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STRUCTURAL RELATIONSHIP BETWEEN CASH-BACKED LOANS AND MSMES SURVIVAL IN ABUJA, NIGERIA

BY

Chizoba N. Aikhuomogbe and Pauline E. Onyeukwu

Department of Business Management and Marketing.
Faculty of Management and social sciences.
Base University, Abuja.
Corresponding Author: chizoba007@gmail.com
Phone: 08035849342.

Abstract

This study examines the structural relationship between cash-backed loans and survival of Micro, Small, and Medium Enterprises (MSMEs) in Abuja, Federal Capital Territory, Nigeria. A descriptive survey design was adopted. Data were collected from 313 respondents drawn from a population of 22,861 registered MSMEs using stratified random sampling and a structured questionnaire; sample size was determined via the Krejcie and Morgan (1970) formula. Partial Least Squares Structural Equation Modelling (PLS-SEM) was employed for analysis using SmartPLS. The measurement model demonstrated satisfactory reliability and validity (loadings > 0.70; AVE: 0.660–0.704; CR: 0.886–0.905; Cronbach's α: 0.828–0.860). The structural model explained 54.9% of the variance in MSME survival ($R^2 = 0.549$). Loan Accessibility ($\beta = -0.065$, $p = 0.107$) and Collateral Adequacy ($\beta = -0.072$, $p = 0.221$) exerted no significant effect, whereas Loan Utility/Effectiveness exerted a strong, positive, and significant effect ($\beta = 0.831$, $t = 15.446$, $p < 0.001$). The study recommends that policymakers and lending institutions should prioritize post-disbursement monitoring and financial literacy programmes to enhance productive loan utilization among MSMEs.

Keywords: Cash-Backed Loans; Loan Accessibility; Collateral Adequacy; Loan Utility; MSME Survival; PLS-SEM; Nigeria

Introduction

The sustainability of micro, small, and medium enterprises (MSMEs) is a pivotal concern for economic development in developing economies. MSMEs serve as engines of job creation, poverty alleviation, and economic diversification, contributing significantly to gross domestic product (GDP) and productive employment in nations across the Global South (World Bank,

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2020). In Nigeria, MSMEs account for approximately 96% of all businesses, 84% of employment, and roughly 48% of GDP, rendering their survival and growth fundamental to national economic objectives (SMEDAN & National Bureau of Statistics, 2021). Despite their importance, MSMEs in Nigeria continue to face severe challenges, including limited access to formal credit, inadequate collateral, high interest rates, and systemic financial exclusion, all of which impede their survival and expansion.

In response to these challenges, cash-backed loans a form of secured financing in which borrowers pledge cash deposits or liquid savings as collateral have emerged as a promising instrument for bridging the financing gap among MSMEs. Unlike traditional collateralized lending, which typically requires fixed or immovable assets, cash-backed loans reduce lender risk while simultaneously lowering barriers to credit access for small businesses (Jamil et al., 2024; Simba et al., 2023). Several empirical studies have affirmed the positive role of collateralized financing in sustaining SMEs across different contexts. For instance, Simba et al. (2023) found that SMEs in 41 African nations with access to secured financing exhibited greater survival during economic downturns. Fasano et al. (2024) documented similar findings in Italy, while Ogujiuba et al. (2023) and Mwangi and Otieno (2024) confirmed positive effects of secured loans on SME sustainability in South African and Kenyan contexts, respectively.

Notwithstanding these contributions, extant studies are characterized by notable limitations. Most rely on regression-based techniques that fail to capture the latent structural relationships among the multidimensional components of cash-backed loans and enterprise survival. Moreover, the preponderance of studies focuses on access to credit in isolation, overlooking the complementary roles of collateral adequacy and loan utilization in determining survival outcomes. Studies specifically examining the Abuja context remain particularly scarce, despite the city’s growing MSME

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ecosystem and its unique policy environment as Nigeria's Federal Capital Territory.

