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Managing Change in Business Financing: A Worrisome Trend for SMEs' Performance

Abstract

Managing change is a pivotal phenomenon in fostering various sources of business financing to alleviate the worrisome issues often associated with promoting economic development and enhancing SME performance. The study objectives include examining available funding options, the relationship between financing access and business success, and the challenges of securing funds. The study employs a quantitative cross-sectional survey design, utilising two-stage sampling techniques of the clustered and purposive stratified sampling for the selection of three local governments with the highest presence of domiciled SMEs in Lagos State, Nigeria. A questionnaire was administered to a sample of 186 SMEs across the country, based on operational years, relevance, and accessibility. Data were analysed using Pearson's correlation and multiple regression. The study shows that effective management of change in SME financing increases performance, as revealed by results indicating that self-funding is the most commonly used financing option, with other methods showing a positive relationship. Profitability, market share growth, and operational efficiency are indicators of success in creating a user-friendly alternative financing mechanism. At the same time, high interest rates and limited access to information are the primary drivers of challenges for SMEs' effectiveness.

Implementing funding timeliness and availability to encourage key aspects of business performance, reinforce growth sustainability, and improve funding processes, interest rate percentages, literacy awareness programs, and flexible collateral to lower lenders' risk perception. Study limitations include sample size, reliance on self-collected data, choice of statistical tools, and the use of a mixed-methods approach, all of which could be improved.

1. Introduction

Business financing is a key determinant of SME growth and success, as it influences the ability to scale and invest in new technologies, maintain liquidity and navigate fluctuating market conditions. The pessimistic assumption that most organisational change will experience failure remains contentious among academia and business leaders. Navigating change in business financing helps create an environment where different views are a catalyst for curiosity, rather than triggering conflict (Hughes & Bousquet, 2021). Understanding change and its management is a pivotal phenomenon in fostering the various sources of business financing and the impetus required to alleviate the worrisome situation often experienced towards promoting economic development and enhancing, in particular, SMEs performance. Chani (n.d) posited that there can be no most ideal way to show up in moments of great change, rather than accompanying oneself with the right understanding that is available.

Business financing covers a wide range of sources, such as internal sources—retained earnings, family and personal savings, debt, and equity—and external sources—loans, investments, and government grants. Each method offers its own advantages and disadvantages for small businesses (OECD, 2019), particularly where formal financial systems might be less accessible. Microfinance institutions, for instance, have played a key role in providing small, short-term loans to support small businesses. However, despite the availability of multiple financing options, SMEs still face significant challenges in securing adequate funding due to various barriers. These include the inability to provide collateral, meet documentation requirements, and the high cost of borrowing. As a result, SMEs are often seen as high-risk borrowers and are limited in their ability to obtain the necessary funds for expansion and growth (Beck et al., 2008).

According to the World Bank (2020), interest rates in developing economies like Nigeria are among the highest globally, making formal financing less attractive for small businesses. These financing barriers not only stifle the growth of individual businesses but also have a limiting effect on the sector's contribution to national Gross Domestic Product (GDP), employment, and poverty reduction.

In the study of Kira and He (2012), the lack of flexible financial products tailored to SME needs compounds the financing challenges of the SMEs. The authors argued that the absence of innovative financing options, like improved revenue-based financing or flexible loan terms, could better support SMEs in managing seasonal fluctuations and market uncertainties.

In Nigeria, SMEs play a just as significant role in the industrialised economy, contributing to the Gross Domestic Product (GDP), as well as playing a pivotal role in private sector development through entrepreneurship, employment generation, and promoting economic diversification (Ariyo, 2015).

