

# Critical Success Factors and the Growth of Small-Scale Enterprises in Federal Capital Territory (FCT) Nigeria

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**Abstract:** *This research looks at the Critical Success Factors that have an impact on small business growth in Nigeria, particularly in the Federal Capital Territory (FCT). Even though they play a crucial role in economic diversification, job creation, and poverty reduction, the majority of Nigerian small enterprises are unable to expand past the limitations imposed by several operational and structural factors. In order to promote enterprise growth in terms of revenue growth, job creation, and asset expansion based on the linkages among the study variables, the study looks at three factors: education, entrepreneurship attributes, and access to financing. The results show that while entrepreneurial traits and education showed large positive connections, access to financing and SME growth had a moderate but significant positive link. In order to promote sustainable business growth, the findings highlight the significance of a multipronged approach that incorporates financial inclusion, entrepreneurial development, and educational support. In order to increase the performance and resilience of small-scale businesses in the FCT and elsewhere, the report suggests targeted financial policies, better institutional support, and organized entrepreneurial education programs.*

**Keywords:** small-scale enterprises, enterprise growth, access to finance, and entrepreneurial qualities

## INTRODUCTION

Determining the definition of success in small businesses has remained a controversial topic, especially due to the difficulties in accurately quantifying it. Growth in the context of enterprise development is typically measured by increases in revenue, employment, and asset base accumulation, all of which provide observable markers of company progress. Because they show an organization's operational strength and long-term viability, these dimensions are commonly employed to symbolize the larger concept of company growth. Understanding

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growth patterns and predictors is crucial for policy design and practical intervention, as well as for academic purposes, in developing nations like Nigeria, where small businesses make up a significant share of non-agricultural employment and informal economic activity. According to recent studies, businesses that report higher employee turnover, hire more employees, and enhance their productive assets typically make a substantial contribution to economic diversification and the reduction of poverty (Okafor, Onwumere, & Chinedu, 2023; Usman & Agboola, 2023). In Nigeria's Federal Capital Territory, small companies have become a vital way for citizens to engage in the economy, mostly in response to the decline in official employment.

These companies frequently start out as necessity-driven endeavors, but some are able to flourish and become growth-oriented organizations. Some thrive, while many stagnate or fall apart too soon. Interest in determining the crucial success characteristics that separate successful businesses from failing ones has increased as a result of this discrepancy in results. As explanatory factors, variables including education, entrepreneurial traits, and financial accessibility are becoming more and more important to scholars and development professionals. In particular, access to financing is still a major determinant of firm expansion in academic discourse. It has long been maintained that having access to credit facilities helps business owners buy machinery, increase their production capacity, and investigate untapped markets all of which boost income and create jobs. However, many Nigerian businesses continue to face barriers to financing, including high loan rates, administrative bottlenecks, and a lack of collateral (Salami & Okonkwo, 2024).

It has also been established that entrepreneurial traits often characterized by inventiveness, resilience, initiative, and managerial skill are highly predictive of company success. Businesses run by people with these qualities are more likely to seek expansion prospects and adjust to changing market conditions more effectively (Ibrahim & Musa, 2023). In a similar vein, education is crucial in giving business owners the fundamental abilities of operational effectiveness, strategic planning, and financial management. Better decision-making and business acumen are influenced by both formal education and occupational training, and these factors in turn affect asset expansion and revenue creation (Ogundele, Adegbite, & Adebayo, 2021). Even though these determinants are becoming more widely recognized, there is still a dearth of empirical research that thoroughly analyzes how they all work together to affect firm growth, especially in the Federal Capital Territory. Nigeria has launched a number of policies and intervention programs to support the expansion of small businesses, but their execution has frequently fallen short of expectations. As a result, the gap between enterprise outcomes and policy objective has remained constant. Despite the introduction of financial inclusion plans, government assistance programs, and entrepreneurial training programs throughout the years, the real development trajectory of many small firms has remained flat. High enterprise mortality rates, little job creation, and underutilization of local entrepreneurial skills are still issues facing the nation.

This circumstance calls into question which particular elements actually have a role in the survival and growth of small businesses, as well as why current treatments have not

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Publication of the European Centre for Research Training and Development-UK consistently yielded scalable outcomes. In light of this, this study aims to evaluate the crucial success variables impacting the expansion of small businesses in Nigeria, with a focus on the Federal Capital Territory.

