

EFFECT OF COOPERATIVE MICRO-CREDIT SCHEME ON THE PERFORMANCE OF SMALL-SCALE BUSINESS IN OSUN STATE.

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Abstract

Cooperative microcredit schemes have become an important tool to serve micro and small enterprises (MSEs) in the developing economies especially in Nigeria where there is limited access to formal financing. This research enquires how cooperative microcredit programmes, namely the availability of cooperative credit, cooperative loans, savings mobilisation, and the non-financial support affect the performance of small owners of businesses in Osun State, Nigeria. The aim is to identify to what degree these elements contribute to the sustainability and growth of the enterprises as a whole and separately. The study took a quantitative survey research design wherein data was gathered from 224 small-scale business owners in the sampled cooperative societies. To evaluate the overall predictive power of cooperative microcredit schemes on performance of businesses, descriptive statistics, regression analysis and ANOVA were used. The model summary indicated a significant positive correlation between cooperative microcredit schemes and business performance ($R = .925$; $R^2 = .856$). The outcome of the ANOVA test proved the significant nature of the model in general $F(4,308) = 450.771$; $p \leq .000$). Regression coefficients demonstrated that non-financial support contributed the most apparent contribution ($\beta = 2.260$, $p \leq .000$) which was preceded by cooperative loans, savings mobilisation and access to credit. Business performance was significantly affected by all the predictors at the 5% level. The results confirm that cooperative microcredit programmes play a great role in improving the performance of small businesses in Osun State. The study recommended that cooperative micro-credit programmes should continue to be a viable tool toward enhancing the resilience in Osun State.

Keywords: Cooperative Microcredit, Performance, Savings Mobilisation, Entrepreneurship, Non-Financial Support.

Introduction

Business, in its most general conceptualisation, is any organised economic activity involved in the production of goods and services that meet the needs of human beings and provide value to the society (Turcan & Turcan, 2023). In Nigeria, businesses are categorised into micro, small, medium and large-scale businesses as a reflection of their heterogeneity in terms of structure, resources, and scope of business operations. Micro, small, and medium enterprises (MSMEs) are generally characterised by limited employees and modest levels of turnover (Bahrami, 2025). However, definitions of the sizes of businesses are not universal; they change from country to country depending on the levels of industrialisation and economic development. What constitutes a small business in highly industrialised economies like the United States may be considered large in developing economies like Nigeria. For example, in the United States, Britain, and Canada, small businesses are defined mainly by annual revenue and number of employees (Onyedikachi *et al.*, 2022), whereas the European definition focuses on enterprises with less than 50 employees and financial thresholds set at \$13 million maximum. Japan, conversely, categorises small-scale industries in accordance with sector-specific capital structure and size of employment.

Microcredit has become a financial innovation that is indispensable for solving the financing gap that has been a persistent problem for micro and small enterprises worldwide. As an inclusive financial service, microcredit is broadly acknowledged for its contribution to poverty alleviation and the empowerment of small-scale entrepreneurs under developing economic contexts characterised by imperfections in the credit market (Falaiye *et al.*, 2024). Many small-scale entrepreneurs are unable to access conventional loans because of poor collateral, difficult credit terms and high borrowing costs. Cooperative societies offer an alternative finance scheme that mobilises member funds to offer flexible and low-interest credit and increase mutual financial support (Chibueze, 2024). These cooperative microcredit schemes have thus become vehicles of institutional finance for financial inclusion, enterprise growth and community development. Small-scale enterprises are key to economic development in emerging markets due to the jobs they create, entrepreneurial stimulation, and in poverty reduction campaigns (World Bank, 2022). Nonetheless, their potential is often limited by lack of access to finance and social support

deficiencies and poor managerial capacity (IFC, 2023). Cooperative microcredit schemes help offset these barriers by offering the opportunities for pooled savings, shared risk structures, collective learning and member driven financial support. The relevance of these schemes is even greater in the rural and semi-urban environments where there is a limited presence of formal financial services. In addition to the financial benefits, cooperative microcredit promotes social cohesion and community network building as well as increased economic participation of marginalised groups such as females, youth and rural dwellers (Dushkova & Ivlieva, 2024).

Despite the proven benefits of microcredit and cooperative finance, empirical results to date are inconclusive because of differences in the context in which they are practised in countries and regions. Studies in South Asia (Halder, 2025) and Sub-Saharan Africa (Falaiye *et al.*, 2024) mostly present positive results, while there is scant research on the micro-level dynamics, operational problems, and performance implications of cooperative microcredit in heterogeneous economic environments (Rasimph *et al.*, 2024). The performance effect of microcredit, according to the scholars, is not automatic but depend on loan size, repayment structure, cooperative governance, quality of training and socio-economic profile of the beneficiaries. This gap motivates the need for local studies which take into consideration the contextual realities in Nigeria.

