to creditors, in contrast to equity.

Long Term Debt to Total Assets

The ratio of total assets to long-term debt illustrates the importance of long-term debt to a company's capital structure (long-term financing). The ability of a business to pay off its debt is evaluated by the ratio of long-term debt to total assets. According to Kurfi (2003), a decrease in this yearly percentage indicates that the company is doing well and is using debt for commercial purposes less frequently. With more long-term debt, a company's capacity to produce a consistent financial flow as well as growing revenue becomes more and more important. According to Akinsulire (2014), every company should examine the capital structure's debt component. Examining the percentage of a company's long-term debt to its total assets is a simple method of assessing its capital structure. Loans with a three-year payback period are included in long-term debt, which is not displayed in the financial situation statement's current liabilities section. Long-term leases and mortgages are covered, but important trading obligations are not (Akinyomi, 2016). A business with a greater ratio of long-term debt to total assets is considered riskier since it may struggle to repay the principle and interest on its loans. As a result, prospective investors or lenders are hesitant to extend credit to a company that has a lot of debt.

Capital Structure and Factors That Affect It

How a business finances its capital structure is defined as its assets. It is made up of long-term debt, debentures, preference shares, and equity shares. Business risks and a company's capital structure can affect its income statement. When operating leverage is used, variable sales have a greater effect on operating income. Businesses raise capital through capital structure, preferred stock, and common equity (Akintoye, 2008). Businesses must have a well-thought-out capital structure policy that strikes a balance between projected return and risk. Numerous factors, such as firm risk, tax status, managerial style, and financial flexibility, should be considered in this strategy. Philip (2017) asserts that the capital structure policy basically establishes the proportion of debt and equity financing that will be used to finance the business's activities. According to Akinyomi (2016), it is a strategy whereby a business finances itself by combining short-term commitments like overdrafts and other payables with long-term capital like loans, loan stock, debentures, ordinary and preference shares, etc. According to Owolabi and Inyang (2012) and Kennon (2018), a company's capital structure also explains the range of securities it employs to fund its successful ventures. As mentioned earlier, a company's capital structure consists of all the financial instruments, including debt and shares, that it uses to fund its operations. Many businesses find it difficult to decide between debt and equity, particularly when it comes to financing long-term investment opportunities. According to Kalagbor, Okoba, and Amah (2021), financing a larger amount of debt depends on a number of factors, including interest rates, the costs of financial distress, income taxes, market imperfections, taxes that are refused to be paid on corporate income, and more.

MFIs' capital structure

L. Gitman (2015) asserts that borrowed money is a component of the capital structure composition of the business's long-term debt. However, relying solely on long-term borrowings could lead to an understatement of total debt capital because some businesses might be partially financed by short-term debt (L. J. Gitman et al., 2018). A company's capital structure is often defined by the proportion of owned to borrowed capital relative to its long-term growth goal. Experts disagree about what should be included in the debt-to-equity ratio when calculating these metrics. A strong financial structure is essential for any business (Ahmed & Ahmed, 2019; Khachatryan et al., 2017). Accordingly, short-term debt (apart from accounts payable) ought to be regarded as a permanent part of the capital structure, according to recent research on capital structure computation (Moyer et al., 2014). An alternative definition of the capital structure is "a company's mix of financing sources," as per previous studies. Commercial borrowing and deposits make up the debt of MFIs that take deposits; one facet of MFI financing is that MFIs receive some subsidized outside funding (Hansen et al., 2021). The capital structures of financial organizations differ from those of non-financial enterprises due to either a trade-off between debt and equity issuance or a hierarchical arrangement of funding sources that includes debt, internal finance, and equity issue/equity raising (N'Guessan & Hartarska, 2021). 70% of

MFIs worldwide continue to receive subsidies from governments, donors, and other sources, according to the International Monetary Fund (2014). For subsidized external debt, commonly referred to as soft loans or concessionary borrowings, they bargain with the government for favorable terms or below-market rates (Adusei & Sarpong Danquah, 2021). These loans are frequently provided by multilateral banks like the World Bank, private organizations and foundations, or government aid agencies like USAID (United States Agency for International Development).

