Financial Resources, Legal Structure, and Business Performance: A Study of Micro and Small Enterprises in Lagos, Nigeria

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Abstract

Focusing on developing countries in Sub-Saharan Africa, this paper provides further insights into the drivers of performance in micro and small enterprises (MSEs). A cross-sectional survey was conducted using a structured questionnaire to collect data from 237 owner-managers of registered MSEs in one of the busiest local government areas (LGAs) in Lagos, Nigeria. The study investigated the association between access to financial resources, legal structure, and MSE performance. The findings reveal that both access to finance and legal structure have positive and significant effects on MSE performance. However, deeper insights were provided with the discovery of a negative moderating effect of the sole proprietorship legal structure on the relationship between access to finance and performance. This is particularly notable given that a majority of the sampled businesses were registered as sole proprietorships. The paper concludes with policy and practical recommendations to improve MSEs' access to finance and support legal structures that are more growth-oriented for them.

Keywords: Financial Resources, MSEs, Legal Structure, Performance, Sole Proprietorship.

1.0 Introduction

The survival of all businesses depends on their easy access to financial resources (Weaven et al., 2021). Businesses that operate in financially friendly environment are often better positioned to withstand periods of economic downturn without resorting to closing down their businesses. Virtually, all operational activities within a business require a constant supply of funds. Further emphasising the importance of financial resources, Bakhtiyarona (2023) argues that "financial resources are essential for enterprises to fund their operations, investments, and growth" (p.88). As such, businesses must prioritise acquiring funds to meet their cash flow requirements and other obligations. Particularly, small businesses operating in resource-constrained environments, who are often faced with numerous systemic and institutional challenges, especially gaining access to cheap financial resources (Harel, Schwartz, & Kaufmann, 2020).

In most developing countries, micro, small and medium-sized enterprises (MSMEs) experience considerable challenges in sourcing funds (Gbandi & Amissah, 2014; Ullah, 2019; Owusu, Owusu Ansah, Djan, & Anin, 2021). Owusu et al., (2021) describe limited access to financial resources as one of the major constraints affecting the growth and competitiveness of MSEs. This occurs mainly because many MSEs lack the capacity to attract external financing such

as investors with big portfolios and financial institutions due to their informal structures. They are often perceived as high-risk and are therefore less likely to meet the strict lending requirements imposed by commercial banks, including high interest rates and demands for collateral (OECD, 2024). The current economic downturn globally, has also further worsened the conditions of MSEs in most developing countries, especially their accessibility to affordable financing.

In Nigeria nonetheless, MSEs are estimated to contribute around 48 percent of the country's GDP and provide jobs for about 84 percent of the workforce (Osinnaike, 2025). These contributions are crucial to the strength of Nigerian economy, especially now that the country's primary source of foreign exchange is struggling in the global market. It is therefore important for the Nigerian government to support the financial stability of MSEs as priority even as they continue to make more efforts to diversify the country's economy. It is on this basis that the present study seeks to examine the effect of access to financial resources on the performance of MSEs. In addition, the study will explore whether the legal structure of MSEs influences this relationship.

2.0 Review of the Literature

2.1 Conceptualisation of Micro and Small Enterprises (MSEs)

The dominance of the MSEs in developing countries can be attributed to their flexible structure and ease of set-up and closure (World Bank, 2019). This makes them especially attractive to first-time entrepreneurs, participants in the informal sector, and small-scale investors (Noguera, Pedroni, Komm, & Gallot, 2024). These enterprises can respond and adapt to market changes with relative ease, owing to their small operations, simple structure, and proximity to their customers and communities.

Micro and small enterprises are broadly measured using both qualitative and quantitative parameters. The *Bolton Report* (1971) proposed qualitative criteria for identifying small businesses, which conceptually align with what is now commonly understood as micro and small enterprises (Wapshott & Mallett, 2024). These qualitative characteristics, though originally designed in the UK, have remained relevant in the discussions around small businesses in the extant literature. They have evolved into three key features:

- A business that is personally managed by its owner(s), often referred to as 'owner-managed enterprises'
- A business that commands little to no market power and has only a small share of its industry's market
- A business that operates independently and without external control.