The motivation for this study is derived from the persistent problems of financing experienced by small-scale businesses in Nigeria especially Osun State where a large proportion of entrepreneurs are in the informal sector and have no access to formal credit facilities. Traditional financial institutions charge high interest rates, stringent collateral requirements, and long loan procedures that leave out small-scale entrepreneurs (Umeaduma, 2024; Obayelu *et al.*, 2022). Cooperative microcredit schemes have become one of the answers to these structural financing limitations in terms of accessible credit provision, mobilising member savings, and business support services (Arinzeh, 2022). However, the effectiveness of these schemes vary in local settings and empirical evidence on the impact of the schemes on performance in Osun State is very limited. Osun State is a unique socio-economic environment, where mixed rural and urban clusters of enterprises, diversity of entrepreneurial activities and varying levels of cooperative participation (Itodo, 2024) are present. Understanding the operation of cooperative microcredit within this environment is critical as it can point to the factors that determine whether such schemes are conducive to business growth, profitability and sustainability. Given the strategic importance of

small businesses to local economic development, employment generation and poverty alleviation in the state, evaluating the effectiveness of cooperative microcredit schemes has great implications for policy makers, financial institutions and development practitioners.

This study, therefore, examines the impact of cooperative microcredit schemes on the performance of small-scale businesses in the Osogbo metropolis of Osun State, Nigeria. It measures the effects of microcredit on business performance indicators such as profitability, growth of sales, business expansion, and sustainability in the long run. Thus, the research seeks to address the following research questions:

- i. To what extent does accessibility to cooperative micro-credit schemes impact on small-scale businesses performance in Osogbo metropolis of Osun State?
- ii. How does a cooperative loan affect small-scale businesses performance in Osogbo metropolis of Osun State?
- iii. In what ways does access to savings mobilisation through cooperatives that relate with small-scale businesses performance in Osogbo metropolis of Osun State?
- iv. What is the effect of non-financial support services of cooperative thrifts and credit schemes based on the performance of small-scale businesses in Osogbo metropolis of Osun State?

Literature Review

Cooperative Microcredit Scheme

Cooperative Microcredit Scheme is seen as a community-based financial arrangement where members of a cooperative organisation pool their financial resources to provide small loans to individuals, referred to as microcredit, which are mostly provided at a low rate of interest to those involved in small-scale or informal business activities (Arinzeh, 2022). Conceptually, the scheme works at the crossroads of cooperative principles and microfinance objectives and provides an inclusive financial model, which aims at extending credit and financial services to poor and marginalised people who are often excluded from the formal banking systems due to stringent collateral requirements, high interest rates, and complex lending procedures (Zhan, 2025).

According to Arinzeh (2022), microcredit has become a popular tool for the poverty eradication worldwide, as it helps those without access to financial institutions to get loans at competitive rates for enterprise development. Within the framework of rural economies,

microcredit facilities are especially critical in boosting productivity, especially in the agricultural sector. They enable smallholder and marginal farmers to obtain necessary inputs, enhance production capacity and participate in value-adding activities to strengthen agricultural value chains (Kambali & Panakaje, 2022). As a result, microfinance interventions have been at the centre of the development strategies of the donor agencies and national governments especially in areas associated with gender equity, poverty reduction and community development (Ayoo, 2022).

Sustainability is a very important part of cooperative microcredit initiatives. According to Onyekwelu *et al.* (2023), microcredit programmes are then matured into sustainable institutions if the benefits generated by the programme for the community exceed the overall costs incurred by the programme. Taken together, Cooperative Microcredit Schemes are an important financing mechanism for small-scale enterprises that will help achieve the goals of accessible credit, fight financial exclusion, increase productive capacity and contribute to the larger socio-economic development agenda in emerging economies.

Dimensions of cooperative microcredit schemes

Accessibility of Cooperative Micro-Credit Schemes

Accessibility to cooperative micro-credit is an ongoing challenge in the larger debate on financial inclusion and community-based development, especially in the developing world, where formal financial institutions often do not serve poor people. Cooperative micro-credit schemes are member-owned financial systems providing small loans and associated financial services to individuals and particularly micro and small-scale entrepreneurs who may be excluded from the services of normal banking because of stringent requirements and high transaction costs. These schemes are patterned after pioneering models such as the Grameen Bank founded by Muhammad Yunus which focus on collective responsibility, mutual support, and democratic governance as mechanisms for strengthening the financial inclusion (Bahrami, 2025).

Unlike traditional microfinance institutions focused on profit, cooperative micro-credit organisations have social as well as financial goals and accessibility is an integral part of their mission. In this regard, accessibility is a broader concept of the availability of funds, as it also includes affordability, inclusiveness, procedural simplicity, and the ability of members to utilise financial services for their livelihood improvement (Onyedikachi *et al.*, 2022). Hence, the success of cooperative micro-credit is very much dependent on how much these schemes reduce

institutional and socio-economic barriers that generally prevent the participation of vulnerable groups. Financial accessibility is manifested in low interest rates, flexible repayment structures, minimal collateral requirements and inadequate loan conditions based on the economic realities of members. Institutional accessibility is related to simplified procedures, reasonable membership requirements and participatory governance frameworks that allow members to influence decisions that affect the allocation of loans and cooperative management.

