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Effect of financial literacy and regulatory constraints on leasing financing of small and medium-sized enterprises (SMEs) in Jigawa State, Nigeria

Suleiman Musa Ibrahim[1]*, Sunusi Shuaibu[2], Muhammad Maccido[3]
[1,3]*Department of Accountancy, Jigawa State Polytechnic Dutse, Jigawa State, Nigeria*
[2]*Department of Accounting, Sule Lamido University Kafin Hausa, Jigawa State, Nigeria*
Corresponding author: imsuleiman@jigpoly.edu.ng
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Abstract
Purpose: This study investigates how financial literacy and regulatory constraints influence the leasing financing of small and medium-sized enterprises (SMEs) in Jigawa State, Nigeria.
Methodology: The study adopted a cross-sectional survey research design. The study population consisted of 13,912 SMEs registered with the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) in Jigawa State, from which a sample of 389 SMEs was obtained using the Taro Yamane (1967) formula and chosen by means of random sampling. A structured questionnaire was given to owner-managers, and the data were analysed using partial least squares structural equation modelling (PLS-SEM).
Results and conclusion: The findings of the study revealed that financial literacy has a significant and positive relationship with leasing financing, while regulatory constraints displayed a positive but statistically insignificant relationship.
Implication of findings: Accordingly, this study recommends that SMEDAN, development finance institutions, and leasing companies should create leasing-specific financial literacy programmes for SME owner-managers, and that lessors should provide plain-language contracts and advisory support. Moreover, regulators should keep simplifying the licensing, registration, taxation, and documentation requirements associated with leasing transactions.

Keywords: Leasing Financing, Financial Literacy, Regulatory Constraints, SMEs

1. Introduction

Small and medium-sized enterprises (SMEs) are generally seen as drivers of economic growth, job creation, and innovation in both emerging and advanced economies (Kayanula, et al., 2000). In Nigeria, the 2017 national survey of micro, small and medium enterprises (MSMEs) reported that the sub-sector accounted for roughly 49.78 percent of Gross Domestic Product (GDP) (National Bureau of Statistics [NBS] & Small and Medium Enterprises Development Agency of Nigeria [SMEDAN], 2017), while earlier studies connect SMEs to employment generation and livelihood survival (Aremu & Adeyemi, 2011). Even with this contribution, access to finance continues to be one of the most restrictive constraints on the growth and survival of SMEs (Tagoe et al., 2005; Abdallah et al., 2024).

Leasing finance is one of the alternatives to traditional bank credit. It enables an enterprise to gain the use of machinery, equipment, vehicles, and other productive assets in exchange for regular payments, without having to commit substantial capital in advance. In Nigeria, though, the lease finance sector still confronts several obstacles that restrict its ability to serve businesses (Abdulkarim et al., 2020). It is therefore essential to grasp what influences the choice of SME owner-managers to adopt leasing.

Among the elements that influence an enterprise's use of external finance, financial literacy has been recognised as one of the most crucial. A recent systematic review indicates that financial literacy is a widespread and significant precursor of access to finance and enterprise performance among micro, small and medium enterprises (Rekha et al., 2025). Studies of financial literacy in SMEs have focused on performance, access to finance, innovation, and risk attitude (Molina-García et al., 2023), and reviews keep calling for additional investigation (Graña-Alvarez et al., 2024). Since a leasing decision obliges an

owner-manager to weigh financing alternatives, interpret contractual terms, and assess the cost of capital, the degree of financial literacy directly affects how SME owners view and utilise leasing finance. Owners with limited financial literacy may be incapable of weighing the advantages and drawbacks of leasing against other financing options, which limits their ability to obtain productive assets through leases.

Besides financial literacy, the regulatory environment is a second possible determinant of leasing uptake. Leasing arrangements are regulated by requirements concerning law, licensing, taxation, registration, accounting, and contract enforcement. Where these requirements are burdensome or applied inconsistently, they may increase transaction costs and deter lessors and lessees from entering into leasing. Evidence regarding the impact of regulation on SMEs is nevertheless mixed. Hansen-Addy et al. (2024) discovered that enabling tax administration and business-licensing regulations enhance African SMEs' performance, while trade facilitation hinders it, whereas Igben and Ojoboh (2024) determined that regulatory constraints constitute a major challenge for SMEs in Delta State, Nigeria, though not a fatal one.

