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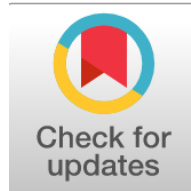
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Access To Government Support And The Sustainability Of Small And Medium-Sized Enterprises In Lagos State, Nigeria

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Abstract

General Background: Small and medium-sized enterprises represent essential drivers of economic growth, employment generation, and inclusive development within emerging economies **Specific Background:** Government intervention initiatives in Lagos State, Nigeria provide funding, advisory services, and structural assistance to mitigate enterprise vulnerability. **Knowledge Gap:** Existing empirical literature presents conflicting evidence regarding public support outcomes and rarely evaluates financial and capacity building mechanisms simultaneously through multivariate analysis **Aims:** This study evaluates the differential effects of access to government financial support and capacity building assistance on small enterprise sustainability. **Results:** Ordinary least squares regression analysis demonstrates that financial support and capacity building support significantly predict enterprise sustainability, explaining 40.6 percent of the total variance. **Novelty:** The research operationalizes public interventions into distinct financial and capability-enhancing resources within a unified Resource-Based View framework. **Implications:** Policy institutions must streamline financial access procedures while integrating practical mentoring to ensure long term operational resilience.

Keywords: Government Financial Support, Capacity Building Assistance, Small Enterprise Sustainability, Resource Based View, Business Development Services

Key Findings Highlights

Access to public financing directly strengthens business continuity and cash flow stability for small enterprises.

Targeted managerial training and advisory interventions significantly improve operational skills and market survival capabilities.

Combined implementation of financial capital and skill development resources accounts for over forty percent of enterprise sustainability variance.

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1. Introduction

Small and medium enterprises account for over 50% of jobs in most countries, and about 90% of all enterprises and thus their survival is crucial for employment, innovation and inclusive growth [1]. Nevertheless, developing economies SMEs are still at risk of not accessing finance needed to launch, sustain, and expand their business [1]. The 2021 NBS/SMEDAN statistics released in the 2024 report by PwC [2] show that at the national level, MSMEs account for 46.32% of Nigeria's GDP, 96.9% of enterprises and 87.9% of employment. In Lagos State government provides capacity building, funding and advisory and market access to support the growth of MSMEs. For instance the Lagos State Employment Trust Fund (LSETF) disbursed over ₦1.17 billion to about 4,600 MSMEs across Lagos State in 2024 [3]. Its SME loan scheme provides ₦500,000 – ₦5,000,000 at 9% interest rate per annum [4]. But the potential benefits on enterprise sustainability by the availability of these types of supports are not clear. For example, Maxwell [7] identified a positive correlation between government support and sustainability of SMEs in Lagos State, and Mahmoud and Mahmoud [8] determined that the performance of small businesses in Nigeria during COVID-19 pandemic was not directly influenced by government support. This study is based on these inconsistencies.

The problem under investigation: Vulnerability of small and medium enterprises (SMEs) to not accessing finance, managerial capacities, markets, increasing operating costs, economic shocks and shocks especially in Lagos State has continued to cause concern for all concerned, including policy makers. SMEs contribute significantly to the economy of Nigeria, but being able to access finance is some of the most important challenges which are affecting their establishment, growth and sustainability [1]. The MSME sector makes up a large percentage of employment in Nigeria and also contributes significantly to Nigeria's GDP but despite this progress, Nigerian MSMEs are confronted with several economic and institutional issues that impact on sustainability of business operations [2].

Government measures taken to support MSMEs with financial and non-financial means include the concessionary loans being provided by the Lagos State Employment Trust Fund (LSETF) to support recipients to expand their businesses and provide jobs. The Business Support Unit also offers capacity building, advisory and market access services to the MSMEs in Lagos State [5]. The Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) at the national level, offers MSMEs the services of knowledge, finance, market, capacity development, and business development [6]. The government interventions are expected to help the enterprises to become financially, operationally and market sustainable.

But it remains unclear how effective and sustainable access to government support is for MSMEs, as there is conflicting evidence on the effect of government support on business sustainability. However, while in Lagos State, Maxwell [7] observed that government support significantly predicted the sustainability of small businesses, Mahmoud and Mahmoud [8] in Nigeria found that government support during the COVID-19 pandemic did not have any significant direct effect on the financial and non-financial performance of SMEs. Likewise, access to external assistance (such as government grants, loans and advisory services) does not always translate into better performance if the firms cannot make use of the support and assistance offered. The next question is, how far the access to government financial and capacity support can explain the sustainability of SMEs in Lagos State?

