

# Access to Finance and Entrepreneurial Performance: An Economic Perspective

BELLO ALHASSAN<sup>1</sup>, NDANUSA MOHAMMED MANZUMA-NDAABA<sup>2</sup>  
<sup>1</sup>Entrepreneurship Development Centre, Kwara State Polytechnic, Ilorin Nigeria  
<sup>2</sup>University of Technology and Arts of Byumba, Rwanda

*Abstract- Finance is a key factor of performance of an entrepreneur, especially in small and medium-sized business (SME) in the developing economies. This paper explores the connection between financial access and SME performance in Ilorin Metropolis, Nigeria, where formal and informal finance sources are taken into consideration and also financial constraints are taken into consideration in the form of collateral and interest rates. In theory, increased access to finances promotes investment, innovation, and business expansion, whereas access to a limited amount of finances suppresses entrepreneurial development. The quantitative cross-sectional design was used and 200 SMEs were surveyed, 188 complete responses were obtained (94% response rate). Data on access to finance, sources of finance, financial constraints and performance indicators, such as profitability, sales growth, employment growth and sustainability were collected using structured questionnaires. The OLS multiple regression, panel regression, and logistic regression models were used to test hypotheses. The results show that the ability to access finance has a positive influence on the performance of SMEs, and formal finance has the most significant effect. Limited finances are a source of poor performance, and better access to finance will lead to inclusive growth, particularly of women owned SMEs. All the null hypotheses were dismissed which proved the importance of financial resources in the development of SMEs. In a bid to enhance the competitiveness of the SMEs and to spur the local economic growth, the study proposes strategic financial interventions, which include customized credit products, alternative funding sources, financial literacy initiatives, and inclusive policies.*

**Keywords:** *Smes, Financial Constraints, Ilorin Metropolis, Access to Finance, Entrepreneurial Performance, Inclusive Growth.*

## I. INTRODUCTION

Finance is one of the pillars of entrepreneurial performance and economic growth, especially in emerging and developing economies where the limitation of finances often hampers the development

of businesses (Rashid et al., 2025). According to economic theory, not only is business entry and growth facilitated by the availability of financial capital, but also innovation, productivity, and competitive positioning are determined by the availability of financial capital (Beck and Demirguc Kunt, as discussed in the wider literature on entrepreneurship finance; see Fostering Entrepreneurship, 2025). The empirical research on various settings proves that better access to financial resources positively affects the performance outcomes of small and medium enterprises (SMEs), such as profitability, growth, and sustainability (Aminu et al., 2025; Chibesa and Mwange, 2024). These results highlight the primary role of financial capital in helping entrepreneurs to obtain productive resources, risk management, and strategic opportunities that lead to firm-level success and sustained resiliency of the economy, in general.

New studies also indicate the complexity of financial access. In addition to traditional credit markets, fintech innovations and digital financial services have increased the financing options, and entrepreneurs have broken the barriers of history in collateral requirements, high interests, and strict banking systems (Impact of Financial Accessibility, 2024). Nevertheless, obstacles still exist in most of the local economic environments, and regulatory frameworks, information asymmetries, and institutional constraints still restrict fair financial access, especially by micro and small businesses (The Role of Financial Institutions in Bridging the Financing Gap, 2025).

These dynamics are particularly eminent in the Ilorin Metropolis, a fast-growing commercial city in the Kwara State, Nigeria. SMEs in Ilorin are important sources of local jobs and other economic operations, but most firms complain of limited access to formal finance because of high lending requirements, limited

collateral, and poor financial literacy (Aziz and Oladipo, 2023; Ajirowo, 2024). These limitations tend to compel businesses into high cost informal financing which compromises the business development potential and competitive advantage. Research based on Ilorin indicates that access to both formal and alternative financial sources is a key factor in entrepreneurial performance, and has implications of sustainable economic development of urban areas.

This economic approach places the access to finance in the wider structural and institutional processes that determine the performance of the entrepreneurship in Ilorin Metropolis and its centrality to not only the microeconomic performance of the firms but also the macroeconomic growth pathway and inclusive development of the city.

