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EFFECT OF BANK LOAN ON SMALL BUSINESS EXPANSION IN BAUCHI STATE

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ABSTRACT

The mutual banking relationship between bank loan and small business expansion in Bauchi Metropolis was explored in this study. The Yamane formula was used in the study to arrive at a sample size of 300. The simple random sampling method was employed for the selection of small businesses, with 300 self-administered questionnaires sent. However, 200 people answered and obtained information from small businesses that had or were receiving bank loans. The data for this study came from a primary source. The questionnaire employed in this study was a five-point likert-scale that had been verified. The hypothesis of the influence of bank loans on small business expansion was tested using linear regression. According to the findings of the study, bank loans had a considerable positive impact on small business expansion in Bauchi Metropolis. Finally, small businesses want to regard bank loans as mutually inclusive. The study recommended that small businesses maintain ongoing banking relationships with banks in order to gain simple access to bank loans for small business expansion, and that banks not disregard small business loan requests.

Keywords: Bank, Loan, Business, Business Expansion, Bauchi Metropolis

Introduction:

Small business in Africa has continually been the emphasis of the economic success. Most nations are also on line. This concentration comes with a unique set of challenges. Small businesses confront multiple performance issues. Among is fund to build the firm, which has decelerated their performance (Bushe, 2019). Zirra and Charles (2017) examined the impact of SMEs Financing on Business Growth in Keffi and Mararaba Metropolis. The study analyzed the effect of financing small business with the clear purpose of measuring the amount of commitment of money into small business. According to the findings, having access to money is a must for effective business development. Similarly, the interest rate paid on loans and advances to small and medium-sized firms is not restricted, and entrepreneurs' capacity to borrow is not impeded. To assist small enterprises, it was suggested that robust and diverse channels, such as microfinance banks and

Official and informal financial institutions, be formed.
Kevin (2018) found out that bank loan most commonly negatively affect small business activity. He proposed that all bank loan criteria that impede small business expansion be evaluated for effectiveness. Studies have been studies undertaken on the association between small business and bank loan.
According to Donshe (2018), the release of a bank loan for a long period of time for a small business to do business does not enhance its profitability. The small business owner found it challenging to manage the long-term financing provided by banks. Silkae (2016) discovered that the longer a bank authorized loan for a small business to execute their business activities, the more items that are not in accordance with the business activities come into play, and therefore the funds given by the bank either are misdirected or misused for some unneeded objectives. Some of the studies on the relationship between small businesses and bank loans are mentioned above. However, all of these research have addressed the issue of small business expansion through bank loan utilization. The problem was identified as banks ignoring and making it difficult for small businesses to acquire bank loans for branch growth, notably in Bauchi Metropolis. This does not bode well for the growth of small businesses. The continued performance of small business expansion is based on numerous issues linked with bank loans.
Expansion is one variable that a small firm examines during the course of its operations. Small business access to bank loans is frequently dependent on the extent of small business expansion. This is of great concern to the little business. Bauchi Metropolis is either static or expanding at a snail's pace. Investment's application either helps or hinders small business expansion. According to Aladejebi (2019) small businesses require long-term access to capital for expansion. Despite the bank's involvement by providing loans to small businesses, it seems that the small businesses are not performing well in terms of expansion. Small businesses in Bauchi Metropolis frequently face bank financing issues in order to expand their operations. This is due of the antecedents associated to availing loans by banks to small firm. It is against this background that this study aims to evaluate the influence of bank loan on small business expansion in Bauchi Metropolis.
The question in this research is; to what extent does bank loan effect small business expansion in Bauchi Metropolis? The goal is to determine the extent to which bank loans influence small business expansion in Bauchi Metropolis.

The study hypothesis is in the null form:
H0: Bank loan has no significant effect on small business expansion in Bauchi Metropolis.
H1:H0: Bank loan has significant effect on small business expansion in Bauchi Metropolis.

LITERATURE REVIEW

Overview of Small Business

Yusufu, Suleiman and Saliu (2020) defined Small business as a business with ten to forty-nine employees and an annual revenue of five to forty-nine million Naira," according to the criteria. On the other hand, in Nigeria, Otubor, Dariye, Idris and Vincent (2021) defined small business to be "Those firms that have a total capital employed not below one million five hundred thousand but not exceeding two hundred million"
Central Bank of Nigeria (2016) defined small business as "An enterprise that has asset base (excluding land) of between N5million - N500 million and labour force of between 11 and 300".

Also that part of the establishment of small business were: Agricultural value chain activities, cottage Industries, craftsmen, services, renewable energy/energy efficient product and technologies, trade and general commerce and economic activity as may be regulated by the CBN. According to the United States Small Business Administration (SBA), a small business is one that is organized for profit and has a place of business in the country. Small businesses exist predominantly within a country or make a major contribution to the nation of domicile through taxation or use of the country's products, resources, or labor, are independently owned and operated, and are not nationally dominant in their sector." To be considered a small business in the United States of America, one must adhere to industry size guidelines specified by the United States.

