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RESEARCH ARTICLE

EFFECT OF POLITICAL DISTRUST ON RESPONSE TO CBN'S CREDIT FACILITIES AMONG SMALL BUSINESS OPERATORS IN SOUTH-EAST NIGERIA

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Abstract

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The role of small and medium scale enterprises in economic development, job creation, income generation, and wealth distribution are widely highlighted in the literature. More so, research has implicated procedural ambiguities, lack of valuable assets, oligopolistic financial institutions, biases by commercial banks, business size, education, proximity to credit source and types of credit source, lending requirements, collateral demands, and lack of credit as constraints to credit facilities. However, the present study examined political distrust as a previously unexplored variable that could determine response to available credit facilities. The study adopted a cross-sectional survey. A total of one hundred and ninety-eight small businesses were randomly selected from three states in southeast Nigeria as the study participants. A self-report measure was developed to obtain relevant data. Simple linear regression analysis was used for data analysis, and it was found that political distrust predicted response to CBN's credit facilities. Implications and recommendations are discussed.

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Introduction:-

Small and medium enterprises (SMEs) are an essential component of the business ecosystem of every society. They reflect a vital avenue of addressing the challenges of job creation, sustainable economic growth, equitable distribution of income, and poverty alleviation (Abisuga-Oyekunle et al., 2020; Azimkhan et al., 2020; Eppinger & Vladova, 2013; Fatoki, 2014; Kowo et al., 2019; Manzoor et al., 2019; Meflinda et al., 2018; Nasr & Rostom, 2013; Neneh &van Aardt, 2013; Sawaean & Ali, 2020; Zafar & Mustafa, 2017). In Nigeria, SME performance has been described as an effective tool in strengthening and enhancing the country's development (Eniola & Ektebang, 2014). Perhaps, SMEs form the mainstream of the business landscape of Nigeria (Chidiebere et al., 2014). Conceivably, their activities are less formal, thus, allowing them to operate in remote vicinities that seem unappealing for large enterprises (Iacob & Mironescu, 2017). Consequently, SMEs in Nigeria has been fraught with several challenges ranging from an unfriendly business environment, poor management, inadequate infrastructures, insecurity, corruption, lack of access to modern technologies, and insufficient funding (Ademola, 2013; Aruwa, 2004; Ayodeji, 2015; Cant et al., 2013; Daferighe et al., 2019; Gbandi & Amissah, 2014; Muritala et al., 2012; Onwuchekwa, 2012; Shettima, 2017; Taiwo et al., 2013; Yahaya et al., 2015).Nevertheless, access to credit represents significant setback in SME growth in Nigeria. However, there have been recent attempts to provide credit facilities by the government.

Access to credit facilities is an essential driver of SMEs and indispensable in developing the business ecosystem. Through the Central Bank of Nigeria, the government of Nigeria has made several interventions to mitigate the

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economic impact of recent times SMEs. These interventions include the creation of an₦50 billion credit facility targeted at households and SMEs affected by the effect of the ongoing COVID-19 pandemic. An ₦100 billion credit facility specifically aimed at the healthcare sector to meet potential increased demand for healthcare products and services, and a one-year moratorium and reduced interest rate for existing CBN intervention facilities (for example, the Commercial Agriculture Credit Scheme; Real Sector Support Facility; SME Credit Guarantee Scheme, etc.). These facilities are aimed to support businesses in the country, especially in the era of economic uncertainties. Perhaps, the credit facility is open to businesses across every part of the country that meets the required inclusion criteria. However, there are intimations that most small business practitioners do not patronize these government initiatives. Observation suggests that most small business enterprises in the southeast did not apply for the recent credit program. While their reasons may be attributed to inadequate enlightenment, others are primarily based on perceived regional sentiment and unfairness. Thus, jeopardizing the willingness to respond. However, some small businesses' perceived unwillingness to subscribe to the government credit programs can be explained by the growing distrust in government.

Increasing political distrust has become a commonplace observational remark across many established democracies (Bertsou, 2019). A wide range of events in many societies in the past decade has been described or explained as manifestations of citizen distrust towards government and the political ecosystem. Political distrust is conceptualized as a relational attitude that echoes perceptions of deceitfulness, dishonesty, and hate that characterize the political ecosystem and its structures. Political distrust entails an unfavorable attitude held by an individual citizen towards the political system. Perhaps, insinuations indicate a growing skepticism towards the Nigerian government due mainly to consistently broken promises. The 2020 Edelman Trust Barometer revealed that government remains the least trusted, with the citizens having no confidence in the political system to tackle the challenges of the recent time.

The decision to distrust the political system is commonly birthed by observing its inability to complete its basic tasks and fulfill promises. People perceive political institutions as a responsibility that requires special skills, technical knowledge, competencies, and the understanding that failure harms the functioning of the political community. People understand that the government and relevant state actors are essential. However, given their experiences of failed policies and dishonesty, distrust found root in citizens' minds. This decreases the level of patriotism that will encourage the distressed citizenry to trust the government and subscribe to government programs. However, scholars have shown that political distrust undermines public cooperation and promotes division and unpatriotic behavior.