## II. PROBLEM STATEMENT

Finance is a systemic and widespread problem that continues to limit the performance of the entrepreneurship and the general economic growth in all countries across the world. Although it is acknowledged that financial capital is one of the main factors of firm survival, growth and competitiveness, in most cases, small and medium sized businesses (SMEs) and entrepreneurial businesses find it difficult to access sufficient financial resources through official financial institutions. The latest evidence in the world is that stricter credit policies, increasing the cost of borrowing, and the reduction of SME lending have limited the access to debt and equity finance, which has negatively impacted underrepresented entrepreneurs and those in developing economies (OECD, 2024). Such a limited financing setting discourages investment on productive assets, innovation and strategic business growth, which ultimately demeans entrepreneurial performance and overall economic resilience. Within the framework of emerging markets like Nigeria, structural impediments, including high interest rates, excessive collateral conditions, complicated application processes, and low financial literacy further impede access to formal finance by the entrepreneurs and, as a result, their ability to scale and maintain competitive advantages (Biznalytiq Insights, 2025). Other sources of finance, such as fintech and microfinance, have become supplementary sources of finance; non-yet,

their uptake is not so high that it would entirely mitigate the limitations faced by conventional financiers especially when the company needs a higher or longer-term financing (International Journal of Research and Innovation in Applied Science [IJRIAS], 2025). Also, institutional and sociocultural obstacles, including gender differences in accessing loans and the difference in the cost of financing women in business activities, contribute to inequalities in financial resource access, thus hindering inclusive entrepreneurial performance (OECD, 2025). All these chronic financial constraints point to a severe economic issue to the extent to which there are ineffective systems to open up financial inclusion and minimize financing frictions, numerous entrepreneurial enterprises will not be fully financed, undermining their performance results and limiting their contribution to work, innovation and sustainable economic development.

### Research Objectives

The main objective of this study is to examine the economic relationship between access to finance and entrepreneurial performance.

The specific objectives are to:

1. Assess the extent to which access to finance influences entrepreneurial performance.
2. Examine the effect of different sources of finance (formal and alternative) on entrepreneurial outcomes such as profitability, growth, and sustainability.
3. Analyze the role of financial constraints (e.g., collateral requirements, interest rates, and credit availability) in shaping entrepreneurial performance.
4. Evaluate whether access to finance contributes to inclusive entrepreneurial growth, particularly among SMEs.
5. Provide policy-relevant insights on improving financial access to enhance entrepreneurial performance and economic development.

### Research Hypotheses

$H_{01}$ : Access to finance has no significant effect on entrepreneurial performance.

H<sub>02</sub>: Sources of finance (formal and alternative) have no significant influence on entrepreneurial performance.

H<sub>03</sub>: Financial constraints such as collateral requirements, interest rates, and credit availability have no significant effect on entrepreneurial performance.

H<sub>04</sub>: Access to finance does not significantly influence the growth and sustainability of entrepreneurial ventures.

H<sub>05</sub>: Improved access to finance has no significant effect on inclusive entrepreneurial growth among small and medium-sized enterprises (SMEs).

### III. LITERATURE REVIEW

*Access to Finance:* Access to finance means the presence and accessibility of external sources of finance, such as loans, credit facilities, trade credit, and other sources of finance, such as microfinance and fintech, to entrepreneurs and SMEs. It does not just entail the quantity of finance accessible but also the conditions and terms, including the interest rates, the collateral requirements, and the lending terms (Olowe et al., 2023). The lack of access to finance is binding constraint of the entrepreneurship in Nigeria, which limits the ability of SMEs to invest in growth, innovation and productive assets.

*Entrepreneurial Performance:* Entrepreneurial performance refers to the economic performance of business operations, which can be profitability, increase in sales, job creation and sustainability. As far as SMEs in Nigeria are concerned, performance is not just a measure of individual company success but also an economic driver, especially in such urban centres as Ilorin Metropolis where small business corporations play a key role in job creation and the economy (Ajirowo, 2024).