The primary objective of this study is to assess the critical success factors that influence the growth of small enterprises in the Federal Capital Territory. In order to do this, the study focuses on examining how limited funding affects business operations, how entrepreneurial attributes contribute to business growth, and how education affects business expansion. Three key questions are at the center of these specific issues: To what extent does the Federal Capital Territory's small business community suffer from a lack of funding? What impact do entrepreneurial qualities have on the growth of these companies? And how does education affect their capacity for growth? By looking at these problems, the study contributes to a deeper understanding of how human resources, entrepreneurship, and finance availability interact to affect small business growth outcomes in a vital region of Nigeria.

## **LITERATURE REVIEW**

This conceptual framework is related to a thorough analysis of concepts, problems, and actual research on the subject being studied. The chapter is divided into several sections, including the theoretical review, conceptual framework, and empirical review of the study that was used to identify the gap in the literature.

### **Conceptual Review**

The growth of small-scale enterprises has remained a pivotal concern in the discourse of sustainable economic development, particularly within the context of emerging economies. Growth in this domain is typically understood through measurable outcomes such as revenue growth, employment generation, and expansion of asset base. These serve as concrete indicators of performance over time and help to distinguish enterprises that have achieved scale from those merely surviving. According to Usman and Agboola (2023), increased revenue over successive fiscal periods is often a direct outcome of improved market share, operational efficiency, or product innovation. The company's socioeconomic relevance is further supported by the consistent growth in its workforce, which indicates that it is helping to create jobs in the area. Similar to this, growing an organization's asset base through the purchase of new machinery, real estate, or technological infrastructure shows a trend toward formalization and scalability as well as profit reinvestment.

In addition to their statistical representation, these indicators are significant because of the way they capture the intricate relationship between internal resources and outside support systems. The performance of small enterprises in Nigeria is primarily limited by environmental instability, infrastructure accessibility, and uneven regulatory policies, according to Okafor, Onwumere, and Chinedu (2023). However, some businesses have seen significant development even in this environment, indicating the existence of both external and internal success variables that facilitate success. Amidst this context, researchers have focused on crucial success criteria that impact the expansion results of these companies.

The internal capabilities and external facilitators that influence whether or not a business can achieve continuous growth are known as critical success factors. Access to financing continues to be a recurring theme among these. Many Nigerian small businesses continue to face difficulties obtaining loans, even after many government and microfinance institution interventions. Although theoretically available, institutional lending institutions frequently exclude SMEs because of their high interest rates and strict collateral requirements, according to Salami and Okonkwo (2024). As a result, a lot of businesses resort to unofficial loan networks, which are easier to access but typically give lesser amounts at more risk. Growth is slowed when businesses lack the funds to invest in technology, recruit additional employees, or expand operations.

The entrepreneurial nature of the management or owner of the company is another important success element. This encompasses individual initiative, the capacity to take risks, inventiveness, and flexibility. Entrepreneurs that possess greater emotional intelligence and strategic thinking are better equipped to handle market turbulence and seize new chances, claim Ibrahim and Musa (2023). These attributes have a direct impact on leadership style, resource allocation, and decision-making, all of which eventually result in quantifiable business outcomes like more sales and a larger clientele. Additionally, even in situations where external support is scarce, entrepreneurs that are more resilient and adaptive in the face of economic shocks or policy changes typically maintain steady development trajectories.

Education has an equally important role in forming small business owners' strategic perspectives. Gaining education provides access to important networks and market data, improves financial management, and sharpens cognitive abilities. According to Ogundele, Adegbite, and Adebayo (2021), small business owners who have completed at least university education are more likely to embrace formal accounting systems and exhibit greater business planning skills, which enhances their creditworthiness and investor confidence. Additionally, education promotes receptivity to digital tools and innovation, two things that are essential for modern businesses to remain competitive.

Even while each of these crucial success criteria seems powerful on its own, they frequently work in concert and overlap. For example, without sufficient funding, a highly educated entrepreneur may still find it difficult to expand their company, or a financially successful SME may fall if the entrepreneur has the strategic understanding to manage expansion. Nigeria's structural limitations, including inadequate infrastructure, uneven policy execution, and bureaucratic bottlenecks, further exacerbate this interdependence. According to Olatunji and Eze (2022), government initiatives aimed at assisting SMEs frequently fall short during the implementation phase, leaving many business owners discouraged and without assistance.

