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FINANCIAL RESILIENCE AND INCLUSIVE GROWTH AMONG SMALL AND MEDIUM ENTERPRISES IN NIGERIA

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Abstract
This study examined financial resilience and inclusive growth among small and medium enterprises (SMEs) in Nigeria. Financial resilience was operationalised in terms of access to finance and financial literacy, while inclusive growth was measured using employment creation and enterprise performance. The study was anchored on the Resource-Based View (RBV) theory. A quantitative survey research design was adopted, and a census sampling technique was used to include the entire population of 100 SME owners/managers. Primary data were collected using a five-point Likert-scale questionnaire and analysed using descriptive statistics and multiple regression analysis in EViews. Two regression models were estimated to determine the effects of access to finance and financial literacy on employment creation and enterprise performance. The findings revealed that access to finance had a positive and statistically significant effect on employment creation and enterprise performance. Similarly, financial literacy had a positive and statistically significant effect on employment creation and enterprise performance. The models explained 64.28% of the variation in employment creation and 68.15% of the variation in enterprise performance. The study concludes that stronger financial resilience enhances the capacity of SMEs to create employment and improve enterprise performance. It recommends improved access to affordable finance, strengthened financial literacy programmes, SME-friendly financial products, and integrated financial support for SME owners and managers.

Keywords: Financial Resilience, Access to Finance, Financial Literacy, Inclusive Growth, Employment Creation, Enterprise Performance, SMEs.

Introduction
Small and medium enterprises (SMEs) have played a significant role in Nigeria's economic development through employment creation, income generation, diversification of economic activities and reduction of excessive dependence on large firms and the oil sector (Akingbade, 2021; Olowookere & Tijani, 2023). However, the operational capacity and sustainability of many SMEs have been constrained by inadequate financial resources and limited access to formal financial institutions. Financial resilience is therefore important because it reflects the capacity of SMEs to withstand financial shocks, maintain liquidity, meet operating obligations and sustain productive activities during periods of economic uncertainty. Limited access to finance, high interest rates, collateral requirements and inadequate financing alternatives can constrain SMEs' ability to obtain working capital, invest in productive activities and sustain their operations (Ajayi et al., 2021; Anga et al., 2021; Ayunku & Pakepinene, 2023).

Financial literacy is another important dimension of financial resilience. The ability of SME owners and managers to understand financial information, prepare budgets, manage cash flows, assess financing options, control costs and plan for financial risks can influence how effectively available financial resources are utilised (Wike, 2023; Olowofela et al., 2022; Ojogbo et al., 2024; Okoli et al., 2025). Consequently, financial resilience may influence the capacity of SMEs to maintain employment and improve enterprise performance, thereby contributing to inclusive economic growth.

Also, the connection between financial resilience and inclusive growth has been the focus owing to the fact that SMEs do not just need financial capability to be able to survive but they also have the potential to bring economic activities to the masses especially through employment creation; financial capabilities of SMEs can determine the continuity of the enterprises and employment-related activity, as evidenced by the challenges facing SMEs during and after COVID-19 (Akingbade, 2021; Nnadi, 2025; Ojogiwa et al., 2023). Additionally, enterprise performance is another prism through which inclusive growth can be studied at the enterprise level since the financial resilience of SMEs is more likely to ensure that they sustain their sales, enhance their productivity and growth, invest in business opportunities, and respond to economic shocks, with Nigerian evidence showing that financing constraints and financial inclusion are associated with SME performance and economic growth, and recent research on organizational resilience further suggested that SMEs under financial constraints need financial and managerial capabilities that help them withstand shocks and continue business operations (Soyemi et al., 2024; Okoli et al., 2025; Ajayi et al., 2021; Igbinosa & Igbinosa, 2025).

