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BANK CREDITS AND GROWTH OF HOSPITALITY INDUSTRY IN EKITI STATE, NIGERIA

OLAIYA, ADENIYI CLEMENT
&
OLUWOLE, FOLUSO (Phd.)
The Federal Polytechnic, Ado-Ekiti, Ekiti State,
Nigeria

ABSTRACT

Business operators in the hospitality industry have not been able to get adequate credits from banks in Ekiti State. Most of these businesses resulted in sourcing funds from families, friends, cooperative societies, and other informal sources as against securing loans from banks that are more appropriate for their business needs. High-interest rates and stringent conditions like collateral security are some of the impediments faced by practitioners in the hospitality industry. Despite evidence obtained from previous studies that showed a positive relationship between bank credits and growth in different sectors of the economy, most studies on the hospitality industry had not focused on the sourcing of funds. Enough attention had not been given to the relationship between bank credits and growth in the hospitality industry, hence, the need for this study.

Six local government areas (LGAs) were selected as samples from the sixteen LGAs of Ekiti State comprising of three senatorial districts using a multi-stage sampling technique. Using Yammane's (1967) formula of sample size determination, five hundred and five (505) copies of questionnaires were administered. Data were analyzed using descriptive and ordinary least square regression analysis.

With a positive correlation (0.872) and an adjusted R square of 76%, the study found that bank credits positively and significantly stimulated profitability of the hospitability industry at 5% confidence interval. This means an increase in bank credits led to an increase and growth in the hospitality industry.

The study concluded that bank credit was positive and a significant determinant of the growth of the hospitality industry in Ekiti State. It was, therefore, recommended that policymakers and government through the Central Bank of Nigeria (CBN) should reduce the lending interest rate to a one-digit number, instead of the current rate of 25% on average in order to encourage expansion of the hospitality industry in Ekiti State. Also, banks are encouraged to give priority to lending requests from the hospitality industry as well as reduce the interest to them in order to stimulate growth in the hospitality industry.

Keywords: Bank credit, hospitality industry, employment generation, profitability, economic growth.

1.0 INTRODUCTION

1.1 Background to the Study

In most economies, there are individuals and firms in possession of surplus or excess funds that exceed their basic needs and requirements, and as such, they are seeking investment opportunities. Also, there is another category of individuals and firms with business and investment opportunities without adequate funds at their disposal (Umoh, 2016). The bank is the link between these two categories which allow for the transfer of funds from the surplus unit to the deficit unit of the economy (Ogubunka, 2003). Through banking activities, individual savings are channeled to the business firms, and investment funds are efficiently allocated among firms. The banking system of any country provides the financial resources required for productive activities to ensure economic growth. An efficient and highly developed banking system is essential to a healthy economy (Ekezie, 1997). One of its key roles is the distribution of capital in the economy, the personal savings of an individual, placed in a bank is being intermediated to another individual to buy a house, start a business, and increase working capital or build a plant. Through banks, the investment requirements of savers are reconciled with the credit needs of investors and consumers. Therefore, banking activities affect every individual and firm within that economy (Olowe, 2017 and Barbara, Claudia, & Philip, 2006).

Bank credits are loans and advances provided by bank financial institutions in order to enhance productivity which by implication leads to economic development. Bank credits are considered to be important to any economy which bridges the gap between the borrower and the lender, particularly in a developing economy like Nigeria. When credits are given by bank financial institutions, they are called bank credits and when they are given by non-bank financial institutions they are called non-bank credits (Udoka & Mbat, 2016). Credit is an important aspect of financial intermediation that provides funds to those economic entities that can put them into the most productive use. (Ogunmuyiwa, Okuneye & Amaefule, 2017). Businesses need bank credits for different reasons, for some, to finance investment projects and for some, it is simply to augment their working capital as is the case with credits from most commercial and microfinance banks.

Denney and Michael (2007) define hospitality as the relationship between guest and host, or the act or practice of being hospitable. Hospitality is also known as the act of generously providing care and kindness to whoever is in need. According to Advanced Learners Dictionary, hospitality means ‘the friendly reception and treatment of guests, visitors or strangers. This includes the welcome reception and entertainment of guests, visitors, and strangers in warm, friendly, and generous ways. NOUN (2012) defines the hospitality industry as an industry whose aims are to provide comfortable, suitable accommodation and safe catering services that are, safe foods and drinks in a friendly hospitable and pleasing manner to whosoever need such provisions.

