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Revisiting Entrepreneurial Constraints: Insights into Financial, Infrastructural, Regulatory, and Socio-Cultural Impacts on SME Growth in Nigeria

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Abstract: The paper investigates how SMEs in Abuja, Nigeria, have grown by examining how four major entrepreneurial issues, namely, financial constraints (FC), infrastructural deficiencies (IDF), regulatory inconsistencies (RI), and socio-cultural barriers (SCB), have influenced this growth. The study uses multiple regression to investigate the effect of these entrepreneurial constraints on SME growth using the data of 350 valid responses collected using a structured questionnaire. The results indicate that, of the entrepreneurial constraints being examined, FC are those that impact the SME growth most. Besides, socio-cultural obstacles, infrastructural shortages, and inconsistencies in regulations also have a strong influence on SME development. The results indicate that the SCB have the most dominant constraint in this study, and they were followed by RI, IDF, and FC. The research also adds to the theoretical knowledge by supporting the FC theory and resource-based view and elaborating on the institutional theory in terms of the contribution of regulatory frameworks. The findings are informative to policymakers, financial institutions, and business owners, and therefore, there is a need to implement specific interventions to reduce the challenges of SMEs in emerging economies like Nigeria.

Keywords: entrepreneurial constraints, financial constraints, infrastructural deficiencies, regulatory inconsistencies, SMEs' growth

1. Introduction

Small and medium-sized enterprises (SMEs) are very important in the development of national economies. The SMEs are generally known to play a critical part in the GDP development, innovation, and creation of employment [1]. A successful SME industry not only enhances the economy of a country by adding value to GDP but also contributes to poverty reduction and lower unemployment, which is another way a country is developed [2]. Even though the role of SMEs has been recognized worldwide, their role is extremely important in underdeveloped nations like Nigeria [3]. This has been compromised by the presence of many problems that make it difficult to survive and grow the businesses of SMEs, though this has a well-known contribution toward economic growth. It has been shown that SMEs in underdeveloped economies have a higher failure rate compared to the developed countries [4]. Anthony et al. [5] highlighted the importance of SMEs in facilitating the transition of the transitional economies. In the same vein, one of the most recognized causes of failure of SMEs in the developing economies in the world is a lack of external funding [4]. Research conducted by Igben and Ojoboh [6] also showed the level of failure in a high rate of SMEs in Uganda due to the presence of a regulatory framework and institution and indicated that the presence of International Financial Reporting Standards (IFRS) could bring about stability in the financial position of such enterprises. Other researchers like Ogujiuba et al. [7] attribute the failure of SMEs to a lack of resources, difficulties in financing, and market isolation; macroeconomic conditions (inflation, high interest rates, and crime), high costs, financing lack, market failures, and limited government support, respectively. On a similar note, Khan [8] determined some of the major challenges to the development of SMEs in Pakistan, such as financial, economic, infrastructural, management, and corruption-related issues.

Moreover, other studies have determined the effects of entrepreneurial constraints on the growth of SMEs [5, 9, 10]. The majority of these studies have revealed the adverse effect of entrepreneurial constraints on SMEs' growth. Entrepreneurial

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constraints have been described as the numerous obstacles, constraints, or challenges that entrepreneurs encounter when initiating, developing, and maintaining their businesses [11]. The entrepreneurial constraints that impede the growth of SMEs have been grouped into two: financial and non-financial constraints [8]. Khan [8] states that financial constraints (FC) are limited access to financing, poor market conditions, and a difficult economic climate. Other non-FC are corruption, management, and infrastructure barriers, which are important in the performance of SMEs. Entrepreneurial activities in Nigeria have various constraints that hinder their growth and sustainability. Finance is a major challenge since most SMEs face difficulties in accessing the funds offered by financial institutions [12]. The elevated interest rates, strict collateral conditions, and the absence of financial products that would suit the SMEs pose significant obstacles to growth [13, 14]. In a developing economy like Nigeria, where financial markets are still underdeveloped, poor access to financing is one of the main barriers to entrepreneurship and SME development [5]. Moreover, the research by Khan [8] assumes that non-financial limitations are also significant factors that prevent the success of SMEs. Among the most significant non-financial limitations in the environment of the Nigerian economy, one can distinguish infrastructural shortages, regulatory discrepancies, and socio-cultural obstacles, which prevent the existence of SMEs in Nigeria [15, 16]. Aboshio et al. [15] assert that infrastructural deficiencies (IDF) are one of the major barriers to the development of SMEs in Nigeria. These shortcomings are reflected in other forms of limitations like insufficient power supply, poor road network, and unreliable communication systems, among others, which are some of the most urgent infrastructural issues of SMEs. These problems play a role in making the operations more expensive and less productive, thereby making the competitive environment more complicated for the SMEs. An example is that the high cost of doing business for SMEs is significantly increased by the necessity of using alternative sources of energy because of frequent power outages, and the lack of proper transportation infrastructure limits access to markets. Similarly, other social-cultural obstacles such as gender discrimination and social expectations also hinder SME development in Nigeria. Some of the cultural practices restrain women and marginalized groups from engaging in entrepreneurship, thus limiting the diversity of the SME sector. Also, the social perception of risk-taking and entrepreneurship further prevents potential entrepreneurs from starting and developing businesses [17].