Quantitative indicators however, offer a more straightforward method of classifying micro, small, and medium enterprises. The most commonly used metrics are the number of employees, annual turnover, and total assets (excluding land and buildings). In Nigeria, Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) in collaboration with the National Bureau of Statistics (NBS) (2017) provides the following categorisation:

- Micro Enterprises: Businesses with total assets (excluding land and buildings) of less than Five Million Naira and has between 0 and 9 employees.
- Small Enterprises: Businesses with total assets (excluding land and buildings) above Five Million Naira but not exceeding Fifty Million Naira, and employing between 10 and 49 persons.
- Medium Enterprises: Businesses with total assets (excluding land and buildings) above Fifty Million Naira but not exceeding Five Hundred Million Naira, and employing between 50 and 199 persons.

In this study, micro and small enterprises are categorised based on employee size. Enterprises with 0 to 9 employees are regarded as micro, while those with 10 to 49 employees are considered small enterprises.

2.2 Financial Resources in Micro and Small Enterprises (MSEs)

Financial resources are understood as money and other monetary assets available to firms for engaging in financial activities, investments, and daily operations (Allen & Santomero, 1997). In line with this, Brigham and Ehrhardt (2017) categorise financial resources to include cash, credit lines, equity, and other forms of capital accessible to the business. Khamatkhanova (2018) further explains financial resources as both internal and external funds available to a business, intended for acquiring fixed and current assets necessary for production. This definition broadens the scope to include all forms of external income, thereby implying that the sources of financial resources are internal funding, external financing, and raised capital. The ability to generate financial resources is central to any firm, as it reflects operational effectiveness. Financial resources, therefore, influence a firm's market activities, financial stability, and competitive positioning (Khamatkhanova, 2018). This study aims to contribute to the ongoing discussion on micro and small enterprises (MSEs) performance, especially in developing countries. Therefore, it is proposed that:

H_1: Access to financial resources has a significant effect on the performance of MSEs

2.3 Performance in Micro and Small Enterprises (MSE)s

Performance in micro and small enterprises (MSEs) is commonly defined as the outcome of various organisational operations, including efficiency, effectiveness, productivity, and business growth (Ndiaye, Abdul Razak, Nagayev, & Ng, 2018). Latifi, Nikou, and Bouwman (2021) described MSEs' performance as the result of a firm's sequence of actions and operational decisions taken over time. In the context of this study, MSE performance is understood as the business' ability to meet its stated goals and objectives. This definition takes into account both financial and non-financial outcomes, reflecting how well MSEs operate within their resource constraints and respond to the demands of their environment.

2.4 Theoretical Framework

The theories underpinning this study are the resource-based view (RBV) theory, Pecking Order Theory and Agency Theory.

2.4.1 Resource-Based View Theory

The Resource Based View (RBV) was made popular by the seminal paper of Jay Barney in 1991 (Barney, Wright, & Ketchen, 2001). This theory states that the performance of a firm depends on its ability to engage its valuable and intangible resources (Barney & Clark, 2023). The main argument of the Resource-Based View (RBV) theory is that businesses can achieve sustainable competitive advantage by making the most of their tangible and intangible resources, while also developing new capabilities over time (Kamasak, 2017). Finance plays a critical role in particular among these resources. Finance forms the foundation upon which MSEs can develop key assets and capabilities they need to position their businesses for growth (Perez-Alaniz et al., 2022). Therefore, financial resources can increase MSEs capacity to expand, grow, and survive in market environments that are prone to volatility (Meier, Eller, & Peters, 2025).

2.4.2 Pecking Order Theory

The Pecking Order Theory, which was originally developed by Stewart C. Myers and Nicolas S. Majluf in 1984, is adopted as a follow-up theory to the Resource-Based View (RBV) in this study (Myers & Majluf, 1984). The main argument of the Pecking Order theory is that it is only when internal funds are insufficient that small businesses would typically opt for external

financing, usually considering debt first before equity financing. This order of preference is influenced largely by cost of capital, minimal exposure of personal information, and lowest risk of misinterpretation (Frank, Goyal, & Shen, 2020).

