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IMPACT OF ACCESS TO FINANCE ON SMALL BUSINESS GROWTH AND SURVIVAL IN KATSINA STATE, NIGERIA

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This study examines the impact of access to finance on small business growth and survival in Katsina State, Nigeria, where financial constraints disproportionately hinder SME development. Using a quantitative survey of 120 small business owners selected through stratified random sampling, the research analyzes key variables—financial access, growth indicators (revenue, employment, assets), survival rates, constraints (interest rates, collateral, bureaucracy), and institutional support—through descriptive and inferential statistics (Pearson correlation, regression, ANOVA) in SPSS. Findings reveal a strong positive relationship between financial access and both business growth ($r = 0.612$, $p < 0.01$) and survival ($\beta = 0.512$, $p < 0.05$), though high collateral demands (mean = 4.01) and bureaucratic hurdles (mean = 3.80) limit formal credit uptake, particularly among women and rural entrepreneurs. While government interventions improved outcomes for beneficiaries (78% survival vs. 61% for non-beneficiaries), low participation rates (31.7%) highlight implementation gaps. The study validates the Pecking Order Theory and Credit Rationing Theory in Nigeria's northern context, recommending collateral reforms, digital financial inclusion, and streamlined policies to enhance SME sustainability. These findings contribute to literature on regional SME financing and provide actionable insights for policymakers aiming to bridge financial inclusion gaps in underserved markets.

Keywords: Access to finance, Small business growth, SME survival, financial constraints.

1. INTRODUCTION

Small and Medium Enterprises (SMEs) play a pivotal role in economic development, particularly in emerging economies like Nigeria, where they account for over 80% of businesses and employ more than 60% of the workforce (SMEDAN, 2022). These enterprises drive innovation, reduce poverty, and promote inclusive growth by creating employment opportunities, especially in rural and semi-urban areas. However, despite their economic significance, many small businesses in Nigeria face persistent challenges that hinder their growth and sustainability. In Katsina State, located in Nigeria's northwestern region, small businesses operate in a constrained financial environment characterized by limited access to formal credit, high interest rates, and stringent collateral requirements (Adeniran & Ogbu, 2021). These financial barriers contribute to high business failure rates, with many enterprises collapsing within their first few years of operation (Uzonwanne, 2023).

The financial exclusion of small businesses in Katsina is exacerbated by the concentration of banking services in urban centers, leaving rural entrepreneurs reliant on informal financing mechanisms such as personal savings, family loans, and local moneylenders, which often impose unfavorable terms (Ibrahim & Sulaiman, 2023). While government interventions like the Central Bank of Nigeria's (CBN) Targeted Credit Facility (TCF) and the Anchor Borrowers' Programme (ABP) have been introduced to improve financial access, their effectiveness in Katsina remains limited due to poor implementation, bureaucratic bottlenecks, and low awareness among business owners (CBN, 2023). Furthermore, existing research on SME financing in Nigeria has predominantly focused on urban and southern regions, neglecting the unique socio-economic and institutional dynamics of northern states like Katsina. This geographical bias in literature has resulted in a lack of context-specific policy recommendations for improving financial inclusion in underserved regions (Okonjo & Lawal, 2022).

This study seeks to address these gaps by examining the impact of access to finance on the growth and survival of small businesses in Katsina State. The research is guided by four key objectives: first, to analyze the relationship between access to finance and business growth; second, to assess how financial access influences business survival; third, to identify the major financial constraints faced by small business owners; and fourth, to evaluate the effectiveness of financial institutions and government interventions in enhancing financial accessibility. By focusing on Katsina, this study provides localized insights that can inform more targeted and effective policy interventions.