Although financial literacy and SME financing have been examined widely in Nigeria (e.g., Adewumi & Cele, 2023; Ibitomi et al., 2024; Isimoya & Oluwaleye, 2023), to the best of the researchers' knowledge, few studies have investigated financial literacy and regulatory constraints together as determinants of leasing finance in particular, rather than SME financing or performance in general. Moreover, the Nigerian studies reviewed were carried out mostly in Lagos, Abuja, Ekiti, and Delta State, which leaves northern states such as Jigawa relatively under-researched. Hence, the primary aim of this study is to investigate the effect of financial literacy and regulatory constraints on leasing financing of SMEs in Jigawa State, Nigeria.

2. Literature review

2.1 Conceptual Review

2.1.1 Small and Medium-Sized Enterprises

SMEs are generally set apart from large corporations by having fewer employees, lower revenue, and/or a smaller asset base, though the exact thresholds differ across countries and institutional settings. In Nigeria, the classification used in the national MSME survey relies on the enterprise's number of employees and asset base (NBS & SMEDAN, 2017), as shown in Table 1. The present study adopts this classification since it serves as the official benchmark for categorizing SMEs in Nigeria.

Classification of SMEs in Nigeria

Enterprise Category	Number of Employees	Asset Base (excluding land and buildings)
Small Enterprise	10–49	₦5 million–₦50 million
Medium Enterprise	50–199	₦50 million–₦500 million

Note: Adapted from the classification applied in NBS and SMEDAN (2021).

on, construction, and services. However, their growth and sustainability are still primarily hindered by limited access to finance (Tagoe et al., 2005; Abdallah et al., 2024). In this context, leasing has come forward as an alternative means of addressing the asset requirements of enterprises that find it difficult to meet the conditions set by conventional bank lending.

2.1.2 Leasing Financing

A lease, according to the International Accounting Standards Board (IASB, 2016), is a contract, or part of one, that grants the right to control the use of a specified asset for a certain period in return for consideration. Leasing thus brings together two main parties: the lessor, who holds ownership of the asset and gives the right to use it, and the lessee, who receives that right by making periodic payments. According to IFRS 16, a lessor treats a lease as a finance lease when it transfers substantially all the risks and rewards tied to ownership of the underlying asset, and as an operating lease when it does not (IASB, 2016). Considered together, these definitions portray leasing as a financing arrangement based on use rather than ownership, which is key to why it can act as an alternative to collateral-heavy bank credit for asset-poor SMEs. Abdulkarim et al. (2020) examined the status, prospects, and challenges of lease financing in Nigeria and evaluated the industry's ability to keep providing this type of finance.

2.1.3 Financial Literacy

The Organisation for Economic Co-operation and Development (OECD, 2020) describes financial literacy as a blend of awareness, knowledge, skill, attitude, and behaviour needed to make sound financial decisions and ultimately attain financial well-being. In the SME literature, Rekha et al. (2025) discovered that knowledge, awareness, and skill are the most common dimensions of financial literacy, and that no standardized scale exists for measuring the financial literacy of owner-managers. Lusardi and Mitchell (2023) examine the evidence on why financial literacy is important for financial decision-making. Applied to the SME in this context, financial literacy encompasses the management and budgeting of business finances, the comparison of financing options, comprehension of contracts, upkeep of accounting records, evaluation of financing costs, and the making of financially sound decisions.

2.1.4 Regulatory Constraints

Igben and Ojoboh (2024) investigated regulatory constraints, such as bureaucratic processes and requirements for registration, licensing, and financing, as obstacles to the growth of SMEs. Betton et al. (2023) view regulation in terms of both the burden it imposes and the value it offers to micro-firms, observing that compliance depends on firms' knowledge of and attitude toward regulation. A recurring finding across these studies is that SME owners mainly experience regulatory constraints as the accumulated administrative and compliance burden arising from dealing with multiple regulatory requirements. For the purposes of this study, regulatory constraints refer to the legal, administrative, and institutional requirements set by government agencies and regulators, such as licensing, taxation, documentation, reporting duties, prudential regulation, and compliance expenses, which prevent SMEs from obtaining leasing finance.

2.2 Empirical Review and Hypothesis Development

Earlier studies have investigated financial literacy, regulatory constraints, and SME financing across various settings. The most pertinent of these are reviewed below, and hypotheses are developed based on what they found.

2.2.1 Financial Literacy and Leasing Financing

Ibitomi et al. (2024) investigated financial literacy and SME performance in Abuja, Nigeria, drawing on 469 valid questionnaires, and discovered that owners' financial knowledge and financial behaviour were positively linked to business performance. Because the study centred on performance rather than the selection of a financing instrument, the present study broadens the evidence to cover leasing financing. Adewumi and Cele (2023) investigated financial literacy skills among SMEs in Lagos and their consequences for entrepreneurial decision-making, and concluded that financial literacy skills and knowledge matter for the decisions made by SME owners. That study was confined to Lagos and did not

cover leasing, whereas the present study does. In a similar vein, Isimoya and Oluwaleye (2023) surveyed 154 SME managers and owners in Ado-Ekiti and, through multiple regression, established that financial behaviour, knowledge, and attitude each exerted a positive and significant influence on entrepreneurial risk attitude.