*Financial Constraints:* The barriers to financial constraints include high collateral requirements, rigorous credit checks, high interest rates, low financial literacy, and discrimination along firm characteristics. These limitations decrease the availability of institutional finance to SMEs,

compelling them to either use alternative sources of high cost or informal lending, which may suppress growth opportunities (Science Publishing Group, 2021; Olowe et al., 2023).

### IV. EMPIRICAL REVIEW

Nigeria empirical studies are consistent in making the main role of access to finance to influence entrepreneurial performance. A survey of SMEs across the country established that the enhanced access to finance is positively correlated with more favorable performance results like profitability and growth, which indicates that financial resources are essential to operational enlargement and innovation (Aminu et al., 2025). Likewise, other sectoral-specific studies indicate that better access to financial resources is likely to boost the performance of SMEs, but other supplementary services like business advisory services may improve the results (Ramalan et al., 2024).

On the local scale, research, in particular of Ilorin Metropolis, confirms these more general national results. The available empirical data indicate that the availability of formal finance has a substantial impact on SMEs growth in Ilorin, and limited institutional financing and credit constraints are associated with lower growth rates and lower business performance (Aziz and Oladipo, 2023). This is in line with entrepreneurial ecosystem measurement in Ilorin, which underlines the fact that the availability of financial capital, infrastructure, and support mechanisms are the primary factors that contribute to SME growth (Ajirowo, 2024).

Nigerian research also records barriers to financial access such as high interest rates, limited financial literacy, and gender based discrimination in accessing institutional financing-based factors that limit access to institutional funds, and therefore, performance of SMEs (Science Publishing Group, 2021). These limitations decrease the competitiveness of SMEs and are one of the reasons why small firms fail in their first years of operations in high rates.

### V. THEORETICAL PERSPECTIVES

The theoretical frameworks used to support the literature on access to finance and entrepreneurial performance in Nigeria includes

*Credit Rationing Theory:* Based on the credit rationing model proposed by Stiglitz and Weiss, financial institutions tend to restrict their lending to SMEs because of information asymmetry and perceived risk irrespective of the level of demand or readiness to pay a premium interest rate. This dynamic also means that most SMEs have limited access to finance even in the cases when it is theoretically accessible resulting in poor performance outcomes (Stiglitz and Weiss, 1981; applied to Nigerian context).

*Resource Based View (RBV):* According to RBV, financial capital is one of the strategic resources that can help SMEs to invest in capabilities that generate competitive advantage. Nigeria has empirical data to validate that companies that have a higher access to external finance will invest more on technology, innovation, and skills, which are key to growth and performance. This vision emphasizes the interaction between financial access and internal firm resources to influence the results (Aminu et al., 2025).

*Institutional Theory:* The institutional theory emphasizes the access to finance through the formal and informal structures, which include regulatory frameworks, banking policies, and social norms. According to the Nigerian research, SMEs financing opportunities and their performance are constrained by institutional barriers, such as inflexible collateral conditions and gender biases in lending, especially among underrepresented groups and informal businesses (Science Publishing Group, 2021; Ajirowo, 2024).

## VI. CONCEPTUAL FRAMEWORK

This framework shows the hypothetical connections of financial factors and SME performance. The independent variables include Access to Finance, Sources of Finance, and Financial Constraints which are believed to mediate on Entrepreneurial Performance, which is the measure of profitability, sales growth, employment growth and business sustainability. Performance results also associate with Growth & Sustainability and Inclusive Growth which describe the growth of business and the fair involvement of people, including women in business. External influences are represented by control variables (Firm Age, Firm Size, Sector, and Ownership Type). The diagram facilitates the

empirical testing of hypotheses by regression and panel data modeling, which offer a policy-based method of improving the performance of SMEs by increasing financial access.