Therefore, the issue is with how these success elements are applied and integrated into small businesses' operational realities in a fragmented manner. Few studies have evaluated the combined impact of these crucial success criteria in a cohesive framework, despite the fact that a great deal of study has been done on individual development determinants. This is especially

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true given the distinct political and economic circumstances of Nigeria's Federal Capital Territory. This disparity calls for a more comprehensive investigation into the ways in which these elements work together to influence business success, accounting for both the entrepreneur's ability and the caliber of outside assistance.

Given the aforementioned, the purpose of this study is to investigate the connection between crucial success characteristics and the expansion of small businesses in Nigeria, specifically focusing on the Federal Capital Territory.

### **Theoretical Review**

The Theory of Constraints (TOC) and Total Quality Management (TQM), two complementary management philosophies, serve as the theoretical underpinnings for this study. They both shed light on how small and medium-sized businesses can systematically address operational bottlenecks while pursuing continuous improvement. According to the Theory of Constraints, every company has at least one limiting constraint in its system, whether it be in production, logistics, or decision-making processes, which prevents it from accomplishing its main goal, which is usually increased throughput and profitability (Wikipedia, 2025). According to recent empirical research, SMEs gain a great deal by recognizing and controlling these limitations, frequently experiencing improvements in operational throughput, resource usage, and general efficiency (Hernandez, Wei, & Ivanov, 2024). In fact, small firms that adopt a TOC approach focusing few resources on tackling the most essential bottleneck can unlock quick performance improvements that support growth trajectories, especially when external limitations like funding or regulatory delays are present.

By placing an emphasis on comprehensive, organizational wide continuous improvement, Total Quality Management enhances TOC. The foundation of Total Quality Management (TQM) is the idea that all processes should incorporate quality, which is reinforced by leadership dedication, staff empowerment, customer focus, and continuous knowledge exchange (Anifowose, Ghasemi, & Olaleye, 2022). By fostering a culture of responsiveness and improved process control, this framework has been demonstrated to improve SMEs' operational performance and rate of innovation. For example, TQM dramatically speeds up innovation, which in turn mediates the relationship between TQM practices and performance results, according to empirical data from Nigerian manufacturing SMEs (Anifowose et al., 2022). Furthermore, it has been determined that digital technologies, stakeholder involvement, and risk management are facilitators that improve the impact of TQM on SME profitability (Lepistö, Saunila, & Ukko, 2022).

Both theories provide a strong perspective when used in tandem, TQM makes sure that gains are maintained across organizational processes and culture, while TOC assists in identifying and elevating important barriers to asset investment, workforce growth, and revenue production. When combined, they help small businesses address structural inefficiencies and create an atmosphere that supports expansion. According to this theoretical framework, this study explores the ways in which quality driven practices, constraint management, and key success factors particularly financial accessibility, entrepreneurial traits, and education interact



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to affect firm growth. The study intends to explain observable differences in revenue growth, employment expansion, and asset accumulation among small-scale enterprises in Nigeria's Federal Capital Territory by combining TOC's emphasis on unblocking performance constraints with TQM's emphasis on continuous improvement and culture.

### **Empirical Review**

Recent empirical studies underline the significance of access to finance as a factor of SME growth in Nigeria. Yusuf and associates (2024) evaluated how credit delivery, credit availability, and interest rate fluctuations affected the performance of small and medium-sized businesses in Kwara State. They discovered that effective credit delivery and credit availability greatly improved business performance in terms of profit, asset, and workforce dimensions (Yusuf et al., 2024). Similarly, Nafiu and Sopelola (2024) used an ARDL approach to analyze national data (1992–2022) and discovered that savings and time deposits showed a significant positive association with SME expansion, while bank credit to SMEs had a positive but statistically insignificant effect on growth (Nafiu & Sopelola, 2024). In Delta State, Ighoroje and Akpokerere (2022) reported that various bank credit facilities including loans, overdrafts, and advances correlated positively with SMEs' contribution to GDP (Ighoroje & Akpokerere, 2022). When taken as a whole, these findings indicate that although direct lending may have conflicting results, more extensive financial inclusion especially through deposit and savings mobilization systems can support SMEs' growth and resilience.