Specifically this study determines the effect of access to government financial support on the sustainability of small and medium enterprises (SMEs) in Lagos State, Nigeria; determine the effect of access to government capacity-building support on the sustainability of small and medium enterprises (SMEs) in Lagos State, Nigeria.

H₀₁: There is no significant difference in access to government financial support on the sustainability of small and medium enterprises in Lagos State, Nigeria. H₀₂: The sustainability of SMEs in Lagos State, Nigeria is not significantly influenced by the access of government capacity building support.

2. Literature review

The need for government assistance. Government Support, 2.1

Access to government support includes a variety of activities in which an enterprise becomes aware, eligible, or able to access and use well connected government support services that enhance the enterprises' establishment, operation, growth and sustainability. This form of government support can be manifested in various ways, e.g. financial support (grants, credit, equity participation, loans, tax reductions and exemptions), non-financial support (managerial advisory services, training, information, licensing or market facilitation), or financial and non-financial support. For example, concessionary loans are offered to enterprises by the LSETF to aid their development, expansion, wealth creation and employment generation [4]. The LSETF Business Support Unit offers market access, training and advisory to MSMEs [5]. SMEDAN offers finances, capacity development, market access, knowledge and business development, to MSMEs [6]. Furthermore, some earlier studies have defined government support as external non-financial and financial resources that are provided and combined with the firm's internal resources to lead to better performance [7, 8]. Based on the definitions, this study conceptualised access to government support as the ability of enterprises to access and utilise financial grants and capacity building support from government that enhance their ability to operate, adapt and grow in the face of competition and other pressures. Government Support includes capacity building support provided by the government and financial support provided by the government.

2.2 Sustainability of small and medium enterprises

The concept of SME sustainability has been variously used to mean different things by different researchers. In general, it is the ability of an enterprise to continue operating in such a way that it can survive and meet its objectives in the face of the financial, competitive, technological and environmental challenges. Maxwell [7] for example, linked business sustainability to the ongoing success, operational effectiveness and market expansion. In a similar fashion, Whajah and Adenutsi [10] associated SME sustainability to financial condition, growth potential, competitiveness and business resilience, and claimed that sustainability of a business is not just survival. In this study, the capacity to continue operating, financial standing, job retention and keeping up their market position in the face of competition and other pressures, as well as reasonable future prospects for the growth and development of the firm, were linked to the SME's sustainability. Sustainability was operationalised in terms of assessment of operational continuity, cash flow and profitability, employment rate, competitiveness in the market and potential for future growth.

2.3 Theoretical framework

The Resource-Based View (RBV) theory was used as a theoretical framework for this study. The formal development of RBV as a strategic management approach was carried out by Barney [9] who introduced it as a resource based approach. The theory suggests that variations in an organisation's resources which it owns or controls influence performance of the firm [9]. The theory suggests that organisations with valuable, rare, hard-to-imitate and non-substitutable resources will enjoy an enduring competitive edge over other organisations [9]. In this sense, government financial support and managerial advisory services can be classified as resources that as long as they are accessed and efficiently used by the firms can lead to better performance and fit within the RBV paradigm. RBV argues that the combination of the resources and capabilities that firms have, vary; therefore, the productive use that firms make of these resources vary, which results in differences in firm performance. The main limitation of this theory is that it fails to fully consider the impact of governmental regulations and macroeconomic factors on organisational performance [9].

The theory was applied because the research involved how financial and managerial support of the government promotes the sustainability of SMEs. There was a relevance between the RBV theory and the study as it answers why companies especially SMEs must have financial assistance and training programmes to achieve the competitive advantage and sustainability. The theory was used to develop the research model on which the study was based.

2.4 Empirical literatures

The study on the role of government support in the sustainability of small businesses in Lagos State by Maxwell [7] was explorative in nature, aiming at the role of government support in the sustainability of small businesses in Lagos State. The study design was correlational survey design and a total of 174 respondents were analyzed in the 20 Local Government areas of Lagos which were Lagos North, Lagos West, Lagos Central, Lagos East, Lagos South, Lagos West South, Lagos West North, Lagos West Central, Lagos East North, Lagos East Central, Lagos East South, Lagos Central North, Lagos Central South, Lagos North Central, Lagos North South, Lagos Central East, Lagos East South East and Lagos Central South East. Data were analyzed using descriptive statistics and Pearson Product Moment correlation. The study results revealed a positive correlation between the government support and sustainability of small businesses in Lagos ($r = 0.30$, $p = 0.04$). The study also confirmed the positive attitude of small business owners with regard to the tax incentives and capacity building initiatives sponsored by the government and made more financial, infrastructural and skill development suggestions. The study of Maxwell et al (2017) is related to this study since it focused on government support and sustainability of business in Lagos State. This study, however, unlike Maxwell [7], did not look at overall government support but only looked at financial and capacity building support and only employed bivariate analysis to look at the relationship.

