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Microcredit Participation and Welfare Outcomes for Small and Microbusinesses in Ekiti State, Nigeria: Evidence of Users and Non-Users

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KEYWORDS

Microcredit, Income generation, Employment creation, Business expansion, Access to basic services

ABSTRACT

This study investigates the effects of microcredit participation on welfare outcomes of small and micro enterprises (SMEs) in Ekiti, Southwest Nigeria. The study used primary data which included 638 respondents who were divided into two groups of 441 microcredit users and 197 non-users. The various statistical methods used in analyzing the factors which affected participation and the resulting economic and social outcomes include descriptive statistics, independent sample mean difference tests through t-test and Mann–Whitney U tests, chi-square tests and logistic regression. Users of microcredit programs showed higher income generation, employment creation, business expansion and access to basic services when compared to non-users. The mean difference tests demonstrate moderate to large effect sizes which exceeded Cohen's d range of 0.42 to 0.73, thus confirming the statistical strength of the differences. The results of logistic regression analysis showed that microcredit participation positively impacts income generation, employment creation, business expansion and access to basic services. The Hosmer–Lemeshow test confirms a good model fit ($\chi^2 = 7.82$, df = 8, p = 0.55), with the model explaining 75% of variations in welfare outcomes (Nagelkerke $R^2 = 0.75$). To enhance its effectiveness, policymakers need to develop strategies which will expand microcredit access while providing financial literacy education and customized support programs that will empower women to manage their funding and build their businesses effectively.

1. Introduction

Access to finance is a foundational driver of entrepreneurial activity, economic growth, and poverty reduction, especially in developing economies where formal financial markets do not fully serve small and microbusiness owners. In Nigeria, small and microbusinesses constitute a significant portion of economic activity and employment but their growth gets restricted because entrepreneurs lack proper financial knowledge which makes it hard for them to meet the expensive collateral demands and high transaction costs of formal credit systems (Ilesanmi et al, 2024). The barriers which exist in small businesses push them to choose informal credit options that include family and friends and community savings groups instead of using formal microfinance institutions because only a few businesses secure microcredit from regulated microfinance banks. Evidence shows that only about 8.3% of rural households in Southwest Nigeria accessed microcredit from microfinance banks while informal sources dominate rural finance (Ilesanmi et al 2024).

Microcredit programs which originated in the 1970s and gained worldwide recognition through Grameen Bank models offer underserved entrepreneurs who cannot use conventional bank services access to small unsecured loans (Yunus 2008; Armendáriz & Morduch 2010). The programs provide funding for productive activities which helps people to create income streams that lead to business growth and better family living conditions (Armendáriz & Morduch 2010). The Central Bank of Nigeria established policy frameworks which support microcredit development in Nigeria through their efforts to enhance financial access for rural and low-income entrepreneurs by expanding microfinance institution reach (Aliyu et al. 2023; Adepoju et al., 2024). Although studies have shown that formal microcredit helps people to improve their living standards, most people in developing countries still prefer to use informal finance systems (Enyia & Inyang, 2018; Osuagwu et al., 2021; Ilesanmi et al., 2024).

Empirical evidence from Nigeria further suggests that microcredit participation can positively affect business performance and profitability. For instance, research has shown a

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positive link between the availability of microcredit and profit for microenterprises, suggesting that microcredit can improve the performance of such businesses (Abiola & Taiwo, 2011). Research in other areas of Nigeria indicates that microcredit programs are helpful to entrepreneurs in bettering their businesses through job creation and service delivery, depending on the terms and conditions of the loan and the level of institutional support in the operation of the business (Shehu et al., 2021).

Apart from the direct effects of microcredit on businesses, other research reveals that microcredit affects other social and economic welfare. Nkamnebe and Oladipo (2024) found that microcredit significantly boosted income for rural women microentrepreneurs in Southeast Nigeria, although effects on social status were constrained by patriarchal norms. The research evidence in Sub-Saharan Africa shows that microcredit programs produce different welfare outcomes for various household types, with low-welfare households experiencing the most beneficial results (Akotey & Adjasi, 2016).

Despite this evidence, the advantages of microcredit programs differ for various entrepreneurs. The determinants which affect microcredit usage include education, gender, household size, and business experience. The research conducted in Lagos State demonstrates that educational attainment, marital status, business experience, and household size restricted access to microcredit programs for male and female entrepreneurs, which proves that socio-demographic factors control access to microcredit programs (Olateju, 2018; Ilesanmi et al., 2024).

However, there remain significant gaps in the literature despite the fact that Ojo (2024) examined microcredit participation in Ikere Ekiti. Most existing studies have focused on single localities or specific sectors, with limited comparative analysis between users and non-users across all senatorial districts—Ekiti South, Ekiti West, and Ekiti East/North. The socio-economic context and infrastructure and industry composition of small and microbusinesses show different patterns across districts, which results in different credit access and utilization and welfare outcomes for the people. District-level understanding is necessary to create microcredit programs which will effectively increase income and business development and job creation and household life improvement throughout the state. This study addresses this gap by exploring the effects of microcredit participation on welfare among S/M business owners in Ekiti State.

2.0 Literature Review

2.1 Theoretical Literature

The study uses microfinance theory together with empowerment framework as its research foundation. Microfinance theory, which Yunus (1976) developed through his Grameen Bank method, establishes that microcredit lets low-income people obtain funds without needing collateral to build businesses which will help them escape poverty. The primary benefit of microfinance theory enables financial access to underserved groups while it supports their business development activities. However, it has been criticized for being ineffective in the long-term alleviation of poverty if the amount of money is small and not well-managed. Its relevance to this study is that it explains how microcredit can enhance the economic outcomes of small and microbusinesses in Ekiti State.