Their significance is further supported by data on managerial skills and entrepreneurial education. According to Donbesuur, Dwomoh, and Nkrumah (2022), person entrepreneurship fit the alignment of an entrepreneur's personal characteristics with the demands of the venture mediates the transition to venture creation and significantly influences the performance of the early stages of a business, particularly when bolstered by social capital (Donbesuur et al., 2022). This demonstrates how internal elements like training, experience, and a propensity for taking risks materialize through calculated action. Though leadership focused research is rare within this window, worldwide SME literature regularly indicates that experienced founders with solid managerial abilities and planning orientation outperform others across revenue, employment, and asset growth indicators.

In the Nigerian setting, few research has combined personal competence, education, and financial access into a single empirical model, despite the fact that each of these factors independently shows promise as growth predictors. There is a substantial gap in the literature because the combined impact of these factors on growth proxies specifically, revenue growth, employment expansion, and asset base accumulation has not been thoroughly studied, especially in light of the Federal Capital Territory's distinct socioeconomic and policy environment. In order to address this, the current study uses a multi-variable framework to empirically evaluate how education, entrepreneurial traits, and financial availability all interact together to drive SME growth in the FCT.

**Literature Gap**

According to the examined literature, there are gaps in knowledge on the crucial success factor for small and medium-sized businesses' expansion. The majority of previous research in this area was not conducted in Nigeria. Additionally, aspects that pertain to small business owners and managers, such as their backgrounds, experiences, abilities, and personal characteristics, are essential success determinants for SMEs. The Researcher is looking at the success and expansion of small enterprises frequently employed the criteria. To determine their impact on Nigerian small businesses, the difficulties each factor presents, and how those difficulties are overcome in the country's small business environment, the following factors are examined: age, educational attainment, entrepreneurial orientation, gender, personality, previous work experience, and management skills of owners and managers.

**METHODOLOGY**

This study was conducted using a quantitative research methodology, gathering primary data through the use of questionnaire copies. A descriptive survey is the research design used in this study, which aims to identify the nature of the current situation and evaluate the key success factors influencing the expansion of small and medium-sized businesses in the Federal Capital Territory. The small and medium-sized businesses (SMEs) that operate in Wuse, Abuja, make up the study's population. Purposive non-probability sampling was used in this investigation. This method, often referred to as judgmental sampling, enables the researcher to specifically choose participants who are best informed and pertinent to the study's goals (Etikan & Bala, 2023). Given the requirement to gather precise insights from small business owners who have direct knowledge of the obstacles and crucial success elements influencing growth, the technique was deemed appropriate.

The researcher improved the quality and applicability of the data gathered by using informed judgment to make sure that only participants who could offer insightful and contextually grounded answers were included (Nguyen et al., 2024). For this investigation, Cochran's (1975) formula for producing a representative sample for large sample proportions was taken into consideration. The formula used to determine the sample size is given as follows;

$$n = \frac{Z^2 \times pq}{e^2} \quad (3.1)$$

Where; n = the desired sample size; Z = the standard error associated with chosen confidence level of 95% (1.96); p = estimated percent in the population (50%); q = 100 – p  
e = acceptable margin of error (±5%)

$$n = \frac{1.96^2 \times 0.5 \times (1-0.5)}{0.05^2} = 384.16 \text{ (rounded = 384)}$$

However, since the target population of the study is relatively small, the sample size was reduced and adjusted using the formula below.

$$n = \frac{n_0}{1 + \frac{(n_0 - 1)}{N}} \quad (3.2)$$

Where. n = sample size; N = target population

$$n = \frac{384}{1 + \frac{(384-1)}{70}} = 60 \text{ respondents (3.3)}$$

Information for this study was gathered through a questionnaire. The rationale for utilizing this tool is that it reduces the number of mistakes that respondents make when answering questions. The research questions that directed the study served as the basis for the instrument's structure. The statistical software for social sciences (SPSS) was used to examine questionnaire survey data so that we could make inferences from our results. It was chosen because it makes modifying vast volumes of data feasible.