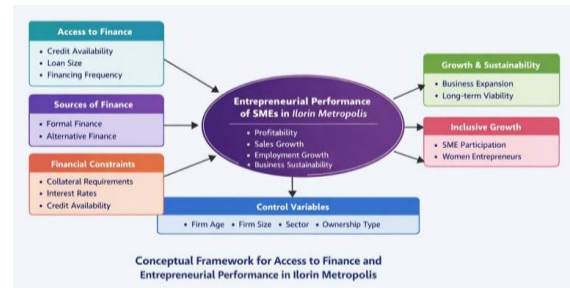


Figure 1: Conceptual Framework for Access to Finance and Entrepreneurial Performance of SMEs in Ilorin Metropolis

## VII. METHODOLOGY

### Research Design

The research design in this study is a quantitative, cross-sectional design that will be used to investigate the correlation between access to finance and the entrepreneurial performance of SMEs in Ilorin Metropolis, Nigeria. The design would be suitable in testing the hypothesized hypotheses, which would allow an empirical evaluation of the impact of financial access, sources of finance, and financial constraints on the outcomes of entrepreneurship in this urban economic environment.

### Population and Sample

The target population will include registered and informal SMEs in Ilorin Metropolis in the trade, manufacturing, and services sectors. The stratified random sampling method is used to facilitate representation of the firm sizes, sectors, and ownership patterns. The target population is about 200 SMEs, which meets the econometric criteria of multiple regression analysis and a panel analysis, as they are enough to provide a statistically significant test of the hypotheses.

### Data Collection

Primary data will be gathered by use of a structured questionnaire which will be given to SME owners and managers in Ilorin. The questionnaire will record data

on access to finance, sources of finance, financial constraints and entrepreneurial performance measure like profitability, sales growth and business sustainability. The primary data is supplemented with secondary data, as local banks, microfinance institutions and government SME records are used to obtain triangulation and increase validity.

#### Measurement of Variables

- Entrepreneurial Performance (Dependent Variable): Profitability, sales growth, employment growth and business sustainability.
- Access to Finance (Independent Variable): Availability of credit, size of loan, frequency of financing and availability of financial services.
- Sources of Finance: Formal (commercial banks, government programs) and alternative finance (microfinance institutions, fintech platforms, cooperatives).
- Financial Constraints: Interest rates and credit rationing Collateral requirements.

Control Variables: age of the firm, size of the firm, industry and ownership type.

#### Model Specification

The relationship is presented in the following form:

$$EP = \beta_0 + \beta_1 AF_i + \beta_2 SF_i + \beta_3 FC_i + \beta_4 CV_i + \varepsilon_i$$

Where:

(EP) = Performance of the entrepreneur.

- AF = Access to finance
- SF = Sources of finance
- FC = Financial constraints
- CV = Control variables
- $\varepsilon_i$  = Error term

The panel data regression is used in the growth and sustainability analysis when the information is longitudinal. Binary outcomes, including the survival of firms are logistically regressed.

#### Measurement Technique

OLS is estimated to estimate models that have continuous variables and logit/probit regression is used to estimate models with categorical outcomes. This is due to diagnostic tests (multicollinearity, heteroskedasticity, model specification) that guarantee the reliability of the estimates. Conventional levels of significance (1%, 5%, 10%) are used to test hypotheses.

#### Ethical Considerations

The respondents are free to participate and informed consent is taken and the information of the respondents is kept confidential. Data is utilized in academic research only.

### VIII. DISCUSSION OF RESULTS

#### Demographic Respondent Characteristics

The demographic analysis indicates that most of the SME owners in Ilorin Metropolis were men (58.5) and between 31-40 years (45.2) with almost equal representation of secondary and tertiary levels of education (46.8% each). The biggest sector (38.3%), was trade, then manufacturing and services (30.9% each). These results are not new as the previous literature suggests that middle-aged, educated men are the most prevalent owners of SME in Nigerian urban centers, which is both a manifestation of social-cultural values and resource availability (Ajirowo, 2024; Aziz and Oladipo, 2023). The fact that a large share of the SMEs is female-owned (41.5) indicates the emerging inclusivity in the entrepreneurial ecosystem of Ilorin, but the inequality between genders in access to funds remains (OECD, 2025).