Furthermore, in Nigeria, the problem of inadequate access to financing is particularly acute, with SMEs struggling to secure the funds necessary to sustain and expand their operations. In the report by the Central Bank of Nigeria (CBN, 2020) commercial banks remain reluctant to extend credit to SMEs due to perceived risks, as interest rates on loans can range from 20% to 30%, depending on the institution and the borrower's risk portfolio profile which impacts their productivity, resilience, sustainability, and increase the financial burden. Additionally, SMEs operators that subscribe to high-interest loans often struggle with repayment option, as the cycle of debt management prevents SMEs from having a stable financial foundation that propels continuous business survivability and growth potentiality.

In the study of Ogujiuba et al. (2013), limited scope and accessible government financing initiatives for SMEs often fail because of improper planning and inadequate funding. Hence, these compel SMEs to settle for high costs. Thus, these alternative financing at a limited capacity result in their inability to grow, innovate, and contribute to economic development.

This study aims to explore and navigate the change in the pervasive financing gap that constitutes a menace and restricts SMEs' performance, through multi-dimensional approaches that simplify these issues in detail. This study aims to explore the lingering financing challenges that have undermined and limited SMEs' performance in Nigeria. The study provides insights into and makes recommendations for improving access and removing the worrisome barriers to financing for SMEs. Failure and persistent neglect to alleviate these financing challenges will continue to undermine the potential of SMEs, limiting their contributions and hindering larger goals of economic diversification and growth. The quest to manage change in organisational finance helps propel and improve performance in the areas of accountability, growth and survival.

Objectives of the Study

1. To examine available funding options to SMEs, including both formal and informal sources.
2. To analyse the relationship between access to financing and the financial performance of SMEs.
3. To identify the challenges SMEs faced in securing adequate financing and to propose feasible solutions to overcome these challenges.

2. Theoretical foundation

Managing Change: The evolving and dynamic nature of global activities has permeated the recognition of change as an inevitable phenomenon, whether voluntary or involuntary (Ajani et al., 2022). Change, defined as a displacement of an existing equilibrium, does not represent likelihood or possibilities but rather a constant that influences all aspects of human life, whether personal or professional. The process of navigating change relies on knowledge, adaptation, and understanding reactions; it involves building resilience, setting clear goals, confronting adversity, and respecting boundaries through the use of acronyms.

Small and Medium Enterprises (SMEs): The definition of SMEs varies across countries and organisations based on criteria such as the number of employees, annual turnover, and asset base. According to the World Bank (2023), SMEs are defined as businesses with fewer than 300 employees, an annual revenue of up to $50 million, and a total asset value of up to $50 million. The European Union (EU) categorises SMEs into three groups: micro-enterprises (fewer than 10 employees, turnover under €2 million), small enterprises (fewer than 50 employees, turnover under €10 million), and medium-sized enterprises (fewer than 250 employees, turnover under €50 million) (European Union Commission, 2023).

In developing countries, definitions differ considerably. In Nigeria, the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) classifies SMEs as businesses with a workforce of 10 to 200 employees and assets (excluding land) ranging from ₦5 million to ₦500 million (SMEDAN, 2020). According to section 394(3) of CAMA (2020), a company qualifies as a "Small Company" if it meets at least two of the following criteria: an annual turnover not exceeding ₦120 million, a net asset value not exceeding ₦60 million, and no more than 50 employees. According to CBN (2020), a small and medium enterprise is defined as any enterprise with a maximum asset base of N500 million (excluding land and working capital).

Similarly, in India, the Micro, Small, and Medium Enterprises (MSME) Act defines SMEs based on investment in plant and machinery, with small enterprises having investments up to ₹50 million and medium enterprises up to ₹250 million (Government of India, 2023). *Performance of SMEs:* SMEs' performance refers to how effectively a business meets its financial and operational objectives. It is commonly measured through financial indicators such as profitability, revenue growth, market share, and return on investment. Additionally, non-financial indicators like customer satisfaction, employee productivity, and innovation also contribute to evaluating SME performance (Ajani, 2023). The performance of SMEs is directly influenced by their ability to access financing. Adequate financing allows SMEs to invest in technology, human resources, marketing, and infrastructure, which can enhance profitability and operational efficiency, ultimately supporting growth and sustainability.

