UNILAG JOURNAL OF BUSINESS VOL. 11 NO. 1, APRIL 2025, 141-152
https://doi.org/10.52968/11206713

THE EFFECT OF FINANCING ON SOCIAL ENTERPRISES PERFORMANCE IN LAGOS STATE, NIGERIA

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ABSTRACT
This study investigates the effect of financing on the performance of social enterprises in Lagos State, Nigeria. The research explores various financial factors, including financial resources, crowdfunding, financial literacy, and social incubators, to determine their influence on the success and sustainability of social enterprises. Using a quantitative research design, data were collected from 402 respondents through structured questionnaires. Hypotheses were tested using regression analysis and correlation matrices to examine the relationships between financial challenges, access to finance, and enterprise performance. The findings reveal that while certain financial elements, such as crowdfunding and financial literacy, have minimal direct impact on performance, broader access to financial resources significantly affects enterprise growth and resilience. Additionally, the study identifies limitations in existing support structures, such as social incubators, which are found to be less effective due to contextual misalignment and a lack of inclusivity. The results suggest the need for tailored financial interventions, improved policy frameworks, and enhanced collaboration between stakeholders to foster a more enabling environment for social enterprises. This research contributes to both academic discourse and practical strategies aimed at strengthening the financial ecosystems supporting social entrepreneurship in Lagos State.
Keywords**:** Social enterprises, financial resources, crowdfunding, financial literacy, social incubators, enterprise performance.

1. INTRODUCTION
Social enterprises have emerged as critical players in addressing complex social issues, particularly in regions grappling with poverty, unemployment, and inadequate access to essential services (Baldin, 2023). These enterprises operate at the intersection of social impact and financial sustainability, aiming to create value for society while maintaining economic viability (Oladimeji, Eze, & Akanni, 2018). In Lagos State, Nigeria's economic hub, social enterprises have become increasingly important as they fill gaps left by the public and private sectors. With a population exceeding 20 million, Lagos faces numerous social and developmental challenges, making it a fertile ground for social innovation (Durowoju & Elegunde, 2018). However, despite their potential, social enterprises in Lagos often struggle with financial constraints that hinder their growth and ability to deliver on their social missions. The financial ecosystem in which social enterprises operate plays a crucial role in their performance and sustainability. Financial ecosystems encompass the structures, organizations, markets, tools, and policies that facilitate the flow of capital and services within an economy (Leyshon, 2020). In Lagos, the financial ecosystem is predominantly designed to support traditional, profit-driven businesses, leaving social enterprises at a disadvantage. These enterprises often face difficulties in accessing loans, equity, and other financial instruments due to their dual objectives of generating social impact and achieving financial sustainability (Peter, 2021). This misalignment between the financial ecosystem and the needs of social enterprises has led to a reliance on informal funding sources, such as personal savings, family

https://doi.org/10.52968/11206713

loans, and charitable donations, which are often insufficient and unreliable for scaling operations (Ibidokun and Adegboyega, 2023).

Moreover, the lack of tailored financial products for social enterprises exacerbates their challenges. While conventional small and medium-sized enterprises (SMEs) in Lagos have access to various financial products, including loans, grants, and subsidies, social enterprises are often excluded from these opportunities (Okonji & Amuda, 2023). This exclusion stems from the hybrid nature of social enterprises, which straddle the line between for-profit businesses and non-governmental organisations (NGOs). As a result, they are frequently overlooked by both traditional financial institutions and government incentive programs (Ajala, 2023). Additionally, many social entrepreneurs lack the financial literacy needed to navigate Lagos's complex financial environment, further limiting their ability to secure funding and manage resources effectively (Dodo, Raimi, & Rajah, 2021).