Beyond Nigeria, Abdallah et al. (2024) found that financial literacy significantly affects the performance of SMEs in Kuwait and that financial access significantly moderates this relationship. At the level of review, Rekha et al. (2025) determined that financial literacy is a common and significant precursor of access to finance and enterprise performance. Since these studies deal with performance, risk attitude, or access to finance in general rather than with leasing, and since most were carried out in southern Nigeria or overseas, the following hypothesis is put forward as the expectation of this research:

Hi1*: There is a significant relationship between financial literacy and leasing financing of SMEs in Jigawa State, Nigeria.*

2.2.2 Regulatory Constraints and Leasing Financing

Igben and Ojoboh (2024) employed a combination of literature review, empirical data analysis, and qualitative insights to examine the regulatory constraints affecting SME growth in Delta State. Their findings showed that regulatory constraints constitute a major challenge but are not fatal, and they advised simplifying registration, licensing, and financing processes. Hansen-Addy et al. (2024) applied regressions and propensity score matching to a panel of 39,461 firm observations drawn from 27 African countries, finding that supportive tax administration and business-licensing regulations enhance SMEs' performance, while trade facilitation hinders it, and that competition from foreign firms intensifies this adverse effect. Their findings imply that the impact of regulation varies according to the type of regulation and the institutional setting. In a different context, Betton et al. (2023) examined perceived regulatory compliance among English accommodation micro-firms and demonstrated that perceived compliance is associated with perceptions of the value and burden of regulation.

None of these studies looked at leasing finance, and the results are inconclusive regarding whether regulatory constraints significantly influence SME outcomes. Consequently, the following hypothesis is proposed as the expectation of this study:

Hi2*: There is a significant relationship between regulatory constraints and leasing financing of SMEs in Jigawa State, Nigeria.*

2.3 Theoretical Framework

A theoretical framework clarifies why and how one set of variables affects another, and it links a study's research questions and hypotheses to an established body of theory (Creswell & Creswell, 2023). This study adopts institutional theory as the most suitable theoretical lens for explaining the relationship between regulatory constraints and leasing financing, while the financial literacy construct is explained using human-capital reasoning.

2.3.1 Institutional Theory

Institutional theory, introduced by Meyer and Rowan (1977) and further developed by DiMaggio and Powell (1983), explains how formal and informal institutions such as laws, regulations, government policy, culture, and professionalization processes shape organizational behaviour. According to this theory, organizations need to comply with prevailing rules and expectations in order to attain legitimacy and secure access to resources. Leasing operates within a legal and regulatory framework set up by government agencies and regulators. When that framework is efficient and predictable, SMEs are more inclined to use leasing finance; when bureaucracy is complex, contract enforcement is weak, taxation is

multiple, and policy is inconsistent, lessees may be deterred from using leasing as a financing option. Institutional theory thus offers the basis for understanding how regulatory constraints may influence SME financing choices.

In this study, institutional theory is applied mainly to the regulatory constraints construct. The financial literacy construct, by contrast, is grounded in human capital reasoning, which treats financial knowledge as an investment that enhances financial decision- making (Lusardi & Mitchell, 2023). Taken together, institutional theory and human-capital reasoning offer complementary accounts of the two independent variables analyzed in this study.

2.4 Research Framework

The framework adopted in this study is built upon the theoretical foundations outlined above. As illustrated in Figure 1, the study comprises two exogenous variables (financial literacy and regulatory constraints), with leasing financing acting as the dependent variable. Owner-managers with financial literacy are more capable of assessing financing alternatives, grasping the terms of leasing contracts, and overseeing leased assets, which may raise the probability that they employ leasing finance, whereas onerous regulatory requirements can increase compliance costs and the transaction costs associated with leasing agreements. Consequently, these two constructs are regarded as jointly shaping the degree to which SMEs rely on leasing finance.