Business Financing: Business financing is crucial for startups, small businesses, and large corporations alike, as it determines the financial stability and long-term success of an enterprise. Businesses can obtain financing from either formal or informal sources, including personal savings, loans, venture capital, equity financing, government grants, and crowdfunding.

Formal Financing: This includes loans, credit, and equity investments from regulated financial institutions such as banks, microfinance institutions, venture capital firms, and government-sponsored programs, which often require collateral, a good credit history, and detailed documentation.

Informal Financing: This includes non-institutional sources of capital, such as personal savings, family loans, and community-based financial support. Although with flexibility, there are higher costs and less favourable terms.

Emerging Trends in Business Financing:

The business financing landscape is evolving with the emergence of new funding models and technological advancements:

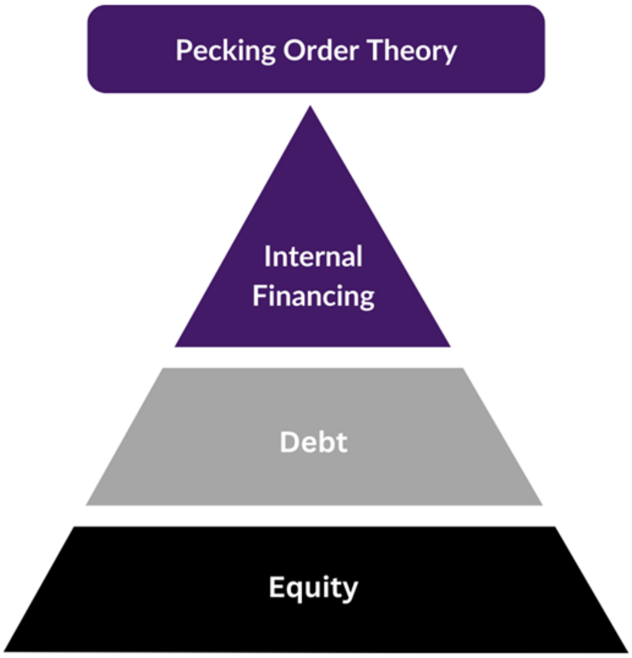
- *Fin-tech and Digital Lending:* Online lending platforms and digital banks offering quick and accessible financing solutions for businesses.
- *Blockchain and Crypto-currency Financing:* Some businesses are leveraging blockchain technology and cryptocurrencies for fundraising through Initial Coin Offerings (ICOs).
- *Sustainable and Green Financing:* Investors are increasingly interested in funding businesses with sustainable and environmentally friendly practices.
- *Alternative Lending Platforms:* Peer-to-peer lending and revenue-based financing are gaining popularity as alternative funding options.

The theoretical framework of this study draws upon Pecking Order Theory.

Pecking Order Theory

The Pecking Order Theory, proposed by Myers and Majluf in 1984, posits a firm's preference to finance its operations first through internal sources and then turning to external financing options. SMEs typically follow a hierarchy of financing sources, starting with internal funds or retained earnings, debt financing, and finally equity financing. The striking preference is connected to the costs and risks associated with external financing, particularly for smaller businesses faced with limited credit histories or collateral to offer.

Figure 2.1



Note. The Pecking Order Theory by Myers and Majluf (1984)

A major philosophy of the pecking order theory rests on the belief that external financing attracts higher costs and risks for SMEs, whether debts or equity. This arises from various factors like interest payments, transaction costs, and potential dilution of ownership. SMEs, particularly those in developing economies, often face additional challenges in accessing external capital due to their limited access to institutionalised financial markets, unpleasant credit ratings, and a perceived risk of default by lenders and investors. All this culminates in aggravated external financing, especially for smaller enterprises with insufficient collateral or financial track records. While internal financing involves no interest payments or ownership dilution, it acknowledges that there are limits to the amount of funds available.