Thus, the accessibility of cooperative micro-credit schemes are multidimensional constructs that have economic, institutional, social and informational components. Ensuring meaningful access requires more than the physical existence of credit facilities and entails affordability, inclusiveness, transparency and empowerment. Improving accessibility requires institutional reforms, better governance systems and capacity-building programmes which help members turn financial access into sustainable income growth, greater empowerment and improvements in overall quality of life.

Cooperative Loans

A cooperative thrift and credit society is a type of cooperative organisation which provide credit facilities to members of the organisation on the basis of mutuality on a voluntary basis. Cooperative loan societies is the standard in Nigeria and this cooperatives are either credit or thrift cooperatives or in multipurpose cooperatives. The reason these societies are most popular is because of voluntary membership with activities that provide mutual support to members and democratically managed based on the principles of cooperation (Scholz, 2023). Regular savings deposits and internally generated funds enable the members to access cheap loans that which they use to fulfil their own personal needs, grow small business and cope with financial crisis.

Cooperative loan societies are considered more and more as the key to the community development. They facilitate the solution of the problem of financial exclusion by providing easy credit facilities to people who may not be able to take conventional bank loans. Cooperative loans promote self-reliance, innovation and cooperative problem-solving by promoting a community-oriented development strategy (Warren, 2026). Members are not just beneficiaries but are treated as participants in the process of decision making and management of finances.

Moreover, the collaborative loan societies support the local economic survival through strengthening their members to develop entrepreneurship, creativity and business resiliency.

Affordable credit leads to initiative, persistence of business and rational risk-taking and causes the overall socio-economic benefit (Parasuraman *et al.*, 2026). Hussain *et al.* (2022) and Hariram *et al.* (2025), observed that cooperatives are useful mechanisms of enhancing community welfare by emphasising on inclusive economic involvement and sustainable development. Cooperative loan services can be utilised in rural areas as part of the village-based enterprises in order to increase the capacity of the community and provide financial incentives to small businesses (Kania *et al.*, 2023). Altogether, the cooperative loan societies function as socio-economic movements as well as financial institutions which strengthen the concept of collective empowerment and financial inclusion and sustain the community development.

Savings Mobilisation

Savings mobilisation is a process where financial institutions, including banks, microfinance institutions as well as cooperatives mobilise individuals, households and businesses to save their surplus funds and avail them to productive use (Zhan, 2025). It is an inherent factor in financial intermediation and economic development because it targets idle money into investments that can generate some profit to both the savers and the economy at large. The mobilisation of savings does not simply involve the accumulation of money but focus on the systematic accumulation, safety, liquidity and availability of money (Arinzeh, 2022). Financial institution encourages people to save on a regular basis to help them plan for their future financial requirements, lessen their danger and make their financial position more secure (Arinzeh, 2022). Savings mobilisation is multifaceted in significance. It also leads to economic growth in terms of capital provision to invest in infrastructure, industries and entrepreneurial enterprises thus promoting capital formation. It also increases financial inclusion as it includes the underserved populations to the formal financial system as well as end informal sources of credit.

Mobilisation of savings can be done both in the formal and informal modes, in the form of savings accounts, fixed deposits and pension schemes and in an informal manner through community savings groups, cooperatives and rotating savings and credit associations (ROSCAs). More recently, the access has been added through digital solutions, such as mobile banking and micro-savings services, particularly in low-income and rural communities (Ilesanmi *et al.* 2024). Savings mobilisation is determined by the interest rates and incentives, banking institutions trust, accessibility of banking services, and financial literacy (Magambo, 2024). Nevertheless, there are

still challenges which involve low-income levels, cultural and behavioural obstacles to saving and deficiencies in the institutional infrastructure of the banking system. All in all, savings mobilisation is an important strategic tool in the development of the economy, bringing about increased financial inclusion and financial resilience. The other is it requires a combination of good policies, easy access to services, trust of people, and uninterrupted financial education and the technological innovations are gaining more and more importance in reaching large audiences.

Non-financial support

The non-financial support is a term that refers to the non-financial supporting services being offered together with the microcredit to enhance the capacity of the micro-entrepreneur and to overcome the limitation that cannot be addressed through the supply of finance alone. These services usually include financial literacy programmes, training of business management, mentoring, coaching, access to social support networks, and market/technological linkages (Babajide *et al.*, 2022; Ranabahu and Tanima, 2022). The rationale of these interventions lies in the appreciation that most of the poor clients are exposed to structural disadvantages (poor education, poor managerial skills and social marginalisation) which restrict their capacity to maximise the credit in the development of their venture. Non-financial interventions consequently aim at bridging these gaps in capabilities, strengthening business practises, facilitating repayment of loans and further sustainability of business in the long run. Microcredit combined with skills training and advisory services in turn can become both a financial and developmental instrument capable of producing a broader socio-economic transformation.

A number of microfinance models have integrated the non-financial services to enhance the success of the credit delivery process. As an example, the Grameen-based category of group lending is often related to the concepts of peer monitoring, training sessions, and community developmental sessions to build business skills and social cohesion. Similarly, microfinance in form of village banking and cooperative based initiatives include mentoring, bookkeeping training, health awareness programmes and literacy programmes as a way of empowering clients and to facilitate sustained desirable outcomes. These combined measures acknowledge the multidimensionality of financial inclusion and the significance of clients having the capacity to efficiently utilise credit (not merely avail it) in a bid to obtain poverty reduction and entrepreneur development (Zhan, 2025).