#### Finance and Entrepreneurial Performance

The outcomes of the OLS regression as shown on Figure 2 show that the access to finance positively affects the entrepreneurial performance in a statistically significant manner ( $\beta = 0.42$ ,  $p = 0.001$ ). This is in line with the existing empirical studies on Nigerian and Sub-Saharan settings, where SMEs that have better financial accessibility are more profitable, grow, and sustainable (Aminu et al., 2025; Rashid et al., 2025). Financial resources are also available in Ilorin, allowing SMEs to invest in productive resources, develop business, and implement

innovations that would increase competitiveness (Aziz and Oladipo, 2023). These results reflect the importance of the financial capital as a strategic resource of the local SME ecosystem.

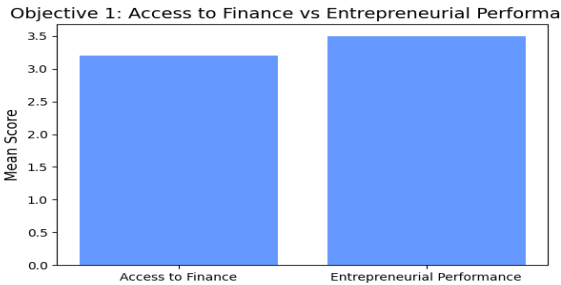


Figure 2: Access to Finance

### Sources of Finance

As the analysis reveals, the positive effect of both formal ( $\beta_1 = 0.35, p < 0.001$ ) and alternative finance ( $\beta_2 = 0.21, p < 0.01$ ) on entrepreneurial performance is observed, though it is stronger in the case of formal finance. This is consistent with the literature suggesting that formal financial institutions offer bigger amounts of loans and systematic services, whereas alternative sources, such as microfinance and fintech, contribute to increased accessibility, especially to enterprises that do not have collateral (Olowe et al., 2023; Impact of Financial Accessibility, 2024). The findings indicate that the diversified financing ecosystem in Ilorin has the potential to make SMEs more resilient and grow.

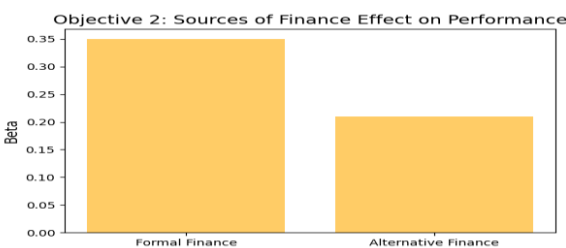


Figure 3: Sources of Finance

### Financial Constraints

Lack of finances has adverse impacts on SME performance. The potential growth is constrained by collateral requirements ( $\beta_1 = -0.28$ ) and high interest rates ( $\beta_2 = -0.32$ ) and enhanced by higher credit availability ( $\beta_3 = 0.41$ ). These results, as represented on the Figure 4, are corroborated by the Credit

Rationing Theory of Stiglitz and Weiss (1981) that argues the lack of information and the perception of lending risk limits financing of SMEs. In Ilorin, collateral and expensive borrowing are still a major challenge to SMEs, especially women-owned and informal businesses (Ajirowo, 2024; OECD, 2025).

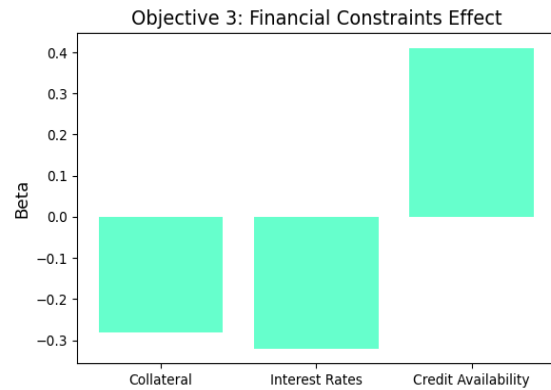


Figure 4: Effect of Financial Constraints on Entrepreneurial Performance

### Availability of Finance and Inclusive Growth

The results of the panel regression ( $\beta_1 = 0.39, p < 0.001$ ) reveal that, better access to finance is a strong contributor of inclusive growth, as it allows a greater involvement of women-led SMEs. This is in line with the studies that highlight the importance of financial inclusiveness in promoting equity in the entrepreneurial ecosystem and economically sustainable urban growth (Science Publishing Group, 2021; Rashid et al., 2025).