The Pecking Order Theory offers a useful perspective to understand financing behaviour, prioritising internal financing as the first option, followed closely by debt financing and equity. This reflects the cautious, accessible, and risk-averse nature of SMEs, which operate in uncertain and volatile environments influenced by both internal and external funding, thereby helping optimise their financial stability.

3. Research Methodology

This study adopts a quantitative cross-sectional survey research method that involves collecting data on key performance indicators (KPIs) related to managing change in business financing: a concerning trend for selected SMEs in Lagos State, Nigeria. Dispersed geographical data collection was used to assess the relationship between different types of financing and SME performance, with the aim of measuring how financing affects business performance. The study population consisted of all registered SMEs in Lagos State, Nigeria, as stated by the Small and Medium Enterprise Development Agency of Nigeria (SMEDAN, 2020).

A two-stage sampling technique was used- the clustered sampling technique for selection of the highest domicile SMEs areas from three local governments (Ikeja, Alimosho, and Mushin) in Lagos State, Nigeria.

The second stage was purposive stratified sampling technique adopted to capture the 'blue-chips' operator of the sector for the validity of opinions across the selected 62 each SMEs from the three most concentrated and domiciled local governments, In addition, the SMEs are those with track records of business operational existence of less one year to 10 years, summing up sample size of 186 SMEs. Data collection was carried out through the use of a well-structured close-ended questionnaire instrument and a 5-point Likert scale parameters option (where 1 corresponds to lowest level and 5 to highest level) distributed to owners and managers of the selected SMEs, as they constitute the key decision makers sequel to having details of knowledge about the business operations. The researchers' attention to the ethical considerations, informed seeking participants consent, confidentiality, and voluntary participation in the study.

The collected data was analyzed using Statistical Package for the Social Sciences (SPSS). Descriptive statistics deployed to summarize the demographic characteristics of respondents. Inferential statistical tools, including multiple regression analysis, were employed to examine the relationship between financing and SME performance. The results were confirmed for statistical importance at a 5% level ($p < 0.05$). Reliability of the research instrument was tested using Cronbach's Alpha, with a threshold of 0.70 as acceptable internal consistency level.

4. Research Findings

Table 4.1: Questionnaire Distribution Schedule

Distributed	Collected	Analyzed	Percentage(%)
186	150	150	80.6

Note. Researchers' compilation, 2025

Table 4.1. shows that 150 of the 186 copies of questionnaire administered were retrieved. This represents 80.6% of the total number of questionnaire.

Table 4.2: Proportionate Distribution of the Sample across the Three Local Governments

Local Government	Owners	Managers/Supervisors	Total
Mushin	32	18	50
Ikeja	28	22	50
Alimosho	37	13	50
Total	**97**	**53**	**150**

Note. Researchers' compilation, 2025

The above table shows that majority of the respondents (97) are business owners, while managers - supervisors are 53 respondents.

Table 4.3: Demographic Characteristics of Respondents

s/n	Demographic Characteristics		Frequency	Percentage (%)
1.	**Gender**	Male	68	45
		Female	75	50
		Anonymous	7	5
		Total	**150**	**100**
2.	**Age Range**	20 – 30	38	25
		31 – 40	60	40
		41 – 50	30	20
		51 – 60	15	10
		Above 60	7	5
		Total	**150**	**100**
3.	**Educational Qualification**	FSLC	7	5
		WASSCE/GCE/NECO	30	20
		ND/HND/BSC	75	50
		MSC//MBA/PHD	30	20
		Others	8	5
		Total	**150**	**100**
4.	**Marital Status**	Single	45	30
		Married	83	55
		Divorced	15	10
		Widowed	7	5
		Total	**150**	**100**
5.	**Years of Business Operation**	Less than 1 year	15	10
		1 – 3 years	38	25
		4 – 6 years	45	30
		7 – 9 years	30	20
		10 -12 years	22	15
		Total	**150**	**100**

Note: Researchers compilation, 2025.