Overall, non-financial support has been an inseparable component of contemporary microfinance practise. In addition to the disbursement of loans, it offers micro-entrepreneurs essential knowledge, skills, social networks and empowerment resources which beyond make the enterprise more efficient and the interventions of microfinance more sustainable. Microfinance institutions can enhance financial inclusion and consolidate the means through which clients leave poverty by adopting a holistic strategy that encompasses both ready credit and capacity-building and social assistance.

Performance of Small-Scale Business

Small businesses exist in various industries, including agriculture, manufacturing, retail, services, and technology, and it is an essential part of the formal and informal economies (Gomes, 2024). The operational success of such enterprises is measured by the efficiency with which the finite resources are used to meet business goals and remain in business under competitive conditions. Small-scale businesses in most developing economies also make a good percentage of economic activities and bring with them a huge contribution to national output (Sultana *et al.*, 2022). These businesses tend to be very close to customers and are prompt to respond to local market needs because of their relatively small size and flexible structures. The responsiveness in this way makes them more competitive, stable in operating and sustainable.

In small-scale businesses, the evaluation of performance is often based on financial and non-financial indicators because they offer varying information regarding the efficiency and sustainability of business operations. The main aspects of financial performance indicators are mainly concerned with the financial results of the business. These are aspects like sales growth, profitability, revenue generation, provision of return on its investment as well as cost-saving. These measures measure the financial stability and economic sustainability of a business by assessing whether the business is earning enough revenue in comparison to its operational expenses. Financial measures are specifically helpful in determining the financial success of the business in general and its capacity to make an investment, pay debts, and grow its operations.

Nevertheless, financial indicators might not be able to capture the overall consequences of small businesses operations, particularly in settings where informal operations, resource limits and social objectives significantly contribute. As a result, researchers are placing more focus on the applicability of the non-financial performance indicators that reflect the qualitative and operational

elements of business success. The non-financial measurements are normally customer satisfaction, business sustainability, market growth, ability to innovate, operational effectiveness, employee productivity, and community impact. These indicators show the success of a business in developing relationships with customers, adjust to evolving conditions of the market, and enhance internal operations. The non-financial measures are specifically applicable in the context of small-scale enterprises since they bring out other factors that help to survive in the long run as well as competitive advantage that transcends short term financial gains.

Besides the consequences of performance at the firm level, the operational performance of small-scale businesses also has economic and social implication. These businesses play a role in developing a region in that they decentralize economic activities and make the distribution of economic opportunities between urban and rural regions more balanced. They are also important in the creation of jobs since they absorb semi-skilled and unskilled labour, thereby in alleviating unemployment and alleviating the rural-urban migration pressure (Taiwo, 2022). Moreover, they are flexible and entrepreneur-oriented to add niche products into the market, motivate innovation, and strengthen competition on the local markets. Governments have realized such roles and thus usually organize favourable programs like tax breaks, credit access, entrepreneurship development courses and infrastructure to facilitate the business performance of small business firms (Onyedikachi *et al.*, 2022).

The small-scale businesses though economically very crucial, in most cases, have to grapple with a lot of structural and operational challenges which may limit their performance. Lack of accessibility to finance, poor managerial ability, poor infrastructure and stiff competition by bigger companies often impair their scaling capacity and their adaptation to new technologies. Such limitations may limit the increase in productivity, the expansion of the market, and the effectiveness of the whole operation (Challoumis, 2024). Still, numerous small-scale businesses are resilient and flexible especially with the help of favourable economic policy, cooperative credit programmes, and microfinance interventions. Their survival and operation capability even within resource limitations indicates their entrepreneurial potential to generate jobs, localized innovation, and development of communities (Junaidi & Choerudin, 2024).

With this in mind, the performance of small-scale businesses should be analyzed in terms of more than just their financial success, but also in terms of their overall operational and

developmental edges. The study thus embraces non-financial performance indicators especially those that are operational effectiveness and market performance. The reason why non-financial measures have been selected is due to the fact that not all small-sized enterprises, particularly those operating in the developing economies, keep a record of financial indicators, thus financial indicators are hard to retrieve out reliably. Furthermore, non-financial metrics like market growth, innovation adoption and customer satisfaction can give a more holistic picture on the impact of entrepreneurial strategies on business sustainability and long term competitiveness. Therefore, the emphasis on non-financial performance enables the present study to reflect the realistic effects of business operations in a manner that is reflective of the operational realities of small-scale businesses.