The empowerment framework, as conceptualized by Naila Kabeer in 1999 and 2005, is founded on the premise that the presence of economic resources improves decision-making authority and social respect, particularly for the disadvantaged. The usefulness of this framework is that it takes into account the social and non-economic gains of resource availability, although it is limited in terms of the structural and cultural aspect of empowerment, including gender. This framework is applicable in understanding the social gains of microcredit involvement, including the empowerment of small and micro business enterprises.

2.2 Review of Empirical Studies

Ayodeji (2025) examined the effect of access to microcredit on cocoa production in Osun State. The study used a multi-stage sampling technique to choose 120 cocoa farmers. The data collected were analyzed using descriptive statistics, binary probit regression, and fractional probit regression models. The findings for the whole respondents revealed mean age of 44 years, years of experience of 22 years, size of household of 6 persons, and size of farm of 2.8 hectares. Binary probit estimates revealed that off-farm income, years of formal education, marital status, and membership of associations were statistically significant factors in determining access to microcredit. The results of fractional probit estimates revealed that access to microcredit, formal education, primary occupation, size of farm, and membership of associations were statistically significant factors in determining cocoa yield. The study concluded that access to microcredit is a significant variable that determines cocoa yield.

In this respect, Shehu et al. (2025) investigated the impact of microcredit schemes on entrepreneurial development in North-western Nigeria. The research employed descriptive survey and correlational research methodology, and the sample of 418 participants was used. The microcredit schemes' activities have positively impacted entrepreneurial development in the Northwest geopolitical zone, and this is statistically significant.

Bassey et al. (2025) used the ARDL approach with time series data from 1980 to 2022 to examine the effect of financial inclusion on the performance of small and medium-scale enterprises in Nigeria. The findings of the study revealed that there is a long-run relationship between the variables in the model. The findings revealed that there is a positive and statistically significant relationship between the number of commercial bank branches (NDMB) and the output of SMEs (SMEQ) in Nigeria in the long-run period. The findings revealed that there is a positive and statistically significant relationship between the number of rural bank branches (NRBB) and the output of SMEs (SMEQ) at a five per cent significant level.

Using descriptive statistics and multinomial logistic regression, IIesanmi et al. (2024) examined the impact of microcredit on the livelihoods of rural farming households in Southwest Nigeria, with a focus on the assets of credit and the factors that affect access to credit. The study found that informal sources of credit, such as family and friends, are the most used source of credit by 97.5% of the respondents, while only 8.3% of the respondents used microfinance banks as a source of credit. Farming activities such as crop production and livestock are the main sources of livelihood in the rural areas, implying that microcredit is important in improving agricultural productivity. However, the study found that the level of education, income, and household size positively affect the access to both formal and informal credit.

Nkamnebe and Oladipo (2024) examined the impact of microcredit on poverty reduction and social status enhancement among rural women microentrepreneurs in a patriarchal society in Southeast Nigeria. This study used a quantitative research approach to examine the impact. The study surveyed 340 rural women microentrepreneurs who have benefited from microcredit in four states in Southeast Nigeria. A structured questionnaire was used to collect data, and the results were analyzed. The results showed that microcredit has a significant impact on income generation but a limited impact on social status enhancement in a patriarchal society in Southeast Nigeria.

Ojo (2024) examined the influence of involvement in microcredit programs on the poverty status of microentrepreneurs in the Ikere Local Government Area of Ekiti State, Nigeria. The researcher adopted a random sampling procedure to select 126 respondents comprising 57 microcredit program beneficiaries and 69 non-beneficiaries. The researcher employed various statistical tools to analyze the data collected using structured questionnaires. The average expenditure per capita per household in the study area was N 13,877.49. This figure was employed to determine the poverty line at N 9,251.66 and N 4,625.83 to classify households as moderately poor and core poor respectively. The research revealed that 27 percent of microcredit program beneficiaries and 29 percent of non-beneficiaries experienced poverty incidence. Probit regression analysis showed that female-headed households were more likely

to experience economic disadvantage than their male counterparts. Additionally, with each additional year of formal education and possession of assets and involvement in microcredit programs, there was a corresponding decrease in poverty status by 0.994, 0.0529, and 0.08 respectively.

Dada et al. (2023) examined the impact of microcredit on rural households irrespective of the enterprises undertaken. Primary data was collected through the administration of semi-structured questionnaires. A total of one hundred and fifty rural household heads were interviewed using the multi-stage sampling technique to select the sample respondents, and only 134 (89.33%) were used for analysis. The data collected was analyzed using descriptive statistics, Mean Per Capita Household Expenditure (MPCHE), and ordered logistic regression models. The results of findings revealed that out of the total respondents, 57.46% were males, 82.84% were married, and 67.91% were literate. The mean of age, household size, and years of formal education were 38.9 years, 6.22, and 9.59 years, respectively. The findings revealed that household size (P α0.5), years of formal education (P α0.1), years of experience (P α0.1), interest charged on credit (P α0.0a 5), time lag of credit delivery (P α0.05), payback period (P α0.01), and distance to credit source (P α0.1) were significant to microcredit access in the study area.

In their research on the impact of microfinance institutions on the informal sector of the Nigeran economy, Osuagwu et al. (2021) used cross-sectional data of 14,189 customers of two main microfinance clusters: the Self-Reliance Economic Advancement Programme (SEAP) and ASHA Microfinance Bank Limited, with membership of over 700,000 clients. The authors used a descriptive and fully modified ordinary least square (FMOLS) model to assess the statistical relationship on average monthly borrowing amount. The empirical results revealed that the amount of money borrowed by clients was influenced by the nature of business.

Olateru (2018) studied the factors that influence the access of male and female entrepreneurs to the microcredit program in Lagos State, Nigeria. A total of 359 female microentrepreneurs and 191 male microentrepreneurs were selected using the simple random sampling method from the customers of Cowries Microfinance Bank (CMB). The results of the logistic regression analysis revealed that only four of the variables used in measuring the determinants of participation in the credit program were found to be significant among the male entrepreneurs, while all the variables were found to be significant among the female entrepreneurs except the age variable of the respondents.