Therefore, MSEs often prefer internal funds because of the 'minimal to no cost' of acquiring them, and they also do not require to disclose sensitive financial information to external parties (OECD, 2024). Therefore, within the context of MSEs operating in financially constrained environments such as Nigeria, the Pecking Order Theory provides a useful framework for understanding how firms manage scarce financial resources.

2.4.3 Agency Theory

Agency theory considers the legal structure of a firm when investigating the relationship between financial resources and firm performance. The theory, developed by Michael Jensen and William Meckling in 1976, explains that conflicts can arise between business owners (principals) and managers (agents) when their interests do not align. If not properly managed, such conflicts may have a negative impact on how a firm's financial resources are used (Camisón-Zornoza, Forés-Julián, Puig-Denia, & Camisón-Haba, 2020). As such, ownership structure can play a role in how finance is managed to achieve long-term goals of the firm. Therefore, the ownership structure of different categories of businesses operating as MSEs can influence the type of funding they would seek or access for their enterprises (Camisón-Zornoza, et al., 2020).

2.5 Conceptual Model

The conceptual model in figure 1 illustrates the interaction among access to financial resources, legal structure, and performance of micro and small enterprises as proposed in this study.

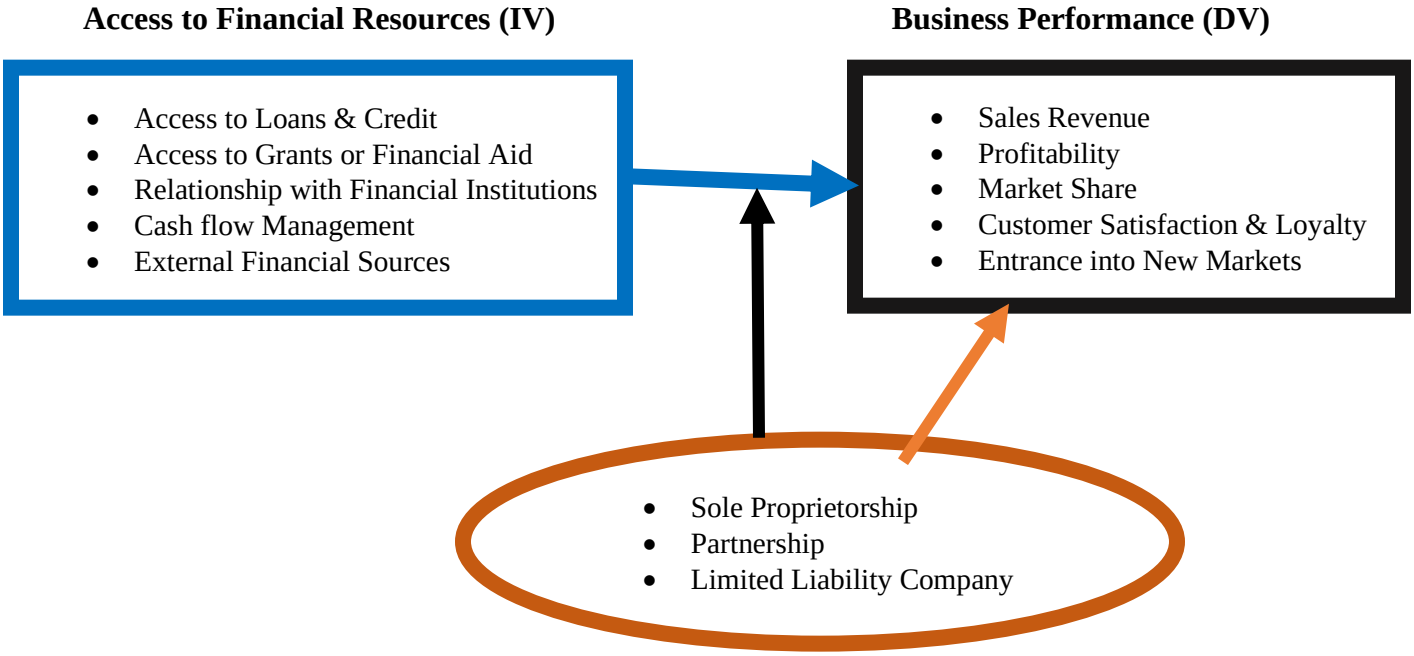

Figure 1: Conceptual Model

2.6 Financial Resources and Business Performance: Empirical Evidence

Existing literature emphasises the crucial role of financial resources in enhancing the performance of micro and small enterprises (MSEs). Studies conducted in various regions, have consistently shown positive associations between financial resource utilisation and firm performance. For instance, Tanveer, Song, Akhtar and Abbass (2019) explored the impact of financial resource utilisation on firm performance with team leadership used the moderating variable among SMEs in Pakistan. Employing Partial Least Squares, Structural Equation Modelling (PLS SEM) to analyse the data collected from 225 respondents, their findings showed that team leadership exerted positive and significant mediating effect on the relationship between financial resource utilisation and firm performance.

Similarly, the study by Khan, Arif, Sahar, Ali and Abbasi (2022) examined the effect of financial resources on environmental and financial performance among 294 manufacturing firms in Pakistan. Their findings showed that financial resources had a positive and significant effect on financial performance, however, its effect on environmental performance was not significant.

In Indonesia, Sari and Ainun (2024) explored the impact of financial resources (cash flow, liquidity, and leverage) on the performance of selected manufacturing companies listed in Indonesia Stock Exchange covering a period of 2016 to 2022. Their findings suggest that only free cash flow has a significant and positive effect on the performance of these companies.

Murimi, Ombaka, and Muchiri (2021) investigated the effect of strategic resources on the performance of SMEs in Kenya. Conducting a cross-sectional survey on a sample of 183 firms, their findings revealed that financial, human and physical resources had significant and positive impacts on SMEs' growth.