This study addresses these gaps by modelling the structural relationship between cash-backed loans and MSME survival in Abuja through the application of Partial Least Squares Structural Equation Modelling (PLS-SEM). Cash-backed loans are operationalized as a multidimensional construct encompassing three dimensions: Loan Accessibility (LA), Collateral Adequacy (CA), and Loan Utility/Effectiveness (LU). MSME survival is conceptualized as a formative construct capturing the ability of enterprises to sustain operations, maintain profitability, and withstand financial shocks over time. The study thus offers a theoretically grounded, empirically robust examination of how different facets of secured financing contribute to entrepreneurial survival in a sub-national Nigerian context.

Research Questions

i. To what extent does Loan Accessibility (LA) influence the survival of MSMEs in Abuja?
ii. How does Collateral Adequacy (CA) affect the survival of MSMEs in Abuja?
iii. What effect does Loan Utility/Effectiveness (LU) have on the survival of MSMEs in Abuja?

Research Objectives

The main objective of the study was to examine how the dimensions of cash-backed loans influence the survival of MSMEs in Abuja.

i. To assess the effect of Loan Accessibility (LA) on the survival of MSMEs in Abuja.
ii. To determine the influence of Collateral Adequacy (CA) on the survival of MSMEs in Abuja.

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iii. To evaluate the impact of Loan Utility/Effectiveness (LU) on the survival of MSMEs in Abuja.

Research Hypotheses

H_{01}: Loan Accessibility (LA) has no significant effect on the survival of MSMEs in Abuja.

H_{02}: Collateral Adequacy (CA) has no significant effect on the survival of MSMEs in Abuja.

H_{03}: Loan Utility/Effectiveness (LU) has no significant effect on the survival of MSMEs in Abuja.

Literature Review

Conceptual Framework

Cash-Backed Loans

Cash-backed loans are a form of secured credit in which borrowers pledge liquid assets typically cash deposits or savings as collateral to obtain financing from banks or financial institutions. Unlike unsecured loans, which expose lenders to significant default risk, cash-backed loans reduce lender exposure while simultaneously affording borrowers immediate access to working capital at more competitive interest rates (Jamil et al., 2024; Simba et al., 2023). For MSMEs in developing countries, this instrument is particularly significant because conventional lending barriers such as the requirement for immovable asset collateral, lengthy appraisal processes, and high creditworthiness thresholds systematically exclude small businesses from formal credit markets. Evidence from both African and Asian contexts confirms that the accessibility, adequacy, and productive deployment of cash-backed loans play a critical role in MSME performance, liquidity management, and survival (Mhlongo & Daya, 2023; Mwangi & Otieno, 2024; Ogujiuba et al., 2023).

Loan Accessibility (LA)

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Loan Accessibility refers to the ease with which MSMEs can obtain cash-backed loans from formal financial institutions, encompassing the simplicity of application procedures, clarity of eligibility criteria, speed of disbursement, and availability of information about lending products. It is a critical determinant of whether enterprises can mobilize the financial resources necessary to sustain and grow their operations. Empirical evidence consistently shows that MSMEs with greater access to secured loans are more likely to survive financial pressures and remain viable in competitive markets (Simba et al., 2023; Mwangi & Otieno, 2024). In Nigeria, however, systemic barriers including bureaucratic processes, poor financial literacy, and the absence of credit information systems significantly curtail loan accessibility, particularly for MSMEs operating outside the formal sector (Ogujiuba et al., 2023).

Collateral Adequacy (CA)

Collateral Adequacy denotes the sufficiency and acceptability of assets or deposits that MSMEs can offer as security when applying for loans. Adequate collateral reduces lender risk and increases the probability of loan approval, thereby enabling enterprises to access the financing needed to stabilize cash flows and invest in growth. Research has demonstrated that MSMEs capable of providing sufficient and acceptable collateral are significantly more likely to secure formal credit, manage liquidity effectively, and survive economic downturns (Jamil et al., 2024; Ogujiuba et al., 2023). In the Nigerian context, collateral constraints are particularly acute for small businesses that lack substantial physical assets, making cash-backed arrangements an appealing alternative that aligns collateral with liquid savings.