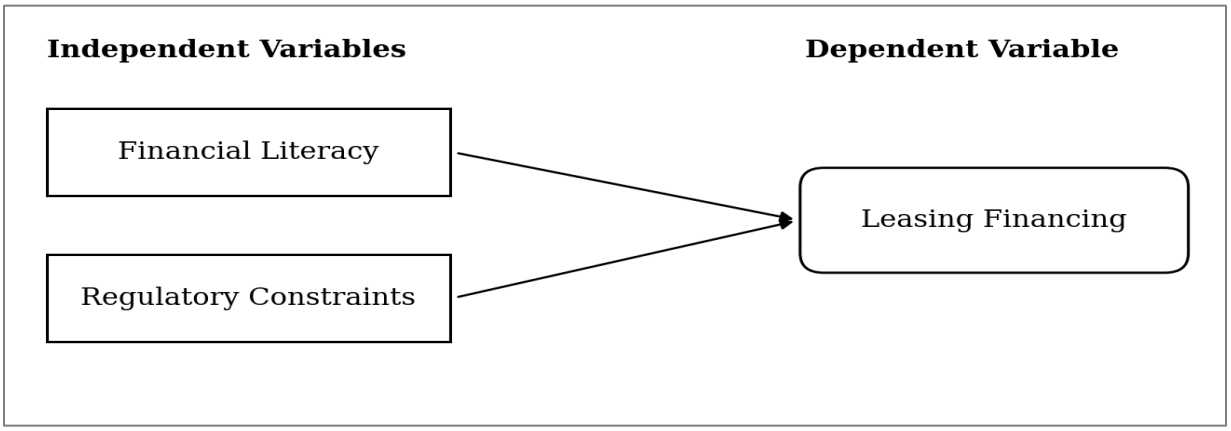


Figure 1. Conceptual Framework of the Study
Source: Developed by the Researchers (2026)

3. Methodology

This study adopted a cross-sectional survey research design, as it gathers data from SMEs operating in Jigawa State at one specific point in time. The study's population consists of the SMEs operating in Jigawa State that are registered with SMEDAN, totaling 13,912 based on the latest SMEDAN registration record accessible to the researchers. To establish the sample size, the Taro Yamane (1967) formula was used to justify that the sample is sufficient:

$$\text{n} = \frac{N}{1 + Ne^2} \quad \text{therefore,} \quad \text{n} = \frac{13912}{1 + 13912(0.05)^2} = 388.82$$

Where n = number of samples, N = total population, e = error tolerance, and 1 = adjusted constant.

Therefore, the required sample size is approximately 389.

The study used a random sampling approach to choose respondents from the registered SMEs. A structured questionnaire served as the data collection instrument and was given to owner-managers who are directly responsible for, or knowledgeable about, the SME's financing decisions. The items used to measure financial literacy, regulatory constraints, and leasing financing were derived from the literature reviewed in this study. Of the 389 questionnaires that were distributed, 374 were returned and deemed usable, which corresponds to a response rate of 96.14%

The data were examined through partial least squares structural equation modelling (PLS-SEM) using the SmartPLS software. This method was deemed appropriate since it does not call for multivariate normality, works well with fairly small sample sizes, and allows the structural paths among financial literacy, regulatory constraints, and leasing financing to be estimated simultaneously (Hair et al., 2019). The measurement model was assessed in terms of indicator reliability, internal consistency reliability, convergent validity, and discriminant validity, whereas the structural model was assessed using collinearity statistics, the significance of path coefficients via bootstrapping, and the coefficient of determination (Hair et al., 2022).

4. Results and discussion

This section presents the results of the measurement and structural model assessments and discusses these results in relation to the study's hypotheses and the extant literature. SmartPLS was used to estimate both the measurement model and the structural model. Figure 2 represents the final measurement model for the latent constructs.