The hospitality industry also provides ancillary services such as entertainment, car hire services, telephone and telex services, or other e-mail services that are (electronic mail services) recreational services, laundry services, and security services. However, it is to be noted that all the aforementioned services have to be paid for. Examples of businesses in the hospitality industry are hotels, motels, guest- houses, catering establishments, restaurants, and bars. Denney and Michael (2007) trace the origin of the word hospitality to the Latin word hope meaning guest, visitor, or one who provides lodging for a guest or visitor.

According to Suleiman (2014), the number of hotels and relaxation centers in Ekiti State has continued to grow, despite and amidst the challenge of poor electricity supply and low patronage. From Ado to Ikere, Ilawe, Efon-Alaaye, Aramoko, Okemesi, Omuo, Ikole, and other towns, hotels have kept attracting an increasing number of proprietors who have tried to outdo one another in the trade, not only in the quality of their services but even in the sheer architectural surprises they spring in the edifices. In Ado–Ekiti, the state capital, the number, according to his report, has increased from a modest forty in 2011 to nearly two hundred in 2014. Street by street, road by road, the hotels, most of which are close enough to the main roads and fences of which are low enough to permit both a generous view and cursory ocular standards assessments, announce their presence often in attractive colors, especially at night when their patrons come in droves for services ranging from relaxation to recreation and accommodation.

However, the effectiveness of the hospitality industry is dependent on the availability of resources, such as raw materials and financial resources to meet up the demands, this brings about the needs for the financial sector in Nigeria to allocate substantial financial resources for the purpose of supporting and developing Nigerian hospitality industry. According to Okhiria, Paul, Obadeyi, and Afuye (2016), the major problem facing the Nigerian hospitality industry is inadequate financial resources for investment and they attributed this to the low level of income from national savings. In their opinion, banks in Nigeria are highly liquid, but they try to shun lending to the hospitality industry. Thus, the attitude of the banks towards the hospitality industry has led to low credit facilities and high interest rates thereby limiting the efficiency of the industry.

1.2 Statement of the Problem

Business operators in the hospitality industry have not been able to get adequate credits from banks in Ekiti State. Most of these businesses resulted in sourcing funds from families, friends, cooperative societies, and other informal sources as against securing loans from banks that are more appropriate for their business needs. High-interest rates and stringent conditions like collateral security are some of the impediments faced by practitioners in the hospitality industry. Despite evidence obtained from previous studies that showed a positive relationship between bank credits and growth in different sectors of the economy, most studies on the hospitality industry had not focused on the sourcing of funds. Enough attention had not been given to the relationship between bank credits and growth in the hospitality industry, hence, the need for this study. In spite of the huge funding required by Nigerian's hospitality industry, both governments through their developmental programs and private sectors through commercial banks have not provided sufficient financial support to the industry to fully optimize the potentials in the hospitality industry. Commercial banks for instance focus more on sectors like oil and gas, telecommunications industries, and even lately religious organizations. The difficulty in funding the hospitality industry and the challenges for its growth are the main concerns that led this study to examine the effect of bank credits on the growth of the hospitality industry in Ekiti State.

The objective of the Study: The main objective of this study is to examine the effect of bank credits on the growth of the hospitality industry in Ekiti State. The specific objective is to examine the effect of bank credits on the profitability of the hospitality industry in Ekiti State. This study is guided by the following null hypotheses:

H01. Banks credits have no significant effect on the profitability of the hospitality industry in Ekiti State.

2.0 LITERATURE REVIEW

2.1 Conceptual Review

2.1.1 The Concept of Bank Credit

The word credit was derived from the Latin word credo which means 'I believe' or 'I trust', which signifies a trust or confidence reposed in another person (Bhattacharya & Agarwal, 2000). The term credit means, reposing trust or confidence in somebody. It is interpreted to mean trusting in the solvency of a person or making a payment to a person to receive it back after some time or lending of money and receiving of deposits. In other words, credit is a contractual agreement in which, a borrower receives something of value now and agrees to repay the lender at some later date (Vasant, 2016). According to Ekezie (1997), credit is the amount extended out with a future date of repayment. The NDIC (1990) prudential guidelines, however, provide a wider definition of credit, and this includes an aggregate of all loans, advances, overdraft, commercial papers, bankers acceptance, bills discounted, leases and guarantees.