On the other hand, regulatory barriers are also a significant challenge to the development of SMEs in Nigeria [18]. SMEs are faced with a lot of challenges due to complex business registration procedures, high levels of bureaucracy, and an unpredictable regulatory environment [6, 19]. The resources, both financial and time, to overcome these regulatory challenges make formalization of their businesses unattractive to many entrepreneurs and hence restrict their access to governmental support and financial services. Moreover, the profitability of SMEs is further reduced by high taxation and compliance costs, which prevent their reinvestment in their business [6]. Given the many problems that SMEs face in Nigeria, it is relevant to discuss what are the specific entrepreneurial factors that influence the development of SMEs in the country. The current paper contribution is the combined constraints framework and a specific focus on Abuja. In contrast to most of the earlier studies of SMEs in Nigeria that were focused on large commercial regions, Abuja is a capital-city business context with high-level regulatory engagement and heterogeneous socio-economic processes. In this context, the explicit comparison of the relative impact of financial and non-financial constraints on SME growth offers more precise policy prioritization guidance, and it adds more evidence to the literature on the Nigerian SME and business environment. Moreover, the current data indicate that financial barriers are another significant challenge to SME development in Nigeria because of the lack of access to credit, high interest rates, and collateralization [20, 21]. Non-FC, especially infrastructure limitations such as unreliable power supply and inadequate transportation systems, have however been revealed to contribute greatly to the cost of operation and lower productivity of firms [22]. Equally, regulatory inconsistencies (RI) and policy uncertainty raise compliance costs and deter investment, which is disproportionately high for small firms with low adaptive capacity [23]. Socio-cultural constraints, such as gender norms, informal institutions, and social obligations, are also additional determinants of entrepreneurial behavior and firm performance but are less commonly quantitatively modeled in Nigerian SME research [24]. The research is unique and differs from previous existing studies in that it looks at the combined effect of four key variables of entrepreneurial constraints that include FC, infrastructural shortcomings, RI, and socio-cultural barriers (SCB) on the growth of SMEs in Nigeria through survey data of SME owners and managers in the city of Abuja. The study goes beyond the fragmented approach common in much of the Nigerian SME literature, where constraints are often examined in isolation. The analysis of this area presents a subtle insight into these limitations in a high-stakes metropolis and can thus be used to make more specific policy suggestions on a larger national scale. Section 1 gives an introduction, whereas Section 2 gives a literature review and the development of hypotheses. Section 3 provides the methodology that was employed in the attainment of the objectives, whereas Section 4 provides the results and discussion. Conclusively, in Section 5, the theoretical and managerial implications, limitations of the study, its contribution, future studies' implications, and the conclusion of the paper are discussed.

2. Literature Review

Entrepreneurial constraints refer to the various obstacles and restrictions that entrepreneurs face in commencing, extending, and continuing their businesses [11]. These restraints can exhibit in numerous types, including monetary limitations, infrastructural weaknesses, regulatory problems, socio-cultural blockades, and access to markets. They play a substantial role in determining the entrepreneurial scenery, influencing not only the success of individual enterprises but also the larger economic expansion of a country or region. The resource-based view (RBV) was dignified by [25], who stressed that firms gain a balanced competitive advantage by preserving resources that are Valuable, Rare, Inimitable, Non-substitutable (VRIN). This theory accepts that firms are bundles of diverse resources. Barney [25] also theorized that persistent competitive gain occurs when reserves meet the VRIN criteria. Not all firms can obtain or replicate these tactical resources, leading to inconsistent levels of performance. Furthermore, the monetary restriction theory by Anthony et al. [5] discovered the association between financing and company investment. The premise focused on the effect of restrained monetary resources on managerial performance. It was built on the assumption that companies with internal financing restrictions face obstacles in tightening external funding and that the unevenness in information between debtors and creditors leads to credit restrictions. This demonstrates that SMEs, often deemed high-risk, strain to obtain loans, restricting investment opportunities and growth. Also, institutional theory was developed by Meyer and Rowan [26]. This premise focuses on how establishments manipulate business behavior through norms, rules, and values. It believes that groups operate in surroundings shaped by social norms and institutional frames and that these firms seek authenticity by matching to institutional norms. Hence, the statements of these dissimilar theories make it essential to assume the effect of separate entrepreneurial restraints (financial and non-financial) on SME growth.

H1: Financial constraint has a significant relationship with SMEs' growth in Nigeria

The performance and growth route of entrepreneurial SMEs are mainly influenced by their access to monetary resources, which play an essential role in permitting business growth and working efficiency. Studies in the literature have revealed that monetary constraints such as insufficient access to capital and restricted financing prospects constitute the main hindrance to SME growth and sustainability [5, 27–30]. Moreover, SMEs frequently confront excessively high transaction costs when seeking for small loans, joined with inadequate monetary transparency and inadequate security, which together reduce their solvency and limit their access to outside funding sources [5]. Hussain et al. [31] claim that heightened monetary literacy and the drop in financial costs can substantially advance entrepreneurial development and firm growth. Likewise, Hanedar et al. [32] opined that while firms need capital to undertake investment activities, the lack of comprehensive financial credentials limits their ability to secure such funds, thus classifying SMEs as dangerous debtors relative to larger enterprises. In a connected study, Anthony et al. [5] observed that SMEs in emerging economies tend to rely principally on internal financing methods due to the small nature of their financial systems. Thus, access to outside credit facilities, such as loans from commercial banks, remains inadequate [33]. Fisman and Love [34] observed that bigger companies are usually more competent at employing external financing owing to their operation within more developed and stable financial surroundings. Supporting this side, Bilal et al. [35] recognized access to finance as one of the most substantial barriers to SME growth in most less developed countries. Anthony et al. [5] observed that the amount of start-up capital available to entrepreneurs plays a vital role in determining their business success. However, many SMEs in Nigeria struggle to access commercial loans because they often lack the necessary collateral required by financial institutions [13]. Building on this understanding, the study puts forward the hypothesis that FC have a significant impact on SMEs' growth in Nigeria.