Statement of the Problem

Small and medium enterprises (SMEs) are significant drivers of economic activities and enterprise development in Nigeria, but their financial conditions remain marred by limited access to adequate and affordable finance, high loan requirements, inadequate loan collateral, limited credit opportunity and poor financial capacity, which continues to hinder many SMEs to sustain uninterrupted business operations, absorb financial shocks, finance expansion, and maintain adequate working capital (Ajayi et al., 2021; Anga et al., 2021; Akingbade, 2021). The issue is exacerbated by poor financial literacy, with some SME owners and managers possibly not knowing or being able to perform budgeting, cash flow management, financial planning, credit assessment, record keeping or informed financing decisions, which can hinder their use of available resources for effective management and put them at risk of financial challenges, especially in resource-limited operating contexts (Olowofela et al., 2022; Ojogbo et al., 2024; Okoli et al., 2025). The financial constraints are not just limiting business survival; they are also affecting the ability of SMEs to keep their employees employed, maintain productive activities, and make financial investments, which is affecting the wider adoption of economic opportunities, and the vulnerabilities of the business continuity, financing capacity and activities of Nigerian SMEs during the COVID-19 period is affecting all these (Akingbade, 2021; Nnadi, 2025; Ojogiwa et al., 2023). Despite the growing literature on SME financing, financial inclusion, organisational resilience and enterprise performance in Nigeria, limited empirical attention has been given to financial resilience as a multidimensional construct comprising access to finance and financial literacy and its relationship with specific indicators of inclusive growth at the enterprise level. Existing studies have largely examined access to finance, financial inclusion, SME growth, resilience or enterprise performance as separate issues. Consequently, there is insufficient empirical evidence on how access to finance and financial literacy jointly influence employment creation and enterprise performance among SMEs in Nigeria. This study therefore addresses this conceptual,

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empirical and methodological gap by examining the effects of access to finance and financial literacy on employment creation and enterprise performance among SMEs in Nigeria.