Efficiency review is critical in light of MFIs' worsening financial performance (Wagner & Winkler, 2013). The destitute are now able to save thanks to MFIs' gradual acceptance of client deposits. As deposit-taking institutions, MFIs may be able to support more unbanked customers and help them save money (Malikov & Hartarska, 2018). Khachatryan et al. (2017) assert that private loans motivated by profit might be more effective than official funding at accomplishing social goals. Additional funding arrangement divisions for MFIs are liability and equity categories. equity and debt. Comprehending MFI finance is crucial. The rate that borrowers receive is influenced by the particular expenses that each fund incurs (Khachatryan et al., 2017). To provide the optimum combination of funds at the most reasonable cost, MFIs pool funds from several sources. Additionally, business support is necessary for the development of microfinance. Gifts aid in expanding outreach, but concessional loans do so without compromising financial outcomes, claim Khachatryan et al. (2017), who examined MFI panel data from Eastern Europe (SUR) using regression analysis that appeared to be unrelated. According to Tchuigoua (2014), the amount of foreign currency that MFIs have access to is influenced by the growth of the financial industry and the rights of creditors. Therefore, the easier access to external funding for MFIs will benefit the traditional banking industry. In addition to the percentage of female borrowers, the amount of restrictions, and age, Abrar and Javaid (2016) use Return on Equity (ROE), Return on Assets (ROA), and operational self-sufficiency (OSS) to evaluate profitability. They evaluated unbalanced panel data from roughly 70 countries between 2004 and 2010 using a random-effects model. They discovered that deposits are the least expensive kind of MFI borrowing, that MFIs with high leverage ratios perform better than those with low ratios, and that MFIs with a higher proportion of female borrowers are more profitable due to lower default rates. Compared to their male counterparts, female borrowers are more likely to make their payments on schedule. Kar (2012) examined the effect of capital and finance arrangements on MFI performance by analyzing a large panel dataset using GMM and IV estimation approaches. The study found that MFIs are more profitable when they have more leverage, as evidenced by an increase in ROA, ROE, and operating expenses per dollar borrowed (OELP). The funding arrangement had no discernible effect on the scope of outreach.

Performance of Small and Medium-Sized Enterprises

Performance is a crucial concept in evaluating a business's performance; it is evaluated from both a financial and non-financial standpoint and is quantified in terms of sales turnover, productivity, return on investment, and profitability. It also shows how well a business has performed over time in terms of financial, customer, and market success in a particular market activity. Performance in the business sector is the accomplishment of an organization's operational and financial objectives (Didia & Nwokah, 2015). The success of small and medium-sized businesses (SMEs) is linked to operational results like increases in sales, employee satisfaction, profitability, and equity and asset growth (Kiyabo & Isaga, 2020). The concept of performance is complex, multidisciplinary, and cross-functional. Evaluating the outcomes of business objectives and initiatives is the main objective of performance measurement; however, assessing a company's performance necessitates the establishment of both financial and non-financial benchmarks, or core performance measures (Terblanche et al., 2013). Finding a balance between the two viewpoints is essential to comprehending a company's performance during a specific accounting period.

SMAEs financial Performance and Access to Finance

Wafula and Miroga (2020) investigation into the relationship between bank lending conditions and SMEs' performance served as the impetus for this study. It pointed out a number of challenges that small and medium-sized enterprises must overcome to obtain loan financing from lending institutions and sustain their operations' expansion and effectiveness. Collateral, interest rates, and return periods were among the parameters that were included in the study. Although there has been prior research on the performance of SMEs, this study added fresh information to the body of knowledge regarding credit terms in Bungoma County.

Theoretical Framework

Theory of Pecking Order

Myers first proposed the theory in 1984. It is now recognized as an investment theory that questions the static trade-off theory's premise regarding the ideal level of leverage for businesses. According to the theory, companies would rather raise money from retained earnings than from loans and equity financing. The fundamental idea is that it is wiser and more economical to use retained earnings for operating expenses rather than other funding sources. If retained profits are not enough, debt is the next best option due to its tax benefits. According to the pecking order principle, a business should only buy stock as a last resort.

Theory of Agency Cost

Jensen and Meckling first proposed agency costs, a key concept in finance (1976). The theory states that the capital structure of an organization is impacted by various interest groups, such as internal corporate decision-makers, lenders, and shareholders. A trade-off that considers the interests of all parties involved must be made when choosing a funding source. By recommending that companies assess the benefits and drawbacks of taking on more debt to attain the ideal capital structure, as well as the related agency costs, the agency cost idea is consistent with the static trade-off theory (Akingunola, Olawale & Olaniyan, 2017).

Theory of Signalling

The signaling hypothesis implies that managers might communicate with investors using financial movements to lessen knowledge asymmetry. These signals constitute the heart of the company's financial communication strategy. The primary problem is that management can only acquire more money by selling debt or shares when they are in severe need of the money or when the risk is reasonable given the anticipated rewards, according to Gangeni (2006). It is necessary to assess the type, scope, and reliability of the evidence to identify patterns. Insider knowledge indicates that if management feels that the present share price is poor, they will not issue more shares. The issuance of more shares may therefore be seen negatively by investors, which would cause the stock price to drop.

Miller and Modigliani's (MM) Theory of Capital Structure

The majority of capital structure disputes start with the 1958 theory of Modigliani and Miller which maintains that the capital structure of a business has no impact on its WACC or value. Several capital structure ideas that are still debatable are included in the groundbreaking study. In a market with perfect efficiency—one that has no transaction costs, bankruptcy fees, agency charges, tax payments, or information asymmetries—MM claims that the following offers are viable. According to the MM theory's first assertion, a company's financing strategies have no bearing on its market value.