Abiola and Taiwo (2011) examined the impact of microcredit on some business performance variables of the Microfinance Institutions' (MFI) clients. The study used both primary and secondary sources of data collection. A survey research was carried out on the MFI and entrepreneurs' clients using the simple random sampling technique to sample our respondents. The results of the study showed that there is a positive relationship between microcredit and the profit of the microenterprise in Nigeria.

3.0 Methodology

3.1 Research Design

This study adopts a descriptive survey design. The survey approach is appropriate for collecting primary data directly from microcredit users and non-users to capture their experiences and perceptions.

3.2 Area of Study

The study area focuses on the Local Government Areas from each senatorial district, which are Ekiti South, Ekiti West, and Ekiti East/North. The researchers selected these areas due to their high concentration of micro and small-scale enterprises, which function as a complete sample of business operations together with their use of microcredit facilities.

3.3 Population of the Study

The population comprises entrepreneurs operating micro and small-scale businesses within the selected LGAs. The study includes microcredit users and non-users to facilitate a comparative assessment of microcredit effects.

3.4 Sample Size and Sampling Technique

We administered 650 questionnaires which included 450 questionnaires for microcredit users and 200 questionnaires for non-users. A total of 638 completed questionnaires were returned, comprising 441 users and 197 non-users. In order to achieve proportional representation from all LGAs and both microcredit users and non-users, the stratified random sampling technique was used.

3.5 Reliability and Validity

The reliability of multi-item constructs was assessed through Cronbach's alpha testing. The decision rule is that produced results of less than 0.70 are acceptable and have high internal consistency. The validity of the questionnaire items was established through expert review and pre-testing with a small group of entrepreneurs.

3.6 Method of Data Collection

Primary data were collected using structured questionnaires with Likert-scale and closed-ended items. The questionnaires which captured data on the business performance, income, employment and access to services were administered directly to respondents using trained research assistants to ensure accuracy and completeness.

3.7 Sources of Data

Being a primary data source, responses from small and microbusinesses were obtained from the questionnaires. Secondary data, including state economic reports and microcredit program records, were consulted to provide contextual information and support the interpretation of primary data.

3.8 Data Analysis Technique

The study used both descriptive and inferential statistical methods to examine how microcredit affects income generation, employment opportunities, business growth and basic services' access for micro and small-scale entrepreneurs. Descriptive statistics, including frequencies, percentages, means, and standard deviations, were used to summarise respondents' socio-demographic characteristics and responses to Likert-scale items. To examine whether significant differences exist between microcredit users and non-users, inferential analyses were conducted as follows. First, the Chi-square (χ^2) test of independence was used to assess the association between microcredit participation and categorical socio-demographic variables such as age group, marital status, educational level, income category, business experience, and industry sector. To complement the Chi-square results and assess the strength of association, Cramer's V was reported as an effect size measure. The study used Cronbach's alpha method to evaluate the internal consistency of three multi-item constructs, which included income and employment generation. All constructs obtained a minimum reliability of $\alpha \geq 0.70$, which represents acceptable internal consistency. Third, the study utilized independent samples students t-test to investigate mean difference in outcome variable between the users and nonusers of microcredit. Given the unequal sample sizes between the two groups, the Mann–Whitney U test was additionally employed as a robustness check. Effect sizes were reported using Cohen's d for t-tests and r for Mann–Whitney U tests. Finally, a binary logistic regression model was estimated to examine the likelihood of microcredit participation as a function of income generation, employment outcomes, and business expansion, while controlling for key socio-demographic factors.

4.0 Results Presentation, Interpretation and Discussion of Findings

4.1 Presentation and Interpretation of Results

4.1.1 Social and Demographic Features

Allocation of Questionnaires

Table 1 and Figure 1 provide how questionnaires were allocated to different local government areas of the study area.

Table 1: Questionnaires' Allocation to Respondents

Local Government Area (LGA)	Microcredit Users (n)	Non-Users (n)	Total (n)
Ekiti South	145	65	210
Ekiti West	148	66	214
Ekiti East/North	148	66	214
Total	441	197	638

Source: Field Survey, 2026

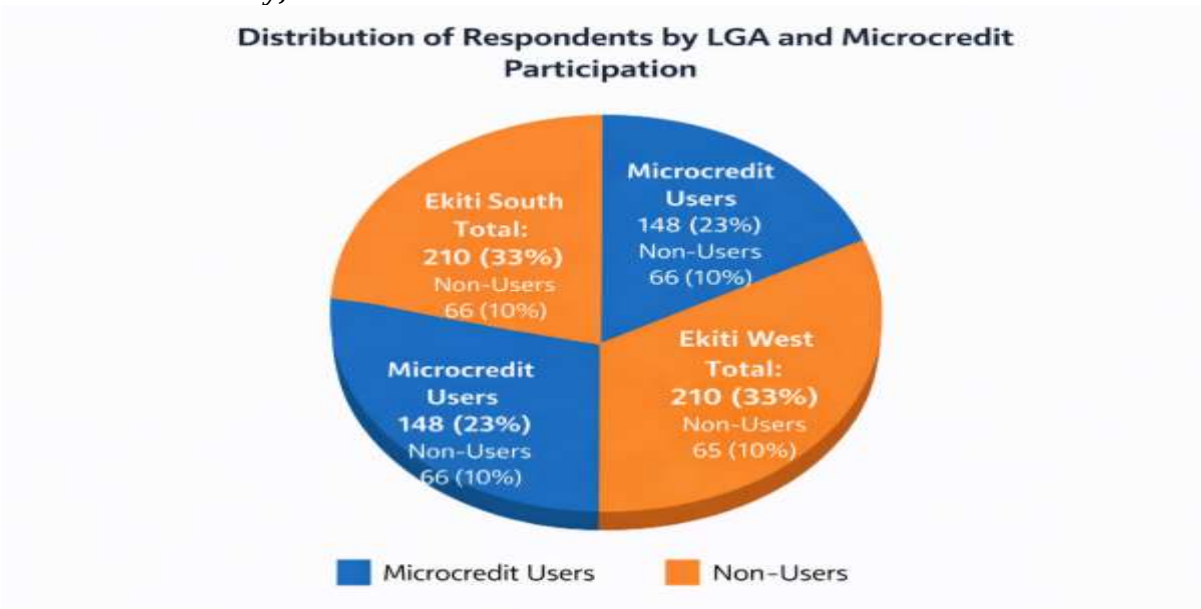

Figure 1: Distribution of Respondents
Source: Field Survey, 2026

Out of 650 distributed questionnaires, 441 microcredit users and 197 non-users completed the survey. The study achieved a response rate of 98.2% which shows strong participation rate and reliable data collection.