The total bank credit the individual has is the sum of the borrowing capacity each lender bank provides to the individual (Uppal, 2015). According to Ayadi, Arbak, and De-Groen (2013), credit is purchasing power not derived from income but created by financial institutions either as offset to idle income held by depositors in the bank or as a net addition to the total amount of purchasing power. Nzotta (2014) defines credit as the belief in someone's probability and solvency which will allow the owner of something of value to entrust it to another whether that something consists, of money, goods, services, or even credit itself as and when one may entrust the use of his good name and reputation. On the basis of the above definitions, it can be said that credit is the exchange function in which, creditor gives some goods or money to the debtor with a belief that after some time he will return it (Barbara, Claudia & Philip, 2006 and Nzotta, 2014).

Banks are unique institutions that collect depositors' savings, allocate such savings to various investment and consumption opportunities, and manage a country's payment system amongst other functions. Banks receive savings from surplus spending units that spend less than they earn. They pool the savings and lend them to the economic units and individuals who spend more than they earn (deficit spending units). By so doing, banks help to separate those who save from those who invest. The result is that the savings and the investment functions are better performed and the quantum of national savings and investment is likely to increase (Umoh, 2016).

An economy needs an adequate but not excessive money supply. If the rate of increase in money supply in an economy lags behind the rate of increase in production of goods and services, the resultant effect to the economy is deflation, while on the other hand, if the increase in the money supply is at a more rapid rate than does the production, inflations results, with all its adverse effect on the various economic variables (Layi, 1998; Ogunbunka, 2003and Adekanye, 2010).

According to Ogubunka (2003), when a bank grants a loan, it has created a claim against itself and in favour of a borrower. The standard assets of commercial banks are overdrafts and loans, bills discounted investments, and cash. Commercial banks usually grant overdraft facilities to their customers with demand deposit accounts on the basis of some security. The amount of the overdraft facilities granted is normally entered in an existing demand deposit account of the customer who is then allowed to draw cheques for the overdraft amount agreed upon. By so doing, the bank creates a deposit (Adekanye, 2010).

2.2 The Hospitality Industry

The hospitality industry can probably be regarded as one of the pioneering commercial undertakings of this world (Denney & Michael, 2007). This industry supplies a variety of services ranging from travel arrangements, accommodation facilities, food & beverages to leisure activities. Essentially, it provides all requirements of the modern-day traveler, who could be traveling for business, pleasure, vacation, adventure, religious purpose, or medical treatment. The term hospitality means the cheerful welcoming of people, who may be known or maybe strangers (Ofobruku,2012). It is the relationship between a guest and host. The hospitality industry is a service industry. According to Svetlana and Nevena (2013), the hospitality business is based on the culture of serving guests with warmth and care so that they feel comfortable and secure. They have also stated that hospitality is the fundamental need for travelers, pilgrims, wanderers, tourists, etc. because it gives them a strong feeling of home away from home.

Hospitality has been an important element in enriching the experiences of guests through its consistent service quality. It includes hotels, resorts, restaurants, houseboats, catering establishments, bed and breakfast outlets, casinos, clubs, lounges, and bars. A hotel is a place where a bonafide traveler can get food and shelter, provided he is able to pay for it and is in a fit condition to be received. Here, the products being sold are perishable and intangible. A hotel is thus a commercial establishment that provides accommodation, meals, and other services to the guests. Hotels range from economical or limited service to those providing world-class services (Okhiria, Paul, Obadeyi, & Afuye, 2016).

NOUN (2012) defines the hospitality industry as an industry whose aims are to provide comfortable, suitable accommodation and safe catering services that are, safe foods and drinks in a friendly hospitable and pleasing manner to whosoever need such provisions. The hospitality industry also provides ancillary services such as entertainment, car hire services, telephone and telex services or other e-mail services that are (electronic mail services) recreational services, laundry services, and security services. However, it is to be noted that all the aforementioned services have to be paid for. Examples of hospitality industries are hotels, motels, guest- houses, catering establishments, restaurants, and bars.