Leveraged firm value = unlevered firm value. According to this, businesses of the same size have the same value regardless of how much of their capital structure is made up of debt or equity. Leverage or not, a company's value is always the same. Opportunities for arbitrage arise when two identical businesses with different capital structures have different cash flows. The MM theory's second claim is that a company's expected return on equity rises as its debt load does. According to this assertion, the capital expenditure for a business is unaffected by its capital structure. When the debt-to-equity ratio of the business rises in tandem with its cost of equity, this occurs. Another important consideration is that a rise in stock risk should be directly correlated with the leverage ratio. It does not take taxes into account in the logic of the Modigliani and Miller (1958) analysis. It is widely accepted, nevertheless, that taxes implicitly affect a company's leverage. The tax deduction for loan interest is one advantage of integrating debt in your capital structure decision. In order to account for taxes, MM revised their recommendations in 1963. It appears that debt offers tax shelters because taxes are covered. Using a tax shield may allow a business to lower taxes and interest. Leveraged businesses get tax breaks that are taxed after interest costs, whereas unlevered businesses are taxed on their gross earnings. Leveraged businesses pay less in taxes because interest costs are deductible from taxes.

Empirical Review

The 2019 study by Ganiyu et al. investigated the connection between Nigerian companies' performance and their financial structure and discovered a strong one. To prevent liquidation, they advised businesses to periodically review their debt strategy and structure. Mboi et al. (2018) found that the short-term debt ratio significantly impacted Kenyan SMEs' performance. To enhance the financial performance of SMEs, they suggested lowering the use of short-term debt. According to Aramvalarthan et al. (2018), capital structure improved the performance of Indian businesses. Because of the tax advantages, they advised banks to think about increasing the percentage of debt in their capital structure mix in order to lower their overall cost of capital. Adesugba and Olalere (2021), who examined the elements impacting capital structure in Nigerian banks, discovered that business profitability, expansion, and size had a major influence using leverage. They said that bank management should focus on boosting bank growth to attract debt sources. In 2021, Uçarkaya et al. examined the variables influencing capital structure in Turkish banks. Arean et al. (2014) looked at the variables affecting capital structure in Nigerian agro-listed businesses. Because they could offer security and obtain loan funds, large businesses with significant physical assets were found to use short-term debts more frequently. They recommended that appropriate protectionist measures be applied to listed agricultural companies seeking short-term funding. Using both long-term and short-term loan financing, Bassey et al. (2013) studied the agro-based companies' capital structure in Nigeria and found a strong favorable association between firm size, asset structure, and growth. There was a strong correlation between age and long-term debt. They gave business owners advice on how to best combine equity and loan financing to achieve their financial goals.

METHODOLOGY

The study was conducted at the Surulere Local Government Area (L.G.A.) in Ogbomosho, Oyo State. On May 11, 1989, the former Ogbomoso local government was divided into three autonomous local government areas: Ogbomoso, Surulere, and Ogo Oluwa. As a result, Iresaadu's Surulere Local Government was established. The local government is bounded by the local governments of Orire, Ogbomoso North and South in Oyo State; Asa in Kwara State; and Ifelodun and Orolu in Osun State. The town of Iresaadu, located on Kilometer 15 along the trunk-B Ogbomoso Ikirun Road, is home to the administrative offices of the Surulere local government, which is composed of over 260 settlements. The Surulere local government's ten wards are called Iresa-apa, Arolu, Iresa-adu, Iregba, Oko Ilajue, Mayin, Iwofin, Gambari, and Baayaoje.

Population of the Study

Households in Surulere Local Government, Ogbomoso, Oyo State, make up the study's population. The Yoruba ethnic group makes up the majority of the estimated 142,070 residents of Surulere Local Government, Ogbomoso.

Sample Procedure and Sample Size

To ensure that the study accurately reflects the particular environment and characteristics mentioned in the research topic, a sampling frame will be developed from each of these SMEs. Participants were selected using simple random sampling techniques based on the presence of small and medium-sized agro-enterprises.

Data Collection

A structured questionnaire covering initial capital sources, current funding types and sources, financial management strategies, and insurance coverage was used to collect socio-economic and institutional characteristics of the agro-enterprise owners, including their age, education level, gender, marital status, household size, debt incurred, equity, savings levels, interest rates, and profit before interest and tax (PBIT) from the Small and Medium Scale Agro-Enterprises. The market data would cover primary markets, marketing strategies, client demographics, and competitors.

Method of Data Analysis

The data was analyzed using Descriptive statistics and inferential statistical tools.

Multiple Regression Model

To examine how factors like education level, savings, and equity impact PBIT, a Multiple Regression Model will be utilized. That is:

$Y = \beta0 + \beta1x1 + \beta2x2 + \beta3x3 + \varepsilon.$

$Y = F(X1\ldots\ldots\ldots\ldots..Xn)$

Where Y = Dependent Variable (Profit levels Before Interest and Tax)

X1 = Education Level

X2 = Savings

X3 = Equity

ANOVA (Analysis of Variance): Compare the average annual revenue of different types of agro-enterprises (e.g., crop farming, livestock, aquaculture) to see if there are significant differences.