## RESULTS AND DISCUSSION

For this study, 60 copies of questionnaires were administered to 60 people who are in to SMEs in Wuse, Abuja. Out of which 50 was properly filled and returned which constitutes 90% return rate

### Testing of Hypothesis

**H0<sub>1</sub>: Poor financing has no significant negative effect on the success of Small and Medium enterprises in Federal Capital Territory**

**Table 4.1: Hypothesis 1**

		Poor financing	Success of SMEs
Poor financing	Pearson and Correlation	1	.497
	Sig. (2-tailed)		.136
N		50	50
Success of SMEs	Pearson	.497	1
	Correlation	.136	
		50	50

**Source: Authors Computation, 2025**

### Decisions:

According to Attar and Swers (2010), values of Pearson Correlation lying in the range (0.1 - 0.29) suggest low correlation, values in the range (0.3 - 0.49) suggest moderate correlation, while values in the range (0.5 - 1) suggest high correlation between variables. From the Pearson



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Correlation Coefficient test, the result indicates that there is a significant relationship between poor financing and the success of SMEs ( $r=0.497$ ,  $p<0.136$ ),  $df = 1$  which was significant at  $P= .000$  ( $P < .01$ ), but this relationship is a moderate correlation. This implies that there is a positive relationship between poor financing and the success of SMEs in FCT.

**H0<sub>2</sub>: Entrepreneurial qualities have no relationship with the growth of Small and Medium enterprises in Federal Capital Territory**

**Table 4.2: Hypothesis 2**

		Entrepreneurial qualities	SMEs growth
Entrepreneurial qualities	Pearson	.717	.681
	Correlation		
	Sig. (2-tailed)	.	.000
	N	50	50
SMEs growth	Pearson	.717	.
	Correlation	.000	
	Sig. (2-tailed)		
	N	50	50

**Source: Authors Computation, 2025**

The Spearman's Rank Correlation coefficient for Entrepreneurial qualities and the and growth of SMEs was found to be .717 for hypotheses two with  $p = 0.000$ , implying that there is a relationship between Entrepreneurial qualities and the growth of SMEs. This shows that the null hypothesis ( $H_0$ ) is rejected, while the alternative hypothesis ( $H_1$ ) is accepted, which shows that entrepreneurial qualities have strong relationship with the growth of small and medium enterprises in Federal Capital Territory.

**H0<sub>3</sub>: Education has no relationship with the growth of small and medium enterprises in Federal Capital Territory**

**Table 4.3: Hypothesis 3**

		<i>Education</i>	<i>SMEs survival and growth</i>
<b>Education</b>	Pearson	.808	.721
	Correlation		
	Sig. (2-tailed)	.	.000
	N	50	50
<b>SMEs survival and growth</b>	Pearson	.721	
	Correlation		
	Sig. (2-tailed)	.000	.
	N	50	50

**Source: Authors Computation, 2025**

The Spearman's Rank Correlation coefficient for perceived education and growth of SMEs was found to be .808 for hypotheses one with  $p = 0.000$ , implying that there is a relationship between education and growth of SMEs. This shows that the null hypothesis ( $H_0$ ) is rejected, while the alternative hypothesis ( $H_1$ ) is accepted, which shows that education positively influence the survival and growth of small enterprises in Federal Capital Territory in Abuja.

## DISCUSSION OF FINDINGS

The study revealed that non efficient use of resources, lack of employment creation, mobilization of domestic savings for investments, among others can deter SMEs success. Also as revealed, financial responsiveness of the government to the needs of SMEs in Federal Capital Territory is high. Similarly, as the study revealed, SMEs face unfair competition from large enterprises in competing for bank credits and that government policies to support SMEs access to finance are clear and transparent and readily understandable. The above findings are in agreement with the finding of Olawale (2015) who concluded that the value of employee cannot be downplayed in the success of a firm, but the distinctness of financial support and/or financial worth supersedes mere employee contribution to firms.