The above table presents the demographic characteristics of the respondents, highlighting a fairly balanced gender distribution of 45% male; 50% female, and 5% for gender anonymity. The age segment is diverse, ranging between 20–30 years representing (25%); 31–40 years representing (40%); 41-50 years representing (20%); 51-60 years representing (10%) and 60 years above representing (5%) indicating a predominantly young workforce. On the educational respondents representation, ND/HND/B.Sc (50%), followed by WASSCE/GCE/NECO and M.Sc/ MBA/PhD (20 %) respectively, while FSLC and others qualifications has (5%) respectively. For marital status, single respondents (30%); married respondents (55%); divorced respondents (10%); and 7 widowed respondents (5%). Additionally, most respondents have between 1–3 years and 4-6 years of operational experience at (25% and 30%) respectively, implying that the sample consists primarily of relatively newer operators; while between less 1 year; 7-9 years and10 -12 years recorded (10%, 20% & 15%) respectively.

Data reliability

Research Question One

Table 5.1: Responses for financing options available to SMEs

What types of financing have you used for your business?	**Frequency**	**Percentage (%)**
Bank Loans	15	10
Venture Capital	8	5 .33
Microfinance Loans	28	18.67
Personal Savings	60	40
Family/Friends	12	8
Government Grants/Subsidies	12	8
Angel Investors	7	4.67
Crowd-funding	5	3.33
Others:	3	2
Total	**150**	**100**

Note: Researchers compilation, 2025.

The data illustrates the various financing sources utilized by businesses, highlighting a preference for traditional self-funding options, in conformity with the Pecking Order Theory favoring internal sources to external sources of finance operations. Personal savings emerged as the most commonly source, used by 40% of 60 respondents, indicating a strong reliance on individual financial resources. Micro finance and Bank loans followed closely, with 18.67% and 10% of 28 & 15 respondents respectively. Family & friends with Government grants/subsidies also played a significant role, contributing 8% of 12 respondents each to business financing. Venture accounted for 5.33% of 8 respondents, offering an alternative for smaller businesses. Angel investors, contributing 4.67% of 7 respondents, suggesting limited access to equity financing. Lastly, Crowd-funding contributing only 3.33% of 5 respondents to businesses, and 2% representing 3 respondents used other unspecified sources. Thus findings established varying sources/methods for financing.

Research Question Two

Table 5.2: Responses to Questions on Relationship between Access to Financing and SME Success (Financial Performance)

S/N	Questionnaire Items	SA %	A %	N %	D %	SD %	Mean	Verdict
1.	Access to financing brings about increase business profitability.	30 (20%)	75 (50%)	22 (15%)	15 (10%)	8 (5%)	4.42	Accept
2.	Access to financing brings about growth of my market share.	30 (20%)	67 (45%)	30 (20%)	15 (10%)	7 (5%)	4.49	Accept
3.	Financing brings about enhance operational efficiency.	70 (47%)	45 (30%)	20 (13%)	15 (10%)	-	4.46	Accept

Note: Researchers compilation, 2025.

The data highlights the positive impact of financing on business performance across profitability, market share growth, and operational efficiency. Majority of respondents (70%) agreed that access to financing has improved their business profitability, with a mean score of 4.42, leading to its acceptance. Similarly, 65% of respondents affirmed that financing has contributed to the growth of their market share, reflected in a mean score of 4.49. Additionally, 77% agreed that financing has enhanced operational efficiency, with the highest mean score of 4.46. These findings indicate that access to financing plays a crucial role in improving key aspects of business performance, reinforcing its significance for sustainable growth.