Theoretical Review

Credit Rationing Theory is an influential perspective of grasping credit market defects caused by the credit market information asymmetry between the lenders and the borrowers, developed by Stiglitz and Weiss (1981). The theory assumes that financial institutions do not make their credit distributions solely based on interest rate manipulations. Rather, in periods of uncertainty, banks can ration credit even in cases where borrowers are ready to pay a higher interest rate, to prevent high-risk clients. Increased interest rates promote adverse selection because they encourage borrowers who will tend to do riskier projects and exert moral hazard because borrowers are motivated to switch to higher-risk actions after borrowing money (Adusei and Adeleye, 2024; Falaiye *et al.*, 2024). As a result, numerous small and medium enterprises (SMEs), especially those with fewer than adequate collateral or inadequate financial records, or informal operating systems, are simply locked out of formal credit options (Onyedikachi *et al.*, 2022; Umeaduma, 2024).

These limitations are very acute in the Osun State in the background of small-scale businesses. The common institutional barriers include poor financial documentation, collateral, high transaction costs, and limited credit history that entrepreneurs in the region often face, increasing the risk perception of the lenders. The Credit Rationing Theory can therefore be used to understand why the normal banks can limit access of loans even when the credit is highly demanded by the small-scale entrepreneurs. Such limitations result in the creation of financing gaps that prevent the growth of business, technology purchase, and productivity (Challoumis, 2024).

Thus, the Credit rating Theory will present an interesting theoretical background of the study. The theory explains that formal banks enforce credit limitations which are major contributors to the poor business performance by small-scale entrepreneurs. Cooperative micro-credit programmes play a corrective role in terms of information asymmetry, credit rationing, and increasing access to finance of great need. This theoretical framework explains why cooperatives are feasible institutions to promote entrepreneurial development, increase business performance, and promote socio-economic development in Osun State.

Empirical review

Olagunju (2025) studied the institutional aspect of agricultural cooperative communities and effects on access to loan with microfinance banks in Southwest Nigeria. The research investigates the institutional features of the agricultural cooperative societies and has implications on the access of a loan in the microfinance banks in Southwest Nigeria. As survey research, the total number of samples was 242 which included Managing Director (MD); Head of Credit (HOC); Head of Operations (HOP); and, the Internal Auditor (IA) and studied on three States of Southwest geopolitical zone of Nigeria viz., Lagos, Oyo and Ogun States respectively. The study, through the inferential statistics, set that the Organizational skills and abilities of functional structures, regular meetings, decision-making, establishment of goals, and conflict management played a major role in access to credit in addition to credit experience of leaders. Although the research offers the important information about institutional aspects of loan access, the study is constrained by only the administrative staff (MDs, HOCs, HOPs and IAs) which omitted the opinions of the cooperative members seeking microcredit directly. Also, the use of inferential statistics without further qualitative triangulation limits insight into the relation of internal institutional processes and borrower attributes.

Nwachukwu *et al.* (2025) provided an analysis of cooperative societies, entrepreneurship business development, and poverty reduction in South West Nigeria. Cooperative societies have begun to be perceived as good tools of fostering entrepreneurship and alleviating poverty in the world. The stratified random sample size was 384 drawn out of a population of 684, 200 registered cooperative members and 352 valid responses were received to be analysed. The study established through the application of linear and multiple regression models that cooperative societies play a significant role in poverty reduction ($R^2 = 0.584, 864$) and an even greater role on the

entrepreneurial business development ($R^2 = 0.743, 862$). These results highlight the importance of the critical roles played by cooperative societies in facilitating environmentally sustainable economic growth in South West Nigeria. The research suggests better policy frameworks to facilitate cooperative societies with better access to finance, skill development programmes, and effective regulatory supervision to ensure they make maximum contributions to poverty reduction and entrepreneurial development. Despite the rigorous sampling strategy and robust regression models used in the study, the study uses only self-reported data, and this approach can introduce the bias of responses. In addition, the work has found good statistical correlations, but it has failed to address causal processes that explain how cooperative society positively influences business development or poverty alleviation.

Abdulkazeem, (2025) researched the co-operative societies as an engine of business operation in Nigeria: a concept view. This essay is a hypothetical perspective of the role of co-operative societies on the business performance according to 2024-2025 research. The study is based on the recent Nigerian and global referees to motivate falsifiable conceptual framework. Qualitative/secondary-data conceptual study and practice implications of Nigeria were used in the article. Recent grounding of new empirical data about Ekiti, Anambra, Lagos and Oyo are more recent. The theoretical contribution of the current research to the expanding RBV, SCT and CAT to collective resource endowments and practical contribution in proposing strategies to the business owners and policy makers are evident. The researchers determined that access to the financial services and capacity building has a positive effect on business performance in Nigeria. It is based on this that it was determined that the co-operative societies have a very positive significant impact on the business performance and it is recommended that co-operative societies should focus on the access of credit facilities by members and presentation of innovative strategies towards economic participation and poverty reduction in the process of sustainable development. Being a theoretical paper, the research is a valuable contribution to theory, but it does not provide any empirical data to support its arguments. Synthesis of literature involves extensive use of secondary sources, and therefore conclusions to be made are more suggestive than conclusive. Moreover, despite the diversification of RBV, SCT, and CAT frameworks in the paper, there is no empirical test of the propositions, which eliminates the practical applicability.