H2: Infrastructure constraint has a significant relationship with SMEs' growth

Infrastructure worth is one of the necessary factors affecting business performance [32, 13, 36]. The accessibility and competence of national infrastructure such as roads, electricity, and telecommunications can meaningfully encourage or obstruct the growth of entrepreneurial SMEs [16, 37, 38]. In support of SMEs to thrive, they depend heavily on consistent infrastructural systems that support production, distribution, and communication [39]. On the other hand, insufficient infrastructure often reduces profitability and business efficiency, creating extensive confronts for entrepreneurs [38]. As underlined by Maphela and Adanlawo [40], these confronts are specifically harsh in rural regions, where poor road networks and limited utilities induce input costs and obscure logistics. Likewise, in Pakistan, persistent energy deficiencies and a weak transport system are estimated to account for approximately 6% of GDP losses, which have become the main barriers to SME development.

Additionally, the limited state of infrastructure increases the operational costs encountered by SMEs. Scholars such as Suwilanji and Euston [16] and Zulu-Chisanga et al. [41] contended that limited access to infrastructure, such as reliable transportation, power supply, and internet connectivity, hinders SME businesses and market reach. This restraint is specifically substantial in emerging markets, such as Nigeria, where inadequate infrastructure stands confronts to SME growth. Also, Kiveu and Ofafa [37] demanded that improved infrastructure, involving efficient transportation and access to Information and Communication Technology (ICT), enables better communication, product promotion, and access to global markets, which are vital for SME growth. Infrastructure expansion enhances the ability of SMEs to innovate, integrate into supply chains, and compete globally, driving economic growth [42]. Hence, the subsequent hypothesis that infrastructure restraint has a significant relationship with SMEs' growth has been framed.

H3: Regulatory inconsistencies have a significant relationship with SMEs' growth in Nigeria

Numerous researchers have investigated how RI affect SMEs' development and have had mixed findings [6, 43, 44]. The inconsistency in regulations makes obedience very expensive to a business. Arshad et al. [45] state that RI and frequent alterations in regulations adversely affect the sales revenue of SMEs and the performance of the market competition. Nevertheless, the irregular enforcement of regulations, and not the regulatory level, is what poses a considerable challenge to growth [6]. Companies need to monitor the alterations in legislations and regulations, hire legal professionals, and invest in compliance management systems. Such expenses may impose a heavy burden on SMEs that often have insufficient financial resources and, therefore, cannot compete with larger companies that have more resources to navigate regulatory trials [18]. Both domestic and foreign investment are discouraged by unpredictable regulatory conditions. The more the stakeholders are likely to invest in markets where the regulations are stable, clear, and predictable, the more they are likely to invest. Uncertainties concerning the possible returns on investment are caused by inconsistencies in policies, for example, tax enticements or trade regulations, which discourage businesses to commit resources to ambiguous environments [43]. Regulatory discrepancy represents a significant obstacle to entering the markets of new companies, mainly multinational corporations that aim at expanding their operations to developing economies. The fluctuating regulations disorient the assessment of the risks and the development of long-term strategies. In the case of companies that have been in those environments previously, regulatory changes may make them leave the markets because of the high compliance costs or severe regulatory changes [46–48]. Unstable controls inhibit invention by creating an atmosphere in which businesses are wary of launching new products, technologies, or processes. The innovators are not always certain of the impact of new regulations on their businesses, which makes them not want to invest in research and development. This may hamper the overall economic development, primarily in areas that require technological development [49]. Moreover, these inconsistencies can erode business-government trust. The constant alteration of rules or the inconsistencies in their application may reduce the trust of businesses in the predictability and fairness of the legal system. Such a lack of trust may decrease the partnership between the state and businesses and discourage attempts to draw in investments and foster economic growth [18]. Based on this, the next hypothesis has been formulated as follows: RI are significantly correlated with SMEs' growth.

H4: Socio-cultural barriers have a significant relationship with SMEs' growth

Many studies have confirmed the impact of socio-economic obstacles on the growth and performance of SMEs [50–53]. Fornes and Cardoza [50] stressed socio-cultural variations as detailed barriers concerning the performance of SMEs developing into foreign markets. Socio-cultural encounters, involving market demand and competitive pressures, are studied as constraints to growth for SMEs [51]. These obstacles not only influence customer relations but also affect employee relations. In culturally varied work environments, organizations must show sympathy for the values, beliefs, and prospects of their employees. A failure to respect cultural differences within the workplace can result in hostility, weakened morale, and elevated employee turnover. Similarly, groups that neglect to account for cultural contrasts in customer relations may face encounters in fostering customer loyalty and trust [54].

Adopting SCB requires that associations invest in change strategies. Such tactics may include restricting products and services, developing ethnically specific marketing promotions, and offering cultural training for employees. While these ideas can help steer SCB, they also involve additional costs that may affect profitability [14].