The study revealed that success can be achieved by entrepreneur who has relevant entrepreneur experience. Also as revealed, cultivating stronger supplier relationships to enhance market share and meeting quality standards may allow SMEs to reach goals and achieve new milestones. The study further revealed that attracting new customers with value added services or securing financing for a new product line will in no small measure brings success to an enterprise. The above findings agree with the finding of Abdul (2018) who concluded that that entrepreneurial skills have a significant influence on the growth of SMEs in Nigeria and the UK. According to him, the respondent in Nigeria and the UK agreed that creative thinking, Problem solving, and communication skills are critical for increase sales and competitive advantage. Moreover, the respondent in Nigeria strongly agrees that high level of creative thinking with a bit of problem solving and communication skills will prompt SMEs success.

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The study revealed that more education is expected to improve the knowledge on how business financial resources can be leveraged. Also as revealed, educated entrepreneurs are often assumed to suffer from the paralysis of analysis and this paralysis is attributed to low business failure; also, ability to tap and use knowledge reserves in the new knowledge era influence business firm success. In addition, as revealed, business firm failure or even low performance is attributed to the low education level. Finally, as revealed, high level of education paves a way for greater innovativeness and this in turn offers positive implications on firm performance. The above findings are in agreement with the findings of Rogers (2016) who concluded that the secondary education and university education levels are seen to advance more financial worth of small firms. This dispels the common inclination in Uganda that most firm operators that are less educated have more financial worthiness that appears to fuel the anecdotal arguments that the educated suffer from the paralysis of analysis when it comes to the business decisions especially those that related to asset accumulation. Though this study reveals post-secondary education appears to not greatly influence financial worth of small firms, the university degree education level, secondary and primary education levels significantly influence financial worth more strongly.

## **CONCLUSION AND RECOMMENDATIONS**

According to the study's findings, SMEs in the Federal Capital Territory are privately held companies with proprietary ownership that have been in operation for more than five years. The study also found that small and medium-sized businesses that are effectively managed and financed may assist the government accomplish some of its macroeconomic goals, and that success in small and medium-sized businesses may result from learning from experience. According to research, SMEs can remain competitive and efficient in the face of globalization without experiencing significant improvements in the supply of public utilities. Additionally, SMEs can meet or surpass their objectives by putting in place an effective training program or giving their employees opportunities for advancement.

The study also comes to the conclusion that inefficient use of resources, a failure to create jobs, and a failure to mobilize domestic savings for investments are some of the factors that can hinder the growth of SMEs. Furthermore, the study demonstrates that the Federal Capital Territory's SMEs suffer unfair competition from major firms for bank loans due to the government's extremely low responsiveness to their demands. This, in turn, contributes to the sector's inadequate funding. Although the study indicates that government measures to facilitate SMEs' access to financing are straightforward, easily comprehensible, and unambiguous

Similarly, the study concluded that an entrepreneur with relevant experience and education can attain success. According to the survey, among other things, SMEs may be able to accomplish their objectives and attain new benchmarks by strengthening their connections with suppliers in order to increase market share and meet quality standards. Ultimately, the study found that getting funding for a new product line or luring new clients with value-added services will significantly increase an organization's chances of success.

Based on the findings, the following recommendations are suggested:

1. **Improving Small-Scale Businesses' Access to Finance** The government should enforce adherence to current financial regulations that require commercial banks to set aside a specific percentage of their profit before taxes for SME lending in order to solve the crucial problem of constrained funding. Financial institutions should also be encouraged to provide long-term credit options appropriate for small-scale manufacturing and other capital-intensive businesses. Access to financing will be further enhanced by lowering collateral requirements and creating credit programs targeted at SMEs through specialist development finance organizations.
2. **Fortifying Structural Development and Institutional Support** The formulation and execution of a national development plan for small businesses have to be given top priority by the federal and FCT administrations. To promote the acquisition of assets, qualified staff, and operational efficiency, this should involve the creation of enabling infrastructure, streamlined regulatory frameworks, and focused financial interventions. Additionally, commercial banks must modify their lending policies to encourage the growth and sustainability of SMEs.
3. **Fostering Capacity Building and Entrepreneurial Education** Business owners' expertise and abilities are directly related to their success as entrepreneurs. Therefore, ongoing programs for entrepreneurial education, mentorship, and awareness should be institutionalized by the government and other stakeholders. Interregional business trips and peer exchange platforms that introduce entrepreneurs to cutting-edge techniques, spark company ideas, and promote industrial growth ought to be added to these programs.

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