

**FINANCIAL CHALLENGES AND SURVIVAL STRATEGIES OF SMALL SCALE
ENTERPRISES (SSE)**

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**A PROJECT SUBMITTED TO THE DEPARTMENT OF ENTREPRENEURSHIP,
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NIGERIA IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD
OF BACHELOR OF SCIENCE (B.Sc), DEGREE IN ENTREPRENEURSHIP**

APRIL, 2025

DECLARATION

I, EDOKHAGBA ABODENUAN FAVOUR, with MAT. NO MGS2007737, do hereby declare that this project has been written by me and that it is entirely my own work and composition under the supervision of **DR.(MRS.) A.O ORIAZOWANLAN.** The work has not been submitted in candidature for any degree and is not concurrently being submitted for any other degree, to the best of my knowledge. All sources of information, ideas and materials used have been duly acknowledged by means of reference.

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CERTIFICATION

We, the undersigned, certify that this project was carried out by **Edokhagba Abodenuan favour (MGS2007737)** of the department of Entrepreneurship, Faculty of Management Sciences, University of Benin, Benin City in partial fulfilment of the award of Bachelor of Science (B.Sc) in Entrepreneurship.

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DEDICATION

To God Almighty, Who has blessed me with the opportunity to pursue this research and has granted me the strength and wisdom to complete it, I give thanks and dedicate this work .

To my family and friends, who have supported me throughout this journey I extend my deepest gratitude. Your guidance, encouragement. And love have made this accomplishment possible.

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TABLE OF CONTENTS

	PAGES
COVER PAGE	i
TITLE PAGE	ii
DECLARATION	iii
CERTIFICATION	iv
DEDICATION	v
ACKNOWLEDGEMENTS	vi
TABLE OF CONTENTS	vii
ABSTRACT	xi
CHAPTER ONE	1
INTRODUCTION	1
1.1 Background to the Study	1
1.2 Statement of the Problem	4
1.3 Research Objectives	5
1.5 Research Hypotheses	6
1.6 Significance of the Study	7
1.7 Scope of the Study	9
CHAPTER TWO	10
LITERATURE REVIEW	10
2.1 Introduction	10

2.2 Conceptual Review	11
2.2.1 Concept of Small Scale Enterprises (SSEs)	11
2.2.2 Financial Challenges of SSEs	13
2.2.3 Survival Strategies of SSEs	15
2.4 Empirical Review	17
2.4.1 Financial Challenges of SSEs	17
2.4.2 Survival Strategies of SSEs	19
2.5 Summary and Gap in the Literature Reviewed	22
CHAPTER THREE	23
METHODOLOGY	23
3.1 Introduction	23
3.2 Research Design	23
3.3 Study Population	23
3.4 Sample Size and Sampling Technique	24
3.5 Sources of Data	25
3.6 Research Instrument	25
3.7 Validity of the Research Instrument	26
3.8 Reliability of the Research Instrument	26
3.9 Model Specification	26
3.10 Operationalization of Variables	28
3.11 Method of Data Analysis	28

CHAPTER FOUR	30
DATA PRESENTATION AND ANALYSIS	30
4.1 Introduction	30
4.2 Data Presentation	30
4.3 Demographic Characteristics of Respondents	31
4.3 Interpretation of Respondents' Demographic Characteristics	32
4.2 Descriptive Analysis	33
4.2.1 Introduction	33
4.2.2 Interpretation of Results	35
4.2.3 Descriptive Analysis of Strategies Used by SSEs to Mitigate Financial Challenges	37
4.2.4 Descriptive Analysis of the Extent to Which Survival Strategies Ensure the Long-Term Viability of SSEs	40
4.4 Test of Hypothesis	42
CHAPTER FIVE	50
SUMMARY, CONCLUSION, AND RECOMMENDATIONS	50
5.1 Introduction	50
5.2 Summary of Findings	50
5.3 Conclusion	51
5.4 Recommendations	52
5.5 Suggestions for Further Study	54
5.6 Contribution to Knowledge	55
REFERENCES	58

ABSTRACT

Small-scale enterprises (SSEs) play a crucial role in economic development, job creation, and poverty alleviation. However, they often face significant financial challenges that threaten their survival and growth. This study examines the financial difficulties encountered by SSEs, including limited access to credit, high operational costs, poor financial management, and economic instability. It also explores the survival strategies adopted by these businesses, such as bootstrapping, strategic partnerships, cost-cutting measures, and diversification. Using a combination of qualitative and quantitative methods, the research analyzes data from small business owners to understand their financial constraints and adaptive strategies. The findings highlight the importance of financial literacy, government support, and innovative financing options in enhancing SSE resilience. The study provides valuable insights for entrepreneurs, policymakers, and financial institutions on fostering a more sustainable environment for small-scale businesses.

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Small scale enterprises (SSEs) play a vital role in economic development, particularly in developing economies, where they are essential for job creation, poverty alleviation, and fostering innovation (Afolabi, 2015). SSEs constitute approximately 90% of businesses globally and contribute to over 50% of employment worldwide (World Bank, 2021). In sub-Saharan Africa, SSEs are pivotal to economic growth, making up around 80% of total businesses and providing significant employment opportunities, especially in rural and underserved areas (IFC, 2022). However, despite their critical economic role, SSEs in developing regions often face financial challenges that constrain their growth and sustainability.

One of the main financial barriers faced by SSEs is limited access to finance. Data indicates that over 40% of formal micro, small, and medium-sized enterprises (MSMEs) in emerging markets lack access to adequate finance (World Bank, 2021). In Nigeria, a study revealed that 60% of SSEs face severe funding gaps, with many business owners relying on personal savings or informal loans due to restrictive lending requirements (Agwu & Emeti, 2014). Strict collateral demands, high-interest rates, and complex application processes hinder many SSEs from securing loans from formal financial institutions (Osotimehin et al., 2021). As a result, these

enterprises often turn to informal financing sources, such as family and friends, or high-interest local money lenders, which can be unsustainable (Akande, 2020).

High borrowing costs also pose significant challenges for SSEs. According to the Central Bank of Nigeria, interest rates on small business loans can exceed 20%, compared to single-digit rates in some advanced economies (CBN, 2022). In Kenya, by contrast, SSEs benefit from interest rate caps imposed by the government, making credit more affordable and accessible (Kamau & Oluoch, 2021). However, in Nigeria, without such caps, small businesses face higher borrowing costs, which limits their ability to invest in capital improvements, expansion, or innovation (Olanrewaju & Adegbola, 2019). This disparity highlights how policy interventions can influence the financial accessibility of small businesses. Another challenge is poor financial management skills, a significant hurdle for many SSEs. Research has shown that only about 30% of SSE owners in Nigeria have received any formal training in financial management (Afolabi et al., 2022). Lack of expertise in budgeting, cash flow management, and debt handling often leads to financial mismanagement, causing these enterprises to experience cash flow issues and eventually leading to closure. In contrast, in countries like South Africa, SSEs benefit from widespread training programs and mentorship opportunities provided by governmental and non-governmental organizations, which help owners improve financial literacy and sustainability (Fatoki, 2019).

Unstable economic conditions such as high inflation, currency volatility, and fluctuating costs of inputs further exacerbate financial challenges for SSEs. In Nigeria, inflation has consistently remained above 15% over recent years, with food inflation even higher (National Bureau of Statistics, 2023). This erodes purchasing power, raises the cost of goods, and squeezes already narrow profit margins for small businesses. Comparatively, countries with stable economic policies and lower inflation rates, like Ghana, have seen a relatively more conducive environment for SSE growth, allowing businesses to predict costs more accurately and plan for the future (Acheampong et al., 2021). Regulatory compliance costs also pose a burden on SSEs, as they often lack the resources to meet the bureaucratic and administrative requirements imposed by government agencies (Adisa et al., 2016). In Nigeria, small businesses must navigate multiple layers of licensing, tax, and regulatory requirements, which increase both direct costs and administrative burdens. In contrast, Rwanda has streamlined its business registration processes, enabling entrepreneurs to start businesses within a few days at minimal cost. This has encouraged SSE growth and improved compliance rates (Mutabazi & Mwanga, 2020). Given the financial constraints facing SSEs, it is critical to explore the survival strategies they adopt to stay afloat. Many SSEs employ cost-cutting measures, seek alternative funding sources, or diversify their income streams to mitigate financial risks (Akande, 2020). Understanding the specific challenges and strategies that characterize SSEs in Nigeria can inform policies aimed at enhancing the resilience and long-term contribution of these enterprises to economic growth.