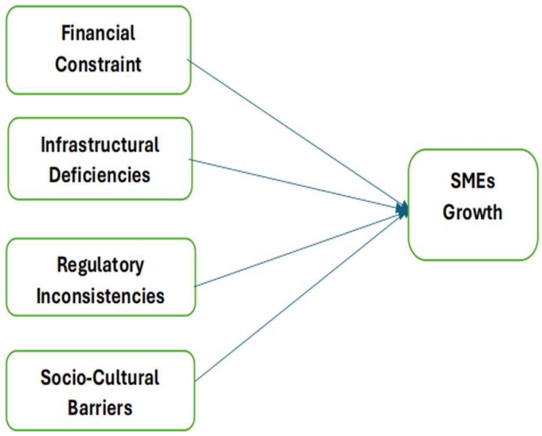
Associations that ignore socio-cultural factors risk making cultural mistakes that can negatively affect their reputation. For example, culturally indifferent announcements or business practices may cause public reaction, boycotts, and a successive loss of market share. Companies must remain mindful of the cultural perspective in which they operate to avoid wrong local deep feelings [55]. Subsequently, the succeeding hypothesis has been framed; thus, SCB have a sizable association with the growth of SMEs.

3. Research Methodology

3.1. Research design

The conceptual framework that was employed in this study was adapted from prior research [8] and serves to examine the types of decisions SMEs make to establish and sustain their businesses, as well as the challenges entrepreneurs encounter in the process. Ansoff [56] categorized these challenges into several groups, such as administrative, strategic, operational, and external, where administrative constraints relate specifically to the internal management and organizational structure of the firm. These challenges can be broadly classified into financial, personal, and managerial constraints. Strategic challenges relate to the entrepreneur's or manager's capacity to design and deliver products or services that align with customer needs. Operating challenges are concerned with problems related to the efficient allocation of resources in achieving organizational objectives, particularly in areas such as operations, marketing, and inventory management. However, entrepreneurial SMEs in developing nations such as Pakistan and Nigeria also face external challenges that are related to corruption, inadequate infrastructure, complex tax systems, and weak institutions, which hinder their overall growth and performance (see Figure 1).

Figure 1
Conceptualizing entrepreneurial constraints and SMEs' growth (Khan, M. A, 2022)



3.2. Conceptual framework

3.3. Methodology

The sampling frame used in the study was the owners/managers of SMEs in Abuja who were randomly sampled using a random sampling method and surveyed using a structured questionnaire. The recruitment of the respondents was done voluntarily, and confidentiality was guaranteed, and only the questionnaires that were filled in properly were retained after screening of data. Out of all the 400 questionnaires that were administered, 350 questionnaires were duly filled and returned, and the valid response rate was 87.5, so the analysis was conducted on the 350 responses. To be clear, the study used only registered SMEs in Abuja in the trade, service, and light manufacturing sectors, and categorized them as small (10–49 employees) and medium (50–199 employees) according to the prevalent Nigerian SME criteria. This assists in maintaining uniformity and enhances comparability among the firms. Furthermore, the study conducted various diagnostic tests such as multicollinearity including Variance Inflation Factor (VIF)/tolerance, and key residual assumptions including normality, homoscedasticity, linearity, and independence were satisfied. The Durbin–Watson statistic of 1.77 reported is acceptable to indicate independence of residuals.

A 5-point Likert scale was used in the questionnaire with 1 (strongly disagree) to 5 (strongly agree). The questionnaire was broken into three parts: the first part was used to collect the demographic data of the SMEs, the second part was used to determine the challenges encountered by SMEs in Nigeria, and the third part was used to determine the growth of SMEs. These constraints were measured using a scale that had been used in earlier studies, such as Khan [8]. In particular, four items measured FC, four IDF, and four RI and SCB, and five items were used to measure SME growth. The ethical considerations were properly followed during the study. First, the study was voluntary, and the respondents were well aware of the intention of the study when they filled in the questionnaire. Before the data collection, the respondents were guaranteed confidentiality and anonymity, and no personally identifiable information was gathered. The informed consent was implied by the willingness of the participants to fill in and send the questionnaire. The research adhered to the general ethical standards of social science research with human subjects, such as autonomy, non-maleficence, and data protection. Conversely, the problem of missing data was not significant, since questionnaires that had significant amounts of incomplete responses were filtered out during the data-cleaning phase. Listwise deletion was used in the few cases where there were minor item-level omissions to maintain consistency of the regression analysis. This method is deemed suitable in cases when the percentage of missing data is low, and the missingness is supposed to be random, which will not introduce bias in the estimates of the parameters and maintain the strength of the statistical findings [57]. Equally, SMEs' growth was employed as the only proxy of SME growth since it is one of the most acceptable and objective measures of firm growth, especially in research on SMEs in developing countries. Unreliable and inconsistently reported by small business owners, SME growth is simpler to recall and report with fair accuracy by respondents than profit or employment data, which is often unavailable, unreliable, or inconsistently reported. In earlier empirical research on SMEs in Nigeria and other emerging markets, SME growth was used as a valid indicator of business growth and market performance, particularly when firms are informally run or when their financial statements are not audited [21]. Therefore, SME growth is practical, valid, and context-relevant measure of SME growth in this research.