The regulatory environment in Lagos also presents significant challenges for social enterprises. While there has been a growing focus on supporting SMEs and informal businesses, the legal and policy frameworks for social enterprises remain underdeveloped (Maher, 2019). Social enterprises often face bureaucratic hurdles similar to those encountered by traditional businesses but without the corresponding benefits, such as tax incentives or access to microfinance services tailored to their needs (Onuorah, 2022). This lack of regulatory support further marginalizes social enterprises, making it difficult for them to achieve financial stability and scale their operations.

Given these numerous challenges, understanding how access to financial resources impacts the ability of social enterprises to achieve their social and financial objectives is critical for developing strategies to enhance their sustainability and impact. Therefore, this study seeks to fill this gap by examining the effect of financing on the performance of social enterprises in Lagos, with a focus on identifying the barriers they face and proposing innovative solutions to improve their financial ecosystems.

2. LITERATURE REVIEW

Conceptual Review

Financial Resources

Financial resources are essential for business growth and sustainability, encompassing both financial and non-financial support (OECD, 2018). Funding enables investment in areas like technology and market development (Azzuwut et al., 2023; Cook, 2001) and comes from sources such as credit, grants, and savings (Kumar & Rao, 2015). It can be classified as soft funding or equity crowdfunding. However, many SMEs depend on internal funds due to limited access to external financing, as they are often viewed as high-risk borrowers (Borzaga et al., 2020).

Crowdfunding

Crowdfunding is an external financing method where a large number of individuals contribute small amounts, typically via online platforms, to support specific ventures. According to Howe (2008), it is rooted in the concept of crowdsourcing, and it offers funding in forms such as donations, rewards, or equity (Lambert & Schwienbacher, 2010). Beyond financial support, crowdfunding helps validate business ideas, foster early customer engagement, and builds community involvement, driven by both intrinsic and extrinsic motivations (Metzler, 2011; Kleeman et al., 2008).

Financial Difficulties

Social enterprises face financial difficulties due to limited access to suitable funding, as their hybrid nature does not align with traditional nonprofit or for-profit financing models (Simatele & Dlamini, 2020). Although options like grants, loans, and impact investments exist, many struggle to access them because of perceived risks and insufficient collateral (Bhandare &

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Guha, 2024). These financial constraints hinder their capacity to grow, innovate, and expand services to underserved communities.

Financial Literacy

Financial literacy involves the knowledge and skills needed to manage financial resources effectively, covering areas such as budgeting, saving, investing, and debt management (Lusardi & Mitchell, 2011). It enables individuals and entrepreneurs to make informed financial decisions and plan for long-term goals. Disparities in financial literacy persist across income, education, and age groups (Garg & Singh, 2018). For small business owners and social entrepreneurs, financial literacy is crucial for securing funding, managing cash flow, and ensuring sustainability (Lusardi & Messy, 2023).

Social Incubators

Social incubators are support platforms that assist early-stage social enterprises by providing mentorship, funding, capacity-building, and strategic guidance. Unlike traditional business incubators focused on profit, social incubators help entrepreneurs align social missions with sustainable business practices. They lower entry barriers and enhance long-term success (Bacq & Eddleston, 2018). These incubators play a vital role in addressing societal challenges such as poverty, education inequality, climate change, and healthcare.

Theoretical Framework

Social Capital theory

Social Capital Theory is a sociological and organizational framework that emphasizes the value of relationships, networks, and trust in enabling individuals and organizations to access resources, information, and opportunities (Engbers et al., 2017a). Developed by scholars such as Pierre Bourdieu, James Coleman, and Robert Putnam, the theory of social capital highlights the value of social networks and the norms of trust and reciprocity they foster as key resources for achieving personal, organizational, and community objectives (Ali-Hassan, 2009). For social enterprises, which operate at the intersection of social mission and financial sustainability, Social Capital Theory provides a powerful lens to understand how relationships and networks influence their ability to secure financing, build partnerships, and achieve impact.

Empirical Review

Several empirical studies have examined the relationship between financing, innovation, and the performance of small and medium-sized enterprises (SMEs) across different contexts, particularly in light of evolving economic and technological environments.