1.2 Statement of the Problem

Small scale enterprises (SSEs) are essential to economic development and job creation, yet they face significant financial challenges that limit their sustainability and growth. According to Akinyemi (2020), SSEs encounter high interest rates and restrictive lending policies that make formal financing largely inaccessible, forcing many to depend on personal savings or informal lending sources. Similarly, Eze and Ekemini (2021) found that the lack of collateral is a significant barrier preventing SSEs from obtaining loans, leading to cash flow issues and stunted growth potential. Additionally, Oni and Adebayo (2022) highlighted that poor financial literacy and limited managerial skills exacerbate the financial instability of SSEs, as owners struggle with budgeting, debt management, and planning, which contributes to the high failure rate among these enterprises. While these studies underscore the challenges SSEs face, they do not comprehensively address how SSEs respond to these financial constraints or evaluate the effectiveness of the survival strategies they employ. For instance, Akinyemi (2020) primarily focuses on access to finance, but does not explore how SSEs adapt through alternative funding strategies or cost management techniques. Eze and Ekemini (2021) emphasize collateral requirements without considering the diverse strategies SSEs use to manage costs and enhance financial stability. Oni and Adebayo (2022) examine the impact of financial illiteracy but do not assess how SSEs might overcome these skill gaps to improve their resilience.

This current research fills the gap by examining both the specific financial challenges SSEs face and the various survival strategies they employ to mitigate these challenges. By investigating

alternative funding sources, operational adjustments, and financial management approaches, this study aims to provide a holistic understanding of how SSEs navigate financial difficulties. This comprehensive approach will inform policies and interventions designed to support SSEs more effectively in achieving sustainable growth.

1.3 Research Objectives

The objectives of this study are to:

The main aim of the study is to Investigate the Financial challenges and survival strategies of small scale enterprises, the specific objectives is ;

- 1: To compare the opinions of SSE owners and financial institutions regarding the primary financial challenges faced by small scale enterprises.
- 2: To evaluate the perceived impacts of high-interest rates from the perspectives of SSE owners and financial institutions.
- 3: To analyze the differences between the strategies suggested by policymakers and those implemented by SSE owners in addressing financial challenges.
- 4: To assess the coping financial strategies and survival strategies adopted by small scale enterprises in ensuring their sustainability.

1.4 Research Questions

To address the research problem, this study seeks to answer the following questions:

- 1: what are the primary financial challenges encountered by small scale enterprises(SSEs)?
- 2: How do financial challenges affect the operations and survival of small scale enterprises?
- 3: what strategies do small scale enterprises use to mitigate financial challenges?
- 4: To what extent the survival strategies in ensuring the long-term viability of small scale enterprises?

1.5 Research Hypotheses

Based on the research objectives, the following hypotheses are proposed:

- 1: There is no significant difference in the opinions of SSE owners and financial institutions regarding the primary financial challenges faced by small scale enterprises.
- 2: High-interest rates have no significant perceived impact on small scale enterprises from the perspectives of both SSE owners and financial institutions.
- 3: There is no significant relationship between the strategies suggested by policymakers and the strategies implemented by SSE owners in addressing financial challenges.
- 4: Survival strategies adopted by small

1.6 Significance of the Study

This study provides valuable insights into the financial challenges confronting small scale enterprises (SSEs) and the survival strategies they adopt to navigate these obstacles. The findings are expected to benefit policymakers, financial institutions, SSE owners, and researchers by offering practical and evidence-based recommendations for supporting the sustainability and growth of SSEs in Nigeria and similar economies.

For policymakers, the study highlights critical areas where financial policies can be restructured to enhance access to finance and reduce borrowing costs for SSEs. By understanding the specific challenges that SSEs face, policymakers can develop targeted interventions, such as credit guarantees or interest rate subsidies, that make financing more accessible and affordable. Such policies could alleviate the financing gaps that often force SSEs into informal and expensive borrowing arrangements, thereby supporting the development of a robust SSE sector capable of contributing to economic growth, job creation, and poverty reduction. Additionally, insights from this study could inform policy adjustments that simplify regulatory and compliance processes, enabling SSEs to focus resources on expansion and innovation rather than administrative burdens.

For financial institutions, this research provides a clearer understanding of the unique financial needs and constraints of SSEs. Financial institutions often view SSEs as high-risk borrowers due to their limited assets and unpredictable cash flows. By detailing the financial challenges faced

by these businesses, the study can encourage banks and other lenders to create tailored financial products—such as microloans, flexible repayment options, or low-collateral loans—designed to meet the specific needs of SSEs. Such products would not only provide a new revenue stream for financial institutions but also enhance financial inclusion by bringing more SSEs into the formal financial system, where they can access stable and sustainable funding.

For SSE owners and managers, the study offers practical guidance on effective survival strategies that can help them manage financial risks and increase their resilience in a challenging economic environment. By learning from the strategies adopted by other successful SSEs, business owners can gain insights into best practices for cost management, alternative financing options, and effective financial planning. These strategies can assist SSEs in maintaining steady operations despite financial constraints, potentially improving their long-term viability and profitability. This practical knowledge is particularly valuable for SSEs operating in volatile economies, as it equips them with the tools needed to adapt and thrive.

Finally, for researchers and academics, this study provides a foundation for further research on financial challenges and survival strategies in the small business sector. By identifying specific gaps and challenges in SSE financing, the study opens opportunities for more in-depth investigations into areas such as the impact of government support schemes, the role of digital finance, and the effectiveness of various financial literacy programs for SSE owners. The study's findings contribute to the existing literature on small business finance and lay the groundwork

for future research that can deepen understanding and support the development of evidence-based solutions for SSE growth and sustainability.

1.7 Scope of the Study

This study focuses on small scale enterprises operating within Benin City, Edo state Nigeria examining their financial challenges and the strategies they adopt to mitigate these challenges. The research covers SSEs across various sectors, including retail and services, to provide a comprehensive overview of the financial difficulties and survival approaches in different business contexts.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

Small Scale Enterprises (SSEs) are vital to the economic growth and development of nations, particularly in developing countries. However, these enterprises often encounter significant financial challenges that threaten their sustainability and growth. This chapter explores the financial challenges faced by SSEs and the survival strategies they adopt to address these obstacles. The review includes

2.2 Conceptual Review

2.2.1 Concept of Small Scale Enterprises (SSEs)

2.2.2 Financial Challenges of SSEs

2.2.3 Survival Strategies of SSEs

2.3 Theoretical Review

2.4 Empirical Review

2.4.1 Financial Challenges of SSEs

2.4.2 Survival Strategies of SSEs

2.2 Conceptual Review

2.2.1 Concept of Small Scale Enterprises (SSEs)

Small-scale enterprises (SSEs) play a vital role in economic development, particularly in developing countries where they drive innovation, create employment opportunities, and contribute to poverty reduction. These enterprises are generally characterized by their limited capital investment, small workforce, and localized operations. Due to their smaller scale, they are often privately owned and managed, allowing for flexibility in operations and quick adaptation to market dynamics (International Finance Corporation [IFC], 2023).

Globally, SSEs constitute approximately 90% of businesses and contribute over 50% of total employment (World Bank, 2023). This highlights their importance in fostering economic diversification and stability. In Nigeria, the definition of SSEs is aligned with specific financial and operational benchmarks. According to the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN, 2022), SSEs are classified as businesses with an annual turnover not exceeding ₦50 million and a workforce of fewer than 50 employees. These criteria distinguish them from micro-businesses and larger enterprises, positioning them as a crucial segment of the economy.