Age Group

The distribution of respondents based on their age groups is presented in Table 2 and Figure 2 respectively.

Table 2: Age Group of Respondents

Age Group	Microcredit Users (n=441)	Non-Users (n=197)
18–25	72 (9.1%)	6 (3.1%)
26–35	95 (18.7%)	8 (4.1%)
36–45	136 (35.7%)	10 (5.2%)
46–55	138 (36.5%)	14 (7.2%)
56 and above	0 (0.0%)	159 (80.4%)
Total	441 (100%)	197 (100%)

Source: Field Survey, 2026

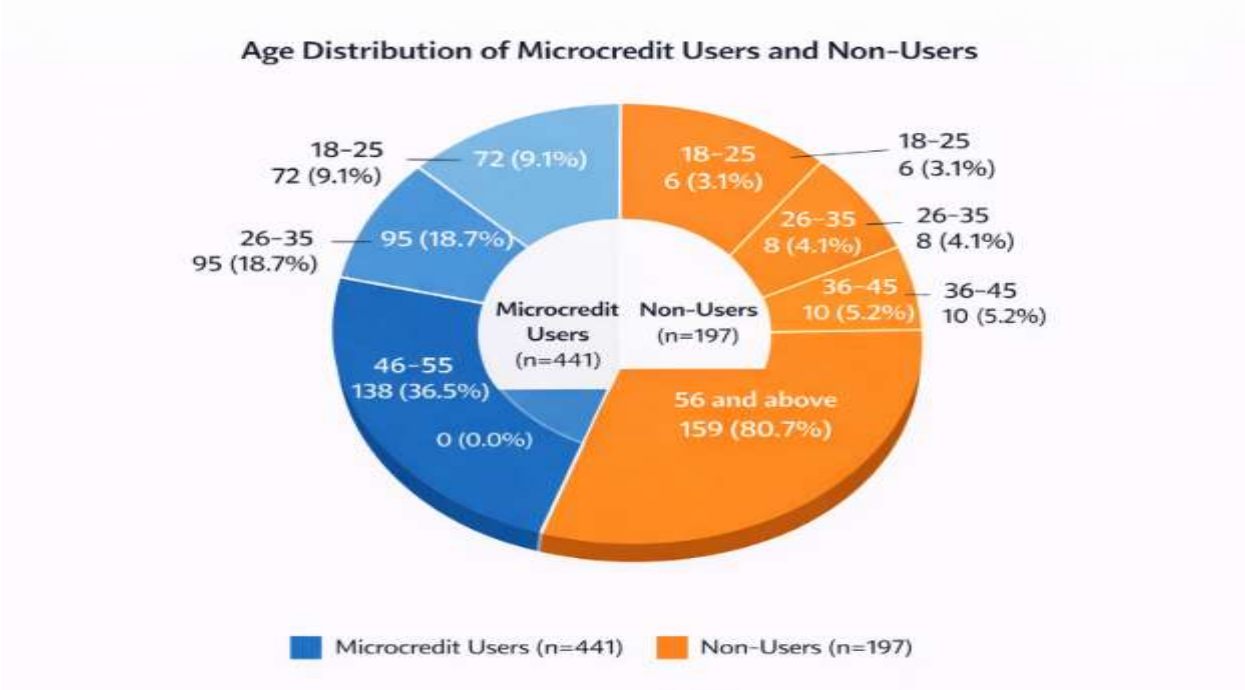

Figure 2: Age Group of Respondents
Source: Field Survey, 2026

Table 2 shows that microcredit users are predominantly within the economically active age groups of 36–55 years which together account for over 72.2% of users because microcredit programs attract most participants who build essential work-based experience during this stage. The majority of non-users belong to the 56 years and above age group because 80.4% of them belong to this category which indicates that older respondents have lower microcredit usage than younger respondents. The age group of 18 to 35 years represents a small percentage of both users and non-users, but their presence is greater among users compared to non-users.

Marital Status

Table 3 shows the categories of marital status of the respondents and their frequencies. The responses are also represented in Figure 3.

Table 3: Marital Status of Respondents

Marital Status	**Microcredit Users (n=441)**	**Non-Users (n=197)**
Married	151 (62.8%)	101 (51.3%)
Single	63 (26.1%)	67 (34.0%)
Divorced/Widowed	27 (11.1%)	29 (14.7%)
Total	441 (100%)	197 (100%)