Kolapo *et al.*, (2022) tested the impact of microcredit on investment decision of smallholder farmers in Osun State. In its study, it used a cross sectional data of a survey that had been conducted in Osun state in Nigeria. To establish the accessibility of the microcredit to smallholder farmers and its influence on the investment decision. The factors that influence access to were estimated using Probit regression model. Microcredit through the smallholder farmers and OLS model to determine the impact of microcredit on the level of investment that the farmers made. The regression of the probit model showed that the source of credit, education level and membership of association was found significant and had a positive effect on credit access that was realized. The outcome of the ordinary least squares regression also showed that interest to investment and access to credit at that age produced a strong and positive implication to the investment of the farm by the farmers. It was indicated that financial institution should re-strategize and organize a working model that will facilitate easy and prompt disbursement of loan to farmers in order that they will be in a position to use the loan towards the projected purpose. The research offers an empirical basis to comprehend microcredit and investment choices but the cross-sectional study does not allow establishing causality. The study has also confined itself to smallholder farmers, which restricts the accuracy of the findings to non-agricultural small-scale businesses in Osun State. Also, the research fails to consider the possible endogeneity problems including reverse causality (i.e. more productive farmers are just more likely to access credit).

Ilesanmi *et al.*, (2024) assessed the impact of microcredit on rural livelihoods: a case study of rural farming households in Southwest Nigeria. The observation measures the impact of microcredit to the lives of rural farming families in Southwest Nigeria who are asset of credit and factors affecting credit access experts. Descriptive facts were employed to analyze the information by using multinomial logistic regression. Results show that 97.5 percent of the respondents had borrowed informal sources of credit such as family members and friends as opposed to 8.3 percent that borrowed micro finance banks. Despite the interesting information on credit access and improvement of rural livelihoods, the study findings indicate that there is over dependence on informal credit sources and hence the study can be less relevant in the context of understanding formal microcredit process. The limitation of the study is the fact that it does not analyze the efficiency of the credit utilization in detail since the question of whether credit is a cause of sustainable livelihoods remains unanswered. More so, the descriptive and multinomial regression

which were used though suitable, do not exhaustively investigate the structural obstacles in the formal credit systems.

Method

The nature of descriptive research design used in this research was survey research design due to the fact that descriptive research design enables the researcher to gather primary data in large numbers and in a systematic way with the respondents in their natural environment. This design is deemed suitable to the evaluation of the operational practices of cooperative societies and the impacts of such practices on the exposure of members to credit and business performance outcomes. It also allows the researcher to outline the current state of affairs, analyse the connection between the variables and make significant inferences using empirical data without interfering with the study conditions. This design is reasonable as it gives a good platform to collect first-hand information and it also guarantees the representativeness of the sampled members of the cooperative.

The study population was all the 507 registered members of the Orisun Ibukun Multipurpose Cooperative Society in the Osogbo Metropolis, Osun State. This collaborative society was chosen due to its huge number of members, the existence over the years, and its reputation of facilitating economic empowerment of the grassroots in the State. The large population also gives an adequate background to the analysis of individual differences in the experiences of members accessing credit and cooperative membership. The adoption of a large and established cooperative is a way of enhancing the external validity of the research and the generalizability of the research findings to comparable cooperative organizations in the area.

Since the population was more than 500 people, sampling was required to give efficiency of data collection and manageable analysis. Yamane (1967) formula was used to calculate the sample size as it is commonly used in surveys research to obtain statistically valid sample sizes of finite populations. The population of 507 divided by a 5% margin of error then obtained a sample of about 223.68, which was approximated to 224 respondents. This will be sufficient and provide adequate statistical power, minimize sampling error as well as giving a wide representation of the members of the cooperative to make sound inferential analysis. The respondents were selected using simple random sampling technique to the membership register of the cooperative. This is the probability sampling technique that will be used since every member will have an equal and

independent opportunity of being part of the study. This minimizes the sampling bias and improves the accuracy of the results. The sampling frame was the membership register, which was selected at random. Simple random sampling is also adopted because it suits the descriptive survey design and enhances fairness, inclusiveness and representativeness.

The study used primary data as its primary source of information. The collection of the data occurred with the help of a structured questionnaire created under the influence of the available empirical data and theoretical concepts in respect of the functioning of the cooperative society, access to the credit, and business performance. The questionnaire was categorised into parts of demographic features, cooperative responsiveness, access to credit, and performance-related values. Attitudinal and perception-based variables were measured using a five-point Likert scale to ensure they would be easily understood and responded to. The primary data were selected due to the fact that they give first-hand information and up-to-date data which depict the experiences of the members of the cooperatives. Data were coded and analysed using the Statistical Package for the Social Sciences (SPSS), and thus the completed questionnaires. Frequencies, percentages, means, and standard deviations were the statistical tools used to summarise the demographic and general response patterns of the participants. The hypothesis tests were conducted through inferential statistics and multiple linear regression analysis to establish the nature and the strength of the relationship among cooperative practices and the access of the members to credit at a significance of 0.05.

Result and Findings

This section consists of the descriptive analysis of the respondents' demographic characteristics and hypotheses tested to accomplish the stated objectives. Also, 203 valid and completed questionnaires were retrieved for this study, out of 224 distributed.