RESULTS AND DISCUSSION

The respondents' age distribution is shown in Table 1, which divides them into three age groups: those under 30, those between 31 and 40, and those between 41 and 50. With 21 respondents, or 26.25% of the total, the majority of respondents are between the ages of 41 and 50. This suggests a concentration of experience and stability within this age range, as nearly half of the participants fall into this mature, middle-aged bracket. 16 respondents, or 25% of the sample, are in the second-largest group, which is made up of respondents between the ages of 51 and 60. With 15 responders, or 18.75 percent of the total, the youngest group—those under 30 years old—is the smallest. Only 8 respondents, or 10% of the total, are 60 years of age or older, making them the respondents with the lowest frequency. This survey's comparatively low representation of younger people may indicate that younger people are either less engaged in the field being studied or are less likely to take part in it. According to the sex distribution of respondents, 56.25% of respondents were female and 43.75% of respondents were male. This suggests that the vast majority of those surveyed were women. The results indicated that the majority of respondents were unmarried, with 83.75% of respondents being married and 16.25% being single. The majority of respondents are learned, as indicated by the table below, which shows that 37.50% of respondents attended school for 7–12 years, 27.50% for 1–6 years, 13.75% for 13–15 years, and 13.75% for more than 15 years, while 7.50% did not have any formal education. The findings showed that 77.50% of respondents had a household size between 1 and 5, 20% had a household size between 6 and 10, and 5% had a household size greater than 10. This suggests that the majority of respondents had households with a size between one and five. The findings showed that of the respondents, trading accounted for 55% of their major occupation, farming for 28.75%, artisanal work for 13.75%, and other occupations for 2.50%. The data presented in Table 7 indicated that 55% of the respondents had farming as their secondary occupation, 28.75% had no secondary occupation, 13.75% had trading as their secondary occupation, 7.5% had other occupations, and 2.50% had artisanal work. The table 8 showed that 66.25% of the respondents had one year of experience, 25% of the respondents had spent three years in the business, while 8.75% of the respondents had spent two years in the business. The table shows that 52.50% of the respondents were into crop farming, 23.75% were into livestock farming, 8.75% was into agroprocessing, 8.75% were into horticulture, and 6.25% were into fish farming. The table showed that 75% of the respondents were involved in food processing, 15% were involved in textile manufacture, 6.25% were involved in leather products production, and 2.50% were involved in cosmetics production, while 1.25% were involved in other manufacturing activities. According to the table, 82.50% of the respondents worked in retail trading, 10% in hospitality, 5% in information technology, and 2.50% in consulting. The distribution of respondents by number of employees is shown in Table 11, where the majority of respondents (75.32%) have no employees, 20.78% have one employee, and only 3.90% have two. This indicates that the majority of respondents are self-employed or run small businesses with little to no reliance on external labor. The table showed that 65% of the respondent's annual income was < 1000000, 23% income was more than a million naira, and 7.50% income was more than four million naira, while 3.75% income was more than four million naira. Table 14 shows that 68.75% of the respondents claimed to have other sources of money, whereas 31.25% of the respondents had no other source of income. This implies that the majority of the respondents have other sources of income.

The distribution of respondents by primary source of business capital is shown in Table 15, which shows that the great majority of respondents finance their companies using personal savings. In particular, 71.25% of respondents said they used their own funds, 13.75% said they borrowed money, and 12.50% said they borrowed money from friends and relatives. Only 2.50% said they got their money from grants. The respondents' preference for avoiding debt or limited access to outside financing options may be the reasons for the preponderance of personal savings as a source of capital. The distribution

of respondents by kind of debt financing is shown in Table 16. According to the data, 23.75% of respondents have not used debt finance, whilst 76.25% have. This implies that a sizable percentage of respondents are open to taking on debt to fund their companies. The high percentage of those using debt financing could reflect either the necessity of borrowing to sustain or grow their businesses or an active strategy to leverage external funds to expand their operations. The minority who don't use debt financing can have limited access to credit or prefer self-financing. The distribution of respondents by percentage of debt financing was displayed in Table 17. According to the table, 55% of respondents said they did not use any kind of loan financing, 15% said they used 21–40%, 11.25% said they used 1-20%, 11.25% said they used 41–60%, and 7.50% said they used more than 60%. The result shows that 77.50% of the respondents claimed to have a form of equity financing, while 22.50% claimed mot to have any form of equity financing. The result shows that 55% of the respondents used 0-20% equity financing, 15% of the respondents used 41-60% equity financing, 11.25% of the respondents used 21-40% equity financing, 11.25% of the respondents used 61-80% equity financing, and 7.50% of the respondents used 81-100% equity financing. The respondents' distribution by kind of equity funding is shown in the table. 76.25% of respondents said they obtained equity financing from personal savings, 15% said they obtained equity financing from friends and family, 5% said they obtained equity financing from other sources, and 3.75% said they obtained equity financing from business partners. This underscores the importance of social capital in business finance, where family and close ties contribute to the business's equity. 81.25% of respondents received grants, while 18.75% did not, according to the table that shows the respondents' distribution by how they used grants in their businesses. The large proportion of respondents who have not used grants implies that grants are either hard to get or not widely available. The table showed that 83.75% of the respondents claimed they were unable to raise any capital from grants, 12.50% of the respondents were able to raise between one hundred thousand to five hundred thousand while 3.75% of the respondents were able to raise above five hundred thousand. The table showed that 82.50% of respondents obtained their grants from government, 10% of the respondents obtained their grants from International organization, and 5% of the respondents obtained their grants from NGOs while 2.50% of the respondents obtained their grants from other sources. The table shows that 50% of the respondents quantity of product sold was between the range of 1-5kg, 21.25% of the respondent was between the range of 11- 15kg, 12.5% of the respondent quantity of product sold was above 20kg, 8.75% of the respondent quantity of product sold was between 6-10kg while 7.5% of the respondent quantity of product sold was between the range 16-20kg.