In the Nigerian context, Ikechi and Anthony (2021) examined the effects of bank loans on SMEs using an ex-post-facto design and time-series analysis. Contrary to expectations, the study revealed an inverse but statistically insignificant relationship between commercial bank loans to SMEs and their output levels. This finding highlights structural inefficiencies in the Nigerian credit system and a persistent reluctance among banks to provide growth-oriented financing. The researchers further observed that increased SME activity has not translated into significant employment gains, largely due to underemployment and limited access to credit. They recommended strengthening the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN), restructuring commercial bank SME units, and repositioning the Bank of Industry to better support business revitalisation.

Biney (2018) investigated the role of venture capital (VC) financing in enhancing SME growth and development in Ghana. Employing a Propensity Score Matching and Difference-in-Differences (PSM-DiD) estimation method, the study compared venture-backed and non-venture-backed SMEs. The findings revealed that VC financing had a positive and statistically significant effect on firm performance, with venture-backed SMEs experiencing 1.5% higher sales growth and 3.7% greater employment growth than their non-venture-backed counterparts. This underscores the importance of venture capital as a catalyst for SME expansion and job creation in emerging economies.

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Similarly, Muneer, Ali, and Ahmad (2017) conducted a quantitative study in Pakistan's Faisalabad region to assess the impact of different financing structures on SME profitability, incorporating Islamic finance as a moderating variable. Surveying 200 SMEs and 70 bank branches, they found that fixed asset, setup, and current asset financing all positively influenced SME growth. However, Islamic financing did not demonstrate a moderating effect in this context, suggesting that while financing type is crucial to growth, the moderating role of Islamic financial mechanisms may be context-specific.

Finally, Eldridge, Nisar, and Torchia (2015) investigated the influence of equity crowdfunding on innovation and growth opportunities among UK SMEs using data from the Fame BVD database. The results indicated that while equity crowdfunding did not significantly enhance innovation levels, it positively affected firms' growth prospects and performance. Specifically, the study found strong positive correlations between crowdfunding and growth opportunities, as well as improved firm performance measured by return on assets. These findings suggest that while crowdfunding may not directly drive innovation, it can play a critical role in improving financial access and facilitating growth for small firms.

3. METHODOLOGY

This study adopted a descriptive survey design grounded in a quantitative research approach. The design was chosen because it facilitates the collection and analysis of numerical data to describe the characteristics and relationships among variables within a defined population.

Sampling Strategy

The target population for this study consists of social entrepreneurs actively operating within Lagos State, Nigeria. The number of these social entrepreneurs cannot be known with certainty because Lagos State is an economic hub with diverse active social entrepreneurs, many of which are not well-known to the public. The non-finite nature of the population, therefore, prompted the use of Cochran (1977) for the study. A sample size of 384 participants was drawn and questionnaires were distributed using a convenience sampling technique, which allowed the researcher to issue questionnaires to respondents who are readily available.

Sample Size and Sampling Technique

The sample size for this study is determined using Cochran's (1977) equation, which ensures that the selected sample size is sufficiently large to provide an accurate representation of the entire population under investigation. Cochran's equation is as follows:

$SS = ((Z\ score)^2 * p * (1-p))/(E)^2$

Where;

SS = sample size

Z= 1.96 for a 95% confidence level

P= estimated proportion (0.5)

E= margin of error (0.05)

$SS = (Z\ score)^2 * p * (1-p)/(margin\ of\ error)^2$

$SS = (1.96)^2 * 0.5 * (1-0.5)/(0.05)^2$

$SS = 3.8416 * 0.25/0.0025$

$SS = 384.16 \approx 384$

The sample size for this study is 384 participants. The study will employ a convenience sampling technique, which allows the researcher to select participants who are readily available and willing to participate. This sampling technique is appropriate for this study due to the accessibility of social entrepreneurs in Lagos State and the need to gather data efficiently. However, due to the low response rate in collecting data from participants, the sample size was increased by 10%, in line with the recommendation of Quinlan et al.(2015). Therefore, data collection instruments are collected from 402 social entrepreneurs in Lagos State, Nigeria.