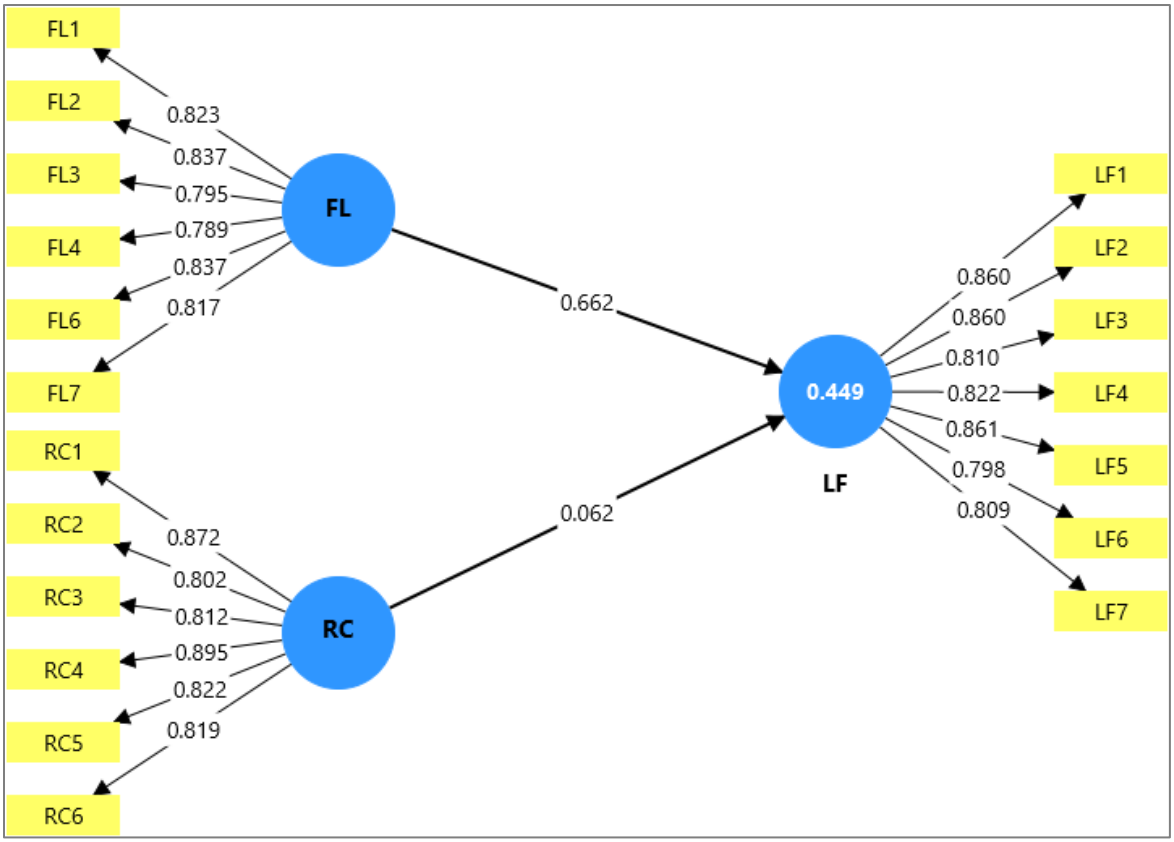


Figure 2. PLS-SEM Measurement and Structural Model of the Latent Constructs
Source: Researchers' compilation with PLS-SEM (2026)

4.1 Reliability of Indicators

The outer loadings of the indicators of each construct are used to assess the reliability of the measurements. Traditionally, an indicator is considered reliable if its loading is at least 0.70, while indicators with loadings between 0.40 and 0.60 should be removed only if their exclusion improves composite reliability or the average variance extracted, and indicators with loadings below 0.40 should always be removed (Hair et al., 2019). As shown in Figure 2, two items, FL5 (0.311) and RC7 (0.372), had loadings below 0.40 and were therefore removed. Of the 21 items examined, 19 were retained, and the retained items all exceeded the 0.70 threshold.

4.2 Internal Consistency Reliability

Internal consistency reliability reflects the degree to which the indicators of a construct consistently measure the same underlying concept. In PLS-SEM, composite reliability is generally the preferred measure, and values of 0.70 or higher are considered acceptable (Hair et al., 2019). Table 2 presents composite reliability values of 0.923 for financial literacy, 0.934 for regulatory constraints, and 0.940 for leasing financing. Every value is above the minimum requirement of 0.70, which shows strong internal consistency among the latent constructs.

4.3 Convergent Validity

Convergent validity assesses how closely multiple items that measure the same concept agree with one another. The measure typically used is the Average Variance Extracted (AVE), for which a minimum of 0.50 is recommended (Fornell & Larcker, 1981; Hair et al., 2019). Table 2 indicates that the AVE values fall between 0.667 and 0.702, surpassing the minimum criterion and demonstrating adequate convergent validity for all constructs.

Table 2: Indicator Loadings, Composite Reliability, and AVE of Latent Constructs

Latent construct	Item	Item Loading	Composite Reliability	AVE
Leasing Financing	LF1	0.860		
	LF2	0.860		
	LF3	0.810		
	LF4	0.822	0.940	0.692
	LF5	0.861		
	LF6	0.798		
	LF7	0.809		
Financial Literacy	FL1	0.823		
	FL2	0.837		
	FL3	0.795	0.923	0.667
	FL4	0.789		
	FL6	0.837		
	FL7	0.817		
Regulatory Constraints	RC1	0.872		
	RC2	0.802		
	RC3	0.812	0.934	0.702
	RC4	0.895		
	RC5	0.822		
	RC6	0.819		

Note: Composite reliability and AVE were computed from the final outer loadings.
Source: Researchers' compilation with PLS-SEM (2026).