4. Results of Empirical Findings

4.1. Descriptive statistics

Respondents gave details about their gender, age, income, level of education, and occupation to gain knowledge about the traits of SME owners. The respondents' demographic data is shown in Table 1. This data sheds light on the respondents' age, gender, marital status, level of education, and employment history. This data is crucial because it provides context for the results by providing insight into the backgrounds of the respondents.

Gender data reveals that of the 350 respondents, 160 are female (46%), and 190 are male (54%). The study's inclusivity and cross-gender generalizability are strengthened by the balanced gender representation, which guarantees that the viewpoints of both male and female respondents are well reflected. The age distribution of the respondents reveals that those 40 years of age and above make up the largest group (57%), followed by those between the ages of 31 and 40 (29%) and those between the ages of 20 and 30 (14%). This age distribution shows a preponderance of more seasoned people, which may indicate that respondents have a significant amount of experience that influences their perceptions about entrepreneurial limitations.

Regarding marital status, 71% of respondents are married, compared to 29% who are single. The high percentage of married respondents may indicate that many of them have extra family obligations, which may affect how they view the limitations of entrepreneurship. Additionally, it was discovered that most respondents had HND/B.Sc. degrees (57%), followed by M.Sc./MBA holders (29%) and Ph.D. holders (14%). A well-qualified respondent pool that can provide knowledgeable comments and insights into entrepreneurial constraints is suggested by this diversity in educational backgrounds. A generally high level of education is indicated by the preponderance of college degree holders, which is helpful for comprehending difficulties related to entrepreneurship.

Lastly, the data about job experience showed that many respondents (57%) had 5–10 years of experience, 29% had more than 10 years, and 14% had 1–5 years. This distribution indicates that a significant percentage of respondents have some experience, which may improve the accuracy of their answers, especially when it comes to comprehending and recognizing the limitations that entrepreneurs encounter.

Table 1
Demographic information of respondents

a Gender distribution of respondents		
Gender	Frequency	Percentage (%)
Male	190	54.3
Female	160	45.7
Total	350	100
b Age distribution of respondents		
Age group (years)	Frequency	Percentage (%)
20–30	50	14.3
31–40	100	28.6
40 and above	200	57.1
Total	350	100
c Marital status of respondents		
Marital status	Frequency	Percentage (%)
Single	100	28.6
Married	250	71.4
Total	350	100
d Educational qualification of respondents		
Qualification	Frequency	Percentage (%)
HND/B.Sc	200	57.1
M.Sc/MBA	100	28.6
PhD	50	14.3
Total	350	100
e Work experience of respondents		
Work experience	Frequency	Percentage (%)
1–5 years	50	14.3
5–10 years	200	57.1
10 years and above	100	28.6
Total	350	100

4.2. Reliability of the research instrument

Reliability is the degree of internal consistency of the research instrument [58]. As shown in Abdurrahaman et al. [59] and Adegbola et al. [60], the overall Cronbach's alpha coefficient for the instrument is 0.825 (see Table 2), indicating that the instrument used for evaluation is highly reliable. This implies that Cronbach's alpha is above the minimum acceptable threshold of (Cronbach's $\alpha > 0.70$), as supported by (Hair et al. 2010). Hence, the researcher concludes that the instrument employed for data collection proved to be reliable and consistent in measuring the intended variables.

4.3. Correlational matrix

To investigate the connection between entrepreneurial limitations and the expansion of SMEs in Nigeria, we performed a correlation study. The correlation matrix between the independent and dependent variables is displayed in Table 3. The findings demonstrate a negative relationship between SME growth and financial limitations, inadequate infrastructure, socio-cultural obstacles, and inconsistent regulations. The biggest association between infrastructure deficit and SME growth is found in

Table 2
Reliability of research instrument

Variables	Number of items	Cronbach's alpha value
Financial constraint	4	0.853
Infrastructural deficiencies	4	0.919
Regulatory inconsistencies	4	0.776
Socio-cultural barriers	4	0.733
SMEs' growth	5	0.900
OVERALL	21	0.825

Table 3
Correlation result

Correlation probability	FC	IDF	RI	SCB	SMEs' growth
FC	1				
IDF	0.297	1			
RI	0.133	0.133	1		
SCB	–0.080	0.120	0.302	1	
SMEs' growth	–0.007	–0.297	–0.133	–0.080	1

infrastructure deficiency, which has the highest correlation coefficient at −0.297. Inconsistencies in regulations come next. Nonetheless, the correlation value for financial limitations is the lowest at −0.007, suggesting that there is the smallest link between FC and the expansion of SMEs. These variables appear to have a weakly negative relationship, as indicated by the negative correlation (−0.080). According to studies, infrastructure access is essential for the expansion of SMEs [16, 37]. Better infrastructure has a favorable impact on the performance of SMEs in sub-Saharan Africa, according to Suwilanji and Euston [16]. SME operations and market reach are hampered by limited access to infrastructure, such as dependable transportation, power supplies, and internet connectivity. This constraint is particularly significant in emerging markets, where inadequate infrastructure presents challenges to SME growth.