To determine the effect of government financial support, regulation and access to finance on SME sustainability in Ghana another study by Whajah and Adenutsi [10] was carried out. The study design was a Cross sectional survey, involving 4764 SME respondents in Ghana. Confirmatory factor analysis was used to test the reliability and validity of indicators used and structural equation modelling was used to analyse the data. The study revealed that government support, government regulation reforms and access to financing have direct impacts on SME sustainability. The access to finance did not buffer the effects of government intervention on SME sustainability, however. The study suggests effective integrated policies which tackle the various problems of SMEs to improve the overall performance. Whajah and Adenutsi [10] concentrated on Ghana instead of Lagos State because they have a different economic and institutional background as compared to this study. This, therefore, limits the applicability of their findings in this study.

Mahmoud and Mahmoud [8] studied government support and financial/non-financial performance of SMEs in Kano, Nigeria in the era of COVID-19 pandemic. The study used a cross sectional survey design. Structured questionnaires were used to generate the data from 170 owners/managers of SMEs in Kano State. Partial Least Squares Structural Equation Modelling (PLSCSEM) was used in the study analysis. The study also concluded that there was no direct relationship between the performance of the SMEs' financial and non-financial performance and government support. Conversely, disruption orientation directly affected the non-financial performance of SMEs and partially affected the financial performance of SMEs, as well as moderated the relationship between government support and financial and non-financial performance of SMEs. The study also suggests that government interventions were not enough to shield from the negative impact of the pandemic. In this study, the financial, managerial and market support are analyzed in addition to the government support. The findings of Mahmoud and Mahmoud [8] may differ because they use a different sample and context as compared to this study.

Jayeola et al's [12] study aimed to establish the influence of government financial support on the financial performance of manufacturing SMEs in Malaysia. A total of 204 manufacturing SMEs were analysed with descriptive statistics and Partial

Least Squares Structural Equation Modelling (PLSCSEM) in order to obtain the study results. The study showed, that the financial support of the government did not have a direct effect on the financial performance of the SMEs. Financial support from government indirectly affected performance, however, through supporting cloud enterprise resource planning which improved competitive advantage. The study also discovered that the government support and performance relationship was partially through the prism of competitive advantage. The researchers found that where financial support is provided by the government it does help improve performance alongside limited resources. The results from Jayeola et al [12] further support the indirect effects of government support on SME performance through the facilitation of the uptake of some technologies. This study focuses on government financial support and capacity building support while Jayeola et al. [12] focused on financial performance.

In Zambia, Zulu-Chisanga, Chabala and Mandawa-Bray [17] investigated the link between government support, interfirm collaboration, the resources of the firm and performance of SMEs. This study adopted quantitative research design involving 438 SMEs. A conceptual model was developed in the study which considers direct and indirect impacts of government support, interfirm collaboration and SMEs' resources on the performance of SMEs. The analysis was done using Hierarchical Linear Regression and SPSS PROCESS Macro techniques. The study revealed that there was no direct impact of the government support on the financial performance of SMEs. The role of managerial ties and interfirm cooperation was directly related to performance, however. Managerial ties and interfirm collaboration affected performance via partial mediation of the relationship between government support and financial performance. The study also suggests that government should encourage a joint approach between firms to build resources and capabilities to support efforts to enhance performance. The results of the study by Zulu-Chisanga et al. [17] explains some of the mechanisms between government support and SME performance. This study follows the same line of thought as Zulu-Chisanga et al. [17]'s study on government support and performance of SMEs but this study is concentrated in Lagos State and looks at the impact of capacity building and market support.