4.4 Discriminant Validity

Discriminant validity refers to the degree to which a construct is empirically distinct from other constructs in the model. The Fornell–Larcker criterion is used to assess it: the square root of a construct's AVE should be greater than its correlations with the other constructs (Fornell & Larcker, 1981; Hair et al., 2019). Table 3 presents the square roots of the AVE (on the diagonal) alongside the inter-construct correlations.

Table 3: Discriminant Validity

	LF	FL	RC
LF	0.832		
FL	0.667	0.817	
RC	0.112	0.076	0.838

Note: LF = Leasing Financing; FL = Financial Literacy; RC = Regulatory Constraints. Diagonal values are the square roots of AVE.

According to the data shown in Table 3, the square root of the AVE for leasing financing (0.832) is higher than its correlations with financial literacy (0.667) and regulatory constraints (0.112). In the case of financial literacy, the square root of the AVE (0.817) is greater than its correlations with leasing financing (0.667) and regulatory constraints (0.076). Likewise, the square root of the AVE for regulatory constraints (0.838) is higher than its correlations with leasing financing (0.112) and financial literacy (0.076). These results provide confirmation of the discriminant validity of the research model.

4.5 Correlation Matrix

Table 4 displays the correlation matrix among the exogenous and endogenous latent constructs, along with the inner Variance Inflation Factor (VIF) values. The correlation between the two predictors is extremely low (0.076), suggesting that multicollinearity is not a concern. This is confirmed by the VIF values of 1.006 for both predictors, which fall well below the widely used threshold of 3 (Hair et al., 2019).

Table 4: Matrix of Constructs

	LF	FL	RC	VIF
LF	1			
FL	0.667	1		1.006
RC	0.112	0.076	1	1.006

Note: VIF = inner variance inflation factor (predictor → leasing financing).

Source: Researchers' compilation with PLS-SEM (2026).

4.6 Results of the PLS Structural Model

Once the measurement model had been successfully evaluated, the structural model was assessed. This section outlines the criteria applied to evaluate the structural model: the significance of the path coefficients, examined using the bootstrapping procedure (Hair et al., 2022), along with the coefficient of determination (R^2).

4.7 Assessing the Importance of Path Coefficients

The relevance of the structural paths was evaluated through the t-statistics and p-values derived from the bootstrapping procedure (Hair et al., 2022). The path coefficient estimates are shown in Figure 3 and Table 5.