The results displayed in Table 4 show that an R-squared of 0.202 indicates that the model accounts for 20.2% of the variance in the growth of SMEs, while the remaining 79.8% is attributable to factors outside the model and random disturbance. This suggests that the model captures one important explanatory channel, but not the full set of determinants of the outcome. This is often expected in studies involving individual behavior, SME performance, financial inclusion, or socio-economic outcomes, where institutional, cultural, and macroeconomic variables often difficult to measure play substantial roles. With a *p*-value of 0.000 and an F-statistic of 22.98, the model is statistically significant. Models that forecast business performance typically have higher R-squared values, particularly when important variables such as infrastructure and finance are considered. Similar findings were reported in a study by Salami et al. [2] that looked at Nigerian SMEs' financial difficulties.

The regression model is very significant, as seen by Table 5's ANOVA results, where the F-statistic value of 22.98 is statistically significant at a 5% level of significance. The model's unexplained variation is represented by the residual sum of squares (476.88). The model significantly predicts the growth of SMEs, according to the ANOVA results. According to research by Igben and Ojoboh [6], a significant amount of the variation in SME performance in African nations can be explained by well-built models that take infrastructure and financial concerns into account.

Table 4
Model summary

Model	R	R-squared	Adjusted R-squared	Std. error of the estimate	Durbin–Watson
1	.449a	0.843	.833	.809	1.77

Predictors: (Constant), FI, IDF, DI, SCB

Table 5
ANOVA result[a]

Model		Sum of squares	df	Mean square	F	Sig.
	Regression	107.65	5	22.98	22.98	.000[b]
1	Residual	476.88	345	1.35		
	Total	584.53	350			

a. Dependent Variable: SMEs' growth
b. Predictors: (Constant), FI, IDF, DI, SCB

4.4. Interpretation of empirical results

The results of the multiple regression analysis that illustrates the relationship between the independent and dependent variables are presented in Table 6. The proxies of the autonomous variables are the entrepreneurship constraints, which are measured by FC, IDF, RI, and SCB, and SME growth is the dependent variable, which measures SME growth. The coefficient of FC shows that the dependent variable falls by 1 unit as FC increase by 1 unit, with other variables remaining constant. This implies that there is an inverse relationship between FC and SME growth as FC are statistically significant at the 5% level. The implication is that the SMEs in the research region do not perform well when they lack funds to expand, and this significantly reduces their outputs, and it may also become harder to provide for the masses. This result validates the results of the study conducted by Ogujiuba et al. [7], who discovered that financing is one of the primary obstacles to SMEs' growth in South Africa. Other studies indicate that FC significantly affect the growth of SMEs [27, 61, 28]. Also, the infrastructural deficits (IDF) coefficient is −1.504, which implies that the growth in SMEs is expected to fall by 1.504 units with a one-unit increase in IDF. IDF also has a statistically significant impact on SME growth, having a p-value of 0.002. This means that the growth of SMEs in our study area is greatly influenced by IDF. SMEs often rely on the infrastructures provided by the government to work [16]. When infrastructures are not sufficient, businesses would be compelled to invest in alternative sources like water storage systems and electrical generators, which would increase the operating cost and reduce profit margins. Poor infrastructure may also lead to delays in the production, delivery, and transportation of products and services [37, 62]. This eventually leads to reduced production rates as SMEs struggle to meet the demand in the market as soon as possible. Similarly, the lack of proper transportation infrastructure (characterized by poor road networks and ineffective transport networks) is a barrier to SMEs accessing larger markets. Also, it restricts their capacity to supply goods to customers or receive supplies, hindering their capacity to grow. This finding is consistent with a study conducted by Suwilanji and Euston [16] that established that access to infrastructure is critical in the growth of SMEs and concluded that improved infrastructure positively affected the performance of SMEs in sub-Saharan Africa. The change in the dependent variable per unit change in the coefficient of RI is −2.429, and the p-value of 0.001 shows that the effect is statistically significant. RI seems to have a stronger negative effect on the growth of SMEs than other variables. This implies that inconsistency in regulations leads to an atmosphere of uncertainty that makes it difficult for SMEs to plan. Companies use consistent rules to make long-term investment, growth, and recruitment choices [6, 43, 44, 63]. The constant shifts in policies may also interfere with such plans and make the process of running the business seem riskier, thus deterring growth [63]. In addition, SMEs are usually ill-equipped to constantly adjust to changing regulations. RI can also mean that businesses are forced to regularly revise their operations, relicense, or even comply with new requirements, adding to the cost of doing business and wasting time that would have been better spent on the actual business operations. Moreover, unpredictable regulations can be a hindrance to new SMEs or the growth of existing ones in new markets. As an example, a sudden shift in taxation or industry regulations may make the scaling of operations more challenging in the case of SMEs, especially when the new regulations require expensive changes. Finally, the SCB coefficient is −4.597, that is, the growth of SMEs declines by 4.597 units with each unit change in SCB. SCB are significant at the 5% level. The magnitude of this coefficient implies that SCB, among all the independent variables in the model, possesses the largest negative effect on SME growth. This implies that the SCB might restrict the entry of SMEs into markets or consumer segments [50, 51]. As an example, consumer buying behavior and preferences can be affected by cultural inclinations, religious orientations, and traditional values. Unless SMEs match their products or services with these cultural norms, they might find it challenging to attract or retain customers in certain areas or localities. Moreover, in the areas where the cultural and linguistic backgrounds of people are different, SMEs might experience difficulties in communicating with prospective customers, suppliers, or partners. The language barrier may hinder marketing, customer care, and negotiations, which may result in misunderstandings and lost opportunities [64]. This may restrict the scope of the business and make it less competitive in the market. New products, services, or business models may be met with resistance in certain cultures, especially when they are seen as incompatible with established traditions or societal expectations. SMEs that implement innovative solutions can face a slow adoption process or even rejection in case the local culture is conservative or fearful of change. This resistance may kill growth, particularly when SMEs fail to convince potential customers of the value of their products.