Demographic Characteristics of the Respondents

Table 4.1: Demographic Characteristics of the Sampled Respondents

Gender	Frequency	Percent
Male	137	67.5
Female	66	32.5
Total	203	100.0
Age		
21-30	53	26.1
31-40	71	35
41-50	49	24.2

51-60	30	14.7
Total	203	100.0
Educational Qualification		
O Level	35	17.2
ND/NCE	71	35
B. Sc. /HND	83	40.8
M. Sc.	12	6
Others	2	1
Total	203	100.0
Nature of Business		
Trading	113	55.6
Services	79	39
Processing	11	5.4
Total	203	100.0
Years in Business		
Less than 4 years	82	40
5-8 years	58	29
9-12 years	32	16
Above 12 years	31	15
Total	203	100.0

Source: Authors' computation with SPSS 22.0. (2025)

As indicated in the table, the respondents were mostly male, with the majority of the sampled business owners being men (approximately 67.5 per cent) compared to women (32.5 per cent). The implication of this is that men are more involved in small-scale businesses in the study area than their female counterparts. The gap can be in terms of culture, social and financial constraints that restrict women from being entrepreneurs. The analysis of the age showed that the biggest percentage of respondents were in 31-40 years (35%), 21-30 years (26.1%), 41-50 years (24.2%), and the least percentage consisted of those aged 51-60 years (14.7%). Such a trend indicates that the majority of the sampled respondents are in their working and productive years, and the young and middle-aged population controls the ownership of small businesses. It also indicates that the participation decreases with age perhaps because of retirement inclinations or a decrease in the physical engagement of business. Regarding education, a large number of the respondents were B.Sc./HND holders (40.8%), then ND/NCE holders (35%). In the meantime, 17.2 per cent of the respondents were only O-level holders, 6 per cent had a Master's, and 1 per cent fell under the Others category. This distribution reveals that most of the small-scale owners of businesses are relatively well educated, and therefore it could help them manage their businesses effectively, maintain records, and embrace innovative business practices.

The majority of respondents were in trading (55.6%), and services (39) and processing (5.4) had minor portions. This indicates that the trade business is taking over small-scale businesses in the research location, probably because it does not require high capital compared to service-based or processing businesses. Processing is low, indicating little investment in value-added business, which may be due to the greater expenditure on machinery and technology required. The years in the business demonstrate that 40 per cent of the respondents had been in the business for not more than 4 years, 29 per cent had been in business between 5-8 years, 16 per cent had remained in business up to 12 years, and 15 per cent had been in business for over 12 years. It is an indicator that a sizeable percentage of the respondents are new entrants in the field of entrepreneurship. The declining proportion with increasing years indicates that small-scale businesses may not be able to endure in the long term in terms of sustainability and survival.

Test of Hypotheses

Table 2: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.925 ^a	.856	.854	3.77441

a. Predictors: (Constant), accessibility of cooperative micro credit schemes, cooperative loan, savings mobilisation, and non-financial support

b. Dependent Variable: performance of small-scale business

Source: Author’s Computation (2025).

Table 2 presents the regression model summary for the association between cooperative microcredit schemes and small-scale business owners. With an R value of 0.925, this indicates a moderate positive association between cooperative micro credit schemes (accessibility of cooperative micro credit schemes, cooperative loans, savings mobilisation, and non-financial support) and small-scale business owners in Osun State, Nigeria. This magnitude of direct connection among the three variables is statistically significant at the 5% level.

Table 3: Regression Showing Significance of Predictors to Performance of Small-Scale Business in Osun State Nigeria

Model		Sum of Squares	ANOVA ^a		F	Sig.
			Df	Mean Square		
1	Regression	25686.986	4	6421.747	450.771	.000 ^b
	Residual	4330.826	304	14.246		
	Total	30017.812	308			

a. Dependent Variable: small-scale business performance

b. Predictors: (Constant), accessibility of cooperative micro credit schemes, cooperative loan, savings mobilization, non-financial support

Source: Author’s Computation (2025).

Table 3 shows the F-statistics value for regression to test the overall significance of the independent variables or predictors in explaining the dependent variable. Results indicated in the table shows that talent management strategies applied in accessibility of cooperative micro credit schemes, cooperative loan, savings mobilization, non-financial support the selected study area significantly predicted the performance level of small scale business owners, $F(4,308), 450.771$, $P\text{-value} \leq 0.05$ (Sig .000). This indicates strong evidence against the null hypothesis, as there is less than 5% probability that null hypothesis is correct. The F–statistic indicates that the overall regression model is highly statistically significant in terms of goodness of fit, since $F_{\text{tab}}(4,308) > F_{\text{cal}}(450.771)$. The study concluded that cooperative micro credit schemes (accessibility of cooperative micro credit schemes, cooperative loans, savings mobilisation, and non-financial support) jointly influenced the performance of small-scale businesses in Osun State, Nigeria.