Research Question Three

Table 5.3: Responses to Questions on Challenges in Securing Financing

What challenges have you encountered in securing financing for your business?	Frequency	Percentage (%)
Lack of Collateral	27	18
High-Interest Rates	53	35.33
Complex Application Process	5	3.33
Limited Access to Information	35	23.33
Risk Perception by Lenders	24	16
Lack of Credit History	6	4

Note: Researchers compilation, 2025.

The data identify several challenges businesses face in seeking financing, high-interest rates being the most commonly issue, accounted for 35.33% representing 53 respondents. Limited access to information accounted for 23.33% representing 35 respondents. Lack of collateral follows closely, by 18% of 27 respondents. Risk perception by lenders of 16% of 24 respondents suggested very high risky business to financial institutions in term of ability to making repayment. Additionally, 4% representing 6 respondents of businesses do not have credit history, making it difficult to qualify for loans. The complexity of the application process is another bottleneck, with 3.33% representing 5 respondents. A major cardinal take of the findings reveal the salient and relative difficulties faced by entrepreneurs, particularly in terms of cost, risks, requirement, and accessibility of financial resources, which further confirmed the Pecking order theory that external sources is of higher cumbersome and unfavorable consequence to internal sources to finance operations.

Test of Hypothesis

Table 5.4: Correlation Analysis Table

Correlations

		Financing Option by SMEs	SMEs Success Performance	Securing Financing	Access to Financing
Financing Option by SMEs	Pearson Correlation	1	.965**	.786**	.830**
	Sig. (2-tailed)		.000	.000	.000
	N	150	150	150	150
SMEs Success Performance	Pearson Correlation	.965**	1	.653**	.819**
	Sig. (2-tailed)	.000		.000	.000
	N	150	150	150	150
Securing Financing	Pearson Correlation	.786**	.653**	1	.715**
	Sig. (2-tailed)	.000	.000		.000
	N	150	150	150	150
Access to Financing	Pearson Correlation	.830**	.819**	.715**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	150	150	150	150

***. Correlation is significant at the 0.01 level (2-tailed).*

The above table shows the correlation coefficients, measure the weight and direction of the linear relationship between variables.

Regression Analyses of Research Hypotheses

Ho1: SMEs do not explore access (including formal and informal sources) to multiple of financing options.

Table 5.5: Regression Model Summary on Access to Financing and Financing Option

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.891[a]	.617	.612	.491	.617	31.120	1	149	.000

a. Predictors: (Constant), Access to Financing

b. Dependent Variable: Financing Option

Note: Researchers compilation, (SPSS Output) 2025.

Table 5.6: Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.400	.496		2.542	.002
	hyp 1	.228	.078	.169	2.002	.000

a. Dependent Variable: Financing option

Table 5.5: The result above indicates correlation coefficient analysis of a strong positive relationship between business financing option used by SMEs and access to financing. The Pearson correlation coefficient of **0.830** establishes the magnitude and weight of this relationship, along the statistical significant at $p<0.01<0.05$.Showing a high correlation between the variables.

From Table 5.6: (Decision Rule)- Results information presented shows that R value of 0.891 represent a strong relationship between access to financing and financing options, however, coefficient of R^2 at .617 distilled that 61.7% of total variance in financing option is accounted for by finance access. The adjusted R^2 of 61.2% indicates that, if entire population is considered for this study, deviation will only be by .005 (0.5%), and the standard error of estimate is 0.491.

The coefficients of independent indicated that access to finance (.228) has a higher impact on financing option. Therefore, the (probability) and Beta=0.169; t-statistics value of (.000) and 2.002 suggested that the relationship between financing option and access to finance is significant since alpha level of 0.05 is greater than the p-value of 0.000. Hence the null hypothesis is rejected which state that SMEs do not explore access to multiple financing options. The result aligned to the studies conducted by Kipkorir, et al (2023); Waithanji, (2014); Allen, et al (2016); Beck, et al (2008); Brown, e tal (2003); Hansen, et al (2004) identifying accessibility to finance as an impetus to boost SMEs performance using both internal and informal methods (utilize multiple sources of funding).