Conceptual Framework

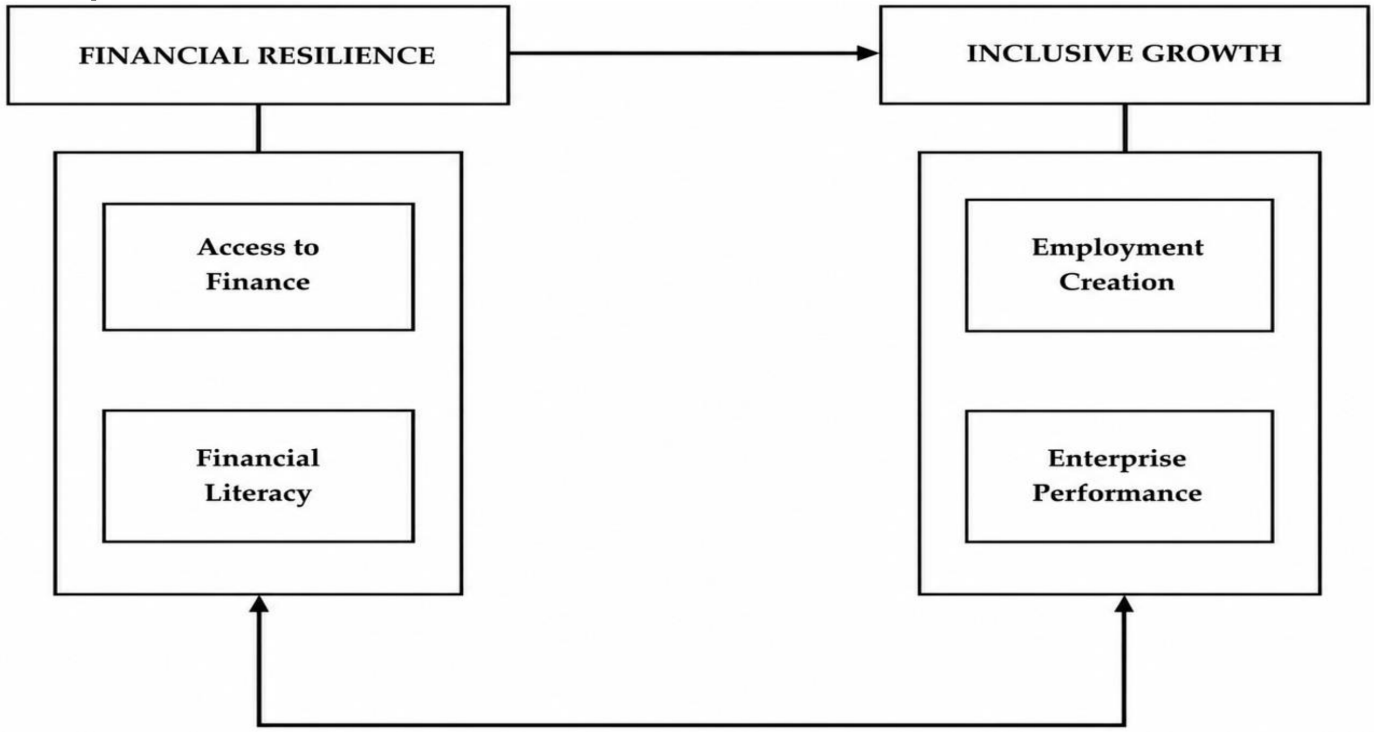

Fig 1: Conceptual Framework on the effect of financial resilience and inclusive growth of small and medium enterprises in Nigeria
Source: Akingbade (2021); Olowookere and Tijani (2023); Okoli et al., 2025).

Aim and Objectives of the study

Aim of the Study

The aim of the study is to examine the effect of financial resilience on inclusive growth among small and medium enterprises in Nigeria. The study specifically sought to:

1. examine the effect of access to finance on employment creation among small and medium enterprises in Nigeria;
2. determine the effect of financial literacy on employment creation among small and medium enterprises in Nigeria;
3. assess the effect of access to finance on enterprise performance among small and medium enterprises in Nigeria; and
4. examine the effect of financial literacy on enterprise performance among small and medium enterprises in Nigeria.

Review of Related Literature

Conceptual Review

Financial Resilience

Financial resilience is defined as the ability of a small and medium enterprise (SME) to endure financial pressures, absorb unexpected economic shocks, and continue to operate key functions and to recover from an economic shock without a sustained deterioration in their financial position. SME financial resilience is also important in Nigeria because the business environment is one lacking in

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financial buffers, sources of finance, economic security and operating costs (Akpomi & Kayii, 2021; Akingbade, 2021; Olowookere & Tijani, 2023), and can present firms with challenges to sustain their business activities during disruptions. Financing conditions and organisational capabilities, therefore, seem to play important roles in the capacity of SMEs to continue operations and adapt to changing business conditions.

Access to Finance

Access to finance is the availability of adequate and affordable financial resources from formal and informal sources to support working capital, investments, business growth, technology acquisition and other business operations of SMEs. Collateral requirement, high-interest rates, inadequate credit information, and various other institutional constraints are the challenges that have been observed in accessing finance by Nigerian SMEs (Ajayi et al., 2021; Anga et al., 2021; Ayunku & Pakepinene, 2023). Empirical evidence also shows that access to finance is linked to the performance of SMEs and the ability of enterprises to carry out productive activities (Ajayi et al., 2021; Anga et al., 2021; Ayunku & Pakepinene, 2023). The financing problem is still pertinent to enterprise sustainability due to the limited access to credit by SMEs, which can limit the flow of investment and operating liquidity, and the developments in financial inclusion and collateral-free finance that continued to be relevant to the financing capacity of SMEs (Olowofela et al., 2022; Ojogbo et al., 2024).

Financial Literacy

Financial literacy is the knowledge, skills and understanding that SME owners and managers need to make appropriate financial decisions relating to budgeting, saving, borrowing, investment, cash flow management, financial records, and risk management. Financial literacy matters to Nigerian small and medium enterprises because while they are trying to acquire financial resources to run a business, they equally need to understand the cost of the finances, cash commitment, investment options, and basic financial practices in resource-limited settings (Olowofela et al., 2022; Okoli et al., 2025). The weaknesses in financial knowledge and financial management may consequently impact how enterprises react to financial stress, including during times of economic turbulence, when there is a need for prudent resource and financing management (Akingbade, 2021; Olowookere & Tijani, 2023).