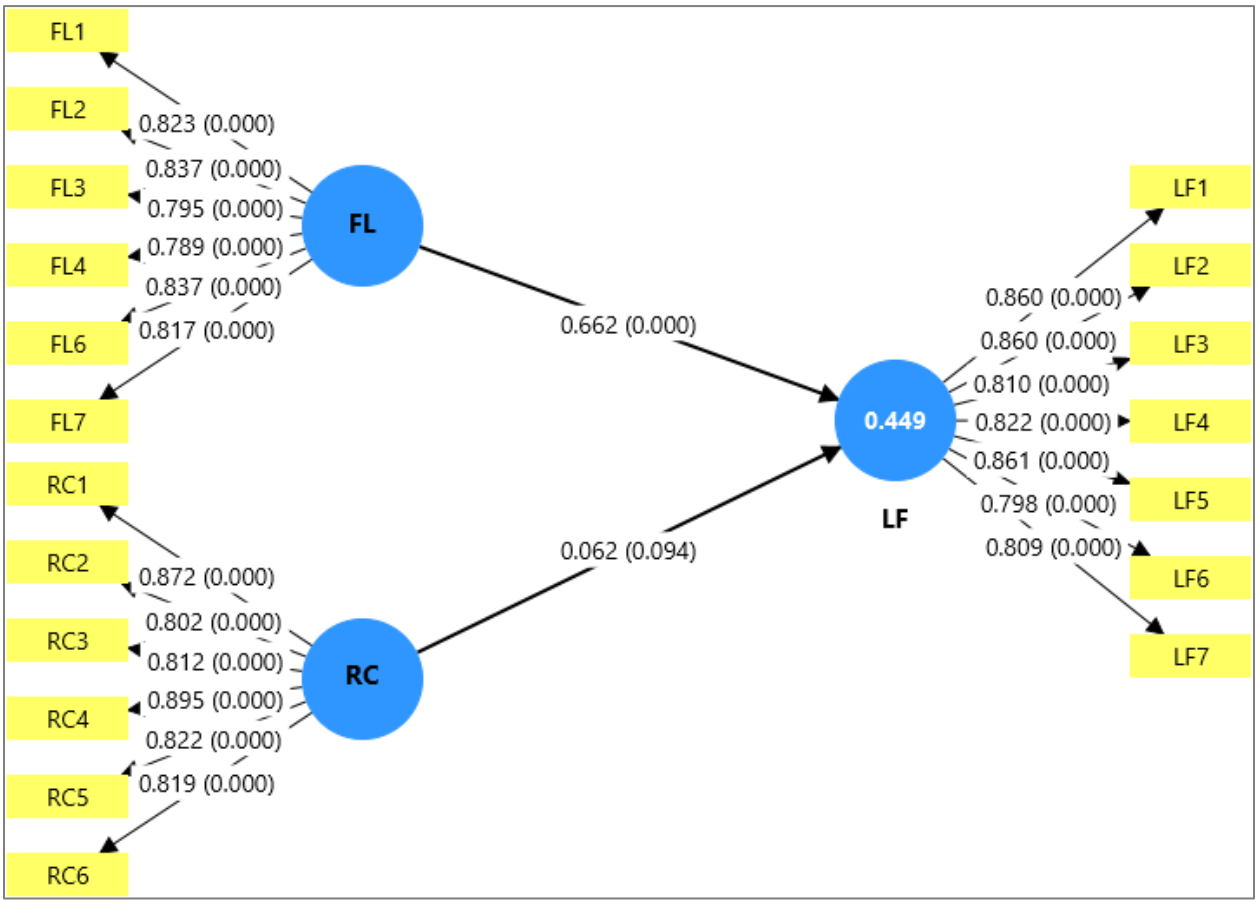


Figure 3: PLS-SEM Structural Model

Table 5: Structural Estimates

Hypotheses	Relationships	B	T-statistics	P-value	Decision
H_{i1}	FL → LF	0.662	23.651	0.000***	Supported
H_{i2}	RC → LF	0.062	1.677	0.094	Not Supported

Note: Significant at the *** $p < 0.000$ level.
Source: Researchers' compilation with PLS-SEM (2026).

The literature review set out two hypotheses, each of which concerned direct relationships anticipated to influence leasing financing. Figure 3 and Table 5 display the findings for the direct relationships. The hypothesis that financial literacy has a significant relationship with leasing financing was supported, as shown by the coefficient, t-value, and p-value (β = 0.662, t = 23.651, p = .000). Conversely, Hi2, which predicted a significant relationship between regulatory constraints and leasing financing, was not supported; the relationship was positive but not statistically significant (β = 0.062, t = 1.677, p = .094).

4.8 Evaluation of Coefficient of Determination (R^2)

The coefficient of determination (R^2) indicates the joint effect of the exogenous variables on the endogenous variable. As shown in Figure 3, the R^2 value for leasing financing is 0.449, indicating that financial literacy and regulatory constraints together account for 44.9% of the variance in leasing financing among SMEs in Jigawa State, while the remaining 55.1% is explained by factors not captured in the model. Applying the thresholds of 0.19, 0.33, and 0.67 for weak, moderate, and substantial levels

(Chin, 1998), this value is moderate, even though it sits slightly below the 0.50 benchmark for moderate explanatory power proposed by Hair et al. (2019). The model is thus acceptable, and it suggests that other determinants of leasing financing are yet to be explored.

4.9 Discussion of Findings

After reviewing the literature and considering the context of this study (SMEs in Jigawa State), two determinants of leasing financing were examined. Based on evidence from the structural equation model, financial literacy showed a significant and positive relationship with leasing financing, as predicted, while regulatory constraints showed an insignificant relationship. The discussion that follows compares the findings of the present study with those of previous investigations.

4.9.1 Financial Literacy and Leasing Financing

The first determinant examined in this study is financial literacy, which was conceptualised as the knowledge, skills, and attitudes that allow owner-managers to compare financing options, comprehend contracts, and manage financing costs. A hypothesis was developed proposing a significant relationship between financial literacy and leasing financing. The structural equation model result indicates a positive and significant relationship, with a coefficient of 0.662 and a p-value of .000. As the strongest path in the model by a considerable margin, this result implies that SMEs whose owner-managers are more financially literate are more likely to adopt leasing finance. Accordingly, hypothesis Hi1 is supported, and this study suggests that financial literacy is a key determinant of leasing financing among SMEs in Jigawa State.