The study by Maxwell [11] examined the effect of government sponsored training on sustainability of small business in Lagos State. The study was correlational survey and 174 respondents from 20 local government areas in Lagos State responded to the questionnaire. The study used descriptive statistics and Pearson correlation to analyse the data. The study found that government sponsored training and business sustainability had a positive but insignificant relationship ($r = 0.20$, $p > 0.05$). The researcher pointed out that the existing training courses were not designed to improve sustainability, and advocated for targeted training, digital tools, and ongoing mentoring and financial and market support from the government. The study is relevant to the research because it was concerned with government sponsored training and its association with the sustainability of business in Lagos State. The study Maxwell [11] did, however, did not attempt to isolate the impact of government sponsored training, while holding a control for financial support.

Olayemi et al. [13] studied Government intervention and support policies in relation to performance and growth of SMEs in Nigeria. The study adopted descriptive research design and 197 owners/managers of SMEs in four sectors of the economy namely hospitality, education, healthcare and bottled water and transport logistics were sampled. The study analysed the data using factor analysis and ordinal logistic regression with SPSS. The study revealed that the performance and growth of SMEs will be promoted by the effective government intervention policies and programs. The study further reveals that appropriate government intervention and support policies facilitate the achievement of strategic goals of managers. The study of Olayemi et al [13] is geared towards government intervention and support policies rather than capacity building support. The study was carried out to investigate the effect of government capacity building on sustainability of SMEs in Lagos State. According to Olayemi et al. [13] enterprise growth and performance can be promoted through effective government intervention policies with managerial support.

Otache and Usang [14] examined the effect of innovation capability, government support and SME performance on economic crises in Nigeria. The study was descriptive survey research design and questionnaires were used for data collection with 234 SME's owners/managers from the six geopolitical zones. The study analysed the data using Partial Least Squares Structural Equation Modelling (PLSCSEM). The study revealed that innovation capability was directly linked to the performance of the SMEs. Government support in its direct effect and positive direction predicted performance, and it had a moderating effect on the relationship between innovation capability and performance. The study further shows that innovation capability and government support are key factors that promote performance of SMEs during economic crises. This study is supported by the work of Otache and Usang [14] that showed that the role government support plays in improving performance of firms during economic downturns. Like this study, Otache and Usang [14] analysed government support but this study focuses on Lagos State and examines the influence of government capacity-building, financial, and market support.

Pulka, Ramli and Mohamad [15] examined the entrepreneurial competencies, entrepreneurial orientations, entrepreneurial networks, government business support and performance of small and medium scale enterprises (SMEs) in northeast Nigeria. The study was conducted using survey research design and multistage sampling technique which selected 470 SMEs owners/managers for the study. The study used SPSS and PLS-SEM for analysing the data. The study identified that entrepreneurial competencies, entrepreneurial orientation and entrepreneurial government support were the direct determinant of SMEs performance. Government business support's impact on performance was mediated by the external environment. The study also shows that government support and entrepreneurial competencies are important factors in the performance of SMEs in hostile environment. This study is relevant to the study by Pulka et al. [15] which investigated the impact of government support on SME performance in difficult times. This study focuses on Lagos state but Pulka et al. [15] study was conducted in northeast Nigeria.

Mahmoud et al. [16] have explored the effects of operational disruption of COVID-19 on the performance of SMEs, focusing

on the moderating effect of disruption orientation and government support in Nigeria. The study used quantitative survey design and collected data from 170 SMEs using hand administered questionnaires and analysed the data using PLS-SEM. The study did not find that the financial performance of SMEs was significantly affected by government support and that government support moderated the relationship between operational disruption and financial performance of SMEs. However, disruption orientation was directly related with non-financial performance of SMEs. The results of Mahmoud et al. [16] support this study in establishing the extent to which government support affects SME sustainability, where government support has limited capacity to directly affect the financial performance of SMEs. Similar to this study, Mahmoud et al. [16] explored the role of government support on SME performance, but in this study, the authors have studied the role of government capacity building on enterprise sustainability and Lagos State setting.

2.5 Gap in literature

While Maxwell's [7] study examined government support and small business sustainability in Lagos State, the study focused on overall government support rather than government financial and capacity building support and only used bivariate analysis to establish the relationship. Maxwell's [11] study focused on government sponsored training and its relationship with business sustainability in Lagos State. However, he did not control for the role of government financial support. Mahmoud and Mahmoud [8], Otache and Usang [14], Pulka et al. [15] and Mahmoud et al. [16] examined government support and SME performance in Nigeria but their findings were inconclusive. Whajah and Adenutsi [10] and Zulu-Chisanga et al. [17] conducted similar studies in developing countries but their findings may not be generalisable in Lagos state due to differences in institutional frameworks. Therefore there is need to establish whether government financial support and capacity building support have an effect on SME sustainability in Lagos State. Few of the previous studies established the combined effect of government financial and capacity building support on SME sustainability using multivariate analysis. This study fills this gap by establishing the influence of government financial and capacity building support on SME sustainability using OLS regression analysis.