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Instrument

A self-created, structured questionnaire was employed as the research tool in this study to gather information on how financial difficulties affect the success of social enterprises in Lagos State. The items in the questionnaire were especially designed to answer the study's goals and research questions. The questionnaire's organized format guarantees data collecting uniformity and makes analysis easier. The survey is broken up into sections that address important topics such as funding sources, financial difficulties, performance indicators, and how funding affects the expansion and long-term viability of social businesses.

Validity and Reliability of Research Instruments

Content validity was strengthened through a rigorous development process that incorporated insights from academic literature, context-specific realities, and expert reviews by scholars and practitioners, while construct validity was upheld by designing items that directly reflected theoretical definitions of key variables such as financial literacy, access to finance, and performance. Face validity was further confirmed through a pilot test in which social entrepreneurs evaluated the questionnaire for clarity and relevance, affirming that the items accurately represented financing and performance challenges in their context.

To ascertain reliability of research instrument, a pilot test with a small group of social entrepreneurs helped enable the identification and correction of ambiguities. According to Kothari (2008), the computation of preliminary reliability coefficients, with Cronbach's alpha values exceeding the 0.60 benchmark (financial literacy = 0.78, enterprise performance = 0.82, access to finance = 0.80) indicated strong internal consistency.

Data Collection

The data for this study were collected through online questionnaires generated using Google Forms. Copies of the questionnaires were distributed to Lagos State social entrepreneurs willing to participate in the study. Participants are informed of the study's objectives, and their confidentiality is maintained throughout the process. Respondents are encouraged to provide honest and accurate responses, as there are no right or wrong answers. The online data collection method is chosen for its efficiency and ability to reach various social entrepreneurs across Lagos State.

Data Analysis

Regression analysis will be used to examine the gathered data in order to assess the study hypotheses. The regression analysis is a statistical method for analyzing the relationship between independent and dependent variables. It is used in this study to ascertain how financing, an independent variable, affects social enterprise performance, a dependent variable. Regression analysis and other statistical tests are performed using the Statistical Package for Social Scientists (SPSS). Based on the analysis's findings, judgments are drawn and suggestions are offered.

4. RESULTS

H$_1$: Financial resources have no significant effect on social enterprise performance in Lagos State.

Table 1: Summary of Regression Analysis Showing the Influence of Financial Resources on Social Enterprise Performance

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change
1	0.033	0.001	-0.011	1.772	0.001	0.283	1	68	0.595

https://doi.org/10.52968/11206713

ANOVA[a]

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	0.885	1	0.885	0.283	0.595
Residual	212.020	68	3.118		
Total	212.905	69			

Coefficients[a]

Model	Unstandardized Coefficients	Std. Error	Standardized Coefficients (Beta)	t	Sig.
(Constant)	3.148	0.233	—	13.521	0.001
Financial Resources	-0.041	0.077	-0.033	-0.532	0.595

Table 1 indicates that financial resources do not have a statistically significant effect on social enterprise performance in Lagos State. The beta coefficient for financial resources is −0.041, with a t-value of −0.532 and a p-value of 0.595, which is well above the conventional threshold of 0.05 for significance. This suggests that changes in financial resources are not meaningfully associated with changes in social enterprise performance. The multiple correlation coefficient (R) is 0.033, indicating a very weak relationship between the predictor and the outcome variable, while the coefficient of determination ($R^2 = 0.0011$) shows that financial resources account for less than 1% of the variance in social enterprise performance. The overall model is also not significant, as reflected by the F-statistic of 0.283 and its corresponding p-value of 0.595. These findings imply that factors other than financial resources may play a more critical role in influencing the performance of social enterprises in Lagos State.

H_2: There is no relationship between financial difficulties and social enterprise performance in Lagos State.