Okhiria, Paul, Obadeyi, and Afuye, (2016) submit that the hospitality industry specializes in providing food and/or drink and/or accommodation to all kinds of people that are away from home with liberality and goodwill. They conclude that with food and shelter, hospitality has successfully met the two basic needs of human society and that the roles of the hospitality industry cannot be over-emphasized due to its unmeasurable importance to human existence, sustenance, and survival. Hospitality entailed the provision of services (food and drinks) to places such as motels, tourist camps, holiday centers, resorts, bars, cafeterias, snack bars, pubs, nightclubs, etc.

3.0 THEORETICAL FRAMEWORK

3.1 Joseph Schumpeter's Theory on Economic Growth and Development

A century ago, Schumpeter (1911) propounded economic growth and development theory which was anchored on the fact that financial intermediation role of banks is at centre of economic development (growth). He had argued that financial intermediation through banks plays a pivotal role in economic development through banks' role in allocating savings to projects with the best chance of success. This theory has been used by Piabuo (2015) when he examined the impact of financial sector development on economic growth between Cameroon and South Africa. Schumpeter articulately explained how financial transactions through banks take a central stage in economic development. Thus, he preferred to use development instead of the term economic growth. Schumpeter suggested that bankers, through their selection and funding of entrepreneurs, and business owners like hoteliers and restaurant operators promote innovative activities and spur economic growth through an increase in productivity, foreign exchange earnings, and employment generation.

According to Schumpeter, the banker is an intermediary between those who have profitable business ideas to execute in the hospitality industry but lack the required investible funds and owners of surplus capital which is necessary to accomplish this aim. Thus, when a bank issues a loan, it authorizes the implementation of new profitable business ideas like a hotel, motel, bar, clubhouse, drinking joint, restaurant, fast food joint, or eateries for the overall benefits of the whole society (economic development).

Therefore, banking activity is aimed at stimulating economic development. However, it implies the absence of centralized power that would exert exclusive control over social and economic processes. At the same time it should be considered that according to Schumpeter, bank loans are of great importance just at the moment of creating the new combinations (profitable business ideas); whereas in a steady state of the economy when businesses have already acquired necessary means of production or are able to fill them up constantly due to the revenues from the previous production, finance just plays an auxiliary role. However, this is not the case with the hospitality industry in Nigeria generally and Ekiti State in particular where the hospitality industry depends largely on bank funding.

4.0 EMPIRICAL REVIEW

Tarik (2016) investigated the challenges to the successful development of the hotel industry in the People Republic of China and address the opportunities that hosting mega-events provides. In particular, the roles of mega-events (Beijing 2008 Olympic Games, World Expo 2010 Shanghai, and Guangzhou Asian Games 2010) in the development of the hotel industry are reviewed. The study revealed that mega-events contributed to the enhancement of the hotel industry, but they might not be sustainable. Hosting mega-events in Chinese cities is one of the largest marketing strategies of the Chinese Government to enhance the economic development to catch up with the developed countries in the world. The study focused on identifying the general challenges affecting the hospitality industry.

Vogani and Tembi (2017) gave attention to neglected issues around business tourism with specific reference to Cameroon. The study critically examined the nature of business tourism in the country focusing on Cameroon's two major cities, Douala and Yaounde. The analysis is based upon data drawn from a survey of business tourists staying in local hotels as well as semi-structured interviews conducted with hotel managers/representatives. The results revealed a differentiated pattern of business tourism with representation by both domestic and international travelers and formal as well as informal sec-tor business tourists. Tourism was the sole focus of this work and hospitality was ignored. This study concentrated on tourism and ignored hospitality and employed primary data.

Okhiria, Paul, Obadeyi, and Afuye (2016) examined the issues and challenges of the banking sector and hospitality and tourism industry in Ondo state. The primary source of data adopted was via a structured questionnaire and interview. The statistics that were adopted to estimate the parameter were mean variance, and standard deviation. Also, to determine the standard error, $\delta\sqrt{N}$ was adopted. A simple regression was also used to address the responses of the respondents gathered through the questionnaire in order to derive a logical conclusion for the study. The result showed that the dwindling trends in the hospitality sector as a result of banks' restrictive lending patterns by not making funds (e.g. loans) available to achieve development in the industry, unbearable cost of funds and high-interest rate charged. The study combined hospitality and tourism. The study was only limited in scope to Ondo State.
Vongani and Tembi (2017) examined the hospitality and tourism value attributes perceived as being most important by hotel customers. To achieve the objective, a quantitative study design was employed, in terms of which data were purposively and conveniently collected by means of a survey questionnaire that was administered to hotel guests staying in 3- to 5-star hotels. The findings revealed that hotel customers tend to attach a high degree of importance to the issue of value for money, whereas the appearance of the hotel was least important to them of the tourism-related characteristics about which they were asked. Overall, the study found that hotels in Gauteng generally provide service that was satisfactory to their customers, but that the remaining challenge for hoteliers was in their ability to sustain such levels of satisfaction through continuous employee motivation and skills development.