The significance of this study extends across academic, policy, and practical dimensions. Academically, it contributes to the literature on SME financing by offering empirical evidence from a region that has been largely overlooked in existing research. The findings will also enrich theoretical debates on financial inclusion, particularly in relation to the Pecking Order Theory and Credit Rationing Theory, which explain the financing behaviors and constraints of small businesses (Myers & Majluf, 1984; Stiglitz & Weiss, 1981). From a policy perspective, the study provides actionable recommendations for financial institutions, government agencies, and development organizations seeking to enhance credit accessibility for SMEs in northern Nigeria. By identifying the specific barriers that hinder financial inclusion—such as high collateral demands, complex loan processes, and limited financial literacy—the research offers a roadmap for reforms that can improve lending conditions and support small business sustainability.

Practically, the study's findings will benefit small business owners in Katsina by highlighting strategies to overcome financial constraints and access growth-enabling credit. Additionally, the research will serve as a foundation for future studies on SME financing in similar socio-economic contexts, encouraging further exploration of region-specific challenges and solutions. Ultimately, this study aims to bridge the gap between national financial inclusion policies and the realities faced by small businesses in underserved regions, fostering an environment where entrepreneurship can thrive and contribute to broader economic development.

The subsequent sections of this article will review relevant literature on SME financing, outline the research methodology, present and discuss key findings, and conclude with policy recommendations. By adopting a mixed-methods approach that combines quantitative surveys with qualitative insights from small business owners, the study provides a comprehensive analysis of how financial access shapes business outcomes in Katsina State. The results will not only advance scholarly understanding but also inform practical interventions that can enhance the resilience and growth potential of small businesses in the region.

2. LITERATURE REVIEW

The literature review examines existing studies on SME financing, focusing on key concepts, theories, and empirical findings. It provides a foundation for understanding how financial access influences business growth and survival in developing economies.

2.1 Conceptual Review

This section clarifies the study's core concepts—small businesses, access to finance, business growth and survival, financial constraints, and institutional roles. These concepts are analyzed in relation to Katsina State's business environment.

2.2.1 Small Business

Small businesses, often categorized as Micro, Small, and Medium Enterprises (MSMEs), are vital to economic growth, job creation, and poverty reduction (SMEDAN, 2022). In Nigeria, they are defined by employment size (10–49 workers) and asset value (₦5–50 million), while micro-enterprises have fewer than 10 employees (SMEDAN, 2022). Globally, the World Bank (2023) classifies small businesses as firms with fewer than 50 employees and annual revenues under $3 million. These enterprises typically operate with limited capital, informal structures, and high vulnerability to economic shocks (Onyema & Abdulhakeem, 2023). In Katsina, small businesses dominate trade, agriculture, and services but face challenges like poor access to finance and infrastructure (NBS, 2022).

2.2.2 Concept of Access to Finance

Access to finance refers to the availability of affordable credit, savings, and insurance services essential for SME operations (World Bank, 2023). It includes physical proximity to banks, reasonable interest rates, and flexible collateral requirements (Akinyemi & Salako, 2022). In Nigeria, financial exclusion persists due to high-risk perceptions by lenders, lack of credit history, and reliance on informal sources like personal savings (CBN, 2023). For Katsina's SMEs, limited financial literacy and bureaucratic loan processes further restrict access (Ibrahim & Sulaiman, 2023).

2.2.3 Business Growth and Survival

Business growth is measured through revenue increases, employment expansion, and market share, while survival reflects operational continuity despite challenges (Adekunle & Osuolale, 2023). In Nigeria, poor financial access contributes to high failure rates, with 60% of SMEs collapsing within five years (Ugwoke & Iloh, 2022). Firms with consistent credit access demonstrate resilience and competitiveness, unlike those relying on informal finance (Ogunyemi & Dikko, 2023).

2.2.4 Financial Constraints Facing SMEs

Major constraints include high interest rates (18–28%), excessive collateral demands, and slow loan processing (Umar & Okoye, 2024). Over 75% of northern Nigerian SMEs lack formal financial records, worsening credit exclusion (SMEDAN, 2022). Geographic disparities also limit rural SMEs' access to banking services,

forcing dependence on unreliable informal lenders (Adebisi & Yakubu, 2023).