In South-East Nigeria, Umeobi, Akam and Okeke (2023) investigated the impact of financial resources on the productivity of manufacturing firms. Using data collected from 471 employees of these manufacturing firms, their findings affirm that financial resources is positively and significantly associated with the productivity of manufacturing firms within that region.

However, fewer studies have examined the association between financial resources, legal structures, and business performance of micro and small enterprises. In Nigeria, although the Companies and Allied Matters Act (CAMA) 2020 introduced reforms aimed at improving the ease of doing business, the extent to which these legal structures influence MSE performance remains understudied.

2.7 Legal Structure and MSE's Performance

The legal structure of a firm determines how it is governed and shapes its strategic decisions in critical areas such as capital structure, sources of funding, and risk exposure, all of which influence its overall performance (Jansen, Michiels, Voordeckers, & al. (2023). The common legal structures available for business registration across most countries are sole proprietorship, partnership, and private limited liability company. Previous studies suggest that firms operating under limited liability or incorporated structures can access more external financing than sole proprietors and partnerships (World Bank, 2019; OECD, 2024). This is because they are perceived to be more credible and stable than sole proprietorships that constitute most micro-enterprises (OECD, 2024). External financing sources such as financial institutions and venture capitalists are vital for bridging financing gaps (Santos, Cincera, & Cerulli, 2024). For MSEs, external funding can directly support their plans for expansion, growth, and innovations.

The regulatory environment of most developing countries determines how easily new businesses can become formal, their access to financial support, and how they settle legal disagreements (World Bank, 2020). The legal structure of an organisation is an important mediator

between them and their regulatory environment (Jansen et al., 2023). Moreover, a formal legal structure can facilitate the access of MSEs to external funding and government grants required to scale their businesses for growth (Santos et al., 2024). Therefore, it is proposed in this study that:

H_2: Legal structure of MSEs will have a significant effect on their performance.

3.0 Methodology

This study employs a descriptive survey design to investigate the association between access to finance, legal structure, and the performance of MSEs in Shomolu Local Government Area (LGA), one of the busiest LGAs in Lagos, Nigeria. Lagos is the second largest city in Africa and home to majority of MSEs in Nigeria. The MSE population in Shomolu LGA was drawn from the total number of registered MSEs in Lagos State using a proportional allocation technique. Thereafter, using division approach, a total population of 583 MSEs was derived for Shomolu LGA. Taro Yamane's sample size determination technique was used to estimate a sample size of 237 MSEs. Using convenience sampling technique, a structured questionnaire was administered on 237 selected owner-managers of MSEs. The reliability coefficient for the research instrument was calculated as ɑ=0.764.