Most countries throughout the world regard small businesses to be critical to their economy's long-term success. Various surveys of small businesses in Nigeria found that the primary barriers to success include inadequate infrastructure, a lack of cash, corruption, and poor record keeping. Regrettably, many of the remedies are slave to the political environment as much as the educational development. Nigerian governments at the federal, state, and local levels have adopted various strategies to enhance the performance of small businesses, including the National Directorate of Employment (NDE), the National Poverty Eradication Programme (NAPEP), the Nigerian Agriculture People's Bank (NAPB), as well as the National Economic Empowerment Development Scheme (NEEDS). According to many polls of Nigerian small enterprises, the biggest impediments to development include inadequate infrastructure, a lack of capital, corruption, and poor record keeping. Regrettably, many of the cures are slave to the political context as much as the academic advancement (Obasola, 2019).

Theoretical Framework

Pure Monetary Theory was proposed by Hawtrey (2010) that posited that whenever there is a change in the level of money flow in a given economy which involves business activities, it same causes fluctuations in the economy and business activities, hence, business cycle is affected by the fluctuations in the monetary and credit markets like the banks. The shifting situations in the supply of money and the banks actions on loans availability are the key causal component of the cyclical process. When banks make small company loans broadly available, small businesses experience an uptick. Banks grow bank loans because it is more profitable to offer the loan at a lower interest rate. This, however, encourages small business owners to engage in more useful activities, resulting in increased turnover.

The Pure Monetary Theory describes the expansion of small business operations in a more reasonable and logical manner. According to the Markup Bank Loan Rates hypothesis, banks impose fees on the amount disbursed while making loans available to qualifying consumers. This has an impact on small businesses. The costs paid vary depending on the amount and the country. Stephen propounded the mark-up bank lending rates in 1985. This theory explored some of the foundations of bank borrowing costs, which are related to the variable of study in terms of the cost of bank loan that banks charge small businesses. While obtaining a small business loan, the bank will charge the following fees: monitoring, processing, extension, management, commitments, and reorganization. The major implication of the theory of Pure Monetary is that small business need bank credit to perform properly. According to the preceding idea, small businesses are in desperate need of bank loans in order to survive. This study examines how bank loans affected small business development in the studied area.

Research Methodology

Quantitative research methods were applied in this investigation. The Yamane formula was used in the study to arrive at a sample size of 300. The basic random sampling method utilized for the selection of small firm with a distribution of 300 self-administered questionnaires. This is done to ensure that the sample represents the entire population or to ensure that the sample represents the entire population. However, 200 people answered and obtained information from small businesses that had or were receiving bank loans. The questionnaire employed in this study was a five-point Likert-scale that had been verified. Following the extensive data collection, linear regression was used to analyse the data gathered in the field using SPSS Version 22.

Result and Discussions

Table 1 Dissemination of Questionnaire

Questionnaire	Number	Percentage
Total number of questionnaires administered	300	**100**
Total number of questionnaires retrieved	**200**	**80**

(Source: Field Survey, 2021)

Table 2

Coefficients[a]						
Model		**Unstandardized Coefficients**		**Standardized Coefficients**	**T**	**Sig.**
		B	Std. Error	Beta		
	(Constant)	1.642	.177		7.336	.000
	BL	.327	.053	.210	5.661	.001

a. Dependent Variable SBE

Interpretation

The standardized regression result for bank loans on small business expansion is 0.307, as shown in Table 2. This suggests that bank loans (BL) have a considerable and favorable impact on small business expansion (SBE). It suggests that an increase in bank loans (BL) will result in an increase in small business expansion (SBE). 1% rise in bank loans (BKL) will result in a 32.7% increase in small business expansion (SBE). We reject the null hypothesis since the p-value of 0.000 is less than the significance level of 0.05, as shown in Table 2. The alternative theory is accepted. Finally, bank loans have a substantial impact on small business expansion in Bauchi Metropolis.

DISCUSSION OF FINDINGS

When there is lot of money available for small businesses, small businesses grow. According to the findings, it is consistent with Taiwo and Benson (2016) findings. Also this study match with the findings of Taiwo, Onasanya, Agwu and Benson (2018) conclusion that claimed that the utilization of bank loan by small business enhances business expansion.

CONCLUSION

Small businesses are always looking for methods to expand. However, other variables contribute to increased small business expansion. One example from this study is the availability of bank loans for small businesses. The more bank loans a small business receives, the more small business investors want to expand their operations. It will be inappropriate to question the role of bank loans in the expansion of small businesses. All the tactics that the small business put in place to expand demand the input of bank loan into the business.

RECOMMENDATION

Small businesses should closely maintain financial relationships with their banks in order to boost small company expansion. Furthermore, when small businesses apply for financing to expand their operations, banks should not disregard such requests.

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