Research in recent years has underscored the impact of political distrust on citizens ‘compliance and response to government policies (Banaji, 2008; Ezeibe et al., 2020). While studies have explored how lack of valuable assets, oligopolistic financial sector and biases by commercial banks, business size, level of education, distance to credit source and types of credit source, lending request, collateral requirements, and lack of credit contribute to barriers to accessing credit facilities (Etonihu et al., 2013; Nyaga & Nzulwa, 2017; Oke et al., 2020), there has been lack in the literature relative to the impact of political distrust on the willingness to access credit facilities. Thus, the primary purpose of the present study is to examine political distrust as a previously unexplored variable that could restrain small businesses from accessing the CBN's credit facilities in the South-East of Nigeria.

Hypothesis:
Political distrust would significantly predict willingness to access CBN's credit facilities among small businesses in the South-East of Nigeria.

Method:-

The target population for the present study was small businesses in the agricultural sector. The rationale for targeting this cohort is because the recent CBN credit initiative primarily emphasized the farming sector in its objectives. Small business enterprises (livestock and rice farmers) were approached in different communities in Enugu, Anambra, and Ebonyi states, Nigeria, between August and November 2021. In particular, they were briefed on the study's purpose and were equally informed that the survey was voluntary and they could withdraw anytime they wanted. In total, two hundred and twelve small-scale farmers consented to participate in the study. Thus, they were given the study's instrument to respond on the spot and to ask for clarification on any perceived ambiguity. In the end, one hundred and ninety-eight (98) copies of the questionnaire were appropriately filled and utilized for statistical analysis, while seven (14) copies were discarded for improper filling. The study adopted a cross-sectional survey design.

Measures:-

The instrument used for data collection was a structured questionnaire. The questionnaire items were developed from relevant literature and designed to assess information relating to political distrust and overall perception of government credit facilities on a five-point Linkert-type scale. The questionnaire was divided into two sections: A and B. Part A measures cognitive, affective, and behavioral assessment of the political system. Part B includes questions about previous experiences and perceived decency in the distribution of credits by the financial institutions. Thus, the measure was subjective, and respondents must self-report their conception of the variables. However, a Cronbach Alpha 0.79 coefficient was recorded for the scale following a pilot study using participants outside the study population.

Result:-

The result presented in the simple linear regression table below indicates that the expectation that political distrust would significantly and positively predict willingness to access CBNs credit facilities among small businesses was found to be accurate at $\beta = .933$, $p< .05$, with R^2 of .421. Thus, the adjusted square indicated that political distrust explained about 42.1% of the variation in willingness to access CBNs credit facilities among small businesses.

Table 1:- Table showing the simple linear regression analysis for the effect of political distrust and response to CBN's credit facilities.

	B	Std. Error	Beta	t	Sig.
(Constant)	-1.76	.076		-23.41	.000
Political distrust	.933	.034	.933	27.05	.000
R^2	421				

Discussion:-

The primary purpose of the present study was to determine the variation in response to the CBN's credit facilities among small businesses in southeast Nigeria based on political distrust. From the simple linear regression result, it was found that political distrust positively correlated response to CBNs credit facilities at $\beta = .933$, $p< .05$. More so, political distrust was found to account for 42.1% of the variance in response to the government's credit program. Accordingly, the result supported the study's expectation that political distrust would predict response to CBNs credit facilities among small businesses. This means that small businesses who perceive the financial institution as a function of the political ecosystem are more likely to exhibit unwillingness in accessing the available credit provided by the CBN. Equally, the finding indicates that those who still trust the system would be more eager to participate in credit facilities. Consequent to the failure of the government and the financial institutions to adequately make credit accessible to small businesses and given other barriers affecting access to credit facilities in Nigeria. The present study presupposes that political distrust as a psychosocial variable reflects a significant determinant of the willingness to access the available credit facility. Thus, credit constraints may result in behavioral adaptations occasioned by evaluation and perception of the entire political landscape. The trend has severe implications for the growth and sustainability of small business enterprises.

The Implication of the Study

Recent economic and political failures in Nigeria have incontestably created distrust towards the government and the political system. Perhaps, many small businesses in the study parameter have collapsed due to financial challenges that usually determine SME's survival (Murphy & Tocher, 2011; Schenk, 2015). Perhaps, this study implies that political distrust is a potential variable contributing to business deterioration among small and medium scale enterprises in the southeast, Nigeria. More so, the current revelation implicates political distrust as a significant variable in the equitable distribution of credit facilities in Nigeria.

Conclusion:-

The present study investigated political distrust as a scarcely explored correlate of SMEs' response to the CBN's credit facilities. The regression analysis performed on the data indicated that political distrust is a significant predictor of response to the CBN's credit programs. Thus, an essential variable in the growth and development of SMEs. More so, the result entails that political trust is a pathway to access the credit opportunities provided by the CBN. Although the study is challenged with some limitations, for example, self-report measures have been criticized for the issue of common variance. Also, the sampling method poses a hurdle for generalization. Nevertheless, the study contributed to the literature by revealing political distrust, a factor thatconstrains the full accessibility of the CBN-provided credit facilities. Improving political performance is a transparent and uncontested approach to ameliorating political distrust. Unfortunately, it is not feasible in contemporary society. Distrust based on perceptions of unequal practices and unfair outcomes can be reversed if policy-makers and politicians focus on promoting shared notions of equality and fairness and even reinforcing the monitoring mechanisms to limit morally reprehensible conduct relative to access to credit. Further research is needed to broaden our understanding of the relationships between political distrust and willingness to access government credit programs and examine how distrust can be confined from spilling over to the systemic level.

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