Loan Utility/Effectiveness (LU)

Loan Utility refers to the degree to which MSMEs effectively deploy the proceeds of cash-backed loans towards productive business activities, including financing working capital, investing in capacity expansion,

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acquiring equipment, and managing operational contingencies. The productive utilization of loan funds is arguably the most proximate determinant of enterprise survival, as even accessible and adequately collateralized loans contribute little to business performance if the proceeds are diverted to non-productive uses or managed poorly (Fasano et al., 2024; Mhlongo & Daya, 2023). In the Abuja context, the effectiveness of loan deployment is closely linked to entrepreneurs' financial management skills and their exposure to business development support services.

MSME Survival

Entrepreneurial survival is conceptualized as the capacity of an enterprise particularly MSMEs to sustain operations, generate positive financial returns, and adapt effectively to financial, competitive, and market challenges over an extended period. It encompasses dimensions of financial viability, operational continuity, strategic adaptability, and resilience in the face of economic shocks (Simba et al., 2023; Mwangi & Otieno, 2024). Research consistently demonstrates that survival is contingent upon access to adequate financing, sound management practices, strategic resource allocation, and the ability to leverage external support networks (Jamil et al., 2024; Ogujiuba et al., 2023). In emerging economies such as Nigeria, MSME survival assumes heightened importance given the enterprises' role in driving inclusive economic growth and reducing unemployment.

Empirical Review

Loan Accessibility and MSME Survival

The relationship between loan accessibility and MSME survival has attracted considerable scholarly attention, yielding a body of evidence that is broadly supportive but contextually nuanced. Simba et al. (2023), analyzing survey data from 13,783 SMEs across 41 African countries using multiple regression, found that enterprises with access to secured credit exhibited significantly higher survival rates during economic downturns relative to those without such financing. The authors attributed this outcome to the

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liquidity buffer and investment capacity that secured credit affords, enabling firms to maintain operations during periods of cash flow stress. Similarly, Mwangi and Otieno (2024), in a study of Kenyan SMEs, demonstrated that cash-based financing positively influenced financial sustainability and business continuity, although their analysis relied on descriptive and bivariate approaches that precluded causal inference.

In the Asian context, Jamil et al. (2024) employed probit regression on a dataset of 25,000 firms across developing Asian economies and found that SMEs able to provide cash collateral were significantly more successful in securing loans and maintaining financial stability. Chen et al. (2024) similarly found that SMEs with access to collateralized loans had a higher probability of surviving economic shocks. However, these studies share a common limitation: they examine access to credit in isolation, without modelling the structural pathways through which loan accessibility translates into survival outcomes. The current study addresses this gap by incorporating loan accessibility as a latent reflective construct within a PLS-SEM framework.

Collateral Adequacy and MSME Survival

The role of collateral adequacy in mediating SME access to finance and survival has been examined in a range of African and developing-country contexts. Ogujiuba et al. (2023) investigated the association between secured lending and SME sustainability in South Africa using survey methods and multiple regression analysis, finding that enterprises capable of pledging cash as collateral demonstrated greater operational sustainability. Mhlongo and Daya (2023), through a survey-based regression study of SMEs in emerging economies, found that access to collateral-supported credit significantly enhanced survival probabilities, particularly among firms facing severe financial constraints. Jiménez et al. (2024), in a European context, found that SMEs providing liquid collateral achieved significantly higher loan approval rates and improved survival chances.

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Despite these converging findings, gaps remain. Most existing studies treat collateral as a binary variable (available/not available) and do not examine whether the degree of collateral adequacy the fit between available assets and lender requirements differentially predicts survival outcomes. Moreover, none of the studies reviewed employed structural equation modelling to unpack the latent dimensions of collateral-related constructs. The present study contributes to addressing this limitation.

Loan Utility and MSME Survival

A growing body of evidence suggests that the productive utilization of loan funds may be a more decisive determinant of MSME survival than access to credit per se. Fasano et al. (2024), analyzing panel data from 90,000 Italian SMEs, found that firms using secured financing for strategic rather than merely operational purposes achieved higher survival rates during financial crises. This finding underscores the importance of loan management capacity, not merely loan availability. Nguyen et al. (2025), examining panel data from 5,200 Southeast Asian enterprises, found that the effectiveness of secured lending in enhancing sustainability was contingent on how loan proceeds were deployed firms investing in productive assets and working capital outperformed those using loans for consumption or debt servicing.