4.5. Discussion of results

Studies on the effects of FC on the growth of small and medium-sized businesses (SMEs) have often found FC to be a significant challenge to the success of SMEs. Indicatively, Salami et al. [2] found that SMEs in Nigeria cannot achieve their potential because of FC. On the same note, Igben and Ojoboh [6] and [65] found that access to finance has a significant impact on the productivity of SMEs in Africa. Moreover, another critical limitation to SMEs is infrastructural shortages that hinder profitability and performance in general. As Suwilanji and Euston [16] showed, in sub-Saharan Africa, the development of infrastructure is vital to the growth of SMEs. The infrastructural shortages result in higher operational expenses, low productivity, and slowness in the production cycles, thus adding to low growth. Moreover, the other major obstacle that affects the activities of SMEs in developing countries like Nigeria is the irregular regulations that are imposed by governments and other authorities. The adverse effect of regulatory discrepancies on the performance of SMEs is a recurrent theme in the literature. Long-term investments and planning require stable policies, which was proven by the research carried out in different developing economies. Regulatory volatility raises compliance expenses and discourages the competitiveness of SMEs. Lastly, in a country like Nigeria, where different socio-cultural and religious backgrounds exist, the SCB are also a significant challenge to the activities of SMEs. SCB have been discussed in different studies as they affect the development of businesses. When a business does not match the local culture or preferences in a different cultural environment such as Nigeria, this may limit market penetration. To overcome these barriers, it is important to have a deeper insight into the local customer behavior and how to modify products or services to meet these standards. The findings in Table 6 also determine the complex issues of SMEs in Nigeria. These are the difficulties that include financial limitations, infrastructural limitations, regulatory incoherence, and socio-cultural obstacles, which greatly hinder SME development in the Abuja setting,

Table 6
Coefficients[a]

Model		Unstandardized coefficients		Standardized coefficients	T
		B	Std. error	Beta	
1	(Constant)	–1.707	0.000	–3.101	0.002
	FC	–1.000	0.000	1.170	0.000
	IDF	–1.504	0.000	1.758	0.002
	RI	–2.429	0.000	0.268	0.001
	SCB	–4.597	0.000	0.518	0.005

a. Dependent Variable: SMEs' growth

Nigeria. These findings are in line with empirical evidence in other regions and emphasize the importance of improved infrastructure, financial inclusion, and facilitating policy conditions in enhancing SME success [22, 37]. This study shows that SME growth is not mainly held back by finance alone. Instead, the results suggest that the business environment matters more than access to credit. More importantly, poor infrastructure and unstable or inconsistent regulations appear to be the most serious obstacles facing SMEs. When electricity is unreliable, transport costs are high, and rules change or are unevenly enforced, small businesses struggle to grow even when financing is available. The relative strength of these effects points to a clear policy lesson in that not all SME constraints should be treated equally. Policymakers are likely to achieve greater impact by first fixing foundational problems, especially infrastructure and regulatory clarity. Improving power supply, transport networks, and the consistency of government policies would create conditions in which SMEs can use finance more productively. Financial support programs, therefore, should complement, not substitute for, improvements in the wider business environment. Additionally, while SCB and FC remain significant, their comparatively smaller effects suggest that they should be addressed through targeted and supportive interventions, such as entrepreneurship training, inclusion-focused programs, and tailored financing schemes. Furthermore, the key contribution of this study is that it helps policymakers prioritize actions based on what constrains SME growth the most, rather than spreading limited resources thinly across many interventions.

4.6. Hypothesis testing

This study tested four hypotheses examining the effect of entrepreneurial constraints on SME growth in Nigeria.

The hypothesis testing results show that all four constraint variables examined (FC, IDF, RI, and SCB) were statistically significant and negatively associated with SME growth in Abuja. Accordingly, the study provides support for the hypothesized negative relationships (or, equivalently, grounds to reject the corresponding null hypotheses of no significant effect). In comparative terms, the regression estimates indicate that SCB exerted the strongest negative association, followed by RI, IDF, and FC. Also, these findings suggest that SME growth is constrained by multiple interrelated structural and institutional factors, with differences in their relative magnitude.

The regression results provide clear empirical evidence on the direction and significance of each relationship. First, hypothesis One (H1), which stated that FC have a significant negative effect on SME growth, was supported. FC were found to negatively and significantly affect SME growth at the 5% significance level ($p < 0.05$). This indicates that limited access to finance, high borrowing costs, and collateral requirements constrain SMEs' ability to expand operations and increase sales. Second, hypothesis two (H2), which stated that IDF have a significant negative effect on SME growth, was also supported. IDF exhibited a negative and statistically significant relationship with SME growth ($p < 0.05$). The result confirms that inadequate electricity supply, poor transport networks, and weak basic services reduce productivity and limit growth potential among SMEs. Third, hypothesis three (H3), which stated that RI have a significant negative effect on SME growth, was supported. RI were found to negatively and significantly influence SME growth ($p < 0.05$), suggesting that unstable policies, complex compliance procedures, and inconsistent enforcement create uncertainty and increase operating costs for small businesses. Lastly, hypothesis four (H4) stated that SCB have a significant negative effect on SMEs' growth.