Logit Regression estimation technique was used to determine the relationship between access to financial resources and performance. The model for the study is specified below:

$$logit(BPR_i) = \beta_0 + \beta_1 AFR_i + \beta_{2j} \sum_{j=1}^{i=1} X_{ij} + \beta_{3j} \sum_{j=1}^{i=1} Z_{ij} + \mu_i \quad (1)$$

$$\beta_0 - \beta_3 \geq 0$$

In Equation 1, BPR = business performance, AFR=access to financial resources, X=characteristics of the firm such as age of the firm (AGE) and firm size (FIRMS); Z=type of legal structure of the firm depicted as follows: dummy variable for sole proprietorship (DSP), dummy variable for partnership (DPP), and dummy variable for Limited Liability Company (DLLC), μ=stochastic term, *i*=number of firms, and $\beta_0 - \beta_3$.

Equation 1 was re-specified as Equation 2 to include the interaction terms.

$$logit(BPR_i) = \beta_0 + \beta_1 AFR_i + \beta_{2j} \sum_{j=1}^{i=1} X_{ij} + \beta_{3j} \sum_{j=1}^{i=1} Z_{ij} + \beta_{4j} \sum_{j=1}^{i=1} D_{ij} + \mu_i \quad (2)$$

$$\beta_0 - \beta_4 \geq 0$$

In Equation 2, D = interaction terms (AFR x DSP, AFR x DPP, and AFR x DLLC). This model was introduced to capture the impact of the interaction term between 'access to financial resources' and 'legal structure' on the relationship between access to financial resources and business performance.

AFR x DSP = interaction term between access to financial resources and dummy variable for sole proprietorship

AFR x DPP = interaction term between access to financial resources and dummy variable for partnership

AFR x DLLC = interaction term between access to financial resources and dummy variable for Limited Liability Company.

The descriptions, measurement, and expected signs of the variables are as follows:

Business Performance (BPR): Five statements were used in the questionnaire to describe Business Performance during economic downturn. These statements describe the performance of micro and small enterprises regarding sales revenue, profitability, market share, customer satisfaction and loyalty, and entrance into new markets. Respondents ranked their perceptions on a five-point Likert scale and their responses were summed together. The overall mean of the scores was obtained and divided into two categories. **Decision Rule**: Above the mean value takes the value of 1; below the mean assumes the value of 0.

Access to Financial Resources (AFR): This is the main independent variable in the model. Five statements were used to describe 'access to financial resources' in the research instrument. These statements include successfully obtaining loans or credit to sustain business operations during economic recession; access to grants or financial aid for survival; maintaining strong relationships with financial institutions; managing its cash flow; and utilising external financial sources to overcome challenges posed by the recession. Respondents ranked their perceptions on a five-points Likert Scale. It is proposed in this study that an increase in access to financial resources (AFR) would lead to an increase in business performance (BPR). **Decision Rule**: Above the mean value takes the value of 1; below the mean assumes the value of 0.

Age of the Firm (AGE): The actual age of existence of the studied MSEs was used. This variable is introduced as a control variable; and it is a ratio scale. Previous studies highlight the significant relationship between 'the length of years of existence of the businesses and their performance (Mallinguh, Wasike, & Zoltan, 2020). Hence it is proposed in this study that there is a positive relationship between age of the firm (AGE) and business performance (BPR).

Firm Size (SIZE): This is represented by the number of employees in a firm. It is expected that the number of employees in a firm can be a key indicator of how the firm performs in the market (Lasa, Pedroni, Komm, & Lavallee, 2024). In addition, it can be a metric for consideration by financial service providers. Firm size was used in the model as a control variable. It is expected that firm size would have positive influence on the performance of MSEs.

Legal Structure: Legal structure was measure using the following dummy variables: dummy sole proprietorship (DSP), dummy variable for partnership (DPP) and dummy variable for Limited Liability Company (DLLC). The legal structure of firms can determine the source of financing that they access (Santos et al., 2024). For instance, sole proprietorships can source for funds from family, relatives, friends and cooperatives, while Limited Liability Company has the capacity to attract loans from financial institutions, venture capitalists, and angel investors (OECD, 2024). As such, it is expected that there would be a direct relationship between the legal structure of MSEs and their performance.