Inclusive Growth

Inclusive growth is an economic growth which creates general opportunities for people to participate and enable various groups in society to share in growing economic activity, instead of focusing economic gains on a few enterprises or individuals. In the SME setting, inclusive growth can be linked to the capacity of SMEs to provide job creation, income generation, increasing productive activities and ensuring business performance across various segments of the economy, as the presence of SMEs in the Nigeria economic activities is pervasive (Soyemi et al., 2024; Igbinosa & Igbinosa, 2025). Thus the capacity of SMEs to continue operating and producing during economic shocks and crises is relevant to inclusive growth as business failure and prolonged underperformance can impact employment opportunities, household incomes and economic continuity in communities (Akingbade, 2021; Nnadi, 2025).

Employment Creation

Employment creation is about the ability of enterprises to generate new jobs, keep jobs and offer income generating potential through the growth and sustainability of business activities. Nigeria's SMEs were found to be vulnerable to the impact of severe economic shocks during the COVID-19 period, which suggests that their survival in the event of financial and economic disruption would impact on employment and capacity to recruit new labour into the economy due to their importance in this regard (Akingbade, 2021; Ojogiwa et al., 2023; Nnadi, 2025). Financial constraints may reduce the capacity of enterprises to sustain their working capital, boost production, expand outlets or invest in productive assets and this could pose a challenge to SMEs to sustain employment opportunities at their place of business (Ajayi et al., 2021; Soyemi et al., 2024).

Enterprise Performance

Enterprise performance is the success of the SME in attaining the desired outcomes of the business, usually expressed in terms of sales growth, profitability, productivity, continuity, market growth and business development. There are close linkages between financial conditions and enterprise performance, since a lack of financial resources renders the SMEs unable to finance their daily operations, access to productive assets, working capital management, take advantage of market opportunities or face periods of financial pressure; Nigerian studies report linkages between access to finance, financial inclusion, SME performance, and broader economic outcomes (Ajayi et al., 2021; Ayunku & Pakepinene, 2023; Igbinosa & Igbinosa, 2025). The implication of financing SMEs on economic growth may be seen in the fact that an efficient performance of SMEs leads to enhanced production, expansion of businesses, job creation and generation of income as reported in the study on the relationship between SME financing and economic growth in Nigeria (Soyemi et al., 2024).

Theoretical Review

Resource-Based View (RBV) Theory

The Resource-Based View (RBV) of the firm provides a useful theoretical foundation for explaining how organisational resources and capabilities can influence enterprise outcomes. The intellectual foundation of the RBV can be traced to Penrose (1959), who emphasised the importance of firm-specific resources in explaining organisational growth. Wernerfelt (1984) subsequently developed the resource-based perspective of the firm, while Barney (1991) advanced the theory by explaining that resources that are valuable, rare, difficult to imitate and non-substitutable can provide a basis for sustained competitive advantage.

The RBV is relevant to this study because financial resources and financial capabilities constitute important resources that can influence the ability of SMEs to withstand financial pressures and exploit business opportunities. Access to finance provides SMEs with the financial resources required to maintain working capital, invest in productive assets and expand operations, while financial literacy provides the knowledge and capabilities required to manage financial resources effectively. Consequently, SMEs with better financial resources and financial capabilities may be better positioned to sustain their operations, improve enterprise performance and create employment opportunities. The theory therefore provides a suitable explanation for the expected relationship between financial resilience and inclusive growth among SMEs.

Pecking Order Theory

The Pecking Order Theory (POT) was first linked to the work of Donaldson in 1961, and was formally stated by Stewart Myers and Nicholas Majluf in 1984 which states that firms typically fund capital projects using internally generated funds before debt and only external equity when no other alternative exists, in part due to the information asymmetry faced by the firm's owners and external investors. The theory is pertinent to this study because the ability of Nigerian SMEs to get and

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manage financing is a major factor that determines their financial resilience, and financial literacy has been shown to relate to SMEs owners' understanding of financing alternatives, the cost of borrowing, risks, and financial decisions which in turn will affect the capacity of SMEs to secure financing to sustain business continuity and enterprise performance and create employment opportunities for Nigerians; Nigerian studies have also shown the relevance of financial resilience of Nigerian SMEs to the extent to which they are able to access financing.Studies in Nigeria have also established that financial resilience of Nigerian SMEs is related to their ability to access financing, while financial literacy of SMEs owners' has been investigated in relation to their financial decisions and access to financing which will affect their ability to source financing for business continuity, enterprise performance and employment creation (Soyemi et al., 2024; Ayunku & Pakepinene, 2023; Ajayi et al., 2021).