The findings highlight the need for financial institutions to continue expanding accessible loan products, microfinance services, and alternative financing mechanisms to support SMEs effectively.

Ho2: Financing has no influence on the performance and success of SMEs, leading to improved growth, profitability, and innovation.

Table 5.7: *Regression Model Summary on SMEs Success Performance and Financing Option*

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.616[a]	.587	.0549	.261	.587	18.040	1	149	.000

a. Predictors: (Constant), SMEs Success Performance
b. Dependent Variable: Financing Option

Note: Researchers compilation, (SPSS Output) 2025.

Table 5.8: Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.020	.464		2.200	.030
	hyp 2	.159	.099	.130	1.601	.000

a. Dependent Variable: Financing option

From Table 5.4: The result above indicates Pearson correlation coefficient of **0.965** that establishes the magnitude and weight of this relationship, as well as the statistical significant at $p<0.01<0.05$.Showing a very high correlation between the variables of business financing option used by SMEs and performance determination of success leading to growth, profitability and innovation. This was further reveal in the response provided by the respondents, agreed that, financing is very crucial to enforcing the sustainable growth and efficiency.

From Table 5.7: (Decision Rule)- Results information presented shows that R value of 0.616 represent a strong relationship between SMEs success performance and financing options, however, coefficient of R^2 at .587 distilled that 58.7% of total variance in financing option is accounted for by SMEs success performance. The adjusted R^2 of 54.9% indicates that, if entire population is considered for this study, deviation will only be by .039 (3.9%), and the standard error of estimate is 0.261

The coefficients of independent indicated that SMEs success performance (.159) has a higher impact on financing option. Therefore, the (probability) and Beta= 0.130; t-statistics value of (.000) and 1.601 suggested that the relationship between financing option and SMEs success performance is significant since alpha level of 0.05 is greater than the p-value of 0.000.Therefore, the null hypothesis is rejected which state that financing has no influence on the success of SMEs, leading to improved growth, profitability, and innovation. Hence the result aligned to the studies conducted by Ng'eno et al. (2019); Fowowe, (2017); Zhiri, (2017); and Anggadwita and Mustafid,(2013); Apolot, (2012); Gordon and Alvin, (2011); Thus, this indicates that SMEs performance and success could depend on business financing, in order to maximize their growth potential and competitiveness in the market.

Ho3: Major challenges (like high-interest rates, lack of collateral and application processes, among others) do not impact SMEs from securing business funds.

Table 5.9: Regression Model Summary on Securing Business Funds and Financing Option

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics: R Square Change	F Change	df1	df2	Sig. F Change
1	.731[a]	.673	.649	.302	.673	13.622	1	149	.000

a. Predictors: (Constant), Securing Financing.

b. Dependent Variable: Financing Option

Note: Researchers compilation, (SPSS Output) 2025.

Table 5.10: Coefficients[a]

Model		Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	1.415	.364		3.257	.029
	hyp 3	.178	.093	.156	1.733	.000

a. Dependent Variable: Financing option

Table 5.4: The results above indicate a Pearson correlation coefficient of 0.786, which establishes the strength and significance of this relationship, with a p-value of less than 0.01. This shows a very high correlation between the variables of high interest rates, lack of collaterals, and difficult bureaucratic processes. It also reveals the responses provided by the respondents regarding the various challenges in securing financing.

From Table 5.9: (Decision Rule)- The results indicate that the R value of 0.731 signifies a strong relationship between SMEs' major challenges in financing and performance. Meanwhile, the coefficient of R^2 at .673 shows that 67.3% of the total variance in financing options is explained by SMEs' primary challenges. The adjusted R^2 of 64.9% suggests that, if the entire population is considered for this study, the deviation will only be .024 (2.4%), and the standard error is 0.302.