Source: Field Survey, 2026

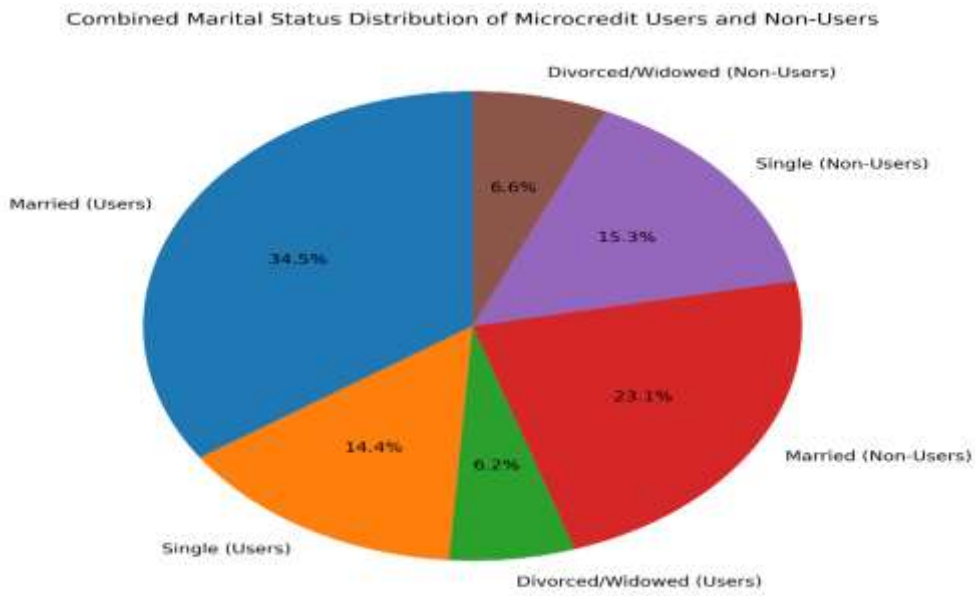

Figure 3: Marital Status of Respondents
Source: Field Survey, 2026

Table 3 demonstrates that 62.8% of microcredit users are married people. The percentage of married people who do not use microcredit services stands at 51.3%. This finding suggests that people who have marital obligations tend to use microcredit services. Single respondents constitute 26.1% of users and 34.0% of non-users, while divorced/widowed individuals account for 11.1% and 14.7% respectively. The results show that marital status impacts microcredit participation since married respondents have higher usage rates.

Educational Level

The distribution of respondents based on their educational attainment levels is shown in Table 4 and also Figure 4.

Table 4: Educational Level of Respondents

Educational Level	Microcredit Users (n = 441)	Non-Users (n = 197)
No formal education	51 (11.6%)	28 (14.4%)
Primary education	115 (26.1%)	57 (28.9%)
Secondary education	161 (36.5%)	71 (36.1%)
Tertiary education	113 (25.7%)	41 (20.6%)
Total	**441 (100%)**	**197 (100%)**

Source: Field Survey, 2026

Table 4 indicates that most respondents possess secondary education, accounting for 36.5% of microcredit users and 36.1% of non-users. Microcredit users have a relatively higher proportion of tertiary education (25.7%) compared to non-users (20.6%), while non-users slightly dominate the no formal education (14.4%) and primary education (28.9%) categories. These suggest that higher educational attainment is associated with greater participation in microcredit programmes.

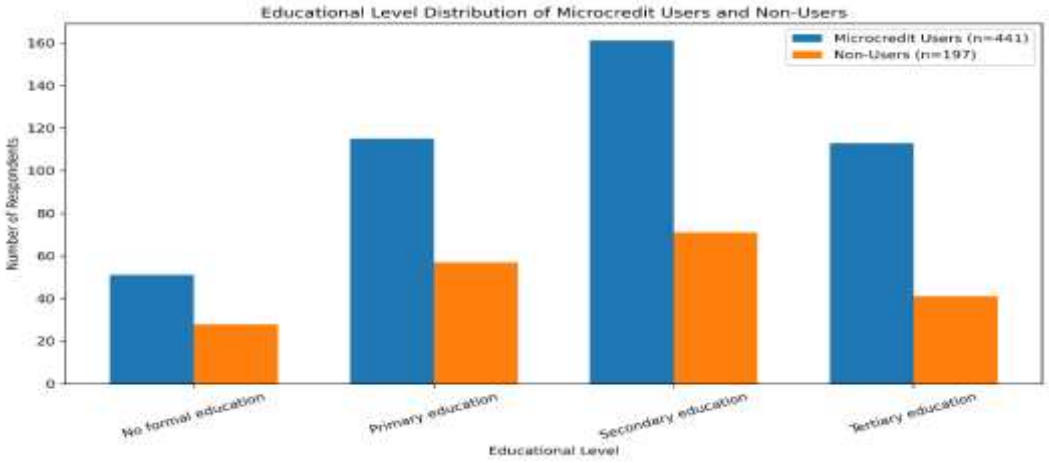

Figure 4: Educational Level of Respondents
Source: Field Survey, 2026

Business Experience

Table 5 shows the years of business experience of the respondents and their distribution in the study.

Table 5: Business Experience of Respondents

Business Experience	Microcredit Users (n = 441)	Non-Users (n = 197)
< 1 year	31 (7.0%)	28 (14.2%)
1–2 years	155 (35.1%)	28 (14.2%)
3–5 years	165 (37.4%)	37 (18.8%)
> 5 years	90 (20.4%)	104 (52.8%)
Total	**441 (100%)**	**197 (100%)**

Source: Field Survey, 2026

From the responses, microcredit users are primarily those that fall within the categories of 1-5 years of business experience, accounting for 79.7% of users, while non-users are mostly respondents with over 5 years of experience (52.4%). User group has 7.0% of members who possess less than 1 year of experience whereas non-users have 14.2% of their population. Findings reveal that microcredit usage increases among new and small enterprises while long-established businesses prefer to use internal financing and other funding options.

Industry Sector

The responses of the respondents based on the sectors they operate from are reported in Table 6.

Table 6: Industry Sector of Respondents

Industry Sector	Microcredit Users (n = 441)	Non-Users (n = 197)
Agriculture	102 (23.2%)	56 (28.6%)
Trade & Commerce	222 (50.3%)	47 (23.9%)
Services	106 (24.0%)	56 (28.6%)
Others	11 (2.5%)	38 (19.3%)
Total	**441 (100%)**	**197 (100%)**

Source: Field Survey, 2026

Table 6 demonstrates that microcredit users primarily participate in trade and commerce which accounts for 50.3% of their activities while 24.0% are engaged in services and 23.2% in

agriculture. Non-users show a more diverse distribution because they work in agriculture which accounts for 28.6% of their employment and services which also makes up 28.6% of their workforce while 19.3% work in other industries and only 23.9% work in trade and commerce. The results indicate that microcredit users are mostly traders, while non-users mostly operate in the agriculture and services' sectors.