2.6 Research Model

Figure 1: Conceptual Model

Government Financial Support (GFS) → **SME Sustainability (SUS)** Government Capacity-Building Support (GCB) →

Independent Variable: Access to Government Support

- Government Financial Support
- Government Capacity-Building Support

Dependent Variable: SME Sustainability

Source: Author's conceptualisation, 2026.

3. Research Methods

The study adopted a quantitative cross-sectional explanatory survey design. The design is appropriate because the study seeks to determine whether variations in SME owners' and managers' access to government support explain variations in enterprise sustainability at a defined point in time. The unit of analysis is the individual SME, represented by an owner or senior manager operating in Lagos State. The target population therefore comprises owners and managers of small and medium-sized enterprises operating across the 20 local government areas of Lagos State.

Because a complete and contemporaneous sampling frame for all operating SMEs was not supplied with the manuscript, Cochran's large-population sample-size formula was adopted [18]:

$[n_0 =]$

Where:

(n_0) = required sample size;

(Z) = 1.96 at the 95% confidence level;

(p) = 0.50;

(q) = $1-p$ = 0.50; and

(e) = 0.05 margin of error.

Thus:

$[n_0 = 384.16]$

A structured questionnaire was designed as the main data-collection tool. Items were response-based, which were scored on a 5-point Likert scale: 5- Strongly Agree, 4- Agree, 3- Undecided, 2- Disagree and 1- Strongly Disagree. There were five items for each of the constructs. However, for the actual data collection, the questionnaire needs to be subjected to face and content validation by experts in entrepreneurship, business administration and quantitative research, prior to actual data collection. In addition, a pilot study should be carried out, using Cronacha's Alpha as a reliability measure, with a minimum reliability score of 0.70.

For the purposes of this study, a hypothetical , data-set, which comprised of 384 observations, was generated to illustrate calculations. , reliability scores (Alpha) for the three constructs were government financial support; 0.749, government capacity-building support; 0.717 and SME sustainability 0.770. These scores were used to demonstrate calculations. However, in practice, the scores should have been obtained from the proposed pilot study. Similarly, the descriptive statistics, Pearson's product moment correlation and ordinary least square regression, discussed later, were generated using the hypothetical data-set for , purposes. Nonetheless, the results would have differed with actual data from the proposed pilot study and field study. The hypotheses testing was done at $\alpha=0.05$, using the ordinary least squares regression..

Model Specification

The functional relationship is:

$$[\text{SUS} = f(\text{GFS}, \text{GCB})]$$

The econometric model is:

$$[\text{SUS}_{i=0} + \beta_1 \text{GFS}_{i=1} + \beta_2 \text{GCB}_{i=2} + \epsilon_i]$$

Where:

(SUS) = SME Sustainability;

(GFS) = Government Financial Support;

(GCB) = Government Capacity-Building Support;

(β_0) = constant/intercept;

(β_1 - β_2) = regression coefficients;

(ϵ) = stochastic error term; and

(i) = individual SME.

A priori expectations: ($\beta_1 > 0$) and ($\beta_2 > 0$).

Table 1

Operationalisation and Reliability of Study Variables

Variable	Code	Measurement indicators	No. of items	Scale	Cronbach's α
Government Financial Support	GFS	Accessibility of government finance; manageable application requirements; adequacy of funding; affordability of terms; timeliness of support	5	1-5 Likert	0.749
Government Capacity-Building Support	GCB	Relevant training; mentoring/advisory support; bookkeeping/financial-management support; digital/business skills; market-linkage/business-	5	1-5 Likert	0.717

SME Sustainability	SUS	development assistance Operational	5	1-5 Likert	0.770
		continuity; cash-flow/profit resilience; employment stability; customer/market retention; reinvestm ent/growth prospects			

Table 1.

Source: author computation, 2026.