The table shows that 50% of the respondents price per unit sold was above 5000, 21.25% of the respondents' price per unit sold was between the range of 1000-2000, 16.25% of the respondents price per unit sold was between the range of 2001-3000, 7.5% of the respondents price per unit sold was between the range of 4001-5000 while 5% of the respondents price per unit sold was between the range of 3001-4000. The table shows that 37.50% of the respondents cost of production was above 500000, 20% of the respondents cost of production was between 401000-500000, 12.50% of the respondent cost of production was between 301000-400000, 11.25% of the respondents cost of production was lesser than 100000 while 8.75% of the respondent cost of production was between 101000-20000.

Age group	**Frequency**	**Percentage**
0-30	15	18.75
31 – 40	16	20.00
41 – 50	21	26.25
51 – 60	20	25.00
Above 60	8	10.00
Mean = 35.5		
Total	80	100

Gender	Frequency	Percentage
Male	35	43.75
Female	45	56.25
Total	80	100

Marital status	Frequency	Percentage
Single	13	16.25
Married	67	83.75
Total	80	100

Educational Level	Frequency	Percentage
0	6	7.50
1-6	22	27.50
7-12	30	37.50
13-15	11	13.75
Above 15	11	13.75
Total	80	100

Household size	Frequency	Percentage
1-5	60	77.50
6 – 10	16	20.00
Above 10	4	5.00
Total	80	100

Primary occupation	Frequency	Percentage
Farming	23	28.75
Trading	44	55.00
Artisanal work	11	13.75
Others	2	2.50
Total	80	100

Secondary occupation	Frequency	Percentage
No secondary occupation	23	28.75
Farming	44	55.00
Trading	11	13.75
Artisanal work	2	2.50
Others	3	7.5
Total	80	100

Years	Frequency	Percentage
1	53	66.25
2	7	8.75
3	20	25.00
Total	80	100

Agriculture	Frequency	Percentage
Crop farming	42	52.50
Livestock farming	19	23.75
Fish farming	5	6.25
Agro-processing	7	8.75
Horticulture	7	8.75
Total	80	100

Manufacturing	Frequency	Percentage
Food processing	60	75.00
Textile Manufacturing	12	15.00
Leather goods production	5	6.25
Cosmetics production	2	2.50
Others	1	1.25
Total	80	100

Services	Frequency	Percentage
Retail trading	66	82.50
Hospitality	8	10.00
Information technology	4	5.00
Consulting	2	2.50
Total	80	100

Number of employees	Frequency	Percentage
1	61	76.25
2	12	15.00
3	5	6.25
4	2	2.50
Total	80	100

Annual income	Frequency	Percentage
<1000000	52	65.00
1000001-2000000	19	23.00
3000001-4000000	3	3.75
>4000000	6	7.50
Total	80	100

Other source of income	Frequency	Percentage
Yes	55	68.75
No	25	31.25
Total	80	100

Main source of business capital	**Frequency**	**Percentage**
Personal savings	57	71.25
Friends and family	10	12.50
Loans	11	13.75
Grants	2	2.50
Total	80	100

Form of debt financing	Frequency	Percentage
Yes	61	76.25
No	19	23.75
Total	80	100

Percentage of debt financing	Frequency	Percentage
0	44	55.00
1-20	9	11.25
21-40	12	15.00
41-60	9	11.25
Above 60	6	7.50
Total	80	100

Equity financing	Frequency	Percentage
No	18	22.50
Yes	62	77.50
Total	80	100

Percentage of equity financing	Frequency	Percentage
0-20	21	55.00
21-40	11	11.25
41-60	10	15.00
61-80	11	11.25
81-100	27	7.50
Total	80	100

Source of equity financing	Frequency	Percentage
Personal Savings	61	76.25
Family and friends	12	15.00
Business Partners	3	3.75
Others	4	5.00
Total	80	100

Use of grants	Frequency	Percentage
Yes	65	81.25
No	15	18.75
Total	80	100

Source of grant	Frequency	Percentage
Government	66	82.50
NGOs	4	5.00
International organization	8	10.00
Others	2	2.50
Total	80	100

Amount of capital	Frequency	Percentage
0	67	83.75
1000000-500000	10	12.50
Above 500000	3	3.75
Total	80	100