SSEs in Nigeria operate in diverse sectors, including manufacturing, trade, agriculture, and services. Their presence in these industries contributes to addressing socio-economic issues such as unemployment and regional economic development (Afolabi et al., 2022). In the agricultural

sector, for instance, SSEs play a significant role in enhancing food security, while those in the retail sector improve access to goods and services in underserved communities (Eze et al., 2023). Beyond economic contributions, SSEs also serve as platforms for social empowerment, particularly for women and young entrepreneurs. Research indicates that nearly 40% of SSEs in Nigeria are owned by women, reflecting their role in promoting gender inclusivity and reducing income disparities (Osotimehin et al., 2023). Additionally, youth participation in SSEs has been instrumental in fostering innovation, especially in technology-driven industries (Adebayo & Salau, 2023).

Despite their potential, SSEs face significant barriers that hinder their growth, including limited access to financing, inadequate infrastructure, and cumbersome regulatory frameworks. To maximize their contributions to sustainable development, policymakers and development organizations have emphasized the need for targeted interventions such as capacity-building programs, financial inclusion initiatives, and regulatory reforms (IFC, 2023; SMEDAN, 2022). Ultimately, SSEs are indispensable to economic and social development. Their contributions go beyond economic growth, as they also drive innovation, inclusivity, and social cohesion. Addressing their structural challenges through supportive policies and initiatives is crucial to unlocking their full potential.

2.2.2 Financial Challenges of SSEs

Despite their critical role in economic development, SSEs encounter persistent financial challenges that threaten their sustainability and growth. Limited access to credit, high borrowing costs, stringent collateral requirements, and inadequate financial literacy among entrepreneurs are some of the key barriers that restrict their financial viability. The International Finance Corporation (2023) estimates that the global financing gap for micro, small, and medium enterprises (MSMEs) exceeds \$5.2 trillion annually, with Africa accounting for a substantial portion of this deficit. In Nigeria, over 60% of SSEs experience funding shortages, forcing them to rely on personal savings or informal credit sources such as loans from friends, family, or cooperative societies (Osotimehin et al., 2023).

Access to affordable credit is a major concern for SSEs, as financial institutions often perceive them as high-risk borrowers due to their limited asset base, irregular cash flows, and lack of proper financial records. Consequently, many SSEs fail to meet the stringent collateral requirements set by commercial banks, leaving them with no option but to seek funding from informal lenders who impose exorbitant interest rates. Data from the Central Bank of Nigeria (CBN, 2023) indicate that less than 5% of commercial bank loans are allocated to SSEs, despite their substantial contributions to the national economy. The inability to access formal credit inhibits SSEs from investing in modern technology, enhancing productivity, and competing effectively in both local and international markets (Eze et al., 2023).

Furthermore, high borrowing costs present another major obstacle to SSE financial stability. Interest rates on loans from commercial banks and microfinance institutions often range between 25% and 35% annually, making it difficult for small enterprises to repay debts while maintaining profitability. This financial burden is exacerbated by macroeconomic instability, including inflation and currency depreciation, which further erode the purchasing power of SSEs (Ogunleye et al., 2023).

Poor financial literacy among SSE operators also poses a significant challenge. Many business owners lack the knowledge and skills required to maintain proper financial records, develop business plans, or navigate the complexities of financial management. A study by Afolabi et al. (2022) found that approximately 70% of SSEs in Nigeria do not keep formal financial records, making it difficult for them to secure loans or attract potential investors. Additionally, the economic impact of the COVID-19 pandemic further worsened financial challenges for SSEs, with over 40% of Nigerian SSEs experiencing sharp declines in sales and profitability (World Bank, 2023).

To address these financial challenges, stakeholders such as policymakers, financial institutions, and development agencies must implement targeted interventions, including credit guarantee schemes, financial literacy programs, and the establishment of SSE-focused development banks. These initiatives would help bridge the financing gap and promote the sustainability of small

businesses (SMEDAN, 2022; IFC, 2023). By alleviating these financial constraints, SSEs can play a more significant role in job creation, economic growth, and poverty alleviation.

2.2.3 Survival Strategies of SSEs

To navigate financial difficulties and sustain their operations, SSEs adopt various survival strategies that enable them to remain resilient in dynamic economic environments. These strategies include cost-cutting measures, diversification of income sources, leveraging technology, and securing alternative financing options. Such adaptive approaches allow SSEs to mitigate financial constraints and market uncertainties (Akande, 2020).

One of the most common survival strategies among SSEs is cost reduction. Businesses achieve this by optimizing their operational processes, negotiating better terms with suppliers, and minimizing overhead costs. Many SSEs also adopt lean business models, focusing on essential products or services to reduce waste and improve efficiency (Olawale & Garwe, 2023). Some enterprises have transitioned to remote work arrangements or co-working spaces to cut down on office rental expenses.

Diversification of income streams is another essential strategy. By expanding their product or service offerings, businesses can reduce their dependence on a single revenue source and mitigate risks associated with market fluctuations. For instance, many retail businesses in Nigeria have embraced e-commerce as a complementary sales channel, allowing them to reach a broader

customer base and adapt to changing consumer behaviors, especially in the post-pandemic era (World Bank, 2023).

SSEs also rely on informal financing sources, including personal savings, cooperative societies, and loans from family and friends, which are often more accessible and less restrictive than traditional bank loans (Fatoki, 2019). Additionally, financial technology (fintech) solutions have provided new opportunities for SSEs to access funding through digital lending platforms. These platforms use alternative credit assessment models, such as transaction history and digital footprints, to determine creditworthiness, reducing reliance on conventional collateral-based lending systems (Adetola et al., 2022).

Moreover, strategic partnerships and collaborations enable SSEs to pool resources, share costs, and increase market visibility. Businesses often engage in cooperative marketing efforts or bulk purchasing agreements to enhance cost efficiency (Eze et al., 2023). Additionally, adopting digital tools, such as mobile apps, social media marketing, and e-commerce platforms, has helped SSEs improve customer engagement and operational efficiency. A study by the International Finance Corporation (2023) found that SSEs that embrace digitalization are 2.5 times more likely to experience revenue growth than those that do not.

Despite the numerous challenges they face, SSEs continue to find innovative ways to sustain their operations. Government support programs, including financial literacy training and credit guarantee schemes, have also played a role in strengthening the resilience of SSEs (SMEDAN,

2022). By adopting adaptive strategies and leveraging available resources, SSEs can navigate economic uncertainties and contribute significantly to employment generation and economic development.

2.4 Empirical Review

2.4.1 Financial Challenges of SSEs

Akinyemi (2020) conducted a study on the financial challenges faced by small-scale enterprises (SSEs) in Lagos State, Nigeria, over the period 2015 to 2019. The study involved 150 SSEs and utilized a survey methodology with structured questionnaires administered to business owners and managers. Descriptive statistics and regression analysis were employed to analyze the data. The findings revealed that restrictive lending policies, high collateral requirements, and excessive interest rates posed significant barriers to SSEs' access to formal financing. These financial constraints severely limited the businesses' ability to expand and sustain operations. Akinyemi (2020) recommended that financial institutions adopt more flexible lending policies, reduce collateral requirements, and introduce loan packages specifically tailored to the needs of SSEs.

Osotimehin et al. (2021) examined the financial challenges of SSEs in three Nigerian states (Lagos, Abuja, and Kano) from 2017 to 2020. The study involved 200 SSEs and employed a mixed-methods approach, combining surveys and interviews. Data were analyzed using thematic analysis and statistical modeling. The results indicated that high inflation rates, currency

volatility, and fluctuating interest rates contributed significantly to financial instability for SSEs, leading to reduced profit margins and operational inefficiencies. The authors suggested that government intervention was necessary to stabilize the macroeconomic environment, promote financial inclusion, and regulate interest rates, which would support the sustainability of small businesses in Nigeria.

Fatoki (2019) focused on the experiences of SSEs in South Africa between 2014 and 2018. The study involved 120 businesses in Gauteng Province and employed a quantitative approach, with data collected through structured surveys. Multivariate regression analysis was used to analyze the data. The findings revealed that government-subsidized loans and financial literacy programs significantly enhanced the ability of SSEs to access affordable financing. These programs also improved the financial management skills of business owners, allowing them to manage their finances more effectively. Fatoki (2019) recommended that such initiatives be replicated in other developing countries, emphasizing the importance of public-private partnerships in supporting SSEs.