In the Nigerian context, evidence on loan utility is largely anecdotal, with limited empirical research specifically examining how the productive use of cash-backed loans translates into entrepreneurial survival. This study contributes to filling this gap by modelling loan utility as a distinct latent construct and examining its structural relationship with MSME survival in Abuja.

Empirical Gap

Despite the growing body of literature on secured financing and MSME survival, significant gaps remain. First, most studies rely on regression-based

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techniques that fail to account for the multi-dimensional, latent nature of both cash-backed loans and MSME survival. Second, the differential effects of loan accessibility, collateral adequacy, and loan utility on survival outcomes have rarely been examined within a single integrated framework. Third, the Abuja context remains understudied in the MSME financing literature, despite its status as Nigeria's fastest-growing commercial hub. This study addresses these gaps by applying PLS-SEM to model the structural relationship between the three dimensions of cash-backed loans and MSME survival in Abuja, contributing novel empirical evidence to the field.

Theoretical Framework

Resource-Based Theory (RBT)

This study is anchored in the Resource-Based Theory (RBT), originally articulated by Barney (1991), which posits that sustainable competitive advantage and enterprise survival are achieved through the efficient acquisition, management, and exploitation of valuable, rare, inimitable, and non-substitutable organizational resources. Applied to the MSME context, cash-backed loans constitute a critical financial resource that, when accessible and adequately collateralized, enhances the financial flexibility and investment capacity of enterprises. The three dimensions of cash-backed loans Loan Accessibility, Collateral Adequacy, and Loan Utility operationalize the processes by which MSMEs acquire, secure, and deploy this financial resource. RBT predicts that MSMEs that leverage cash-backed loans effectively will be better positioned to withstand competitive pressures and environmental turbulence, thereby improving their survival prospects.

Financial Intermediation Theory (FIT)

Complementing RBT, Financial Intermediation Theory (FIT) as elaborated by Mishkin (2020) explains the role of financial intermediaries in channeling funds from surplus units (savers and depositors) to deficit units (borrowers), thereby reducing information asymmetry and transaction costs in financial markets. FIT provides the institutional backdrop for understanding how

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banks and microfinance institutions, through cash-backed lending products, enable MSMEs to overcome credit market imperfections. The theory highlights that the efficiency of financial intermediation captured in this study by the accessibility, adequacy, and utility dimensions of cash-backed loans is a critical determinant of enterprise survival in contexts where information asymmetry and collateral constraints are pervasive, as in Nigeria.

Methodology

Research Design

A descriptive survey research design was adopted for this study. This design is appropriate for systematically collecting primary data on the perceptions, experiences, and practices of a well-defined population using structured instruments. The approach enables the quantification of respondents' attitudes and behaviours related to cash-backed loan utilization and MSME survival, and facilitates the application of multivariate statistical techniques for hypothesis testing (Creswell & Creswell, 2018).

Population and Sampling

The target population comprised all registered MSMEs operating across the six area councils of Abuja FCT, engaging in diverse business activities including fashion, food and beverages, electronics, agriculture, manufacturing, and personal care services. Based on data from the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) and the National Bureau of Statistics (2021), the population of registered MSMEs in FCT Abuja is 22,861. Stratified random sampling was employed to ensure proportional representation across business types and area councils.