This hypothesis is supported. SCB showed a negative and statistically significant effect on SME growth ($p < 0.05$). This implies that cultural norms, social expectations, and market acceptance issues continue to shape entrepreneurial outcomes and restrict business expansion. These hypothesis testing results demonstrate that all four entrepreneurial constraints exert statistically significant negative effects on SMEs' growth, providing strong empirical support for the study's conceptual framework and reinforcing the relevance of financial, infrastructural, regulatory, and socio-cultural factors in explaining SME performance in Nigeria.

5. Conclusion

The study concluded that SMEs in Abuja face multifaceted constraints that severely hinder their growth potential. FC were identified as the most significant barrier, reflecting the critical need for better access to finance. IDF also posed substantial challenges, particularly in areas such as electricity, transportation, and water supply. RI created an unpredictable business environment, further compounding the difficulties SMEs encounter. Lastly, SCB, driven by Nigeria's diverse cultural and religious landscape, limit market access and customer acceptance for SMEs.

By emphasizing the connections between financial, infrastructural, regulatory, and socio-cultural impediments, the study contributes to the body of knowledge on SME development. The FC hypothesis, which holds that access to financing is a crucial factor in determining business success, is one of the ideas on SME restrictions in emerging economies that it confirms. Furthermore, it demonstrates how insufficient resources, such as infrastructure and regulatory assistance, restrict the competitive advantage and expansion of SMEs, supporting the RBV. The results of the study also contribute to institutional theory, which highlights how regulatory frameworks influence corporate environments. The study's findings about the detrimental effects of inconsistent regulations support the idea that long-term growth and company planning depend on stable institutions.

The comparative magnitude of the constraints shows that the key insight from the comparative magnitude of the constraints is that the study does more than confirm that all constraints affect SME growth; it shows which constraints are most damaging when considered together.

This study's contribution to the literature on SME growth is that it goes beyond the common finding that SMEs are affected by many constraints. Rather, it demonstrates the most important constraints when they are taken as a group. SCB were the most dominant constraint in this study, and they were followed by RI, IDF, and FC. This is a significant contribution since it demonstrates that the constraint that is most significant in simple comparisons may not be the most significant when overlapping effects are held constant. Hence, the study provides a better foundation for policy prioritization by establishing the more binding constraints in the Abuja SME environment.

Based on the regression coefficients in terms of absolute values, the severity ranking shows that SCB > RI > IDF > FC. This implies that SCB exert the strongest net negative effect on SME growth, while FC, though important, are comparatively less severe in the multivariate model. A further important point is that this ranking differs from the simple correlation results, where infrastructure appears strongest. In other words, once the overlap among constraints is controlled for, SCB emerge as the dominant constraint. Lastly, the comparative magnitude uniquely reveals a policy priority order by net effect, not just statistical significance.

The study suggested the following on the many ways in which SMEs might contribute to the reduction of poverty, considering the findings: First and foremost, financial institutions and the government should work together to develop accessible financing programs that are suited to the requirements of SMEs. This could include credit guarantee programs, grants, or low-interest loans that lower the risk for lenders. Second, since they are essential to the productivity and expansion of SMEs, the government should give infrastructure upgrades priority, especially in the areas of roads, water resources, and energy supplies. To speed up the delivery of necessary services, public–private partnerships should be investigated. Third, to reduce policy inconsistencies, a more solid and transparent regulatory structure is required. To facilitate SMEs' compliance with legal obligations, government agencies should concentrate on establishing an enabling environment through uniform legislation and less bureaucratic procedures.

Lastly, the study also recommends that SMEs should strive to understand and align their business strategies with the cultural and social norms of their target markets. Businesses can enhance market penetration by adapting products and marketing approaches to fit local preferences. Training programs on cultural competence for entrepreneurs would also help them navigate these barriers more effectively.

5.1. Limitations of the study

The fact that the researchers restricted the study's scope to managers and entrepreneurs (registered SMEs) who exclusively lived in the FCT Abuja metropolitan area is one significant constraint. However, considering the study's impact in Nigeria would have allowed the researcher to obtain more comprehensive responses, ensuring more representations and a thorough examination of the operations of small and medium-sized operators throughout Nigeria. Second, one of the study's main shortcomings was the researchers' inability to obtain funding.

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Ethical Statement

This study received ethical approval from the University Research Ethics Committee at the National Open University of Nigeria under approval number ETC/001/06/0225010123. All procedures involving human participants were conducted in accordance with the ethical standards and guidelines established by the committee. Informed consent was obtained from all participants prior to data collection, and no personally identifiable information was disclosed in the study.

Conflicts of Interest

The authors declare that they have no conflicts of interest to this work.

Data Availability Statement

Data are available from the corresponding author upon reasonable request.

Author Contribution Statement

Olumide Abiodun Ayetigbo: Conceptualization, Methodology, Software, Formal analysis, Investigation, Writing – review & editing, Supervision, Project administration. **Olalekan Charles Okunlola:** Validation, Investigation, Writing – original draft, Writing – review & editing, Supervision, Project administration. **Ifegwu John Ifegwu:** Validation, Data curation, Writing – original draft, Visualization. **Emmanuel Ojonugwa Okoliko:** Software, Resources.

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