Eze and Nwankwo (2023) carried out a study on the financial challenges of SSEs in Nigeria, covering the period 2018 to 2022. The research involved 250 SSEs across five Nigerian states, and a cross-sectional survey design was employed. Data were collected through questionnaires and focus group discussions, and the analysis was conducted using structural equation modeling (SEM). The study identified limited financial literacy, inadequate access to formal credit, and

high operational costs as the major financial challenges faced by SSEs. The authors also found that these challenges were more pronounced in rural businesses than in their urban counterparts. Eze and Nwankwo (2023) recommended extending financial services to rural areas and providing targeted financial literacy training for SSE owners. Lastly, Okon and Bassey (2022) investigated the financial challenges of SSEs in the agricultural sector in Nigeria between 2016 and 2021. The study involved 180 SSEs operating in the agricultural sector and employed a longitudinal design. Data were collected through interviews and financial records, and time-series econometrics and content analysis were used to analyze the data. The study revealed that inconsistent government policies, limited access to affordable financing, and inadequate infrastructure were the primary financial challenges for SSEs in the agricultural sector. These challenges hindered productivity and profitability. Okon and Bassey (2022) suggested the establishment of dedicated agricultural financing schemes, consistent policy implementation, and increased investment in rural infrastructure to support SSEs in the agricultural sector.

2.4.2 Survival Strategies of SSEs

Akande (2020) investigated survival strategies adopted by small-scale enterprises (SSEs) in Nigeria between 2015 and 2019. The study surveyed 150 SSEs across Lagos State, using a cross-sectional design and structured questionnaires. The data were analyzed through descriptive statistics and regression analysis. The findings showed that many SSEs in Nigeria resorted to cost-reduction strategies, such as outsourcing non-core functions (e.g., janitorial services) and

negotiating better payment terms with suppliers. These strategies allowed the businesses to minimize operational costs while maintaining their core competencies. Akande (2020) suggested that SSEs should further explore strategic alliances and technology adoption as additional cost-saving measures to enhance their competitiveness.

Kamau and Oluoch (2021) conducted a study on the survival strategies of SSEs in Kenya, focusing on the period from 2016 to 2020. The study involved 200 small businesses across Nairobi County and used a mixed-methods approach combining surveys and in-depth interviews. The data were analyzed using both quantitative (descriptive statistics) and qualitative (thematic analysis) techniques. The research found that many SSEs in Kenya successfully leveraged government-imposed interest rate caps to access affordable credit. By securing loans with lower interest rates, businesses were able to expand operations and improve their financial stability. The authors recommended that SSEs should continue to take advantage of government policies, while also diversifying their revenue streams to minimize reliance on external financing.

Afolabi et al. (2022) conducted research on the impact of financial management training on the survival of SSEs in Nigeria, covering the period from 2018 to 2022. The study focused on 120 SSEs in Abuja and employed a quasi-experimental research design with pre- and post-intervention surveys. Data were analyzed using paired sample t-tests. The study revealed that SSEs whose owners received financial management training showed significant improvements in budgeting, debt management, and cash flow management. These skills enabled them to survive

financial difficulties and avoid insolvency. Afolabi et al. (2022) recommended that financial literacy programs be implemented more widely for SSE owners, emphasizing budgeting and debt management as essential components of sustainable business practices.

Adebayo and Olufemi (2020) examined survival strategies of SSEs in Nigeria's retail sector between 2017 and 2021. The study focused on 100 retail businesses in Lagos and employed a survey methodology with structured questionnaires. Descriptive and inferential statistics were used to analyze the data. The results indicated that SSEs in the retail sector employed a mix of strategies, such as diversifying their income sources and improving product offerings to attract more customers. The study also found that businesses that adopted technology (e.g., e-commerce platforms and social media marketing) were more resilient during periods of economic downturn. Adebayo and Olufemi (2020) suggested that SSEs in the retail sector should prioritize digital transformation and seek partnerships to boost their market reach.

Tunde and Ojo (2023) investigated the survival strategies of SSEs in the hospitality industry in Nigeria, focusing on the period from 2019 to 2022. The study involved 150 firms and used a mixed-methods approach, combining surveys with in-depth interviews. The data were analyzed using regression analysis and content analysis. The findings revealed that SSEs in the hospitality industry adopted diversification strategies, including offering complementary services (e.g., event management and catering) to supplement their income. Moreover, many businesses formed informal networks with suppliers and customers to reduce costs. Tunde and Ojo (2023)

recommended that hospitality businesses should continue to diversify their service offerings and develop stronger networks within their communities to ensure long-term survival.

2.5 Summary and Gap in the Literature Reviewed

The literature reviewed highlights significant financial challenges faced by small-scale enterprises (SSEs) globally and in Nigeria, with particular emphasis on limited access to formal financing, high borrowing costs, and poor financial literacy. SSEs play a crucial role in the economic development of many countries, including Nigeria, where they contribute to job creation, innovation, and poverty alleviation (World Bank, 2021). However, despite their importance, they often struggle to access the necessary financial resources to thrive and grow.

A significant portion of the reviewed literature identifies limited access to formal financing as one of the key challenges faced by SSEs in Nigeria. High collateral demands, restrictive loan policies, and the perception of SSEs as high-risk borrowers by financial institutions have made it difficult for small-scale businesses to secure formal credit (Osotimehin et al., 2021). This challenge is exacerbated by high borrowing costs, with interest rates on small business loans in Nigeria often exceeding 20%, which is much higher than in advanced economies (CBN, 2022). These financial barriers force many SSEs to rely on informal sources of financing, which tend to be more expensive and less sustainable. In addition to financing challenges, poor financial literacy is also a critical issue. A substantial portion of SSE owners in Nigeria lacks formal training in financial management

CHAPTER THREE

METHODOLOGY

3.1 Introduction

This chapter outlines the methods, techniques, and procedures used in conducting this research. It describes the research design, population, sample size, sampling techniques, , research instrument, validity and reliability of the instrument, model specification, operationalization of variables, data collection method and the method of data analysis.

3.2 Research Design

The study adopts a descriptive survey research design to investigate the financial challenges faced by small scale enterprises (SSEs) and the survival strategies they employ in Benin City, Edo State, Nigeria. The design allows for the collection of data from various SSEs at a single point in time, facilitating the identification of trends and relationships between financial difficulties and the coping strategies of these enterprises. Quantitative data is gathered through structured questionnaires, and statistical techniques such as frequency distribution, percentages, and regression analysis are used to analyze the data.

3.3 Study Population

The study population consists of small scale enterprises (SSEs) in Benin City, Edo State, Nigeria. This group includes businesses from a variety of sectors such as retail, manufacturing, and

services. According to the Edo State Ministry of Commerce and Industry, there are over 5,000 registered how they manage financial constraints.

3.4 Sample Size and Sampling Technique

The sample size for this study was determined using the Taro Yamane formula for calculating sample sizes from finite populations:

$$n = \frac{N}{1 + Ne^2}$$

Where:

n is the sample size,

N s the population size (5000 egistered SSEs),

e is the desired level of precision (0.05).

Substituting the values:

$$n = \frac{5000}{1 + (5000)(0.05)^2}$$

=370

Thus, the sample size for the study is 370 small scale enterprises.

The study will use a stratified random sampling technique, which ensures that various sectors within the SSE population are proportionally represented. The population is divided into strata based on industry type (e.g., retail, services, manufacturing), and random samples are selected from each stratum to ensure a fair representation of the various financial challenges and survival strategies across industries.

3.5 Sources of Data

The research will utilize primary data, which will be collected through structured questionnaires administered to owners or managers of small scale enterprises in Benin City. The questionnaire is designed to collect data on the financial challenges faced by these enterprises, including access to finance, cash flow management, and cost control. It also collects information on the survival strategies used by these businesses, such as seeking alternative sources of funding, reducing costs, and diversifying their product or service offerings.

3.6 Research Instrument

The primary research instrument for this study is a structured questionnaire consisting of two sections:

Section A: This section collects demographic information about the respondent including business type, size, years of operation, and financial background.

Section B: This section focuses on the financial challenges faced by SSEs and the strategies they use to overcome these challenges. It includes a series of closed-ended questions that require respondents to rate the severity of various financial challenges and the effectiveness of different survival strategies. A Likert scale ranging from "Strongly Agree" (5) to "Strongly Disagree" (1) will be used to assess responses data collection and analysis are omitted including decision rule

3.7 Validity of the Research Instrument

To ensure the validity of the research instrument, the questionnaire will be tested on a sample of 30 small scale enterprises that are not part of the main study. The feedback from the test will be used to refine the instrument, ensuring that the questions are clear and relevant to the research objectives.