2.2.5 Role of Financial Institutions and Government Interventions

Government programs like CBN's Anchor Borrowers' Programme and AGSMEIS aim to improve credit access but suffer from poor implementation (Lawal & Isa, 2023). Microfinance banks face challenges like high default rates and insufficient loan sizes (Usman & Bello, 2022). Strengthening financial literacy and decentralizing interventions could enhance their impact (Ojo & Danlami, 2024).

2.3 Theoretical Review

The theoretical framework of this study draws upon four key economic and financial theories that collectively explain the relationship between access to finance and small business performance in developing economies. These theories provide complementary perspectives on financing behaviors, resource allocation, and institutional dynamics that shape SME growth and survival in constrained environments like Katsina State, Nigeria. Each theory offers unique insights into different aspects of the financial challenges faced by small businesses and helps contextualize the empirical findings of this research.

The Pecking Order Theory (Myers & Majluf, 1984) explains the financing preferences of small businesses in Katsina, where entrepreneurs typically rely first on internal funds before considering external financing options. This hierarchical approach to financing stems from information asymmetries and the high transaction costs associated with formal credit markets. In northern Nigeria, where financial institutions often perceive SMEs as high-risk borrowers, this theory helps explain why over 70% of small businesses depend on personal savings or informal loans rather than institutional credit (Aliyu & Ibrahim, 2023). Recent extensions of the theory highlight how financial literacy programs and credit guarantee schemes can help overcome these barriers by reducing perceived risks and improving access to formal financing (Abiola & Oloyede, 2022).

The Resource-Based View (Barney, 1991) complements this perspective by framing financial access as a strategic resource that contributes to competitive advantage and long-term viability. In resource-scarce environments like Katsina, access to finance becomes a critical differentiator between successful and struggling enterprises. Empirical evidence shows that SMEs with better financial access demonstrate greater resilience during economic shocks and achieve higher growth rates (Adebayo & Gimba, 2023). This theory underscores the importance of government interventions and institutional support in transforming financial access from a mere transactional facility into a strategic capability that enhances overall business performance.

Financial Intermediation Theory (Gurley & Shaw, 1960) provides insights into the institutional challenges that limit credit flow to small businesses in northern Nigeria. While financial intermediaries theoretically should bridge the gap between savers and borrowers, practical constraints such as limited rural outreach, conservative lending practices, and inadequate digital infrastructure hinder their effectiveness (CBN, 2023). The theory helps explain why many SMEs in Katsina remain dependent on informal lenders despite the existence of formal financial institutions (Yusuf & Abdullahi, 2023).

Credit Rationing Theory (Stiglitz & Weiss, 1981) completes the theoretical framework by explaining why financial institutions often restrict credit to small businesses regardless of their willingness to pay higher interest rates. The theory's focus on adverse selection and moral hazard helps contextualize the stringent collateral requirements and high rejection rates faced by Katsina's SMEs (Eze & Nwankwo, 2023). This theoretical perspective supports the study's policy recommendations for alternative credit assessment models and improved financial transparency mechanisms to overcome current lending constraints (Afolabi & Ogunleye, 2022). Together, these four theories provide a robust conceptual foundation for analyzing the complex relationship between financial access and small business performance in developing economies.

2.4 Empirical Review

The empirical literature on SME financing reveals consistent patterns across different geographical contexts while highlighting region-specific challenges. Studies from Nigeria and other developing economies demonstrate that access to finance remains a critical determinant of small business performance, though its impact is often mediated by institutional, operational, and environmental factors. This section synthesizes key findings organized around the study's four research objectives, providing a comprehensive understanding of how financial access influences SME outcomes in practice.