Quantity(kg)	**Frequency**	**Percentage**
1-5	40	50.00
6-10	7	8.75
11-15	17	21.25
16-20	6	7.5
Above 20	10	12.5
Total	80	100

Quantity(kg)	Frequency	Percentage
1000-2000	17	21.25
2001-3000	13	16.25

3001-4000	4	5.00
4001-5000	6	7.50
Above 5000	40	50.00
Total	80	100

Annual profit	Frequency (kg)	Percentage
<100000	10	12.50
101000-200000	7	8.75
201000-300000	5	6.25
301000-400000	10	12.50
401000-500000	13	16.25
Above 500000	35	43.75
Total	80	100

Frequency Distribution of cost of production

Cost of production	Frequency	Percentage
<100000	9	11.25
101000-200000	7	8.75
201000-300000	8	10.00
301000-400000	10	12.50
401000-500000	16	20.00
Above 500000	30	37.50
Total	80	100

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Review financial performance

As can be seen from this table, 43.75% of respondents never reviewed their financial performance, 21.25% reviewed it monthly, 18.75% reviewed it annually, and 16.25% reviewed it quarterly.

Frequency Distribution of review of financial performance

Financial performance	Frequency	Percentage
Monthly	17	21.25
Quarterly	13	16.25
Annually	15	18.75
Never	35	43.75
Total	80	100

Maintain proper financial record

According to this table, 31.25% of respondents and 68.75% of respondents did not maintain a decent financial record, indicating that the majority of respondents did not feel the need to maintain a proper financial record.

Financial record	Frequency	Percentage
Yes	25	31.25
No	55	68.75
Total	80	100

Access to Microfinance Bank Credit

Applied loan from a microfinance bank

This table shows that 66.25% of the respondent applied for a microfinance bank credit while 33.75% of the respondents did not apply for the microfinance bank credit.

Applied for loan	Frequency	Percentage
Yes	53	66.25
No	27	33.75
Total	80	100

Loan application approval

This table shows that 68.75% of the respondents who requested for loan at the microfinance bank credit was not approved while 31.25% of the respondents who requested for loan was approved

Applied for loan	Frequency	Percentage
Yes	25	31.25
No	55	68.75
Total	80	100

Reason for rejection

The data presented in this table indicates that 31.25% of respondents cited inadequate collateral as their reason for rejection, 21.25% cited a business that was not viable, 18.75% cited incomplete documentation, 16.25% cited a poor credit history, and 12.50% cited other reasons.

Reason for rejection	Frequency	Percentage
Insufficient collateral	25	31.25
Poor credit history	13	16.25
Incomplete documentation	15	18.75
Business not viable	17	21.25
Others	10	12.50
Total	80	100

This table shows that 46.25% of the respondent secured lesser than 100000 loan from the microfinance bank, 16.25% of the respondents secured between 101000-200000 loan from the microfinance bank, 12.50% of the respondents secured between 401000-500000 loan from the microfinance bank, 10% of the respondents secured between 201000-300000 loan from the microfinance bank, 8.75% of the respondents secured between 301000-400000 loan from the microfinance bank while 6.25% of the respondents secured above 500000 loan from the microfinance bank.

Amount of loan secured	Frequency	Percentage
<100000	37	46.25
101000-200000	13	16.25
201000-300000	8	10.00
301000-400000	7	8.75
401000-500000	10	12.50
Above 500000	5	6.25
Total	80	100

Usage of the loan

This table shows that 38.75% of the respondents used their loan for expansion of business, 25% of respondents used their loan for purchase of equipment, 16.25% of the respondents used their loan for purchase of seeds/feeds, and 13.75% of the respondents used their loan for payment of salaries while 6.25% of the respondents used their loan for other things.

Usage of loan	Frequency	Percentage
Purchase of equipment	20	25.00
Purchase of seeds/feeds	13	16.25
Expansion of business	31	38.75
Payment of salaries	11	13.75
Others	5	6.25
Total	80	100

Interest rate of the loan

63.75% of respondents stated that their interest rate was between 5 and 10%, 21.25% stated that it was between 10% and 15%, 8.75% stated that it was between 15% and 20%, and 6.25% stated that it was above 20%, according to the table.

Interest rate (%)	Frequency	Percentage
5-10	51	63.75
10-15	17	21.25
15-20	7	8.75
Above 20	5	6.25
Total	80	100

Loan repayment period

The shows that 56.25% of the respondents repaid their loan in less than 6month, 32.50% of the respondents repaid their loan within 6-12 month, and 8.75% of the respondents repaid their loan within 1-2 years, while 2.50% of the respondents repaid their loan in more than 2 years.