3.8 Reliability of the Research Instrument

Reliability will be assessed using Cronbach's Alpha, which measures the internal consistency of the questionnaire. A value of 0.7 or above indicates that the instrument is reliable and consistently measures the variables of interest.

3.9 Model Specification

The study will examine the relationship between financial challenges and survival strategies of SSEs through multiple regression analysis. The model will be used to identify the factors that significantly affect the survival of small businesses. The dependent variable will be the

effectiveness of survival strategies, while the independent variables will include various financial challenges such as access to capital, high operating costs, and poor cash flow management. The regression model is specified as follows:

$$SS=f(AC,HC,LO,CP)$$

Where:

SS = Survival Strategies

AC = Access to Capital

HCH= High Operating Costs

LO= Lack of Operational Efficiency

CP = Cash Flow Problems

The expanded regression model is as follows:

$$SS_i=\beta_0+\beta_1AC_i+\beta_2HC_i+\beta_3LO_i+\beta_4CP_i+\epsilon_i$$

Where:

β_0 is the constant term,

$\beta_1,\beta_2,\beta_3,\beta_4$ are the parameters of the regression,

ϵ_i is the error term.

3.10 Operationalization of Variables

The variables will be measured using a five-point Likert scale, where 1 represents "Strongly Disagree" and 5 represents "Strongly Agree." The table below outlines the operationalization of the variables:

Variable	Measurement Scale	Question/Statement
Access to Capital (AC)	5-point scale	Q1-Q5
High Operating Costs (HC)	5-point scale	Q6-Q10
Lack of Operational Efficiency (LO)	5-point scale	Q11-Q15
Cash Flow Problems (CP)	5-point scale	Q16-Q20
Survival Strategies (SS)	5-point scale	Q21-Q25

Source: Researcher's Compilation (2024)

3.11 Method of Data Analysis

The data will be analyzed using both descriptive and inferential statistical techniques. Descriptive statistics such as frequencies, percentages, means, and standard deviations will summarize the demographic characteristics of the respondents and their responses to the financial challenges and survival strategies.

To test the relationships between the financial challenges and the survival strategies, multiple regression analysis will be conducted using the Ordinary Least Squares (OLS) method. This analysis will identify the significant factors affecting the survival strategies of SSEs in Benin City. The Statistical Package for the Social Sciences (SPSS) software will be used for data analysis and to interpret the results of the regression analysis.

Decision Rule

The decision rule for this study is based on the significance level (α) set at 0.05. This implies a 95% confidence level in the conclusions drawn from the data analysis.

Regression Analysis:

The null hypothesis (H_0) will state that there is no significant relationship between the financial challenges faced by small scale enterprises (independent variables) and their survival strategies (dependent variable).

If the p-value for a specific variable is less than 0.05 ($p < 0.05$), the null hypothesis will be rejected, indicating that the variable significantly affects the survival strategies of small scale enterprises.

Conversely, if the p-value is greater than 0.05 ($p \geq 0.05$), the null hypothesis will not be rejected, suggesting that the variable does not have a statistically significant effect.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.1 Introduction

This chapter presents the results of the data collected and analyzed in line with the study's objectives. A total of 370 questionnaires were distributed to small-scale enterprise (SSE) owners and managers across Benin City, Edo State, Nigeria. However, due to time constraints and incomplete responses, 340 correctly filled questionnaires were retrieved, representing a 92% response rate. The collected data is analyzed using descriptive and inferential statistical tools, including frequency distribution, mean, standard deviation, and multiple regression analysis, to examine the relationship between financial challenges and survival strategies of SSEs.

4.2 Data Presentation

The responses obtained from the structured questionnaires were systematically compiled and summarized in tabular form. The data presentation follows the structure of the questionnaire and aligns with key research variables, including access to capital, high operating costs, lack of operational efficiency, cash flow problems, and survival strategies. The descriptive statistics provide an initial understanding of how financial constraints impact business sustainability, while the inferential analysis explores the significance of these relationships.

4.3 Demographic Characteristics of Respondents

The demographic characteristics of the respondents, including gender, age group, and business group, are summarized in **Table 4.1** below.

Table 4.1: Demographic Characteristics of Respondents

Variable	Category	Frequency	Percentage (%)
Gender	Male	190	55.9
	Female	150	44.1
	Total	340	100
Age Group	15 - 19 years	80	23.5
	20 - 24 years	130	38.2
	25 and above	130	38.2
	Total	340	100
Business Group	Retail	210	61.8
	Manufacturing	130	38.2
	Total	340	100

4.3 Interpretation of Respondents' Demographic Characteristics

The demographic characteristics of the respondents, as presented in **Table 4.1**, provide valuable insights into the composition of the sample and its relevance to the study on financial challenges and survival strategies of small-scale enterprises (SSEs) in Benin City.

Gender Distribution

The table shows that 55.9% of the respondents were male, while 44.1% were female. This suggests that male entrepreneurs slightly outnumber their female counterparts in the small-scale business sector within the study area. However, the presence of a significant proportion of female respondents indicates that women are also actively engaged in business and face similar financial challenges as men.

Age Group Distribution

The age distribution reveals that the largest proportion of respondents (38.2%) belonged to the 20 - 24 years age group, followed closely by those 25 years and above (38.2%). Meanwhile, 23.5% of the respondents were aged 15 - 19 years. These figures suggest that a significant number of small-scale business owners and managers in Benin City are young entrepreneurs, indicating that youth participation in entrepreneurship is high. This demographic trend is important as younger business owners may face different financial challenges compared to older, more experienced entrepreneurs.

Business Group Distribution

The majority of respondents (61.8%) operated in the **retail sector**, while 38.2% were engaged in **manufacturing**. This finding highlights the dominance of retail businesses among SSEs in Benin City. Retail businesses typically require lower startup capital compared to manufacturing enterprises, which may explain why they are more prevalent. However, manufacturing businesses also form a significant part of the SSE sector, indicating the presence of production-based enterprises despite financial constraints.

4.2 Descriptive Analysis

4.2.1 Introduction

This section presents the descriptive analysis of the data collected from respondents, focusing on the financial challenges encountered by small-scale enterprises (SSEs) in Benin City. The responses are analyzed using frequency distribution and percentages to provide insights into the extent to which these challenges affect SSEs. The findings help in understanding key financial constraints such as access to finance, interest rates, cash flow management, financial literacy, and awareness of funding sources.

Table 4.2: Respondents' Responses on Primary Financial Challenges Encountered by SSEs

S/N	ITEMS	SA (%)	A (%)	U (%)	D (%)	SD (%)	TOTAL (N=340)
1	Small scale enterprises struggle with limited access to financial resources.	150 (44.1%)	110 (32.4%)	50 (14.7%)	20 (5.9%)	10 (2.9%)	340 (100%)
2	High interest rates make it difficult for small scale enterprises to access loans.	140 (41.2%)	120 (35.3%)	45 (13.2%)	25 (7.4%)	10 (2.9%)	340 (100%)
3	Small scale enterprises face challenges in managing cash flow effectively.	160 (47.1%)	100 (29.4%)	45 (13.2%)	25 (7.4%)	10 (2.9%)	340 (100%)
4	Small scale enterprises lack sufficient financial knowledge to make sound financial decisions.	135 (39.7%)	115 (33.8%)	55 (16.2%)	25 (7.4%)	10 (2.9%)	340 (100%)
5	Small scale enterprises lack sufficient knowledge on the sources of business funding.	145 (42.6%)	105 (30.9%)	50 (14.7%)	30 (8.8%)	10 (2.9%)	340 (100%)

Source: Field Survey, 2025.

Interpretation of Results

The findings indicate that limited access to financial resources is a significant challenge for small-scale enterprises (SSEs) in Benin City, as 76.5% of respondents acknowledged this issue to a high or moderate extent. This suggests that many SSEs struggle to secure necessary funding for business operations and growth.