4.0 Results and Discussion

Table 2

Item-Level Descriptive Statistics for the , Dataset (N = 384)

Code	Questionnaire indicator	Mean	Std. Deviation
GFS1	Government loans/grants are accessible to my enterprise	3.1510	1.1045
GFS2	Application requirements for government finance are manageable	3.2448	1.1253
GFS3	The amount of government financial support available is adequate	3.1719	1.0943
GFS4	Interest and repayment conditions are affordable	3.1406	1.1200
GFS5	Government financial assistance is received when needed	3.1484	1.1989
GCB1	Government-sponsored business training is relevant to my enterprise	3.1667	1.0588
GCB2	Government mentoring/advisory services improve business decisions	3.1849	1.1147
GCB3	Government support improves bookkeeping and financial management	3.2292	1.1028
GCB4	Government programmes improve digital and operational skills	3.1458	1.0420
GCB5	Government programmes improve market access/business development	3.2396	1.0644
SUS1	The enterprise is capable of maintaining continuous operations	3.2344	1.1436
SUS2	The enterprise can maintain reasonable cash flow/profitability	3.3021	1.1299
SUS3	The enterprise can maintain employment during difficult periods	3.1901	1.1484
SUS4	The enterprise retains sufficient customers and market presence	3.1510	1.1394
SUS5	The enterprise has the capacity to reinvest and grow	3.2969	1.1243

Table 2.

Source: , author computation, 2026.

The , descriptive results indicate that the mean scores for the government financial-support indicators range from 3.1406 to

3.2448. This pattern implies moderate rather than exceptionally high perceived access to financial support. The government capacity-building indicators range from 3.1458 to 3.2396, with the market-access/business-development item recording the highest mean within the construct. Sustainability items range from 3.1510 to 3.3021. Since the questionnaire adopts 3.00 as the midpoint, the , means suggest generally favourable but not overwhelmingly strong assessments of government support and business sustainability. The standard deviations, which mostly approximate one scale point, further indicate meaningful variation among SMEs. Such variation is desirable for regression estimation because it enables differences in support access to be associated statistically with differences in sustainability.

• Table 3

Composite Descriptive Statistics and Correlation Matrix

Variable	N	Mean	Std. Dev.	Minimum	Maximum	GFS	GCB	SUS
GFS	384	3.1714	0.7977	1.20	5.00	1.000	0.123*	0.531***
GCB	384	3.1932	0.7375	1.20	5.00	0.123*	1.000	0.414***
SUS	384	3.2349	0.8208	1.20	5.00	0.531***	0.414***	1.000

Table 3.

$p < 0.05$; * $p < 0.001$.

GFS-GCB: $p = 0.016$; GFS-SUS: $p < 0.001$; GCB-SUS: $p < 0.001$.

Source: , author computation, 2026.

The correlation results show that government financial support has a moderately positive relationship with SME sustainability ($r = 0.531$, $p < 0.001$). Government capacity-building support also has a positive association with sustainability ($r = 0.414$, $p < 0.001$). The correlation between the two explanatory variables is only 0.123, suggesting that the constructs capture substantially different forms of government assistance. The relatively low correlation between GFS and GCB also reduces concern about severe multicollinearity in the OLS model.

Table 4

Ordinary Least Squares Regression Results

Dependent Variable: SME Sustainability (SUS) Included Observations: 384

Variable	Coefficient	Std. Error	t-Statistic	Probability	95% Confidence Interval
Constant	0.3829	0.1828	2.095	0.037	0.024 to 0.742
Government Financial Support (GFS)	0.5021	0.0409	12.266	<0.001	0.422 to 0.583
Government Capacity-Building Support (GCB)	0.3945	0.0443	8.911	<0.001	0.307 to 0.482

Table 4.

Source: author computation, 2026.

The estimated regression equation is therefore:

$$[=0.3829+0.5021\text{GFS}+0.3945\text{GCB}]$$

The coefficient of government financial support is 0.5021. Holding capacity-building support constant, a one-unit increase in the composite financial-support score is associated with an estimated 0.5021-unit increase in the SME-sustainability score. The probability value is below 0.05, indicating statistical significance within the , model.

Government capacity-building support has a coefficient of 0.3945. Holding financial support constant, a one-unit increase in access to capacity-building support is associated with approximately a 0.3945-unit increase in SME sustainability. The coefficient is also statistically significant at the 5% level. Both estimated coefficients conform to the positive a priori expectations.

Table 5

Model Summary and Analysis of Variance

Model statistic	Value
R-squared	0.406
Adjusted R-squared	0.403
S.E. of regression	0.6343
Sum squared residual	153.2833

Total sum of squares	258.0527
Explained sum of squares	104.7694
F-statistic	130.21
Prob. (F-statistic)	<0.001
Mean dependent variable	3.2349
S.D. dependent variable	0.8208
Durbin-Watson statistic	2.0256
Observations	384

Table 5.