Research on financial access and business growth presents compelling evidence of their positive relationship. Lawal and Onyekachi's (2022) study of 500 Lagos SMEs found that businesses with external financing grew at twice the rate of those relying solely on personal savings, primarily through investments in infrastructure and innovation. Similar findings emerged from Mohammed and Usman's (2023) analysis of Kano State enterprises, where timely credit access significantly enhanced productivity and market reach.

However, these benefits were often constrained by high collateral demands and interest rates, suggesting that mere availability of finance may not suffice for optimal growth outcomes. The international perspective provided by Beck et al. (2005) reinforces these findings, showing that financial sector development consistently reduces constraints for small firms across developing economies. Notably, Ibrahim and Bala's (2021) Katsina-specific research introduced important caveats, demonstrating that financial access alone cannot guarantee profitability when undermined by poor fund management or macroeconomic instability.

The relationship between financial access and business survival emerges as particularly strong in empirical studies. Adewuyi and Olasupo's (2022) Nigerian research revealed that enterprises with regular credit access showed 47% higher five-year survival rates, primarily due to improved cash flow management during downturns. This finding gains further support from Isa and Mamman's (2023) longitudinal study in Katsina, which identified irregular financial access as a key contributor to business failures. The international evidence, including Mwangi and Wambua's (2022) Kenyan research and Boateng and Tetteh's (2021) Ghanaian study, consistently shows that diversified and consistent financing sources enhance SME resilience, particularly during economic crises. These findings take on added significance in light of SMEDAN's (2022) report that 60% of Nigerian SMEs lack stable financial access, suggesting substantial room for policy improvement in financial inclusion initiatives.

Analysis of financial constraints reveals a complex web of barriers facing SMEs. Okonkwo and Adeleke's (2023) middle-belt Nigeria study identified collateral requirements as the most significant obstacle, affecting 78% of surveyed businesses. This challenge appears particularly acute in northern Nigeria, where Musa and Danlami's (2022) research documented informal enterprises struggling with documentation requirements and distrust of formal institutions. The comparative dimension introduced by Mensah and Ofori (2022) highlights Nigeria's exceptionally stringent collateral standards relative to other African nations, creating disproportionate challenges for asset-poor entrepreneurs. Gender emerges as another critical factor, with Adebayo and Ajayi (2022) demonstrating how cultural norms in northern Nigeria create additional financial exclusion for women-owned businesses. These multifaceted constraints underscore the need for comprehensive policy solutions addressing both financial and non-financial barriers to SME growth.

Evaluation of institutional interventions yields mixed but instructive results. Oladele and Yusuf's (2023) assessment of Nigeria's AGSMEIS program revealed significant implementation gaps, with only 28% of applicants successfully accessing funds due to bureaucratic hurdles. Similar challenges emerged in Usman and Bello's (2022) study of Katsina's microfinance institutions, where small loan sizes and high default rates limited program effectiveness. Contrasting examples from India (Ravikumar & Narayanasamy, 2023) and Ghana (Boadu & Acheampong, 2022) demonstrate that well-designed interventions incorporating risk-sharing mechanisms and business development services can significantly enhance SME performance. However, Ahmed and Musa's (2021) findings from Katsina emphasize the critical importance of program accessibility, as rural SMEs frequently miss opportunities due to awareness gaps and logistical barriers.

The collective evidence suggests several policy directions for improving SME financial access. First, financial product innovation, particularly collateral-free lending models using alternative credit assessment methods, could significantly expand access (Mensah & Ofori, 2022). Second, gender-sensitive program design is essential to address the unique constraints facing women entrepreneurs (Adebayo & Ajayi, 2022). Third, institutional reforms should focus on streamlining application processes while strengthening monitoring mechanisms (Oladele & Yusuf, 2023). Finally, digital financial solutions could bridge geographical gaps in service delivery, particularly in underserved rural areas (Zhao & Pan, 2022). These measures, combined with improved financial literacy programs, could help translate financial access into sustainable SME growth and survival.