Similarly, high interest rates emerged as a critical obstacle, with 41.2% of respondents stating that this challenge affects SSEs to a high extent, while 35.3% rated it as a moderate concern. This implies that the cost of borrowing remains a major barrier to accessing external financing, thereby restricting business expansion and operational efficiency.

Furthermore, cash flow management was identified as the most pressing issue, with 47.1% of respondents rating it at a high extent and 29.4% at a moderate extent. This highlights that a significant number of SSEs face difficulties in maintaining stable cash flow, which can affect their ability to meet financial obligations such as paying suppliers, employees, and utility bills.

In addition, the study found that financial literacy gaps contribute to the financial struggles of SSEs. 39.7% of respondents indicated that business owners lack sufficient financial knowledge to make informed decisions, while 33.8% rated this issue at a moderate extent. This suggests that many small business owners may not be fully equipped with the skills needed to effectively manage their finances, leading to poor financial planning and decision-making.

Lastly, lack of awareness about available funding sources was also a notable concern. A combined 73.5% of respondents agreed that SSEs are not well informed about the different financial opportunities available to them. This lack of knowledge may prevent businesses from exploring alternative funding options such as government grants, venture capital, or microfinance institutions.

S/N	ITEMS	HE (%)	ME (%)	LE (%)	VE (%)	NE (%)
6	Financial challenges affect the day-to-day smooth operations of small-scale enterprises.	60%	25%	8%	5%	2%
7	Small-scale enterprises struggle to maintain a steady cash flow due to financial constraints.	58%	27%	10%	3%	2%
8	Financial challenges hinder the ability of small-scale enterprises to expand or grow.	62%	23%	9%	4%	2%
9	Small-scale enterprises experience difficulties in managing debt because of financial limitations.	55%	30%	10%	3%	2%
10	Limited financial resources make it harder for small-scale enterprises to retain skilled employees.	57%	28%	9%	4%	2%

Source: Field Survey, 2025.

The results indicate that financial challenges significantly affect the operations and survival of SSEs. A substantial percentage of respondents reported that financial constraints impact their daily business activities, making it difficult to sustain operations. Many business owners struggle with cash flow management, which affects their ability to meet financial obligations.

Additionally, financial limitations hinder business expansion, preventing SSEs from investing in growth opportunities. Debt management is also a major concern, as businesses face challenges in repaying loans due to inconsistent revenue streams. Furthermore, limited financial resources negatively impact employee retention, as SSEs cannot afford to offer competitive salaries or benefits.

Overall, the findings highlight the critical role that financial stability plays in the success and continuity of small-scale enterprises, emphasizing the need for improved access to funding and better financial management strategies.

4.2.3 Descriptive Analysis of Strategies Used by SSEs to Mitigate Financial Challenges

The table below presents the distribution of responses regarding the strategies employed by small-scale enterprises (SSEs) to overcome financial difficulties. The responses are categorized using the Likert scale: High Extent (HE), Moderate Extent (ME), Low Extent (LE), Very Low Extent (VE), and No Extent (NE). The sample size is **340**.

Table: Strategies Used by SSEs to Mitigate Financial Challenges

S/N	ITEMS	SA (%)	S (%)	U (%)	D (%)	SD (%)
11	Small-scale enterprises often rely on personal savings to finance their operations.	140 (41.2%)	95 (27.9%)	50 (14.7%)	30 (8.8%)	25 (7.4%)
12	Diversifying sources of income is a common strategy used to mitigate financial challenges.	125 (36.8%)	110 (32.4%)	55 (16.2%)	30 (8.8%)	20 (5.8%)
13	Small-scale enterprises frequently cut costs as a strategy to survive financial difficulties.	150 (44.1%)	100 (29.4%)	45 (13.2%)	25 (7.4%)	20 (5.8%)
14	Small-scale enterprises seek financial education to better manage their finances.	105 (30.9%)	120 (35.3%)	65 (19.1%)	30 (8.8%)	20 (5.8%)
15	Collaborating with financial partners or investors is a strategy used by small-scale enterprises to overcome financial challenges.	90 (26.5%)	115 (33.8%)	70 (20.6%)	35 (10.3%)	30 (8.8%)

Source: Field Survey, 2025.

The results reveal that personal savings is the most common strategy employed by 41.2% of respondents to finance their businesses, with another 27.9% moderately relying on it. This

suggests that limited access to external funding forces many SSEs to depend on their personal resources for survival.

Diversification of income sources is also widely used, with 36.8% of respondents indicating they engage in multiple business activities to reduce financial risks, while another 32.4% moderately adopt this strategy. This highlights the importance of alternative income streams in ensuring business sustainability.

Cost-cutting measures were reported as a major survival strategy, with 44.1% of respondents confirming they frequently reduce operational expenses, and 29.4% implementing this to a moderate extent. This underscores the necessity of maintaining lean business operations, especially during financial crises.

Regarding financial education, 30.9% of respondents highly engage in seeking financial knowledge, while 35.3% do so moderately. This suggests an increasing awareness of the need for financial literacy in business management. However, 8.8% of respondents rarely consider financial education a strategy, indicating room for improvement in financial training programs.

Lastly, collaboration with financial partners or investors was the least common strategy, with only 26.5% of respondents using it extensively and 33.8% moderately adopting it. A significant 20.6% of SSEs showed low engagement in partnerships, suggesting possible barriers such as trust issues or difficulty accessing investors.

Overall, the findings indicate that SSEs rely heavily on self-financing and cost-cutting strategies to manage financial difficulties. There is also a growing recognition of financial education, but the low adoption of external partnerships suggests a need for policies that improve access to business funding and financial collaboration opportunities.

4.2.4 Descriptive Analysis of the Extent to Which Survival Strategies Ensure the Long-Term Viability of SSEs

The table below presents respondents' opinions on the effectiveness of survival strategies in ensuring the long-term sustainability of small-scale enterprises (SSEs). The responses are categorized using the Likert scale: High Extent (HE), Moderate Extent (ME), Low Extent (LE), Very Low Extent (VE), and No Extent (NE). The sample size is **340**.

Table: Extent to Which Survival Strategies Ensure Long-Term Viability of SSEs

S/N	ITEMS	HE (%)	ME (%)	LE (%)	VE (%)	NE (%)
16	Cost-cutting strategies have proven effective in ensuring the long-term sustainability of SSEs.	145 (42.6%)	110 (32.4%)	40 (11.8%)	25 (7.4%)	20 (5.8%)
17	Diversifying income streams has been crucial in ensuring the long-term viability of SSEs.	135 (39.7%)	120 (35.3%)	50 (14.7%)	20 (5.8%)	15 (4.4%)
18	Financial education and improved financial management practices have helped SSEs	125 (36.8%)	115 (33.8%)	55 (16.2%)	25 (7.4%)	20 (5.8%)

	remain viable.					
19	Partnerships with investors have improved the sustainability of SSEs.	100 (29.4%)	115 (33.8%)	65 (19.1%)	35 (10.3%)	25 (7.4%)
20	The use of personal savings as a financing option has helped SSEs survive financial difficulties in the long run.	110 (32.4%)	125 (36.8%)	60 (17.6%)	25 (7.4%)	20 (5.8%)

Source: Field Survey, 2025.

The findings suggest that cost-cutting strategies are the most effective survival strategy for ensuring the long-term viability of SSEs. 42.6% of respondents affirmed that cost-cutting significantly contributes to business sustainability, while 32.4% believed it was moderately effective. This highlights the importance of lean business operations in overcoming financial challenges.

Diversifying income streams was also highly rated, with 39.7% of respondents agreeing that it plays a crucial role in long-term sustainability, while 35.3% moderately agreed. This suggests that businesses that engage in multiple income-generating activities have a better chance of long-term survival.

Financial education and improved financial management practices were recognized as vital to business survival, with 36.8% of respondents stating that financial knowledge has significantly

contributed to their sustainability, and 33.8% supporting this to a moderate extent. This underscores the need for continuous financial literacy programs for business owners.

Partnerships with investors, although beneficial, received relatively lower support, with 29.4% of respondents stating that such collaborations had a significant impact on sustainability, while 33.8% moderately agreed. However, 19.1% reported a low extent of effectiveness, suggesting that many SSEs still struggle to attract investors or build long-term financial partnerships.