This finding aligns with the conclusions of Ibitomi et al. (2024), who found that financial knowledge and financial behaviour were positively associated with the performance of SMEs in Abuja. It also agrees with Isimoya and Oluwaleye (2023), who found that financial behaviour, knowledge, and attitude had a positive and significant influence on the entrepreneurial risk attitude of SME owners in Ekiti State, as well as with Abdallah et al. (2024), who reported that financial literacy significantly influences SME performance in Kuwait. Furthermore, the result is consistent with the review by Rekha et al. (2025), which identified financial literacy as a common and significant antecedent of access to finance and enterprise performance. The present study differs from these studies in its dependent variable: it extends the evidence from performance, risk attitude, and access to finance to the specific case of leasing finance.

One possible explanation for the strong positive link is that leasing is a contract-based form of finance. To use it, an owner-manager must understand lease terms, compare the periodic cost of leasing with other financing options, and maintain records that allow a lessor to assess repayment capacity. Owner-managers with stronger financial skills are therefore better positioned to do so, whereas those with weaker skills may steer clear of a financing instrument they do not fully understand. This explanation represents an interpretation of the result and ought to be investigated further in subsequent studies.

4.9.2 Regulatory Constraints and Leasing Financing

The second determinant examined in this study is regulatory constraints, which were defined as the legal, administrative, and institutional requirements that prevent SMEs from obtaining leasing finance. The structural equation model result for regulatory constraints and leasing financing is positive but not statistically significant, with a coefficient of 0.062 and a p-value of .094. The positive sign runs counter to what one might anticipate from a constraint, yet since the coefficient is not significant at the 5% level, the result cannot be read as evidence of any effect. Hence, hypothesis Hi2 is not supported, and this study indicates that regulatory constraints are not a significant determinant of leasing financing among SMEs in Jigawa State.

This finding agrees with the conclusion of Igben and Ojoboh (2024) that regulatory constraints, though a major challenge for SMEs, are not fatal to their growth. It also aligns with the mixed picture reported by Hansen-Addy et al. (2024), whose results indicate that the effect of regulation depends on the type of regulation concerned: enabling tax administration and business-licensing regulations enhanced SMEs' performance, whereas trade facilitation hindered it. A broad measure of regulatory constraints may therefore conceal effects that vary across different regulatory areas. Conversely, the result does not support the expectation drawn from institutional theory (DiMaggio & Powell, 1983; Meyer & Rowan, 1977) that a burdensome regulatory environment discourages the use of leasing, and it diverges from studies that report regulation as a significant influence on SME outcomes.

One possible explanation for the insignificant link is that the regulatory requirements measured are experienced in much the same way by most SMEs in the state, so they do not distinguish those that use leasing from those that do not. Another is that the decision to lease is driven more by the owner-manager's grasp of the financing option, as the large effect of financial literacy suggests, than by the regulatory framework. Moreover, the p-value of .094 means the relationship would be significant at the 10% level, so it may warrant further study with a larger or differently structured sample. These explanations are interpretations of the result and have not been tested in this study.

5. Conclusion

This study examined the effect of financial literacy and regulatory constraints on leasing financing of SMEs in Jigawa State, Nigeria. The study found that financial literacy has a significant and positive relationship with leasing financing; thus, financial literacy is a key determinant of leasing financing among SMEs in the state. In addition, regulatory constraints showed a positive but insignificant relationship with leasing financing; therefore, they are not a significant determinant of leasing financing among SMEs in the state. Together, the two variables accounted for 44.9% of the variance in leasing financing.

Recommendations

In line with the conclusion of this study, the study recommends that SMEDAN, development finance institutions, and leasing companies ought to create financial literacy programmes tailored for SME owner-managers in Jigawa State, concentrating on leasing covering lease contract terms, the cost of leasing compared with bank loans, and record-keeping. Lessors ought to set out lease terms in plain language and offer advisory assistance to prospective SME lessees, given that a stronger grasp of this financing option is linked to increased use of leasing. Trade associations and government agencies ought to conduct awareness campaigns on leasing as an alternative to bank credit among SMEs in northern Nigeria.

Suggestions for Future Studies

By presenting evidence on the financial literacy and regulatory constraints on leasing financing among SMEs in Jigawa State, this study has added to the literature. Nevertheless, it carries certain limitations that future studies ought to address. First, the study covered only SMEs in Jigawa State; future studies should look at other northern states or Nigeria in its entirety. Second, the study relied on a cross-sectional design, and future studies might use longitudinal or mixed-methods designs to capture changes over time. Third, the model accounted for 44.9% of the variance in leasing financing, so future studies should incorporate other determinants, including awareness of leasing, the cost of leasing, access to credit, and digital financial inclusion, and could explore mediating or moderating roles. Finally, future studies might compare SMEs that use leasing with those that do not.

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