The sample size was determined using the Krejcie and Morgan (1970) formula:

$$s = \frac{X^2 . N . P(1-P)^{\square}}{d^2(N-1) + X^2 . P(1-P)}$$

S = Required sample size

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N = Population size = 22,861

P = Population proportion (assumed to be 0.5 for maximum sample size)

d^2 = Degree of accuracy (margin of error), typically 0.05

X^2 = Chi-square value for 1 degree of freedom at 95% confidence level = 3.841

Following the above formula, we have.

$$s = \frac{3.841^{\square} * 22861 * 0.5(1-0.5)^{\square}}{0.05^2(22861-1) + 3.841^2 * 0.5(1-0.5)}$$

$$s = \frac{3.841^{\square} * 22861 * 0.25^{\square}}{0.05^2(22860) + 3.841^{\square} * 0.25}$$

$$s = \frac{21952.37525}{58.11025}$$

$$s = 378$$

A total of 378 structured questionnaires were distributed, and 313 were returned complete and usable, representing a response rate of 82.9%, which is considered satisfactory for PLS-SEM analysis (Hair et al., 2021).

Measurement Instrument

A structured, self-administered questionnaire was used to collect data. The instrument was organized into two parts: (i) respondent demographic information; and (ii) items measuring the four constructs Loan Accessibility (LA), Collateral Adequacy (CA), Loan Utility (LU), and MSME Survival. All items for the reflective constructs (LA, CA, LU) were measured on a five-point Likert scale (1 = Strongly Disagree to 5 = Strongly Agree). The MSME Survival construct was operationalized as a formative construct with four

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indicators capturing financial viability, operational continuity, market competitiveness, and resilience.

Data Analysis Technique

Partial Least Squares Structural Equation Modelling (PLS-SEM) was applied using SmartPLS 4 software (Ringle et al., 2005), consistent with the study's predictive research orientation, the presence of both reflective and formative constructs, and the relatively modest sample size of 313 (Hair et al., 2021). The analysis proceeded in two stages: (i) assessment of the measurement model (outer model) to establish the reliability and validity of constructs; and (ii) assessment of the structural model (inner model) to evaluate path coefficients, R^2 and the significance of hypothesized relationships via bootstrapping with 5,000 subsamples.

Results

Demographic Profile of Respondents

Table 1: Gender Distribution of Respondents

Gender	Frequency	Percentage (%)
Male	189	60.4
Female	124	39.6
Total	**313**	**100.0**

Source: Field Survey, 2026

Table 1 presents the gender distribution of the 313 respondents. Male respondents constituted 60.4% (n = 189), while females accounted for 39.6% (n = 124), indicating a slight male dominance among MSME operators in the study area, consistent with patterns documented in prior Nigerian entrepreneurship studies.

Table 2: Age Distribution of Respondents

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Age Category	Frequency	Percentage (%)
18–25 years	36	11.5
26–35 years	97	31.0
36–45 years	105	33.5
46–55 years	55	17.6
56 years and above	20	6.4
Total	**313**	**100.0**

Source: Field Survey, 2026

Table 2 shows that the 36–45 years age cohort was most represented (33.5%, n = 105), followed by the 26–35 years group (31.0%, n = 97). This distribution suggests that MSME activity in Abuja is concentrated among working-age adults in their most productive entrepreneurial years, consistent with patterns observed in African urban entrepreneurship literature.

Table 3: Educational Qualification of Respondents

Educational Qualification	Frequency	Percentage (%)
Primary Education	22	7.0
Secondary Education	86	27.5
Diploma/NCE/ND	79	25.2
Bachelor’s Degree	96	30.7
Postgraduate Degree	30	9.6
Total	**313**	**100.0**

Source: Field Survey, 2026

Measurement Model Assessment

The measurement model was evaluated following the two-stage procedure recommended by Hair et al. (2021), assessing reflective constructs for reliability and convergent validity, and formative constructs for indicator significance, weights, and collinearity.

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Reliability and Convergent Validity

Table 4: Construct Reliability and Convergent Validity

Construct	Item	Scale Type	Loading	AVE	CR	Cronbach's α
Loan Accessibility	LA1	Reflective	0.832	0.698	0.902	0.855
	LA2	Reflective	0.872			
	LA3	Reflective	0.886			
	LA4	Reflective	0.732			
Collateral Adequacy	CA1	Reflective	0.842	0.704	0.905	0.860
	CA2	Reflective	0.883			
	CA3	Reflective	0.854			
	CA4	Reflective	0.775			
Loan Utility	LU1	Reflective	0.821	0.660	0.886	0.828
	LU2	Reflective	0.797			
	LU3	Reflective	0.821			
	LU4	Reflective	0.791			

Source: SmartPLS Output, 2026. Note: AVE = Average Variance Extracted; CR = Composite Reliability.