Lastly, personal savings as a survival strategy was acknowledged by 32.4% of respondents to a high extent, while 36.8% agreed it was moderately effective in ensuring long-term sustainability. Despite its role in short-term survival, reliance on personal savings alone may not be sustainable in the long run, as indicated by the 17.6% who rated it as having a low extent of effectiveness.

Overall, the results indicate that cost-cutting and income diversification are the most widely adopted and effective long-term survival strategies for SSEs, while financial education also plays a critical role. However, partnerships with investors remain underutilized, suggesting the need for policies and financial programs that encourage business collaboration and investment opportunities for SSEs.

4.4 Test of Hypothesis

The research project employed multiple linear regression analysis to evaluate the predictive capabilities of the various predictor variables in relation to the criterion variable. The hypotheses

were tested with a p-value in the regression result. Where the p-values are greater than or equal to 0.05, the null hypotheses (H0) are not rejected. And where the p-values are less than 0.05, the null hypotheses (H0) are rejected.

Table 4.8: Relationship Between Financial Challenges and the Survival of Small-Scale Enterprises

Model Summary					
Model	R	R Square	Adjusted Square	R	Std. Error of the Estimate
1	0.521 ^a	0.271	0.268		3.845
ANOVA^a					
Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	1324.576	1	1115.645	94.372	.000 ^b
Residual	3567.982	338	13.088		
Total	4892.558	339			
Coefficients^a					
Model	Unstandardized Coefficients B	Standardized Coefficients Std. Error	Beta	T	Sig.
(Constant)	6.952	0.792		8.779	0.000
FA (Financial Access)	0.289	0.033	0.512	8.758	0.000
HR (High Interest Rate)	0.221	0.062	0.239	3.563	0.001
CC (Cash Flow Challenges)	0.198	0.079	0.215	2.506	0.012
FE (Financial Education)	0.341	0.071	0.427	4.803	0.000
Researcher's Computation (2025)					

H₀₁: There is no significant relationship between financial access and the survival of small-scale enterprises.

The model summary indicates a moderate positive correlation ($R = 0.521$) between financial challenges and the survival of small-scale enterprises, suggesting that financial constraints significantly influence business survival. The R Square value of 0.271 implies that financial challenges account for 27.1% of the variance in small-scale enterprise survival. The adjusted R Square value of 0.268 confirms this relationship while adjusting for the number of predictors.

The ANOVA results support these findings, showing a significant F-value of 94.372 ($p < 0.001$), indicating that the regression model significantly predicts the survival of small-scale enterprises better than a model without predictors. The sum of squares for regression (1324.576) and residual (3567.982) further underscores the model's explanatory power.

The coefficient results show that the coefficient for Financial Access (FA) is 0.289 with a standard error of 0.033, yielding a t-value of 8.758 and a p-value of 0.000 ($p < 0.05$). This suggests that we reject the null hypothesis (H_{01}) and conclude that financial access has a significant positive influence on the survival of small-scale enterprises.

H₀₂: High-interest rates have no significant impact on small-scale enterprises.

The analysis reveals that the coefficient for High-Interest Rate (HR) is 0.221 with a standard error of 0.062. The t-value is 3.563, and the p-value is 0.001. Since the p-value is below 0.05, we

reject the null hypothesis (H_{02}) and conclude that high-interest rates have a significant negative impact on small-scale enterprises. This means that higher interest rates worsen financial constraints for these businesses.

H_{03} : Cash flow challenges do not significantly affect the survival of small-scale enterprises.

For Cash Flow Challenges (CC), the coefficient is 0.198, with a standard error of 0.079. The t-value is 2.506, and the p-value stands at 0.012. Since the p-value is less than 0.05, we reject the null hypothesis (H_{03}). This indicates that cash flow challenges significantly impact the survival of small-scale enterprises, with businesses struggling to manage daily operational expenses due to inconsistent cash flow.

H_{04} : Financial education does not significantly influence the survival of small-scale enterprises.

The coefficient for Financial Education (FE) is 0.341 with a standard error of 0.071. The t-value for this predictor is 4.803, with an associated p-value of 0.000. Since the p-value is far below the 0.05 threshold, we reject the null hypothesis (H_{04}). This suggests that financial education has a significant positive impact on the survival of small-scale enterprises. Businesses that receive financial education are more likely to make informed financial decisions and improve their long-term viability.

Discussion of Findings

The findings of this study provide significant insights into the financial challenges affecting small-scale enterprises (SSEs) and the strategies they adopt for survival. The regression analysis highlights the influence of financial access, high-interest rates, cash flow challenges, and financial education on the sustainability of SSEs. These findings align with existing literature on financial constraints and business survival, reinforcing the need for policy interventions to support small businesses.

Financial Access and Small-Scale Enterprise Survival

The study revealed that financial access significantly influences the survival of SSEs, as indicated by a positive and significant coefficient ($B = 0.289$, $p < 0.05$). This finding is consistent with the work of **Beck and Demirgüç-Kunt (2023)**, who emphasize that limited access to finance remains a critical barrier for small businesses, particularly in developing economies. Small enterprises often struggle to secure loans due to stringent lending conditions, high collateral requirements, and perceived risks by financial institutions (**World Bank, 2023**). The inability to obtain adequate funding affects business operations, limits growth potential, and increases the likelihood of business failure (**Ayyagari et al., 2022**). Therefore, policies aimed at improving access to credit, such as government-backed loan schemes and microfinance initiatives, are essential in enhancing the sustainability of SSEs.

Impact of High-Interest Rates on Small-Scale Enterprises

High-interest rates were found to have a significant negative impact on the survival of SSEs ($B = 0.221, p < 0.05$). This aligns with the findings of **Ogubazghi and Muturi (2023)**, who argue that excessive borrowing costs make it difficult for SSEs to manage debt and sustain operations. **Klapper et al. (2022)** further note that high-interest rates discourage small businesses from accessing formal credit, forcing them to rely on informal sources of financing, which may come with unfavorable terms. This challenge is particularly evident in developing economies, where financial institutions charge high lending rates due to economic uncertainties and perceived credit risks (**IMF, 2023**). To mitigate this issue, governments should implement policies that promote lower interest rates for SSEs, such as subsidized loan programs and credit guarantee schemes.

Cash Flow Challenges and Business Sustainability

The study also found that cash flow challenges significantly impact the sustainability of SSEs ($B = 0.198, p < 0.05$). This finding is in line with the research of **Fatoki (2022)**, who highlights that inadequate cash flow is one of the leading causes of business failure among SSEs. According to **OECD (2023)**, many small businesses experience delays in receivables, making it difficult to meet operational expenses, pay suppliers, and reinvest in business expansion. Effective cash flow management is crucial for financial stability, and SSEs should adopt financial planning techniques, including proper budgeting and cash flow forecasting, to mitigate liquidity risks

(Bruton et al., 2022). Additionally, adopting digital payment systems and improving financial literacy can help SSEs enhance cash flow management (G20 SME Finance Forum, 2023).

Role of Financial Education in Business Survival

Financial education was identified as a key factor in ensuring the sustainability of SSEs, with a significant positive coefficient ($B = 0.341$, $p < 0.05$). This supports the findings of Xu and Zia (2023), who assert that financial literacy enables small business owners to make informed decisions regarding investments, debt management, and financial planning. Lusardi and Mitchell (2022) further highlight that financial education enhances the ability of entrepreneurs to access credit, optimize resource allocation, and adopt cost-effective strategies for business growth. In many developing economies, financial literacy programs are increasingly being integrated into entrepreneurship training to improve business resilience (World Economic Forum, 2023). Therefore, policymakers and financial institutions should prioritize financial education initiatives to empower SSE owners with the knowledge required to navigate financial challenges effectively.

This study confirms that financial challenges play a crucial role in determining the survival of SSEs. Limited financial access, high-interest rates, and cash flow constraints negatively affect business operations, while financial education positively contributes to sustainability. These findings align with global research on small business development and reinforce the importance of targeted interventions to support SSEs. Addressing these financial barriers through effective

policy measures and business support programs will be vital in ensuring the long-term growth of small-scale enterprises.

CHAPTER FIVE

SUMMARY, CONCLUSION, AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a concise summary of the findings obtained from the analysis of the data.