The empirical review underscores that while financial access constitutes a necessary condition for SME success, its effectiveness depends on complementary factors including institutional support, managerial capacity, and enabling business environments. This nuanced understanding informs the current study's approach to analyzing financial access challenges and opportunities in Katsina State, where regional specificities may further shape the finance-performance relationship. The findings also highlight the importance of context-sensitive policy solutions that address both financial and non-financial barriers to SME development.

3. METHODOLOGY

This study adopted a quantitative research design, employing a survey method to collect data from 120 small business owners across Katsina State, selected through stratified random sampling to ensure representation across key sectors (trade, services, agriculture, and manufacturing). A structured questionnaire was administered, measuring variables

such as access to finance (availability, affordability, and sources), business growth (revenue, employment, and asset expansion), survival rates (operational continuity), financial constraints (interest rates, collateral, bureaucracy), and institutional support (government programs, financial services). Data analysis was performed using SPSS version 27, incorporating descriptive statistics (frequencies, percentages, mean scores) to summarize demographic and perceptual data, and inferential statistics (Pearson correlation, linear regression, ANOVA) to test hypotheses regarding the relationships between financial access, business growth, survival, and constraints. The study's reliability was ensured through pilot testing (Cronbach's alpha > 0.7), while validity was maintained by aligning survey items with established theoretical frameworks (Pecking Order Theory, Credit Rationing Theory, and Resource-Based View) and prior empirical studies on SME financing. Ethical considerations included informed consent, confidentiality, and voluntary participation, with data collection conducted between January and March 2024 to capture recent financial conditions post-COVID-19 economic disruptions. This methodological approach enabled a rigorous, replicable examination of how financial access influences small business outcomes in Katsina State, addressing gaps in regional SME financing literature.

4. RESULTS AND DISCUSSION

Demographic Profile of Respondents

This study surveyed 120 small business owners across Katsina State. The demographic profile of respondents is presented below:

Table 1: Demographic Characteristics of Respondents

Variable	Category	Frequency	Percentage (%)
Gender	Male	72	60.0
	Female	48	40.0
Age Group	26–35 years	45	37.5
	36–45 years	38	31.7
Education	Tertiary	49	40.8
	Secondary	39	32.5
Business Type	Trade/Retail	46	38.3
	Services	32	26.7
Business Age	4–10 years	63	52.5
Registration	Registered	69	57.5

The sample comprised 60% male and 40% female entrepreneurs, with a majority (69.2%) aged between 26 and 45 years—typically considered prime entrepreneurial years. Educational attainment was relatively high, with 73.3% of respondents possessing at least secondary education, which is expected to enhance their financial management capacity. A significant proportion of businesses operated in trade and retail (38.3%), reflecting the region's commercial orientation. Notably, 42.5% of businesses remained unregistered, pointing to ongoing challenges in formalization, which could hinder access to institutional finance.

Access to Finance and Business Performance

Table 2: Access to Finance Indicators

Statement	SA (%)	A (%)	Mean
Reliance on informal finance	40.0	30.8	3.70
Finance as growth barrier	43.3	35.0	3.83
Finance enables expansion	40.8	32.5	3.83
Finance improves survival	36.7	31.7	3.70

Findings indicate a strong dependence on informal financial sources, with 70.8% of respondents relying on personal savings or informal lending, yielding a mean score of 3.70. This supports Aliyu and Ibrahim's (2023) analysis of the prevalence of informal financial practices in northern Nigeria. Furthermore, access to finance was identified as a critical driver of business expansion and sustainability, with over 73% agreeing that finance facilitates business growth (mean = 3.83), and 68.4% acknowledging its role in sustaining business during challenges (mean = 3.70). These outcomes align with prior findings by Lawal and Onyekachi (2022) and Adewuyi and Olasupo (2022).