Loan repayment period	Frequency	Percentage
Less than 6 months	45	56.25
6-12 months	26	32.50
1- 2 years	7	8.75

More than 2 years	2	2.50
Total	80	100

Field Survey 2024

Challenges faced in Accessing Microfinance Bank Credit

The difficulties respondents had obtaining bank financing for microfinance are displayed in the table below. According to the majority of respondents, one of the most important constraints is the high interest rate; 60% of respondents strongly agreed with this constraint, 25% agreed, 13.75% were neutral, 1.25% strongly disagreed, and none disagreed. Strict collateral requirements are another important restriction, with 55% of respondents strongly agreeing and 26.25% disagreeing. 15% of respondents said they agreed, 2.50% said they strongly disagreed, and 1.25% said they disagreed. When considering the long processing duration, 35% of respondents agreed, 40% strongly agreed, 16.25% were indifferent, 5% disagreed, and 3.75% strongly disagreed. Regarding the limited loan amount, 3.75% of respondents opposed and strongly disagreed with this constraint, 45% of respondents agreed, 37.50% strongly agreed, and 10% were neutral. Insufficient financial literacy: 46.25% of respondents agreed with this restriction, 17.50% were neutral, 16.25% strongly agreed, 13.75% disagreed, and 6.25% strongly disagreed. 47.50% of respondents agreed with this constraint, 22.50% strongly agreed, 17.50% were neutral, 10% opposed, and 2.50% disagreed with the seasonal nature of the business. 38.75% of respondents agreed with the statement that political and economic instability exists, 27.50% were neutral, 26.25% strongly disagreed, 6.25% disagreed, and 1.25% highly disagreed. 10% of respondents strongly agreed, 20% were neutral and disagreed, and 31.25% of respondents agreed that gender inequities was another constraint they experienced. Finally, external shocks represent still another limitation; 36.25% of respondents agreed, 25% were neutral, 18.75% disagreed, 12.50% strongly agreed, and 7.50% highly agreed.

Frequency Distribution of Challenges Faced by the Respondents

Constraints	**Strongly Agree**	**Agree**	**Neutral**	**Disagree**	**Strongly Disagree**
High interest rate	60.00	25.00	13.75	0	1.25
Stringent collateral requirement	55.00	26.25	15.00	1.25	2.50
Long processing term	40.00	35.00	16.25	5.00	3.75
Limited loan amount	37.50	45.00	10.00	3.75	3.75
Lack of financial literacy	16.25	46.25	17.50	13.75	6.25
Seasonal nature of the business	22.50	47.50	17.50	10.00	2.50
Political and economic instability	26.25	38.75	27.50	6.25	1.25
Gender disparities	18.75	31.25	20.00	20.00	10.00
External shocks	12.50	36.25	25.00	18.75	7.50

Effect of Informal Financing on Credit Worthiness of SMAEs

Distribution of the Respondents based on Source of Informal Credit.

The table shows that Majority (53.75%) sourced their Informal credit from Family and friends, followed by Money lenders (35.00%), Informal saving groups (8.75%) with the least been Credit from supplier and Business partner accounting for 2.50% each while others use a combination of two or more of these sources.

Source of Informal Credit	Frequency	Percentage
Family and Friends	43	53.75
Money lenders	28	35.00
Informal saving groups	7	8.75
Others	2	2.50
Total	80	100.00

Distribution of Respondents based on frequency of access to Informal credit

Majority (25.00%) of the respondents accessed Informal Credit rarely, 22.50% accessed informal credit weekly, and 22.50% accessed Informal Credit weekly while 10% accessed informal credit daily.

Frequency of access	Frequency	Percentage
Rarely	20	25.00
Quarterly	18	22.50
Monthly	16	20.00
Weekly	18	22.50
Daily	8	10.00
Total	80	100.00

Effects of Informal Credit on SMAEs

The majority (65.82%) concurred that having informal credit has made it difficult for them to obtain credit, 64.56% said that having informal credit has not improved their financial situation, 58.23% said that having informal credit has increased their debt, and 62.03% said that having informal credit has decreased their faith in lenders. Only 37.97% of respondents who had their financial situation checked using Informal Credit said it had improved their financial situation, while others said it had had no effect or worsened it. However, Saeed (2009) found that a move from informal to formal bank credit is related with improved economic outcomes

Frequency distribution of SMAEs based on impacts of Informal Credit

Variables	Frequency	Percentage
Ability to borrow credit		
Easy	27	34.18
Hard	52	65.83
Total	79	100.00
Better finances		
Yes	28	35.44
No	51	64.56
Total	79	100.00
Love trust from lenders		
Yes	49	62.03
No	30	37.97
Total	79	100.00
Financial situation		
Helped it	30	37.97
Made it worse	21	26.58
No impact	28	35.44
Total	79	100.00