Ibidapo and Kayode (2015) examined the effect of "Boko Haram" on the development of the tourism and hospitality industry (A Case Study of Jos Metropolitan Council of Plateau State, Nigeria). A total of 140 copies of the questionnaire were distributed and only 130 were returned. A simple percentage was used in the analysis of the data. It was concluded that there are negative effects on hotel patronage because of insecurity. Tourists that we're able to still make it were not able to access healthcare in the immediate vicinity.

Metilelu (2016) investigated human capital development trends in the tourism and hospitality sector, a case of Southwest Nigeria. This study used a semi-structured interview in qualitative research, the data collection method was through interviewing. The study observed that the international hotel brand has made some significant impact through their expertise, which has not really trickle down the entire sector, while the private and public sector lacks the requisite expertise to drive the sector. The study revealed that tertiary institutions offering hospitality and tourism programmes need to re-evaluate their curriculum and seek collaboration with a foreign institutions abroad to provide competitive training and education. The study found that slim collaboration existed between the public and private sector, while the policy framework to integrate the stakeholder was largely lacking. However, this trend affected the quality of services in the various hospitality and tourism outlets in Southwest Nigeria. The study concluded that to attract the global tourism and hospitality market to southwest Nigeria, it was apparent that government need to prioritize the issue of human capital and implement the National tourism master plan document published in 2005 but could not be implemented due to lack of funding.

Nduka, Okocha, and Chris-Nnamchi (2017) studied the indices of customer satisfaction in the hospitality industry in Nigeria. The research analyzed the significance of key factors that determine customer satisfaction. A structured questionnaire on staff performance, cost, hotel facilities, environment, and porn accessibility was developed and used to collect information from the study sample. The structured questionnaire was administered to 400 respondents purposively. Descriptive statistics and regression analysis were used to analyze the data. The result showed that cost, hotel environment, hotel facilities, and income respectively were seen to have a strong impact on customer satisfaction at 5% level of significance, while staff performance seems significant at 10%. There was a relationship between service quality and customer satisfaction.

Joy, et. al (2018) examined the role of brand culture in influencing the perceived value of offerings to customers within the hospitality and tourism industry in Nigeria. To achieve this objective, a total of 434 customers drawn from six different hotels in Lagos State, Nigeria, were sampled. The data were analyzed using regression and Pearson correlation analysis. The result showed that brand culture has a positive significant influence on the perceived value of offerings to customers.

Adeusi and Aluko (2015) examined the relevance of financial sector development on real sector productivity in the 21st century. The model adopted the financial sector development measures as predictors of industrial sector production output. Estimating the model with the Ordinary Least Square (OLS) method, the study revealed that there is a strong linear relationship between the financial sector and the real sector because the coefficient of multiple determinations was relatively high; thus suggesting that financial sector development was crucial for real sector productivity.

5.0 METHODOLOGY

5.1 Research Design

This study adopted a cross-sectional survey design. This design is appropriate because data were collected at a specific point in time. Moreover, data were collected across different businesses from the hospitality industry in Ekiti State.

5.2 Sample and Sampling Technique

Five hundred and five (505) copies of questionnaires were administered. In drawing this sample, six local government areas were selected from the sixteen local government areas of Ekiti State comprising three senatorial districts (Ekiti South, Ekiti Central, and Ekiti North) with the use of multi-stage sampling technique. Within each senatorial district, two local government areas were selected with the use of a purposeful sampling technique.

5.3 Method of Data Collection / Model Specification

Primary data were used and data were primarily sourced through the use of structured questionnaire. This study adopted the model used by Okhiria, Paul, Obadeyi, and Afuye, (2016) when they examined issues and challenges of banking sector and hospitality industry in Ondo State and specified the following model:

$BHS = \lambda 0 + \delta 1CA + \delta 2ED + \delta 3RP + \delta 4LRA + \delta 5TD + \eta$ (2) Eq. (1)

Where:
BHS = Banking and Hospitality Sectors;
CA = Capital adequacy;
ED = Economic development;
$\lambda 0$ = Intercept;
RP = Regulatory policy;
LRA= Loan repayment ability ;
$\delta 1$, $\delta 2$, & $\delta 3$, = coefficients;
TD = Technological dynamism;
η = an error term.