Empirical Studies

Ajayi et al. (2021) examined access to finance and the performance of services-sector MSMEs in Nigeria. Using a quantitative cross-sectional design and OLS regression, the study found that financing constraints were negatively and significantly associated with employment growth. The study recommended improved access to credit, credit guarantees and reduced borrowing costs. The study is relevant to the present study because it provides evidence linking access to finance with employment outcomes. However, it focused primarily on financing constraints and employment growth rather than examining access to finance together with financial literacy as dimensions of financial resilience. To explore the COVID-19 pandemic issues confronting micro, small and medium enterprises (MSMEs) in Nigeria, Akingbade (2021) conducted her research. The study was presented as a review or scientific paper which mainly depended on existing literature and evidence on MSMEs in Nigeria with no specific mention of a conventional population of respondents, numerical size of the sample and probability sampling; the study explored the economic shock of the pandemic and the crisis management and survival strategies open to MSMEs. The results indicated that a significant number of the MSMEs had to reduce their operations and profits, and in some cases, enterprises had to shut down operations and a number of the interventions had not been effective for MSMEs to remain in business, leaving recommendations around better crisis-management responses and support to keep MSMEs in business during economic downturns. Ashiru et al. (2023) studied the impact of emerging digital communication technologies (EDCT) on the resilience of SMEs during COVID-19 pandemic. The study used an inductive qualitative research design, and in-depth semi-structured interviews were conducted with 42 SME operators from 22 subsectors from four geographical regions of Nigeria with SMEs registered with the Corporate Affairs Commission and linked to business organisations. The results revealed that EDCT affected the resilience through strengthening the connection with employees, customers and suppliers, collaboration, process diversification, and flexibility in supply chain, and it ended by suggesting the EDCT diffusion model of resilience in the SMEs.

Ojogiwa et al. (2023) evaluated the resilience measures adopted by SMEs in Kaduna Central, Nigeria during the COVID-19 pandemic. The study employed cross sectional survey research design in a positivist paradigm that involved two stage sampling techniques, first purposive sampling of Kaduna Central were then followed by purposive sampling of the SMEs so that a total of 134 SMEs were initially sampled but 132 valid questionnaires were retrieved after data cleaning while descriptive statistics were used for quantitative responses and content analysis was used for qualitative evidence. The study revealed that the impact of COVID-19 was negative for SMEs, and that their coping strategies were not significantly positive or negative for their businesses, indicating that the

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enterprises had significant resilience challenges and suggesting a need for more collaboration between government, NGOs and SMEs, as well as more innovation in resilience-building activities.
Olowofela et al. (2022) discussed the financial inclusion and SMEs growth in Nigeria. Given that the study was purely quantitative econometric research design, the population consisted of the secondary time-series data from the Central Bank of Nigeria Statistical Bulletin for the period 1992—2020. Ordinary Least Squares (OLS) and Dynamic Ordinary Least Squares (DOLS) were applied to estimate the relevant model. The results revealed that financial inclusion was both positively and significantly correlated with the growth of SMEs in Nigeria, which prompts the authors to recommend greater access to banking and financial services at affordable costs to all income groups and geographical areas of the country so as to enhance SMEs' participation in the formal financial system and promote their growth.