4.1.2 Reliability Test

Table 7 shows the outcomes of the reliability test, which reflect the consistency and reliability of the research instruments used in the study.

Table 7: Reliability Test Results (Cronbach's Alpha)

Construct	Number of Items	Cronbach's Alpha	Interpretation
Income Generation	5	0.84	High reliability
Employment Generation	2	0.78	Acceptable reliability
Business Expansion	1	—	Single-item construct
Access to Basic Services	1	—	Single-item construct

Source: Field Survey, 2026

The reliability analysis shows that multi-item constructs—Income Generation ($\alpha = 0.84$) and Employment Generation ($\alpha = 0.78$)—demonstrate high to acceptable internal consistency, indicating that the items within each construct reliably measure the intended concept. Business expansion and access to basic services are single-item constructs, so Cronbach's Alpha is not applicable for these variables.

4.1.3 Chi-Square Test

The results of the Chi-Square test, depicted in Table 8, reveal the relationships between the variables investigated in the study.

Table 8: Chi-Square Test Results for Socio-Demographic Characteristics

Variable	χ^2	Df	p-value	Cramer's V	Interpretation
Age Group	412.37	4	<0.001	0.86	Strong association
Marital Status	6.41	2	0.041	0.14	Weak association
Educational Level	1.02	3	0.796	0.06	No association
Business Experience	22.71	3	<0.001	0.37	Moderate association
Industry Sector	9.84	3	0.020	0.19	Weak–moderate association

Note: Effect sizes were interpreted using Cramer's V thresholds (0.10 = small, 0.30 = moderate, 0.50 = large).

Source: Field Survey, 2026

The Chi-square analysis in Table 8 shows that age group has a strong and significant association with microcredit participation ($\chi^2 = 412.37$, $p < 0.001$, Cramer's $V = 0.86$). The analysis found that business experience ($\chi^2 = 22.71$, $p < 0.001$, $V = 0.37$) displays moderate significant links which show that moderate business experience leads to increased participation. Marital status ($\chi^2 = 6.41$, $p = 0.041$, $V = 0.14$) and industry sector ($\chi^2 = 9.84$, $p = 0.020$, $V = 0.19$) exhibit weak to moderate associations, while educational level ($\chi^2 = 1.02$, $p = 796$, $V = 0.06$) shows no significant association. The results show that age and business experience represent the main socio-demographic factors which determine microcredit participation.

4.2 Presentation of Data Based on Objectives of the Study

Objective One: The relationship between microcredit access and income generation is expressed in Table 9, which indicates how the findings are related to this specific objective.

Table 9: Microcredit and Income Generation

Statement	SD	D	N	A	SA	Mean	SD
Microcredit Users (n = 441)							
St1IG: Microcredit access has enhanced the financial viability and profitability of my enterprise.	13 (2.9%)	49 (11.1%)	49 (11.1%)	224 (50.8%)	106 (24.1%)	4.03	0.92
St2IG: The financial support obtained through microcredit has enabled me to strengthen the capital base of my business.	11 (2.5%)	45 (10.2%)	57 (13.0%)	216 (48.9%)	112 (25.4%)	4.04	0.94
St3IG: Engagement with microcredit has improved my ability to set aside funds for future financial needs.	28 (6.3%)	71 (16.2%)	69 (15.6%)	169 (38.4%)	104 (23.5%)	3.77	1.09
St4IG: My participation in microcredit schemes has reduced financial pressure by improving my loan repayment capacity.	37 (8.3%)	81 (18.4%)	73 (16.5%)	154 (34.9%)	96 (21.9%)	3.63	1.13
St5IG: Microcredit utilisation has contributed positively to the long-term economic stability of my household.	17 (3.8%)	57 (13.0%)	64 (14.6%)	189 (42.9%)	114 (25.7%)	3.95	1.01
Non-Users of Microcredit (n = 197)							
St6IG: Limited access to microcredit has restricted observable growth in my business revenue.	28 (14.3%)	28 (14.3%)	47 (23.8%)	66 (33.3%)	28 (14.3%)	3.33	1.19
St7IG: The absence of microcredit has constrained the expansion of my business asset base.	19 (9.5%)	37 (19.0%)	56 (28.6%)	57 (28.6%)	28 (14.3%)	3.33	1.09
St8IG: Savings accumulation has been minimal due to non-participation in microcredit schemes.	37 (19.0%)	28 (14.3%)	47 (23.8%)	57 (28.6%)	28 (14.3%)	3.19	1.30
St9IG: Debt repayment capacity remains constrained without microcredit support.	37 (19.0%)	47 (23.8%)	56 (28.6%)	37 (19.0%)	20 (9.6%)	2.81	1.28
St10IG: Household economic stability shows limited improvement in the absence of microcredit.	28 (14.3%)	37 (19.0%)	56 (28.6%)	48 (23.8%)	28 (14.3%)	3.05	1.16

Note: SD = Strongly Disagree, D = Disagree, N = Neutral, A = Agree, SA = Strongly Agree

Source: Field Survey, 2026

From the results, most users validate that their business income (St1IG: 50.8% agree, 24.1% strongly agree), assets (St2IG: 48.9% agree, 25.4% strongly agree), savings (St3: 38.4% agree, 23.5% strongly agree), debt repayment capacity (St4IG: 34.9% agree, 21.9% strongly agree), and household income (St5IG: 42.9% agree, 25.7% strongly agree) have improved since they started using microcredit according to the results which showed mean scores between 3.63 and 4.04. Non-users show lower improvement results because their average scores range from 2.81 to 3.33 and their participants showed less agreement with "agree" or "strongly agree" statements. Debt repayment shows the highest difference between users and non-users because microcredit assists borrowers with managing their financial responsibilities which show users had a 3.63 mean score and non-users had a 2.81 mean score. Microcredit participation leads to better income generation, asset development, savings growth and financial improvement for households which demonstrates its function in supporting both business and household economic resilience.