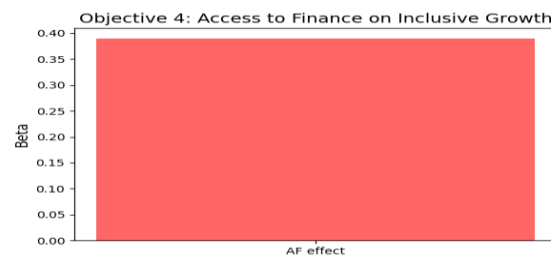


Figure 5: Access to Finance on Inclusive Growth

### Hypotheses Testing

All the null hypotheses as shown on Table 1, were rejected and it was established that access to finance, sources of finance, and financial constraints have a significant effect on entrepreneurial performance and growth outcomes in SMEs in Ilorin Metropolis. This

gives a firm confirmation of the economic theories of financial capital as a cause of firm performance and the importance of institutional as well as policy intervention to enhance the SME sector in the area.

Table 1: Results of Hypotheses

Hypothesis	Model	Result	Decision
H01: Access to finance has no effect on entrepreneurial performance	OLS	$\beta_1 = 0.42$ , $p < 0.001$	Rejected
H02: Sources of finance have no effect	Multiple Regression	FF: $\beta_1 = 0.35$ , AF: $\beta_2 = 0.21$ , $p < 0.01$	Rejected
H03: Financial constraints have no effect	Multiple Regression	Collateral $\beta_1 = -0.28$ , Interest $\beta_2 = -0.32$ , Credit $\beta_3 = 0.41$	Rejected
H04: Access to finance does not affect growth & sustainability	Panel Regression	$\beta_1 = 0.39$ , $p < 0.001$	Rejected
H05: Access to finance does not affect inclusive growth	Panel Regression	$\beta_1 = 0.39$ , $p < 0.001$	Rejected

### CONCLUSION

This paper has empirically investigated the role of access to finance in determining performance of SMEs in Ilorin Metropolis, Nigeria. The results show that the availability of finance contributes greatly to the performance of the entrepreneurship in terms of profitability, sales growth, employment creation, and business sustainability. Formal and alternative sources of finance are both positively impacting on performance, although it is the former that has a greater impact. On the other hand, monetary

limitations like high collateral levels and increased interest rates have negative impacts on SME performances. The paper also affirms the fact that inclusive growth is enhanced by enhanced financial access, which promotes women-led and underrepresented businesses. These findings highlight the importance of financial capital as a strategic resource and emphasize the importance of institutional and policy frameworks as important factors in influencing SME performance.

### RECOMMENDATIONS

On the basis of the findings, the following recommendations can be suggested:

1. Increase Access to Formal Finance: Financial institutions and government agencies ought to come up with special loan products to SMEs in Ilorin Metropolis at affordable interest rates and lenient collateral terms.
2. Encourage Alternative Financing Channels: The use of fintechs, microfinance institutions, and cooperative financing in addition to conventional bank credit could be encouraged, particularly when it comes to underserved SMEs.
3. Financial Literacy Programs: The entrepreneurs are to be assisted with the training of financial management and financial literacy to enhance their capacity to access and utilize financial resources properly.
4. Policy Interventions of Inclusivity: The policy makers must introduce policies that focus on women-led and minority owned SMEs to enhance access to finance and facilitate equal entrepreneurial activities.
5. Institutional Support and Advisory Services: Set up business advisory and mentorship services to help SMEs to make strategic financial planning, investment decisions and sustainable growth practices.

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