Knowledge Gap in Literature

The reviewed literature reveals three major gaps. First, there is a conceptual gap because previous studies have largely examined access to finance, financial literacy, financial inclusion, SME resilience and enterprise performance as separate constructs, with limited attention to financial resilience as a combination of financial access and financial capability. Second, there is an outcome gap because relatively limited empirical evidence has examined employment creation and enterprise performance simultaneously as enterprise-level indicators of inclusive growth. Third, there is a methodological and contextual gap because previous Nigerian studies have employed different sectors, locations, datasets and research approaches, making it difficult to establish a consistent empirical explanation of how access to finance and financial literacy jointly influence SME outcomes. The present study addresses these gaps by examining the effects of access to finance and financial literacy on employment creation and enterprise performance among SMEs in Nigeria.

Methodology

The study adopted a quantitative survey research design, as it will use primary data gathered from selected Small and Medium Scale Enterprises (SMEs) to look at the impact of financial resilience on inclusive growth, as measured by the access to finance and financial literacy aspects, coupled with the creation of employment and financial performance of the enterprises.
The population of the study comprised 100 owners/managers of selected (SMEs) with relevant knowledge of their enterprises financial practices, employment activities and performance in Nigeria. The study will use census sampling technique because the study population is small and easy to manage as all 100 members of the population will be included as the sample.
The data collected will be coded and analyzed using EViews software which will be based on descriptive Statistics, correlation analysis and multiple regression analysis at 0.05 level of significance to find the relationships between variables in the study. The study has two independent variables: Access to Finance (AF) and Financial Literacy (FL) and two dependent variables: Employment Creation (EC) and Enterprise Performance (EP), therefore, two regression models will be used in the study, namely:

EC = b0 + b1AF + b2FL + u ……………….. Model 1

EP = b0 + b1AF + b2FL + u ……………….. Model 2

Where: EC = Employment Creation; EP = Enterprise Performance; AF = Access to Finance; FL = Financial Literacy; β_0 = Constant/intercept; β_1, β_2 = Regression coefficients; ε = Error term

DATA ANALYSIS

Table 1: EViews Regression Result for Access to Finance and Financial Literacy on Employment Creation

Dependent Variable: EC				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.2846	0.3821	3.3624	0.0012
AF	0.4387	0.0875	5.0137	0.0000
FL	0.3179	0.0912	3.4868	0.0008
R-squared	0.6428			
Adjusted R-squared	0.6354			
F-statistic	87.1246			
Prob(F-statistic)	0.0000			
Durbin-Watson stat.	1.9347			

Source: Author's EViews v13 computation (2026).

The coefficient of access to finance of 0.4387 and its probability value of 0.0000, as shown in the result in Table 1, indicate that access to finance has a positive and statistically significant impact on employment creation of the SMEs considered in the study, meaning that the better the access to finance, the greater the employment creation among the SMEs considered in the study. Financial literacy also had a positive and statistically significant impact on employment creation, with a coefficient of 0.3179 and probability value of 0.0008, which means that financial knowledge and financial-management abilities of SMEs are shown to have greater capacity for employment creation. The R-squared value is 0.6428 which means that finance and financial literacy together account for about 64.28% of the variance in employment creation, and the F-statistic of 87.1246 with a p-value of less than 0.001 indicates that the regression model is statistically significant at the 5% level.

Table 2: EViews Regression Result for Access to Finance and Financial Literacy on Enterprise Performance

Dependent Variable: EP				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.1063	0.3548	3.1184	0.0024
AF	0.5126	0.0817	6.2742	0.0000
FL	0.2864	0.0869	3.2957	0.0014
R-squared	0.6815			
Adjusted R-squared	0.6749			
F-statistic	103.7821			
Prob(F-statistic)	0.0000			
Durbin-Watson stat.	1.9783			

Source: Author's EViews v13 computation (2026).

From the above analysis, it can be seen that access to finance positively and significantly affects enterprise performance (Table 2) as the coefficient of 0.5126 and a probability value of 0.0000 indicated that the higher the access of financial resources, the better the performance of the SMEs. Financial literacy has a positive effect and statistically significant at 0.0014 with coefficient of 0.2864, meaning that financial knowledge and financial resource management is correlated with the performance of enterprises. The value of R-squared is 0.6815, which means that both the explanatory variables explain about 68.15% of the variation in enterprise performance and the probability associated with the F-statistic of 103.7821 with a p-value of less than 0.001 indicates that the model is statistically significant.