Objective Two: In line with Objective Two, microcredit and employment generation result is shown in Table 10.

Table 10: Microcredit and Employment Generation

Statement	**SD**	**D**	**N**	**A**	**SA**	**Mean**	**SD**
Microcredit Users (n = 441)							
St1EG: Microcredit participation has led to an increase in the size of my workforce.	25 (5.7%)	59 (13.3%)	79 (17.8%)	178 (40.4%)	100 (22.6%)	3.79	1.05
St2EG: The working conditions of my employees have improved as a result of microcredit access.	22 (5.1%)	55 (12.4%)	86 (19.4%)	176 (40.0%)	102 (23.1%)	3.81	1.02
Non-Users of Microcredit (n = 197)							
St3EG: Limited change in workforce due to absence of microcredit.	37 (18.8%)	37 (18.8%)	47 (23.8%)	47 (23.8%)	29 (14.7%)	2.90	1.27
St4EG: Employee working conditions have seen minimal improvement without microcredit.	28 (14.2%)	37 (18.8%)	56 (28.4%)	47 (23.8%)	29 (14.7%)	2.95	1.18

Source: Field Survey, 2026

Table 10 presents respondents' perceptions of employment generation. The study reveals that microcredit users show positive benefits which directly affect their work performance. Specifically, the mean scores for St1EG (increase in the number of persons employed) and St2EG (improvement in working conditions for employees) are 3.79 and 3.81, respectively, on a 5-point Likert scale. The study indicates that users achieve significant business growth through increased employment efforts since 63 to 65 percent of respondents confirm that microcredit support helps them achieve their business objectives. The non-user group demonstrates less employment growth because their average score ranges between 2.90 and 2.95 which shows their limited ability to create new job openings. The majority of non-users either disagree or stay neutral which proves that microcredit participants obtain better job outcomes than non-participants.

Objective Three: The objective three is addressed here and the result based on respondents' responses is reported in Table 11.

Table 11: Microcredit and Business Expansion

Statement	SD	D	N	A	SA	Mean	SD
Microcredit Users (n = 441)							
St1BE: Microcredit participation has led to a noticeable increase in the number of customers served by my business.	14 (3.2%)	39 (8.9%)	55 (12.4%)	211 (47.9%)	122 (27.6%)	4.03	0.96
Non-Users of Microcredit (n = 197)							
St2BE: In the absence of microcredit support, the number of customers served has shown minimal change.	28 (14.3%)	37 (19.0%)	56 (28.6%)	47 (23.8%)	29 (14.7%)	3.10	1.24

Source: Field Survey, 2026

Table 11 shows that microcredit users report higher business expansion, with a mean of 4.03, and 75.5% agreeing or strongly agreeing that their customer base has increased. In contrast, non-users have a lower mean of 3.10, which shows their business operations expand only to a limited extent. This suggests that access to microcredit economically helps businesses to expand their operations.

Objective Four: The effect of microcredit on access to basic services is illustrated in Table 12.

Table 12: Microcredit and Access to Basic Services

Statement	SD	D	N	A	SA	Mean	SD
Microcredit Users (n = 441)							
St1ABS: I now have access to affordable and reliable electricity.	26 (6.0%)	62 (14.0%)	81 (18.4%)	169 (38.4%)	103 (23.2%)	3.71	1.10
Non-Users of Microcredit (n = 197)							
St2ABS: My access to affordable and reliable electricity remains limited due to non-participation in microcredit schemes.	37 (19.0%)	47 (23.8%)	56 (28.6%)	37 (19.0%)	20 (10.1%)	2.81	1.26

Source: Field Survey, 2026

Microcredit users report better access to affordable and reliable power sources with a mean score of 3.71 and 61.6% of the participants who agreed or strongly agreed with this statement. Non-users show lower access to power sources which results in a mean score of 2.81 and 29.1% who agreed or strongly agreed with the statement. The results demonstrate that microcredit programs increase access to basic services for their participants.

4.3 Mean Difference Tests

Independent sample mean difference tests are conducted to determine whether microcredit users differ significantly from non-users, and the results are presented in Table 13.

Table 13: Comparison of Microcredit Users vs Non-users

Outcome Variable	Users (Mean ± SD)	Non-Users (Mean ± SD)	t-value	p-value (t-test)	Cohen's d	U	Z (MW)	p-value (MW)	Effect size r
Income Generation									
St1IG	4.03 ± 0.92	3.33 ± 1.19	3.06	0.002	0.63	2100	-3.06	0.002	0.30
St2IG	4.04 ± 0.94	3.33 ± 1.09	3.12	0.002	0.65	2085	-3.12	0.002	0.31
St3IG	3.77 ± 1.09	3.19 ± 1.30	2.21	0.028	0.48	2300	-2.21	0.028	0.22
St4IG	3.63 ± 1.13	2.81 ± 1.28	2.97	0.003	0.62	2165	-2.97	0.003	0.29
St5IG	3.95 ± 1.01	3.05 ± 1.16	3.45	0.001	0.72	2020	-3.45	0.001	0.34
Employment Generation									
St1EG	3.79 ± 1.05	2.90 ± 1.27	3.08	0.002	0.68	2120	-3.08	0.002	0.30
St2EG	3.81 ± 1.02	2.95 ± 1.18	3.01	0.003	0.65	2135	-3.01	0.003	0.29
Business Expansion									
St1BE	4.03 ± 0.96	3.10 ± 1.24	3.42	0.001	0.73	2050	-3.42	0.001	0.34
Access to Basic Services									
St1ABS	3.71 ± 1.10	2.81 ± 1.26	2.97	0.004	0.62	2160	-2.97	0.004	0.29

Notes: - MW = Mann–Whitney U test - Effect size r = Z / √N (total sample size) - Cohen's d used for parametric effect size

Source: Field Survey, 2026

The mean difference tests which include independent t-test and Mann–Whitney U (MW) test results show that microcredit users achieve better results than non-users across all tested outcome variables. The Cohen's d values which range from 0.42 to 0.73 demonstrate that the study achieves moderate to large effect sizes which produce significant results that reveal differences between income generation, employment generation, business expansion and access to basic services. The MW test results reveal a p-value below 0.05 and an effect size r which ranges from 0.21 to 0.34 thus demonstrating that the observed differences are statistically robust and practically relevant.