Dummy variable for sole proprietorship (DSP): In the model, a value of 1 is assigned, if the firm is defined as a sole proprietorship and 0 for others.

Dummy variable for partnership (DPP): In the model, a value of 1 is assigned, if the firm is defined as a partnership and 0 for others.

Dummy variable for Limited Liability Company (DLLC): In the model, a value of 1 is assigned, if the firm is defined as a Limited Liability Company and 0 for others.

Interaction term between 'access to financial resources' and 'legal structure': Three interaction terms were employed in the model to show the moderating effect of legal structure on the relationship between access to finance and business performance.

4.0 Data Analysis and Interpretation

Table 1 showed some statistics of the variables employed in the analysis.

Table 1: Descriptive Statistics

	BPR	AFR	AGE	FIRMS	DSP	DPP	DLLC
Mean	0.835	0.769	3.702	33.151	0.716	0.189	0.075
SD	0.372	0.423	2.798	50.455	0.451	0.792	0.265
Obs.	237	237	237	237	237	237	237

BPR=Business Performance; AFR=Financial Resources; AGE- Business Age; FIRMS=Firm Size; DSP=Dummy variable Sole Proprietorship; DPP=Dummy variable for Partnerships; DLLC= Dummy variable for Limited Liability Company

The mean of 0.835 for Business Performance (BPR) suggests that 83.5 percent of sampled firms indicated positive performance for the following metrics: sales revenue, profitability, market share, customer satisfaction and loyalty, and entrance into new markets. The mean value for 'access to financial resources' (AFR) was 0.769. This suggests that 76.9 percent of the sampled firms responded positively to the following items: securing loans; access to financial aid and grant; effective management of cash flow; maintaining strong relationship with financial institutions, and effectively utilising external financial resources.

The mean variable for age (AGE) was 3.702, which revealed that majority of the sampled MSEs have been in existence for about 4 years. Firm size (FIRMS), which was measured by number of employees, had a mean value of 33.15. This suggests that, majority of the sampled business, have approximately 33 employees. The dummy variables for legal structure reported the following mean values: sole proprietorship (DSP)-0.716), Limited Liability Company (DLLC) - 0.189, the dummy variable for partnership (DPP)- 0.095, respectively. This suggests that 71.6 percent, 9.5 percent and 18.9 percent of the sampled firms were sole proprietorship, partnership, and Limited Liability Company (DLLC) respectively. Majority of the businesses studied were sole proprietorship (71.6 percent), which falls broadly in the category of micro-enterprises. However, based on the prevailing arguments in the literature, financial institutions are always reluctant to grant credit facilities to micro and small enterprises (MSEs) due to their structure, instability, and inability to provide collateral to secure loans (OECD, 2024).

Table 2: Regression Output
Dependent Variable: Business Performance (BPR)
Method: Binary Logit Regression
Samples: 237

Parameter	Coefficient	Coefficient	Coefficient
	Column I	Column II	Column III
Constant	-5.360 (-3.813)	-4.687 (-3.808)	-4.392 (-2.582)
DSP	4.392 (3.630)	4.392 (3.630)	4.510 (2.599)
DPP	3.903 (1.76)	3.200 (2.576)	2.988 (1.882)
AFR	4.678 (6.516)	4.687 (6.530)	5.067 (4.165)
DLLC	2.133 (1.543)	2.384 (1.772)	3.253 (1.792)
AGE	0.112 (1.112)		
FIRMS	0.003 (0.463)		
AFR x DSP			-2.067 (-1.537)
McFadden R squared	0.501	0.136	0.388
LR- statistic	84.897 (0.000)	83.417 (0.000)	73.753 (0.000)

Note: z- statistic in parenthesis. 5% Level of significance
Source: Authors' computation derived from Eviews
BPR=Business Performance; AFR=Financial Resources; AGE- Business Age; FIRMS=Firm Size; DSP=Dummy variable Sole Proprietorship; DPP=Dummy variable for Partnerships; DLLC= Dummy variable for Limited Liability Company