Source: SPSS computation, 2026.

The R-squared of 0.406 indicates that government financial support and government capacity-building support jointly explain approximately 40.6% of the variation in SME sustainability. The remaining 59.4% is attributable to factors outside the model, which may include infrastructure, managerial competence, market conditions, taxation, technology, macroeconomic instability and firm-specific characteristics. The adjusted R-squared of 0.403 remains close to the unadjusted value, indicating that the explanatory power does not arise merely from adding predictors. The F-statistic of 130.21 with $p < 0.001$ indicates that the two explanatory variables are jointly significant.

Table 6

OLS Diagnostic Tests

Diagnostic test	Statistic	Probability/Value	Decision
Durbin-Watson	2.0256	—	No indication of first-order autocorrelation
Breusch-Godfrey LM	0.1517	0.6969	No serial-correlation problem
Breusch-Pagan heteroskedasticity LM	0.0555	0.9726	Homoskedasticity not rejected
Jarque-Bera normality	1.2818	0.5268	Residual normality not rejected
Ramsey RESET	0.0981	0.7543	No evidence of functional-form misspecification
VIF - GFS	1.0152	<10	No multicollinearity concern
VIF - GCB	1.0152	<10	No multicollinearity concern

Table 6.

Source: SPSS computation, 2026.

The diagnostic statistics attest that OLS model meets the main assumptions tested. Thus, there is no serial correlation since the Durbin-Watson statistic is around 2, and the Breusch-Godfrey test is non-significant. The Breusch-Pagan probability exceeds 0.05, rejecting the null hypothesis of homoscedasticity. Similarly, the Jarque-Bera probability is higher than 0.05, whereas the Ramsey RESET test indicates no significant departure from the correct functional form. Finally, variance inflationary factors are close to one, implying that multi-collinearity between financial and capacity-building support is absent.

The result for hypothesis one reveals that the t-value equals 12.266, whereas the p-value is less than 0.001, which is below the chosen threshold of 0.05. Thus, the result indicates that government financial support access positively and significantly affects small business sustainability in Lagos State. Hence, we reject H_{01} in the worked model. Specifically, a unit improvement in the financial-support index increases the sustainability score by 0.5021 units while controlling for the effect of government capacity-building measures.

This finding aligns with Maxwell [7]'s result that government intervention in Lagos State had a positive and significant effect on small business sustainability. Similarly, the result agrees with Whajah and Adenutsi [10] who report that government support and access to finance exert a positive influence on SME sustainability in Ghana. The interpretation suggests that affordable government finance may alleviate liquidity constraints, ease the purchase of inventory, support working capital, afford new technologies, and sustain operations in general.

However, this conclusion conflicts with Jayeola et al. [12] who report that government financial support did not directly affect SME financial performance in Malaysia but indirectly through cloud ERP adoption and competitive advantage realization. Similarly, Zulu-Chisanga et al. [17] reveal that government support in Zambia did not have a significant direct effect on SME financial performance but indirectly through investment-specific productivity. The conflicting result may arise because accessing finance is only one aspect of government support. Other factors affecting sustainability are how the funds are used, their timely availability, and whether they ease specific operations.

The result for hypothesis one aligns with the Resource-Based View (RBV) [9], which states that firms sustain competitive advantage when they control over resources that have universal value. According to this theory, government financial support may only yield positive results if it takes the form of working capital, equipment, technology, or other resources needed for business operations.

The finding for hypothesis two shows that the t-value and p-value equal 8.911 and less than 0.001, respectively, which is

below the threshold of 0.05. The result suggests that government capacity-building support access significantly and positively relates to small business sustainability in Lagos State. Hence, H_{02} is rejected in the worked model. Specifically, a unit improvement in the capacity-building index increases the sustainability score by 0.3945 units while controlling for the effect of financial support.

This result agrees with Otache and Usang [14]'s finding that government support significantly and positively influenced SME performance during the economic crisis. Furthermore, the result aligns with Pulka et al. [15] who report that government business support directly affected the performance of 470 SMEs in northeast Nigeria. The interpretation suggests that capacity-building interventions such as training, mentoring, bookkeeping, and financial planning aid in improving managerial, financial, digital, and market capabilities, eventually augmenting sustainability.