Table 4 presents the results of the reliability and convergent validity assessment. All indicator loadings for the three reflective constructs exceeded the recommended threshold of 0.70 (Hair et al., 2021). Specifically, loadings for Loan Accessibility ranged from 0.732 to 0.886; for Collateral

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Adequacy from 0.775 to 0.883; and for Loan Utility from 0.791 to 0.821. These values confirm satisfactory indicator reliability for all reflective constructs.

The Average Variance Extracted (AVE) values were 0.698 for Loan Accessibility, 0.704 for Collateral Adequacy, and 0.660 for Loan Utility, all exceeding the minimum threshold of 0.50 (Fornell & Larcker, 1981), thereby confirming convergent validity. Both Composite Reliability (CR) and Cronbach's Alpha (α) values exceeded the recommended 0.70 threshold for all constructs: CR values ranged from 0.886 to 0.905, while α values ranged from 0.828 to 0.860, confirming strong internal consistency reliability.

Formative Construct Assessment (MSME Survival)

Table 5: Formative Construct Assessment – MSME Survival

Indicator	Weight	VIF	t-value	Decision
MSMES1	0.679	1.152	25.749	Supported
MSMES2	0.245	1.610	6.082	Supported
MSMES3	0.305	1.997	9.328	Supported
MSMES4	0.088	1.419	4.669	Supported

Source: SmartPLS Output, 2026.

Note: VIF = Variance Inflation Factor; t-values based on 5,000 bootstrapped subsamples

The MSME Survival construct was specified as a formative measure, assessed through indicator weights, t-values (via bootstrapping with 5,000 subsamples), and Variance Inflation Factor (VIF) values for collinearity. As shown in Table 5, all four indicators (MSMES1–MSMES4) demonstrated statistically significant weights ($t > 1.96$, $p < 0.05$). MSMES1 carried the highest weight (0.679, $t = 25.749$), followed by MSMES3 (0.305, $t = 9.328$), MSMES2 (0.245, $t = 6.082$), and MSMES4 (0.088, $t = 4.669$). All VIF values ranged between 1.152 and 1.997, well below the conservative threshold of

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3.3 (Hair et al., 2021), confirming the absence of multicollinearity among the formative indicators.

Discriminant Validity

Table 6: Discriminant Validity – HTMT Ratios

Construct	Collateral Adequacy	Loan Accessibility	Loan Utility	MSME Survival
Collateral Adequacy	—			
Loan Accessibility	0.677	—		
Loan Utility	0.845	0.790	—	
MSME Survival	0.459	0.418	0.690	—

Source: SmartPLS Output, 2026.

Note: HTMT = Heterotrait-Monotrait Ratio; threshold < 0.85 (Henseler et al., 2015)

Discriminant validity was assessed using the Heterotrait-Monotrait ratio (HTMT), as recommended by Henseler et al. (2015) as a superior alternative to the Fornell-Larcker criterion. Table 6 presents the HTMT matrix. All HTMT values between construct pairs fell below the recommended threshold of 0.85, confirming discriminant validity. The highest HTMT value was between Collateral Adequacy and Loan Utility (0.845), which, while close to the threshold, remains within acceptable bounds. The HTMT values between MSME Survival and the independent constructs ranged from 0.418 to 0.690, indicating that the dependent construct is empirically distinct from each predictor.

Collinearity Diagnostics

Table 7: Variance Inflation Factor (VIF) for Collinearity Diagnostics

Indicator	VIF
LA1	2.000
LA2	2.446
LA3	2.638

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LA4	1.655
CA1	2.329
CA2	2.471
CA3	2.115
CA4	1.631
LU1	1.635
LU2	1.854
LU3	2.186
LU4	1.973
MSMES1	1.152
MSMES2	1.610
MSMES3	1.997
MSMES4	1.419

Source: SmartPLS Output, 2026

Variance Inflation Factor (VIF) values for all indicator variables in the structural model are presented in Table 7. All VIF values ranged between 1.152 and 2.638, well below the conservative threshold of 3.3 recommended for PLS-SEM (Hair et al., 2021), and far below the liberal threshold of 5.0. This confirms the absence of problematic multicollinearity among all construct indicators in both the measurement and structural models.