Table 4: Contribution of each of the Cooperative Micro Credit Schemes to Small-Scale Business Owners

Model		Coefficients ^a		Standardized Coefficients Beta	T	Sig.
		Unstandardized Coefficients				
		B	Std. Error			
1	(Constant)	18.306	1.425		12.845	.000
	accessibility of cooperative micro credit schemes	.136	.060	.167	2.257	.025
	cooperative loan	.692	.062	.826	11.068	.000
	savings mobilization	.207	.056	.274	3.681	.000
	non-financial support	2.260	.077	.859	29.247	.000

a. Dependent Variable: small-scale business performance

Source: Author’s Computation (2025).

Table 4 shows the regression coefficients of the contribution of each independent variable (accessibility of cooperative micro credit schemes, cooperative loans, savings mobilisation, and

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non-financial support) to the performance of small-scale businesses in Osun State. The results show that the highest beta coefficient is 2.260, which is non-financial support. This means that this variable makes the strongest unique contribution to small-scale business owners in Osun State, Nigeria, when the variance explained by all other variables in the model is controlled for. The Beta value for savings mobilisation was slightly lower (.207), indicating a less significant contribution than non-financial support.

Accessibility of cooperative micro credit schemes contribute Beta value of 0.136 and the least contributing factor is cooperative loan, with coefficient Beta value = .692 to the level of business performance. All the variables are statistically significant with unique contributions to the level of small-scale business owners in Osun State, Nigeria, as the sig levels are less than 0.05. Since the calculated p-value is less than the critical value at 5% significance levels, the null hypothesis (H_0) is rejected.

From the results in Table 4, the p-value (0.00) is less than the 5% critical value. Hence, the null hypothesis was rejected. The study concluded that cooperative micro credit schemes (accessibility of cooperative micro credit schemes, cooperative loan, savings mobilisation, and non-financial support) do jointly significantly influenced small scale business owners in Osun State, Nigeria.

Discussion of Findings

This research reveals that accessibility to cooperative credit, cooperative loans, savings mobilisation, and non-financial support can foster the performance of small-scale businesses within Osun State substantially, and these concepts are referred to as cooperative micro-credit schemes. The model gave a good R value of 0.925 and an R^2 of 0.856 which means that cooperative financial variables explain 85.6 per cent of the variation in the business performance. ANOVA value ($F = 450.771$, $p < .05$) confirms the significant value of the total model since it indicates that cooperative support systems have a strong predictive power on small-scale business results. Such results are also consistent with those of Olagunju (2025) who observed that cooperative institutional efficiency increases the access of the members to credit. This research also found that access to cooperative credit and mobilisation of savings was also a major predictor of the performance of businesses with proper structured cooperative systems being valued. The

significant value of the non-financial support (= 2.260) is consistent with the opinion of Olagunju who states that organisational skills and internal coordination improve cooperative effectiveness.

The findings are also consistent with Nwachukwu *et al.* (2025), who established that cooperatives play an important role in entrepreneurship and reducing poverty in Southwest Nigeria. The strength of the existing research is supported by the significant explanatory power of cooperatives as essential contributors to business growth and economic stability. Furthermore, the results concur with Abdulkazeem (2025), who highlighted that cooperatives enhance the performance of businesses in terms of financial access and capacity-building, which were also identified to have a significant effect on the performance of small-scale businesses in Osun State.

The study also comes in line with the findings of Kolapo *et al.* (2022) and Ilesanmi *et al.* (2024) who found that microcredit improves investment decisions and livelihood outcomes. Similar benefits of non- agricultural entrepreneurs in Osun State are indicated by the high impact of cooperative loans and savings on the current findings. Generally, the findings are supportive of Credit Rationing Theory, indicating that cooperatives assist small business owners to access credit-related barriers provided by formal financial institutions. Cooperatives enhance the performance and sustainability of the business greatly, by offering affordable funding and supportive services.

Conclusion and Recommendations

This paper has discussed how cooperative micro-credit programmes, namely accessibility to cooperative credit, cooperative loan, mobilisation of savings and non-financial support tend to affect the performance of small-scale enterprises in Osun State. The research findings showed that the combined and important contribution of these cooperative mechanisms towards better business performance was the highest with the non-financial support being of the greatest contribution to the success of the entrepreneurs. The fact that the regression model has high explanatory power ($R^2 = 0.856$) indicates that cooperative structures are central to improving business activities, increasing profitability, and sustaining the enterprise. These results support the applicability of Credit Rationing Theory and prove that cooperatives assist in defeating market imperfections that constrain access to formal financing by entrepreneurs. Hence, the cooperative micro-credit programmes continue to be a viable tool toward enhancing the resilience, competitiveness and development of small-scale businesses in Osun State. Based on the findings from this, this study recommended that;

- i. Cooperative societies are advised to emphasise on regular business training, mentoring, record-keeping support and skills development programmes to improve the managerial capacity of the members.
- ii. Cooperatives are advised to provide easier loan routing and less bureaucratic delay in the loan process and provide more regular loan cycles to enable entrepreneurs to get working capital on time.
- iii. Cooperative leaders need to come up with schemes like interest bonuses or matching schemes as an incentive to stimulate member savings, which will boost internal funds that can be used to take business loans. Cooperatives are advised to find ways of collaborating with the microfinance banks, state agencies and development finance institutions in a bid to increase their lending capacities.

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