This study adopted the above model by introducing hospitality industry variables and the adapted model became:

y= f(X)
Eq. (2)
Where:

y= profitability of hospitality industry
X= bank credits (Access to bank credits; Bank lending interest rate; Working capital)

PRFT = f (ACBK, BLRT, WKCT) Eq. (3)

The econometric form of the adapted model is stated thus,

$PRFT = \beta 0 + \beta 1ACBK + \beta 2BLRT + \beta 3WKCT + Ut$ Eq. (4)

Where: PRFT= Profitability of hospitality industry
ACBK = Access to bank credits
BLRT = Bank lending interest rate
WKCT = Working Capital
Ut = is the error term

$\beta 1 - \beta 3$ are the various intercepts

The a-priori expectation is $\beta 1 > 0$, $\beta 2 < 0$, $\beta 3 > 0$; meaning that there should be a positive relationship between β1, β3, and profitability of the hospitality industry, while β2 should have a negative relationship with the profitability of the hospitality industry.

5.4 Methods of Data Analyses

The data were analyzed using the OLS regression technique.

5.6 Interpretation of Regression Results

Bank Credits and Profitability of Hospitality Industry

Table 1: A Summary of Regression Analysis of the Interactive (Relationship) between Bank Credits and Profitability.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.872 [a]	.761	.759	.611	2.210

a. Predictors: (Constant), Adequate working capital , Banks lending interest rate , Access to bank credits

b. Dependent Variable: Business Profitability

Source: Author’s Computation (2021)

Table1. shows the model summary of the regression analysis of the relationship between bank credits and profitability. With the correlation (R) value of 0.872 (87%), this implies a positive relationship between bank credits and the profitability of the hospitality industry in Ekiti State. The adjusted R Square value of 0.759 (76%) means that 76% of changes in the profitability of the hospitality industry in Ekiti State is being explained or accounted for by bank credits while the remaining 24% variation is caused by other factors or variables which are not captured or included in this model. This implies that bank credit variables used in the study have an effect on the profitability of the hospitality industry in Ekiti State. Thus, this model is predicting about 76% of the variance in the level of profitability of the selected study area pooling all factors together simultaneously. Durbin-Waston result from the table shows 2.210 which is greater than 2.0, this means that there is no autocorrelation in the model.

Table 2: Regression Analysis Showing Significance of Predictors on Profitability

Model	Sum of	Df	Mean	F	Sig.

		Squares		Square		
1	Regression	462.252	3	154.084	412.966	.000[b]
	Residual	145.142	389	.373		
	Total	607.394	392			

a. Dependent Variable: Business Profitability

b. Predictors: (Constant), Adequate working capital, Banks lending interest rate , Access to bank credits.

Source: Author's Computation (2021)

Table 2 shows the F-statistics value for regression to test the overall significance of the independent variables or predictors in explaining the dependent variable. From Table 2, the results show that banks credits' variables used in the selected study area significantly predicted the level of profitability, F (3,392) = .412.966, p > 0.05 (Sig .000) F – statistical indicates that the overall regression model is highly statistically significant in terms of its goodness of fit since the value of Ftab (3,392) >Fcal (.412.966).

Table 3: Contribution of Each Predictor on Profitability of Hospitality Industry Variables.

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	95.0% Confidence Interval for B	
	B	Std. Error	Beta			Lower Bound	Upper Bound
(Constant)	.686	.155		4.433	.000	.382	.991
Lending interest rate	.041	.027	.041	1.487	.138	.013	.095
Access to bank credit	.786	.025	.853	31.841	.000	.737	.834
Adequate working capital	.126	.023	.420	1.787	.032	.039	.091

a. Dependent Variable: Business Profitability

Source: Author's Computation (2021).