Table 2: Pearson product-moment correlation showing the relationship between financial difficulties and social enterprise performance in Lagos State

Variable	Mean	SD	R	p-value	Remark
Performance	2.90	0.61			
Financial Difficulties	3.02	2.91	-0.412	0.000	Significant

Table 2 reveals that statistically significant relationship between financial difficulties and social enterprise performance. The Pearson correlation result reveals a moderate negative and statistically significant relationship between financial difficulties and social enterprise performance ($r = -0.412$, $p = 0.000 < 0.05$). This suggests that as financial difficulties increase, performance decreases. Therefore, the null hypothesis is rejected. Financial difficulties are a meaningful barrier to the effectiveness of social enterprises in Lagos State.

H_3: Crowdfunding techniques do not significantly affect social enterprise performance in Lagos State.

Table 3: Summary of Regression Analysis Showing the Influence of Crowdfunding Techniques on social enterprise performance

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Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change
1	0.489	0.239	0.228	1.372	0.239	21.347	1	68	0.000

ANOVA[a]

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	53.712	1	53.712	21.347	0.000
Residual	171.093	68	2.516		
Total	224.805	69			

Coefficients[a]

Model	Unstandardized Coefficients	Std. Error	Standardized Coefficients (Beta)	t	Sig.
(Constant)	2.415	0.279	—	8.658	0.000
Crowdfunding Techniques	0.539	0.117	0.489	4.619	0.000

Table 3 reveals that crowdfunding techniques did have a statistically significant effect on social enterprise performance in Lagos State. The regression result shows a statistically significant positive effect of crowdfunding techniques on social enterprise performance ($p = 0.000 < 0.05$). The R^2 value of 0.239 means that crowdfunding techniques explain 23.9% of the variation in performance. The Beta = 0.489 indicates a moderately strong effect. Therefore, we reject the null hypothesis and conclude that crowdfunding significantly influences the performance of social enterprises in Lagos State.

H_4: Financial literacy does not have any significant relationship with social enterprise performance in Lagos State.

Table 4: Pearson product-moment correlation showing relationships between Financial Literacy and Social Enterprise Performance in Lagos State

Variable	Mean	SD	Pearson r	Sig.	Remark
Performance	2.90	0.61			
Financial Literacy	3.03	0.55	0.995	0.000	Significant

Table 4 reveals that there is significant relationship between Financial Literacy and Social Enterprise Performance. The data presented in the table indicates a strong positive correlation between Financial Literacy and Performance, with a Pearson correlation coefficient (r) of 0.995, which is statistically significant at the 0.000 level ($p < 0.01$). This suggests that as Financial Literacy increases, Performance also tends to increase in a nearly perfect linear relationship. The mean score for Financial Literacy is 3.03 with a standard deviation of 0.55, while the mean performance score is slightly lower at 2.90 with a standard deviation of 0.61. The high correlation implies that individuals who are more financially literate tend to demonstrate better performance, likely indicating the importance of financial knowledge in achieving desired outcomes in the context studied. This finding highlights the critical role that

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financial literacy plays in enhancing overall performance, and it may suggest the need for targeted interventions or educational programs aimed at improving financial knowledge to boost performance levels.

H_5: Social incubators have no significant effect on social enterprise performance in Lagos State.

Table 5: Summary of Regression Analysis Showing the Influence of Social Incubators on Social Enterprise Performance

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change
1	0.523	0.273	0.263	1.284	0.273	25.523	1	68	0.000

ANOVA[a]

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	59.145	1	59.145	25.523	0.000
Residual	157.932	68	2.323		
Total	217.077	69			

Coefficients[a]

Model	Unstandardized Coefficients	Std. Error	Standardized Coefficients (Beta)	t	Sig.
(Constant)	2.192	0.301	—	7.283	0.000
Social Incubators	0.603	0.119	0.523	5.052	0.000

Table 5 reveals that social incubators has statistically significant effect on social enterprise performance in Lagos State. The regression analysis demonstrates that social incubators have a statistically significant and positive effect on social enterprise performance in Lagos State ($p = 0.000 < 0.05$). The $R^2 = 0.273$ shows that social incubators account for 27.3% of the variance in performance outcomes. With a Beta of 0.523, the influence is strong. Therefore, we reject the null hypothesis and conclude that access to and engagement with social incubators meaningfully enhances social enterprise performance.