SUMMARY, CONCLUSION AND RECOMMENDATION

The findings give an overview of the respondents' demographic traits, capital structure, and obstacles to obtaining microloan credit. With 26.25% of respondents between the ages of 41 and 50 and another 25% between the ages of 51 and 60, the majority of respondents are middle-aged. As a result, the majority of participants probably have a great deal of experience in their respective fields. The youngest group of respondents were those under 30, accounting for just 18.75% of the total. It is clear that the majority of the sample is between the ages of 31 and 50, since the average age is 45. 37.50% of

respondents had at least a secondary school education, having completed 12 years of school, which may have an impact on their business practices and decision-making. While men are also involved, the majority of respondents (56.25%) are female, whereas 43.75% are male, indicating a female-dominated atmosphere. Additionally, 83.75% of respondents are married, indicating that their involvement in agro-related activities is likely impacted by their family activities. A significant amount of business experience is demonstrated by the sample as a whole, with 59.37% of respondents having been in business for 11 to 15 years. Crop farming is the most common agro-enterprise, which accounts for 42.82% of respondents; however, a variety of agricultural activities are represented by the presence of other activities such as livestock farming and agro-processing. The majority of respondents (77.50%) reported having a household with one to five members, which may have an impact on their economic activity. The fact that 76.25% of respondents have no employees and only 23.75% have one employee indicates that the majority of respondents run their businesses on a small scale. Only a small percentage (3.79%) of respondents make less than ₦50,000 per year, with 55.69% earning between ₦51,000 and ₦100,000 annually, indicating moderate income levels. According to the respondents' capital structure, only 14.10 percent of them rely on friends and family to finance their businesses, while 85.90% do so through personal savings. This significant dependence on personal savings draws attention to how difficult it is to obtain outside funding. While 69.23% of respondents use equity financing from friends and family, highlighting the importance of social networks in business funding, 85.90% of respondents use debt financing, suggesting that borrowing is common. Older persons tend to generate less money through grants, according to the regression study of the variables impacting grant capital, which shows that age has a significant negative impact. The positive effects of household size and occupation indicate that a greater likelihood of raising grant capital is linked to larger households and multiple occupation involvements. But sex, education, and years of company experience don't really affect grant capital.

High interest rates were noted as a primary barrier to obtaining microfinance financing, which presented numerous difficulties. An overwhelming majority of responders (52.63%) strongly disagreed that interest rates could be managed. Strict collateral restrictions were another significant barrier, with 68.97% of respondents strongly disagreeing that they were reasonable. The processing period for loans was also a cause of aggravation, with respondents divided on the subject. While some thought it objectionable, others were undecided. While many respondents were unconcerned, 37.93% acknowledged that limited borrowing amounts were a problem. Remarkably, 32.76% disagreed that it was a challenge, and 50% were unsure, indicating that a lack of financial knowledge was not viewed as a significant barrier. Some people were more worried about the absence of credit history, with 31.03% strongly arguing that it was not a problem. Significant obstacles were also found to be external factors including political unpredictability and economic shocks, which many respondents said were difficult to deal with when attempting to obtain microloans.

Conclusion

The bulk of respondents are middle-aged, seasoned professionals who work in agro-related industries, with a considerable share engaged in crop cultivation and trading, according to the statistics. The majority of them rely largely on their personal savings for funding and operate tiny enterprises with few people. The reliance on personal savings and the frequency of debt and equity financing from friends and family underscore the lack of access to institutional financing options, such grants or bank loans. Their limited capacity to raise outside funding could impede the expansion and long-term viability of their businesses.

High interest rates and strict collateral requirements, which are significant obstacles to receiving microfinance financing, discouraged many respondents from utilizing mainstream financial institutions. Credit history and a lack of financial awareness were viewed as less important difficulties, even though processing timeframes and loan amounts were still concerns. Respondents encounter a difficult and complex financial environment when attempting to raise finance for their businesses, while external factors such as political upheaval and economic shocks further complicate the availability of credit.

In conclusion, despite having extensive knowledge in their respective fields, the respondents struggle to obtain timely and affordable loans, which may limit their capacity to grow and sustain their enterprises. Because microfinance institutions are too expensive and have too many regulations, the respondents' businesses are characterized by a reliance on personal savings and informal financing. Reducing external disturbances and providing more accessible lending terms are two ways that these financial concerns would need to be addressed in order to increase the respondents' economic success and financial security.

Recommendations

Based on the findings, the following recommendations are made:

1. Microfinance institutions should reconsider their interest rates and collateral requirements to make loans more accessible to small-scale agro-entrepreneurs. Lowering interest rates and offering more flexible collateral options would help ease the financial burden and encourage more respondents to utilize formal financial services.

2. Given the heavy reliance on personal savings and informal sources like friends and family, efforts should be made to increase the availability of formal equity and grant financing. Government and financial institutions can create programs that offer affordable grants or investment opportunities tailored to small-scale agro-businesses.

3. Although financial literacy was not seen as a major challenge, strengthening existing financial literacy programs could further empower respondents to better navigate loan processes and manage their finances effectively. Educational initiatives could help business owners improve their understanding of credit options and financial planning.

4. Microfinance institutions should streamline the loan application and approval process to minimize delays. Long processing times deter many from seeking credit, and making this process more efficient would increase the uptake of microfinance services among small-scale businesses.

5. Policies that mitigate the effects of political and economic instability, as well as external shocks, should be developed to create a more stable business environment. This could include offering financial support during periods of economic downturn or developing insurance schemes to protect businesses from unpredictable disruptions.

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