5.0 Discussion

In table above, all of the values obtained for LR- statistics showed that the models were statistically significant at the 5% level of significance. The coefficient of access to financial resources (AFR) is positive and significant. This means that access to financial resources (AFR) exerted significant effect on business performance (BPR). This revealed that an increase in access to financial resources by one unit definitely increases the business performance of micro and small enterprises by 4.687 units. This finding aligns with the findings from studies by Sari and Ainun (2024) and Umeobi, Akam and Okeke (2023) confirming a positive and significant relationships between financial resources and organisational performance in manufacturing firms in Indonesia and South-east Nigeria respectively. The coefficient for dummy variable for sole proprietorship (DSP) is positive and significant @4.39. This suggests that the legal structure of MSEs as sole proprietorship is important. These findings also suggest that business owners' image is important to how they are perceived by their customers. Moreover, since owner-managers of MSEs usually run their businesses in a personalised manner, especially when operating as sole proprietorships, their image could influence their performance. It is however important to explore how personal

identity of owner-managers of MSEs could influence their access to external financing. For instance, Arzubiaga, Massis, Maseda and Iturralde (2023) found out that the identity of family-owned businesses has positive impact on their access to financial resources.

In addition, the coefficients of the dummy variables for partnership (DPP) and limited liability company (DLLC) were not significant though they have the expected signs. These results suggest that the personalised approach of owner-managers of microenterprises (sole proprietorships) towards serving their customers may play a role in enhancing the performance of sole proprietorships over businesses registered as partnerships and Limited Liability Company among the studied micro and small enterprises.

In Column II, the control variables were excluded and the effect of the main variables in the model were examined. All signs appeared as expected, which confirmed the positive interactions among access to financial resources, legal structure, and business performance. Though the level of significance varies, the coefficients of 'access to financial resources (AFR) and dummy variable for sole proprietorship (DSP)' were significant at 1% level, while the coefficients of dummy variables for partnership (DPP) and Limited Liability Company (DLLC) were significant at 5% and 10% respectively.

In the Column III, the interactions between access to financial resources (AFR) and the legal structures of the sampled micro and small enterprises (DSP, DPP and DLLC) were investigated. The dummy variables for partnership (DPP) and Limited Liability Company (DLLC) were excluded from the model because of linearity problem. An explanation for the occurrence of linearity is due to the few businesses registered as partnership (9.5%) and Limited Liability Company (18.9%) relative to those registered as sole proprietorships among the sampled MSEs. However, the inclusion of these two variables, partnership and limited liability company, resulted in the improvement of the performance of the coefficient of access to financial resources (AFR) on business performance, positive and significant at 5% and 10% level of significance respectively. An interesting find was the negative moderating effect that the dummy variable for sole proprietorship has on the relationship between access to financial resources (AFR) and the performance of MSEs. Although this negative effect was not significant at between 5% and 10% level of significance, but the result is considered to be notable. The finding suggests that despite sole proprietorship being the dominant legal structure of the samples MSEs, the financial resources accessible to them is not sufficient enough to enhance their performance.

6.0 Conclusion, Recommendations and Future Studies

This study aimed at extending discussions on the performance of micro and small enterprises, a crucial driver of the socio-economic landscape of both rural and urban communities across developing and emerging economies globally. While the findings of this study affirm the importance of access to both internal and external sources of finance to the performance of MSEs, more significantly, the study draws attention to the relevance of legal structure in shaping their performance outcomes.

The study emphasises that the governance model used by MSEs matters. Similarly, the type of legal structure an MSE adopts can also determine how credible they appear to potential investors and lenders. It is the conclusion of this study that legal structure shapes how easily MSEs can access substantial funding and ultimately their long-term survival.

Future studies should therefore consider adopting longitudinal research designs to further examine the interactions among access to finance, legal structure, and business performance over time. To provide more insights and ensure generalisation, larger sample sizes should be used across

different industries and geopolitical zones in Nigeria. The study recommends more regulatory support for MSEs towards easier business registration process and fees. Incentives could be offered specifically to attract more micro enterprises into formalising their businesses. MSEs should also adopt legal structures that would support the scalability of their businesses. Furthermore, policies promoting inclusive financing for MSEs should be prioritised to improve their access to cheaper sources of funds to encourage their sustainable growth.

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