Financial Constraints Analysis

Table 3: Financial Constraints Faced

Constraint	SA (%)	Mean
High interest rates	45.8	4.01
Collateral demands	49.2	4.01
Bureaucratic processes	40.0	3.83
Lack of records	32.5	3.52

The analysis highlights that high interest rates and stringent collateral requirements remain the most pressing barriers to accessing finance, each scoring a mean of 4.01. These challenges were reported by over 95% of respondents, surpassing findings in Nigeria's middle belt (Okonkwo & Adeleke, 2023). Bureaucratic

bottlenecks also featured prominently (mean = 3.83), alongside a lack of proper financial records (mean = 3.52), echoing SMEDAN's (2022) findings on the informality of northern businesses. Additionally, female entrepreneurs were disproportionately affected, being 22% more likely to report difficulties in securing loans, consistent with Adebayo and Ajayi's (2022) observations on gender-based financial exclusion.

Institutional and Government Support

Table 4: Intervention Program Effectiveness

Metric	Beneficiaries (n=38)	Non-beneficiaries (n=82)
Mean access score	3.82	3.11
Annual growth	4.2%	2.1%
Survival rate	78%	61%

While 61.7% of respondents were aware of government intervention programs, only 31.7% had benefited from them. Among beneficiaries, the results were noticeably more favorable, with higher scores in financial access (mean = 3.82), annual growth (4.2%), and business survival (78%) compared to non-beneficiaries. However, bureaucratic obstacles emerged as the leading reason for non-participation (mean = 3.80), reinforcing Oladele and Yusuf's (2023) critique of program inefficiencies. The data underscores a persistent gap between awareness and access, as many potentially eligible businesses refrain from applying due to procedural complexity and poor communication.

Hypothesis Testing Results

Table 5: Summary of Hypothesis Testing Results

Hypothesis	Test	Variables / Model	N	Statistic(s)	Sig. (p-value)	Decision	Interpretation
H_{01}: No significant relationship between access to finance and small business growth	Pearson Correlation	Access to Finance vs Growth	120	$r = 0.612$	0.000	**Reject H_{01}**	Positive, significant correlation; more finance access leads to higher growth
H_{02}: No significant effect of access to finance on business survival	Simple Linear Regression	Access to Finance → Survival	120	$R = 0.587$, $R^2 = 0.345$, $F = 61.42$, $\beta = 0.512$, $t = 7.838$	0.000	**Reject H_{02}**	Access to finance positively and significantly predicts survival
H_{03}: Financial constraints do not affect growth and survival	Multiple Regression	Collateral, Interest Rate, Bureaucracy → Growth & Survival	120	$R = 0.665$, $R^2 = 0.442$, $F = 34.82$ Collateral: $\beta = 0.298$, $t = 3.275$ Interest: $\beta = 0.241$, $t = 2.835$ Bureaucracy: $\beta = 0.216$, $t = 2.667$	All $p < 0.05$	**Reject H_{03}**	All constraints significantly impact growth and survival; collateral has strongest effect
H_{04}: No significant impact of government/financial institutions on access to finance	ANOVA	Beneficiaries vs Non-beneficiaries	120 (38 + 82)	Mean (Beneficiaries) = 3.82 Mean (Non-beneficiaries) = 3.11 $F = 18.47$	0.000	**Reject H_{04}**	Beneficiaries of programs report significantly higher access to finance

i. **H_1: Relationship Between Finance and Business Growth**

A strong positive correlation was found ($r = 0.612$, $p < 0.01$), with finance explaining 37.4% of the variance in growth ($R^2 = 0.374$), closely mirroring Beck et al.'s (2005) global findings.

ii. **H_2: Relationship Between Finance and Business Survival**

Finance had a significant effect on business survival ($\beta = 0.512$, $p < 0.05$), accounting for 34.5% of the variation ($R^2 = 0.345$). This supports findings by Muhammad et al. (2023), though it suggests that other variables also influence survival outcomes.

iii. **H_3: Impact of Financial Constraints**

Constraints collectively explained 44.2% of the variance in access ($R^2 = 0.442$), with collateral being the most influential factor ($\beta = 0.298$, $p < 0.01$), exceeding estimates from Mensah and Ofori (2022).

iv. **H_4: Effectiveness of Institutional Support**

A significant difference was found between beneficiaries and non-beneficiaries ($F = 18.47$, $p < 0.001$), confirming the impact of institutional programs. However, the low access rate (31.7%) indicates persistent structural inefficiencies.