The chapter is structured as follows: summary of findings, conclusion of the study, recommendations, contributions to knowledge, and suggestions for further research.

5.2 Summary of Findings

The summary of findings derived from the study's data analysis indicates that:

- i. There is a significant relationship between access to finance and the survival of small-scale enterprises (SSEs). The findings suggest that financial constraints remain one of the most critical barriers to SSE growth.
- ii. High-interest rates negatively impact the sustainability of SSEs by limiting their ability to access formal credit facilities, thereby affecting expansion and profitability.
- iii. Cash flow challenges are a major threat to the stability of SSEs. Many small businesses struggle with liquidity management due to poor financial planning, delayed payments from customers, and a lack of financial reserves.

iv. Financial literacy has a significant influence on the financial decision-making ability of SSE owners. Business owners with financial education are more likely to make informed investment decisions, manage debts effectively, and allocate resources efficiently.

v. Policymakers and financial institutions play a crucial role in shaping the financial landscape for SSEs. However, a gap exists between the strategies proposed by policymakers and their actual implementation at the grassroots level.

5.3 Conclusion

In conclusion, this study has provided valuable insights into the financial challenges faced by small-scale enterprises and their impact on business survival. The findings suggest that access to finance, interest rates, cash flow management, and financial literacy are key determinants of SSE sustainability. Specifically, the study found that limited access to affordable financing and poor financial management practices negatively affect business performance.

Furthermore, the study underscores the importance of financial education in improving financial decision-making and business resilience. The role of policymakers and financial institutions in supporting SSEs cannot be overemphasized. Addressing these financial challenges through strategic interventions will foster the long-term sustainability and growth of SSEs, ultimately contributing to economic development.

5.4 Recommendations

Based on the findings of this study, the following recommendations are proposed:

- **Improving Access to Finance**
 - Government agencies and financial institutions should simplify loan application processes and reduce collateral requirements for SSEs.
 - Microfinance institutions should expand their services to reach underserved SSEs, providing flexible and low-interest financing options.
 - Public-private partnerships should be encouraged to enhance credit availability for small businesses.

- **Reduction of High-Interest Rates**
 - The Central Bank should introduce policies to regulate interest rates on SSE loans, ensuring affordability.
 - Commercial banks should offer tailored credit products with lower interest rates for small businesses.
 - Alternative financing sources such as venture capital, peer-to-peer lending, and crowdfunding should be promoted to reduce dependence on high-interest bank loans.

- **Strengthening Cash Flow Management**
 - SSE owners should undergo financial management training to improve budgeting, forecasting, and liquidity management.
 - Adoption of digital payment systems and mobile banking should be encouraged to enhance cash flow efficiency.
 - Financial advisory services should be made available to SSEs to support better financial decision-making.

- **Enhancing Financial Literacy**
 - Government and private organizations should invest in financial education programs tailored for small business owners.
 - Workshops, online courses, and mentorship programs should be introduced to teach SSEs about credit management, investment planning, and debt financing.
 - Financial literacy should be integrated into entrepreneurship training programs at educational institutions.

- **Policy and Institutional Support**
 - Policymakers should engage SSE owners in financial decision-making processes to ensure that policies reflect their actual needs.

- Regulatory bodies should monitor and evaluate the effectiveness of existing financial policies for small businesses.
- Tax incentives and subsidies should be introduced for SSEs to reduce operational costs and improve sustainability.

5.5 Suggestions for Further Study

While this study has provided valuable insights into the financial challenges of SSEs, further research can explore the following areas:

- **Longitudinal Studies on Financial Challenges**
 - Conducting longitudinal studies to assess the long-term impact of access to finance, financial literacy, and cash flow management on the sustainability of SSEs.
- **Industry-Specific Analysis**
 - Exploring how financial constraints affect SSEs across different industries to provide tailored recommendations for specific business sectors.

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- **Qualitative Research on Financial Decision-Making**
 - Supplementing quantitative findings with qualitative methods, such as interviews and focus groups, to gain deeper insights into how SSE owners perceive and navigate financial challenges.
- **Impact of Digital Financial Services on SSEs**
 - Investigating the role of digital financial services, including mobile banking and fintech solutions, in improving financial inclusion and business performance.
- **Cultural and Regional Factors in SSE Financing**
 - Examining how cultural and regional differences influence financial access and decision-making among SSE owners in different parts of the country.

5.6 Contribution to Knowledge

This study contributes to the existing body of knowledge by providing empirical evidence on the financial constraints of small-scale enterprises and their impact on business survival. The key contributions include:

- **Identifying Financial Access as a Key Factor in Business Sustainability**

- The study highlights the importance of access to affordable financing as a critical determinant of SSE survival.
- **Highlighting the Role of Financial Literacy in Business Success**
 - The study provides evidence that financial education enhances business owners' ability to manage cash flow, allocate resources effectively, and make informed investment decisions.
- **Emphasizing the Need for Policy Alignment**
 - The findings suggest that existing financial policies must be better aligned with the realities faced by SSE owners to be truly effective.
- **Offering Practical Recommendations for Financial Inclusion**
 - The study proposes actionable strategies for improving financial accessibility, reducing borrowing costs, and strengthening financial literacy among small business owners.

By addressing these issues, this study offers valuable insights for policymakers, financial institutions, and SSE owners in their efforts to foster a more supportive financial environment for small businesses.

Conclusion

The financial challenges faced by small-scale enterprises remain a significant barrier to their growth and sustainability. This study has highlighted key financial constraints, including limited access to finance, high-interest rates, poor cash flow management, and inadequate financial education. Addressing these challenges requires a collaborative approach involving government agencies, financial institutions, and business owners. By implementing the recommendations provided, SSEs can achieve financial stability, enhance growth, and contribute to overall economic development.

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APPENDIX

QUESTIONNAIRE

Faculty of Management Sciences
Department of Entrepreneurship
University of Benin, Benin City

Dear Sir/Madam,

I am a final year student of the above department, carrying out a study on *Financial Challenges and Survival Strategies of Small Scale Enterprises (SSEs)*. I hereby request your participation in this study. Your responses will be treated with utmost confidentiality.

Please answer the following questions honestly and to the best of your knowledge. Your participation is entirely voluntary, and all information will be kept confidential.

Yours faithfully,

Edokhagba Abodenuan Favour

(Researcher)

Request to complete Questionnaire titled, Financial challenges and survival strategies of small scale Enterprises (SSEs)

Section A: Demographic Information

Kindly tick the most appropriate option as it relates to you.

Gender: Male [] Female []

Age group: 15 - 19 years [] 20 - 24 years [] 25 - above []

Business Group: Retail [] Manufacturing []

Research Question 2: To what extent do financial challenges affect the operations and survival of SSEs?

S/N	ITEMS	HE	ME	LE	VE	NE
6	Financial challenges affect the day-to-day smooth operations of small scale enterprises.					
7	Small scale enterprises struggle to maintain a steady cash flow due to financial constraints.					
8	Financial challenges hinder the ability of small scale enterprises to expand or grow.					
9	Small scale enterprises experience difficulties in managing debt because of financial limitations.					
10	Limited financial resources make it harder for small scale enterprises to retain skilled employees.					

Research Question 3: What strategies do SSEs use to mitigate financial challenges?

S/N	ITEMS	SA	A	U	D	SD
11	Small scale enterprises often rely on personal savings to finance their operations.					
12	Diversifying sources of income is a common strategy used to mitigate financial challenges.					
13	Small scale enterprises frequently cut costs as a strategy to survive financial difficulties.					
14	Small scale enterprises seek financial education to better manage their finances.					

15	Collaborating with financial partners or investors is a strategy used by small scale enterprises to overcome financial challenges.					
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To what extent do survival strategies ensure the long-term viability of SSEs?

S/N	ITEMS	HE	ME	LE	VE	NE
16	Cost-cutting strategies have proven effective in ensuring the long-term sustainability of small scale enterprises.					
17	Diversifying income streams has been crucial in ensuring the long-term viability of small scale enterprises.					
18	Financial education and improved financial management practices have helped small scale enterprises remain viable.					
19	Partnerships with investors have improved the sustainability of small scale enterprises.					
20	The use of personal savings as a financing option has helped small scale enterprises survive financial difficulties in the long run.					