Table 3 depicts the regression coefficients of the relationship between each of the independent (predictor) and dependent variables. From Table 3, access to bank credits has a positive and significant effect on the profitability of the hospitality industry in Ekiti State with a coefficient of 0.786 which means that a 1% increase in access to bank credits will lead to a 79% increase in profitability of the hospitality industry in Ekiti State. The t-statistic value is 31.841 with a probability value of .000 which is significant at the 5% confidence limit. This implies that the growth of businesses in the hospitality industry in Ekiti state will greatly be influenced if banks provide credits to these businesses. This result shows that bank credit is a critical and crucial component of the growth of the hospitality industry in Ekiti State.

Adequate working capital has a coefficient of 0.126 which means that adequate working capital has a positive and significant effect on the profitability of the hospitality industry in Ekiti State which is significant at 5%. This implies that a 1% increase inadequate working capital will lead to a 13% increase in the level of profitability of the hospitality industry in Ekiti State. The t-statistics value of 1.787 and probability value of .032 which is significant at a 5 % confidence limit. This implies that the growth of businesses in the hospitality industry in Ekiti state will greatly be influenced if banks provide credits to these businesses.

However, the contribution of bank lending interest rate has a coefficient of 0.041 which shows a positive but insignificant effect on the profitability of the hospitality industry in Ekiti State. This translates to a 1% increase in bank lending interest rate will lead to a 4% increase in the profitability of the hospitality industry in Ekiti State. The t-statistic value of 1.487 and probability value of .138 is not statistically significant at the 95% confidence limit.

6.0 TEST OF HYPOTHESES

Hypothesis One

H0: There is no significant effect of bank credits on the profitability of the hospitality industry in Ekiti State.

H1There is a significant effect of bank credits on the profitability of the hospitality industry in Ekiti State.

From the results obtained from Table 4.13, the p-value calculated for bank credits on the profitability of the hospitality industry in Ekiti State 0.000 was lesser at a 5% significance level than the 0.05critical value. Hence the null hypothesis was rejected while the alternative hypothesis was accepted. The implication of this is that there is a significant effect of bank credits on the profitability of the hospitality industry in Ekiti State.

The focus of this study is to investigate the effect of bank credits on the growth of the hospitality industry in Ekiti State. The apriori expectation of this study is that bank credits should have a significant effect on the growth of the hospitality industry in Ekiti State. This is the core of Schumpeter's (1977) theory of economic growth and development that placed banks at the center of economic growth which comprises the hospitality industry.

Findings from this study revealed that bank credits have a positive and significant effect on the profitability of the hospitality industry in Ekiti State. This conforms to the apriori expectation that bank credits would stimulate growth in various sectors of the economy. Findings from the study revealed respondents' views on the influence of bank lending interest rates. A higher percentage of respondents believed bank lending interest rates discouraged them from obtaining bank credits. In agreement with a-priori and theoretical expectation, the majority of respondents believed bank lending interest rates discouraged them from obtaining bank credits. Further interactions revealed those respondents believed bank lending interest rate is too high especially in commercial and microfinance banks.

7.0 CONCLUSION

Findings from this study reaffirms the fact that one of the major important functions of banks is the mobilization of deposits and convert the same to credit facilities for investors at an affordable cost (lending rate), especially to the hospitality industry. This is premised on the fact that low credit or high lending rate will amount to a low level of investment which translates to low growth in the hospitality industry. Equally, a low deposit interest rate will discourage the surplus sector that would prefer to invest their money in where they can earn higher returns to depositing their surpluses with banks.

Thus, having empirically examined the effect of bank credits on the growth of the hospitality industry in Ekiti State, and in line with the findings of this study, it is, therefore, concluded that bank credits are a significant determinant of the growth of the hospitality industry in Ekiti State. This is because bank credits have a positive and significant effect on profitability proxied by the growth of the hospitality industry in Ekiti State.

8.0 RECOMMENDATIONS

Based on the findings of this study, the following recommendations were made:

I. The positive and significant effect of bank credits on the profitability of the hospitality industry calls for a policy that can promote more allocation of credits to the hospitality industry. This can be achieved by federal and state governments (through the Central Bank of Nigeria) by supporting the hospitality industry with special intervention funds which could be assessed through various associations and cooperative societies in the industry.
II. As a result of a high percentage of respondents who believed bank lending interest rate discouraged them from obtaining bank credits, the government through the Central Bank of Nigeria (CBN) should reduce the lending interest rate to a one-digit number, instead of the current rate of an average of 25% in order to encourage expansion of hospitality industry in Ekiti State.

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