Discussion of Findings

Access to Finance and Employment Creation

The finding indicates that access to finance constitutes an important financial resource for SMEs because adequate financing enables firms to maintain working capital, acquire productive assets, expand production and respond to market opportunities. The positive coefficient therefore suggests that improvements in SMEs' ability to obtain affordable financial resources are associated with increased capacity to create employment. This finding supports the argument of the Resource-Based View that access to valuable resources can enhance organisational outcomes.

Financial Literacy and Employment Creation

The positive and significant relationship between financial literacy and employment generation implies that those with higher financial literacy among SME owners and managers are more likely to plan expenditure, manage cash flows, evaluate financing options, and undertake business decisions that will facilitate the growth of the business and generation of jobs. This is similar to the result obtained from Olowofela et al. (2022), who found a positive and significant relationship between financial inclusion and growth of SMEs in their study titled "Financial Inclusion and Growth of Small and Medium Sized Enterprises: Evidence from Nigeria" which found that an improvement in financial capacity can strengthen the productive activities of small businesses.

Access to Finance and Enterprise Performance

The positive and significant relationship between access to finance and enterprise performance suggests that access to financial resources positively affects the ability of SMEs to finance operations, secure productive assets, seize opportunities in the market, expand sales and enhance overall enterprise performance. This finding is consistent with the findings of Ajayi et al. (2021) in their study entitled Access to Finance and Performance of Services Sector MSMEs in Nigeria, which indicated a significant relationship between access to finance and MSMEs performance, proving that financial constraints can affect the capacity of MSMEs to deliver better business outcomes.

Financial Literacy and Enterprise Performance

The finding that financial literacy has a positive and significant effect on enterprise performance shows that financially knowledgeable SME owners and managers are more capable of preparing budgets, controlling costs, evaluating investments, managing financial obligations, and making decisions that improve the efficiency and performance of their enterprises. This finding is consistent with the broader evidence from Olowofela et al. (2022), in their study titled Financial Inclusion and Growth of Small and Medium Sized Enterprises: Evidence from Nigeria, which found that improved financial inclusion was positively associated with SME growth, indicating that stronger interaction with financial resources can support business development.

Summary of Findings

1. Access to finance has a positive and significant effect on employment creation.
2. Financial literacy has a positive and significant effect on employment creation.

3. Access to finance has a positive and significant effect on enterprise performance.
4. Financial literacy has a positive and significant effect on enterprise performance.

Conclusion

The study concludes that financial resilience is an important determinant of inclusive growth among small and medium enterprises in Nigeria. Specifically, access to finance and financial literacy were found to have positive and statistically significant effects on employment creation and enterprise performance. The findings suggest that SMEs with better access to appropriate financial resources and stronger financial management knowledge are better positioned to sustain their operations, expand productive activities, create employment opportunities and improve enterprise performance. The findings also provide support for the Resource-Based View by demonstrating that financial resources and financial capabilities can contribute to improved organisational outcomes. Strengthening the financial resilience of SMEs is therefore important for promoting sustainable enterprise development and broader inclusive economic growth in Nigeria.

Recommendations

Based on the findings of the study, the following recommendations are made:

1. Government and SME development agencies should improve SMEs' access to affordable finance by expanding credit guarantee schemes, supporting low-interest financing programmes and reducing unnecessary barriers to obtaining business loans.
2. SME owners and managers should strengthen their financial literacy and financial management practices through regular training in budgeting, cash-flow management, financial record keeping, credit management, investment appraisal and financial risk management.
3. Financial institutions should develop SME-friendly financing products with reasonable interest rates, flexible repayment arrangements and collateral requirements that reflect the operating realities of small and medium enterprises.
4. SME support programmes should integrate access to finance with financial management training. Providing finance without equipping entrepreneurs with the skills required to manage financial resources may reduce the effectiveness of financing interventions. An integrated approach can improve enterprise performance and strengthen SMEs' capacity to create and sustain employment.

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