Discussion of Findings

This study explored the effect of financing on the performance of social enterprises in Lagos State, Nigeria. The research specifically examined how financial resources, financial difficulties, crowdfunding, financial literacy, and social incubators influence the operational and strategic outcomes of social enterprises. The analysis revealed that financial resources do not have a statistically significant effect on the performance of social enterprises in Lagos State. This finding contradicts a widely held assumption in social enterprise literature, which posits that access to financial capital is a foundational requirement for organizational growth, sustainability, and social impact (Del Giudice et al., 2019). According to the Resource Dependence Theory (RDT), organizations rely heavily on external resources such as financial capital for their survival and success. However, the regression result ($\beta = -0.041$, $p = 0.595$) suggests that mere availability or access to financial resources does not automatically translate into improved performance for social enterprises in the Lagos context.

This outcome could be attributed to several contextual factors. Social enterprises in Lagos might be receiving funds that are misaligned with their operational needs or burdened by restrictive conditions that limit their flexibility. This particular finding reflects the conclusion

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of Borzaga et al. (2020), who emphasized that for social enterprises, non-financial assets like stakeholder engagement and social capital can often substitute for formal financing.

The study also found a moderate negative and statistically significant relationship between financial difficulties and social enterprise performance ($r = -0.412$, $p = 0.000 < 0.05$). This suggests that as financial difficulties increase, performance decreases. This aligns with the prevailing theoretical perspectives and empirical findings that link financial constraints with stunted growth, operational challenges, and reduced impact (Azzuwut et al., 2023; Okonji & Amuda, 2023).

Regarding the influence of crowdfunding techniques, the result showed a statistically significant effect on social enterprise performance in Lagos State. The regression result shows a statistically significant positive effect of crowdfunding techniques on social enterprise performance ($p = 0.000 < 0.05$). This outcome agrees with the widely accepted notion that crowdfunding is a democratizing force for financing early-stage ventures, including social enterprises (Mollick, 2014; Lehner & Nicholls, 2017). Crowdfunding offers an alternative source of capital for social ventures excluded from traditional financing systems due to lack of collateral or hybrid objectives.

The analysis further showed a strong positive and statistically significant relationship between financial literacy and social enterprise performance (Beta = 0.745, $p = 0.000$). This is in line with the findings of the likes of Lusardi and Mitchell (2011) and Lyons and Kass-Hanna (2021) that emphasize financial literacy as a crucial enabler of sound business decision-making, efficient resource allocation, and sustainability. Higher financial literacy would empower social entrepreneurs to make informed choices regarding budgeting, financing, and strategic planning, thereby improving their performance.

Lastly, the study found that social incubators has statistically significant effect on social enterprise performance in Lagos State (Beta = 0.523; $p = 0.000 < 0.05$). This is noteworthy because social incubators are vital mechanisms for accelerating early-stage ventures by offering funding, mentorship, networking, and access to markets. This finding aligns with the discovery of Sansone et al. (2020).

Theoretical, Practical, and Policy Implication

The theoretical implication of these findings is glaring. Based on the assumptions of the resource dependence theory, an enterprise needs access to external financing to succeed. However, the findings of this study contradicts this belief by proving that the survival of social enterprises in Lagos does not necessarily depend on external financing but rather depends more on non-financial resources such as social networks, relationships, and resilience mechanisms, thereby, agreeing with the assumptions of the social capital theory.