Theoretical and Practical Implications

The study's results offer validation for several theoretical perspectives. The reliance on informal financing sources (70.8%) aligns with the Pecking Order Theory (Myers & Majluf, 1984), which argues that businesses in uncertain environments prefer internal or informal sources due to lower information asymmetry. The widespread challenge of collateral (reported by 86.2% of respondents) provides strong empirical support for the Credit Rationing Theory by Stiglitz and Weiss (1981), suggesting that imperfect information leads financial institutions to restrict credit. Additionally, the Resource-Based View (Barney, 1991) is applicable, as the notable growth and survival differences between financed and non-financed businesses indicate that access to finance serves as a strategic resource that enhances competitive advantage.

From a practical perspective, the findings call for a comprehensive reform of lending frameworks. Collateral alternatives, such as movable asset registries, could ease credit access. Expanding digital and mobile banking infrastructure into rural areas would help bridge access gaps. Gender-sensitive policies are essential to support women entrepreneurs, while simplifying loan application processes could increase participation in government programs. Moreover, financial literacy training would empower small business owners to manage and leverage credit effectively.

Despite its valuable contributions, this study has certain limitations. The use of a cross-sectional design restricts the ability to establish causality between variables, and its focus on Katsina State limits the generalizability of findings to other regions in Nigeria. Additionally, the reliance on self-reported data introduces the risk of response bias, as respondents may have over- or under-reported their financial experiences.

Future research could benefit from adopting longitudinal designs to observe changes over time and provide deeper causal insights. Expanding the geographical scope to include multiple northern states would enhance the robustness and generalizability of the findings. Furthermore, integrating macroeconomic variables and investigating the moderating role of social capital in financial access could yield richer, more nuanced conclusions.

This study advances understanding of SME financing dynamics in northern Nigeria and highlights clear policy interventions to improve financial inclusion and entrepreneurial sustainability. Its findings not only reaffirm key financial theories but also offer practical pathways for addressing systemic constraints affecting small business growth in Katsina State.

5. CONCLUSION AND RECOMMENDATIONS

This study concludes that access to finance plays a critical and statistically significant role in determining the growth and survival of small businesses in Katsina State. Small businesses with reliable financial access exhibit greater potential to expand operations, sustain productivity, and survive adverse economic conditions. However, a complex web of structural constraints—including stringent collateral requirements, high interest rates, and inefficient lending procedures—continues to hinder many entrepreneurs, particularly women and informal business owners. Despite existing government and institutional interventions, their impact remains limited due to low awareness, bureaucratic complexity, and limited reach. The study therefore reinforces the notion that addressing the financial exclusion of SMEs is essential not only for fostering business development but also for achieving broader socio-economic goals such as employment generation and poverty alleviation.

To close the financing gap and enhance the performance of SMEs, the study recommends a multi-layered policy response. Lending frameworks should be reformed to accommodate alternative forms of collateral and more affordable credit terms. Strengthening government intervention programs through better outreach and streamlined procedures is also critical. Financial literacy initiatives must be prioritized to equip business owners with the knowledge and confidence to engage with formal financing channels. Furthermore, public-private partnerships and regulatory oversight should be enhanced to ensure transparency and efficiency in credit delivery. By implementing these recommendations, Katsina State can establish a more inclusive financial environment that empowers its small businesses to thrive and contribute more meaningfully to regional economic development.

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