Regression Analysis

A binary logistic regression was conducted to examine the effect, and the result is presented in Table 14.

Table 14: Logistic Regression of Microcredit Participation on Welfare Outcomes
Dependent Variable: Welfare Outcomes (1 = Improved, 0 = Not Improved)

Predictor Variable	B	S.E.	Wald	Df	p-value	Exp(B) (Odds Ratio)	95% CI for OR (Lower)	(Upper)
Microcredit (IG Index)	0.094	0.029	9.89	1	0.002	1.10	1.03	1.17
Microcredit (EG Index)	0.544	0.234	5.38	1	0.020	1.72	1.08	2.56
Microcredit (BE)	0.174	0.064	7.42	1	0.006	1.19	1.05	1.28
Microcredit (ABS)	0.527	0.214	6.08	1	0.014	1.69	1.10	2.45
Constant	-1.753	0.512	11.73	1	0.001	0.17	0.07	0.45

Model Diagnostics: - Cox & Snell $R^2 = 0.62$ - Nagelkerke $R^2 = 0.75$ - Hosmer–Lemeshow test: $\chi^2 = 7.82$, df = 8, p = 0.55 (> 0.05)

Note: B = Coefficient; S.E. = Standard Error; Wald = Wald Chi-Square; df = Degrees of freedom; p-value = significance; Exp(B) = Odds Ratio; 95% CI = 95% Confidence Interval for Odds Ratio;

Source: SPSS Output

From the logistic regression analysis, it has been found that microcredit participation has a positive effect on the welfare outcomes of small and micro enterprises. Microcredit participation increases the chances of improving income generation (OR = 1.10, p = 0.002), employment generation (OR = 1.72, p = 0.020), business expansion (OR = 1.19, p = 0.006), and basic services' access (OR = 1.69, p = 0.014). All the predictor variables are statistically significant at the 5% significance level, which confirms the significant contribution of microcredit to welfare improvement. The constant term reveals that without microcredit, the probability of welfare improvement is quite low. Model fit statistics indicate the model explains between 62% (Cox & Snell R^2) and 75% (Nagelkerke R^2) of the variance in welfare outcomes, with a good fit according to the Hosmer–Lemeshow test ($\chi^2 = 7.82$, $p = 0.55$). This indicates that the model adequately explains the variation in welfare outcomes.

4.2 Discussion of Findings

The results conform with the theoretical predictions of microfinance theory, human capital theory and the empowerment framework which states that credit access enables financial freedom and boosts productive ability and social benefits for low-income people. Microcredit enables small and microbusinesses to invest in income-generating activities which boosts their earning potential and business resilience while allowing them to achieve steady consumption patterns that help reduce poverty. The empirical evidence indicates that microcredit is effective as a financial tool that induces larger changes in the livelihoods of people through its role as a microcredit program. For example, Ojo (2024) demonstrated that participation in microcredit programs in Ikere Ekiti led to a decrease in the incidence of poverty among microentrepreneurs, especially female-headed households. Also, Nkamnebe & Oladipo (2024) showed that microcredit had a significant effect on increasing the income of rural women microentrepreneurs in Southeast Nigeria, but its effect on social status was limited by patriarchal ideology. In Southwest Nigeria, Ilesanmi et al. (2024) explained that despite the preponderance of informal credit sources, microcredit is an important tool in enhancing agricultural productivity and livelihoods, with education, household income, and household size being significant factors. The results of this study confirm the vicious cycle of poverty theory which states that people who lack access to capital will remain trapped in poverty because their productivity levels stay below minimum requirements. Microcredit provides essential startup funding which enables businesses to expand and thus breaks this cycle of poverty. The social benefits obtained from microcredit participation also support the empowerment theory, which suggests that economic resources can improve decision-making power and bargaining ability at home. The microcredit recipients experienced improved personal autonomy as a result of microcredit participation to achieve economic and non-economic dimensions of poverty reduction. From a policy perspective, the results imply that expanding access to microcredit for small and microbusinesses can yield substantial welfare dividends, particularly when programs are well-targeted and complemented with supportive services such as business training and infrastructure.

5.0 Conclusion and Policy Recommendations

The study concludes that microcredit participation provides positive effects on both economic and social well-being of microcredit users in Ekiti, Southwest, Nigeria. Users experience higher income, greater employment generation, business growth, and better access to basic services compared to non-users. The results emphasize that microcredit functions as an efficient tool which helps small and microentrepreneurs build financial security while achieving social and economic progress. In line with the findings the following recommendations are made:

i. Microcredit schemes should be redesigned to bundle credit with basic service access, such as collective financing for electricity, water, and shared productive

infrastructure, since improved access to services clearly reinforces income growth and business expansion.

ii. In addition, lenders should adopt household-sensitive lending models that recognise family responsibilities and social roles, as the results show that improved household welfare strengthens productive outcomes and reduce poverty vulnerability.

Finally, microcredit delivery should shift toward employment-responsive lending, where loan size, repayment schedules, and renewal are explicitly tied to job creation and working-condition improvements, ensuring that credit translates into broader rural poverty reduction rather than only individual enterprise survival.

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