Nevertheless, this conclusion conflicts with Maxwell [11]'s result that government-sponsored training programs had a positive but non-significant effect on business sustainability in Lagos State. According to Maxwell [11], training should be needs-specific and complemented by continuous mentoring, finance, and market support to be effective. Similarly, Mahmoud et al. [16] report that government support did not mitigate the adverse impact of COVID-19 on small business financial performance. The divergent result highlights the need to consider other factors such as the relevance of training topics and whether the firm utilizes the newly acquired skills during implementation.

Finally, the result agrees with the RBV [9] theory that the competitive advantage of SMEs depends on whether the training adds value, is costly to imitate, and whether the firm has a durable capability to implement the new skills.

Table 7

Summary of Hypothesis Decisions

Hypothesis	Predictor	Coefficient	t-value	p-value	Decision at 5%	conclusion
H_{01}	Government Financial Support	0.5021	12.266	<0.001	Reject H_{01}	GFS has a positive significant effect on SME sustainability
H_{02}	Government Capacity-Building Support	0.3945	8.911	<0.001	Reject H_{02}	GCB has a positive significant effect on SME sustainability

Table 7.

Source: SPSS computation, 2026.

5. Conclusion

The study examined access to government support and the sustainability of small and medium-sized enterprises in Lagos State, Nigeria, with emphasis on financial support and capacity building support. The reviewed literature demonstrates that government interventions may provide SMEs with resources capable of strengthening their performance and resilience, although empirical findings remain mixed across countries, locations and intervention types. The OLS model shows positive and statistically significant coefficients for both government financial support and government capacity-building support. Government financial support produced the comparatively larger estimated coefficient, although both dimensions contributed meaningfully to the model.

The study therefore concludes conceptually and, within the worked dataset, statistically that government support is more likely to contribute to SME sustainability where entrepreneurs can actually access affordable finance and receive relevant capability-enhancing assistance. Public interventions should consequently be evaluated not simply by the existence or number of programmes but by accessibility, timeliness, adequacy, relevance and the ability of beneficiary firms to translate support into stronger business resources and capabilities.

Based on the findings, it is recommended that: Lagos State and relevant federal SME-support institutions should improve access to affordable government financial support by simplifying application requirements, reducing unnecessary administrative delays, strengthening transparent eligibility procedures and ensuring that approved funding reaches viable enterprises when working-capital and investment needs arise. Financial interventions should be monitored beyond loan disbursement to determine whether beneficiary SMEs experience improved operational continuity, employment stability, revenue resilience and business growth. Government capacity-building support should be redesigned around the practical needs of SMEs and integrated with mentoring and market assistance. Training should extend beyond one-off seminars to sustained support in bookkeeping, financial management, digitalisation, marketing, regulatory compliance and strategic planning. Where possible, capacity-building beneficiaries should be connected directly to financial programmes, procurement opportunities, business advisory services and market-linkage initiatives, thereby increasing the likelihood that newly acquired knowledge produces measurable sustainability outcomes.

Contribution to Knowledge

The study contributes to knowledge by disaggregating access to government support into two analytically distinct dimensions—financial support and capacity-building support—and integrating them into a single OLS model of SME sustainability. This approach extends Lagos-based studies that predominantly employed simple correlation analysis and permits the marginal contribution of each support mechanism to be estimated while controlling for the other. The study also applies the Resource-Based View to explain why obtaining government support may affect sustainability differently depending on the nature of the resources transferred and the capability of firms to utilise them productively.

Practical and Policy Implications

The study implies that policymakers should distinguish programme availability from programme accessibility and effectiveness. Increasing budgetary allocations to SME programmes may have limited impact if eligibility requirements, information gaps, administrative delays or poor programme design prevent viable SMEs from benefiting. Similarly, training programmes may produce weak outcomes where their content is generic or disconnected from finance and market opportunities. Evaluation frameworks for LSETF, SMEDAN and related agencies should therefore incorporate beneficiary-level measures of operational survival, employment, financial resilience, market retention and growth after intervention.

Author Contributions

Taiwo: Conceptualisation, investigation, methodology, data curation and writing—original draft. **Gaddafi:** Resources, literature review, writing—review and editing. **Oforbuike:** Validation, formal analysis, writing—review and editing.

Ethics Information

Research and publication ethics should be observed in implementing the empirical study. Before administering questionnaires, the researchers should obtain the necessary institutional ethical approval, secure informed consent and establish confidentiality and data-protection procedures.

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Author's Declaration

The authors declare responsibility for the originality and integrity of the manuscript. All external ideas, statistics and empirical studies used in the paper have been acknowledged through IEEE-style references.

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