The coefficients of the independent variables indicate that SMEs success performance (.178) has a greater impact on the financing option. Therefore, the (probability) and Beta=0.156; with a t-statistic value of (.000) and 1.733, suggest that the relationship between the financing option and major challenges in securing business funds is significant, since the alpha level of 0.05 is greater than the p-value of 0.000.Hence, based on the empirical results, the null hypothesis (that major challenges do not impact SMEs from securing business funds) is rejected. The results align with the studies conducted by Oke, et al (2023); Atueyi, et al (2019); George, et al (2017); Nega and Hussein, (2016); Mazanai and Fatoki, (2012); Beck et al (2006); Ganbold, (2008).

Therefore, financial institutions and policymakers should work to lower interest rates, intensify literacy awareness creation on availability of outlets/organizations that give financial support to SMEs, embark on flexible collateral requirements and mandatory promotion of citizens national identification registration exercise, to alleviate the skepticism of lenders risk perspective, thus fostering traceability of loan defaulters and increase awareness of financing options, just as obtainable comparatively with large organizations.

5. CONCLUSION

The study findings manifest that managing the change process towards accessing SMEs finance is germane and requires a cardinal transformative potential tenet to alleviate the several trends of worry by adequately funding these businesses to increase their productivity, widen their market reach, and improve operational efficiency. Business-oriented organisations like SMEs should leverage diverse funding options and experience to improve financial operational performance and growth. However, the existence of bottlenecks may not be elusive totally, thus paying more attention to these barriers is essential for the promotion of an inclusive financial system that supports SME expansion. Furthermore, the need for government, financial institutions, regulators, business owners, and other stakeholders to work collaboratively and form alignments to improve financing conditions and ensure an enabling environment as a 'necessary evil' for SMEs' sustainable performance.

6. RECOMMENDATIONS

Following the research study findings, the following are recommendations:

1. Although the self-funding option through personal savings remains the most preferred by SMEs, the need to enlarge the coast requires financial institutions' continuous expansion and improved accessible loan products, microfinance services, and creation of alternative financing mechanisms that are customer-friendly to support SMEs effectively.
2. The study highlights the positive impact of financing on business performance across profitability, market share growth, and operational efficiency. But fund timeliness and availability need to be encouraged as a crucial impetus to improving key aspects of business performance, reinforcement and growth sustainability.
3. The study highlights several challenges faced in seeking financing. But findings indicated that, improvement on securing finances through processes, low interest rates, awareness creation and root literacy program, relaxed and attainable collaterals to lower lenders' risk perception, required revitalisation to maximise SMEs' potential growth and competitiveness in the market.

7. LIMITATIONS AND FURTHER RESEARCH DIRECTIONS

The study perceived certain limitations that include: sample size figure of 150 SMEs (cross-sectional) may not fully be representative of the broader SMEs sector, as financing bottlenecks can vary due to: location, government policies, and business size. Also, the study uses self-conducted data, which may introduce biases and/or inaccuracies. Another limitation is the statistical use of correlation and regression analysis; other research may adopt other detailed, advanced statistical methods to provide deeper insights into the causal effects of financing on SMEs' performance. Moreover, a mixed method approach (quantitative & qualitative) could help in leveraging on the shortcomings of either option.

Future researchers can widen the scope of the population with regard to sample size, a means to accommodate diverse group interests of SMEs across countries and regions. Additionally, employing more sophisticated statistical techniques, such as structural equation modelling, could help establish causation between financing access and business performance. Another suggestion is that researchers should also explore other methods of financing, such as fintech and digital lending platforms, towards ameliorating the bottlenecks of low/inadequate SME financing.

Giving attention to these suggestions of research gaps could help develop more conducive and realistic solutions for enhancing the finance and performance of SMEs.

ETHICAL & OPEN SCIENCE STATEMENT- In the conduct of this study, the researchers adhere to strict ethical guidelines that ensure the right of respondents' being protected by maintaining confidentiality and anonymity. In addition, no AI tools were used in the research study.

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