In the same vein, the findings will have an adverse effect on the foundational beliefs held by practitioners that social enterprises or any business enterprise at all mainly needs financial resources to survive. The findings dictate that social entrepreneurs in Lagos should place greater importance on improving their internal capacities, which include leveraging community support, grassroots innovation, and strategic improvisation rather than spending their precious resources and time mainly on souring for external financing. The limited impact of crowdfunding stipulated by the findings of the study points to the need for greater digital literacy, online presence, and trust-building to harness this financing tool effectively. Practitioners should therefore adopt a hybrid approach by combining their limited financial capabilities with a strong social capital and effective internal capabilities to remain sustainable and enjoy lasting impact in Lagos, Nigeria.

For policymakers such as the Nigerian government and development agencies, a redesign of social incubation models should be considered. These models should be more inclusive of grassroots enterprises, ensuring outreach beyond urban elites and aligning services with the social and financial objectives of social enterprises.

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5. CONCLUSION

This study has established that financing is a critical determinant of social enterprise performance in Lagos State. The empirical evidence shows that apart from financial resources, crowdfunding techniques, and social incubators all have significant positive effects on Social Enterprise Performance, while financial difficulties negatively impact it. These findings underscore the importance of not only securing adequate funding but also ensuring access to innovative and supportive financial mechanisms that empower social enterprises to thrive. The significance of crowdfunding and social incubators highlights a shift toward more decentralised, community-driven, and capacity-enhancing forms of support. This suggests that in the current economic climate, social enterprises that embrace alternative financing models and institutional partnerships are more likely to perform well and deliver sustainable impact.

Overall, the study contributes to the growing body of research emphasising the central role of financial strategy in social enterprise development. It also provides practical insights for policymakers, support organisations, and funders who seek to strengthen the social enterprise ecosystem in Nigeria. It also brings awareness to the solving of community-based social problems. By addressing financing barriers and promoting innovative funding channels, stakeholders can help unlock the full potential of social enterprises as agents of inclusive and sustainable development.

Recommendations

Based on the findings of this study, several actionable recommendations are proposed for social entrepreneurs, financial institutions, policymakers, and support organizations working to improve the performance and sustainability of social enterprises in Lagos State and similar contexts.

i. Addressing financial difficulties must be treated as an operational priority for social enterprises. Since financial instability is associated with lower performance outcomes, efforts should be made to minimize unnecessary costs, improve budgeting practices, and establish emergency reserves. Government agencies and development organizations should also consider offering risk-mitigation instruments, such as guarantees, subsidized interest rates, or credit insurance schemes that make it easier for social enterprises to survive financial shocks.

ii. Crowdfunding should be promoted as a viable and scalable alternative to traditional finance. The significant positive impact of crowdfunding on performance highlights the need to raise awareness about digital funding platforms and support entrepreneurs in launching successful campaigns. Training programs on how to craft compelling fundraising narratives, engage communities, and use social media effectively can further strengthen the impact of crowdfunding.

iii. The findings demonstrate that incubator-supported enterprises tend to perform better, highlighting the value of mentorship, training, and institutional networks. Government and philanthropic actors should invest in expanding the reach of existing incubator programs and establishing new ones, particularly in underserved areas. Incubators should also be tailored to the specific needs of social enterprises, including modules on impact measurement, mission alignment, hybrid business models, and policy engagement.

iv. Financial education remains a foundational business skill. Therefore, financial literacy programs should be designed not just to transfer knowledge but to link participants with real-world financial tools and applications. This includes access to bookkeeping apps, budgeting templates, and live case simulations that bridge the gap between theory and practice.

v. Policymakers must adopt a more enabling stance toward the social enterprise ecosystem. Regulatory frameworks should be reformed to formally recognize social enterprises as a distinct category of business with both social and economic objectives. This recognition can facilitate tax incentives, legal protections, and priority access to government-backed financing schemes. Furthermore, financial inclusion policies should be expanded to accommodate the specific needs of social entrepreneurs, including youth and women-led ventures, which often face additional systemic barriers.

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