Structural Model Assessment and Hypothesis Testing

Coefficient of Determination (R^2)

The R^2 value for the MSME Survival construct is 0.549, indicating that the three predictor constructs Loan Accessibility, Collateral Adequacy, and Loan Utility jointly explain 54.9% of the variance in MSME survival. Following Cohen's (1988) benchmarks as adapted for PLS-SEM by Hair et al. (2021), an R^2 of approximately 0.50 indicates moderate predictive power, suggesting that the model possesses satisfactory explanatory capability.

Path Coefficients and Hypothesis Testing

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Table 8 presents the path coefficients, standard errors, t-statistics, and p-values derived from bootstrapping with 5,000 subsamples. Results are discussed in relation to the three null hypotheses.

Table 8: Structural Model Results – Path Coefficients and Hypothesis Testing

Path	β	Std. Error	t-statistic	p-value	Decision
LA → MSME Survival	−0.065	0.040	1.615	0.107	H_{o1} Not Rejected
CA → MSME Survival	−0.072	0.059	1.226	0.221	H_{o2} Not Rejected
LU → MSME Survival	0.831	0.054	15.446	< 0.001	H_{o3} Rejected

Source: SmartPLS Output, 2026.

Note: β = standardized path coefficient; t-values based on 5,000 bootstrapped subsamples; significance at $p < 0.05$ (two-tailed)

H_{o1} (Loan Accessibility → MSME Survival)

The results reveal that Loan Accessibility exerts a negative and statistically insignificant effect on MSME survival (β = −0.065, t = 1.615, p = 0.107). Because the p-value exceeds the significance threshold of 0.05 and the t-statistic falls below 1.96, the null hypothesis (H_{10}) is not rejected. This finding indicates that mere access to loans, in isolation, does not significantly predict the survival of MSMEs in Abuja.

H_{o2} (Collateral Adequacy → MSME Survival)

Similarly, Collateral Adequacy was found to exert a negative and statistically insignificant effect on MSME survival (β = −0.072, t = 1.226, p = 0.221). The null hypothesis (H_{20}) is therefore not rejected. The result suggests that the availability of collateral per se does not constitute a decisive driver of MSME survival, possibly because collateral access enables loan acquisition but does not guarantee productive fund deployment.

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H_{03} (Loan Utility → MSME Survival)

In stark contrast, Loan Utility/Effectiveness demonstrated a strong, positive, and highly statistically significant effect on MSME survival ($\beta = 0.831$, $t = 15.446$, $p < 0.001$). The t-statistic substantially exceeds the critical value of 1.96 and the p-value falls well below 0.05, thereby warranting rejection of the null hypothesis (H_{30}). This finding confirms that the effective and productive utilization of cash-backed loan funds is the most powerful determinant of MSME survival among the dimensions examined in this study.

Discussion of the Findings

The findings of this study yield several important insights into the structural relationship between cash-backed loans and MSME survival in Abuja, and contribute to the broader literature on MSME financing in sub-Saharan Africa.

Loan Accessibility and MSME Survival

The non-significant negative effect of Loan Accessibility on MSME survival ($\beta = -0.065$, $p = 0.107$) is a counterintuitive but theoretically defensible finding. While a substantial body of literature associates credit access with improved enterprise performance (Simba et al., 2023; Mwangi & Otieno, 2024), the present result suggests that accessing loans alone does not translate automatically into survival advantages for MSMEs in Abuja. This finding may reflect several structural realities. First, many MSMEs may access loans but deploy the proceeds sub optimally, due to limited financial management skills or exposure to non-business expenditure pressures. Second, the terms attached to accessible loans in Nigeria including high interest rates and short repayment periods may impose debt-servicing burdens that erode rather than support survival. Third, the marginal utility of loan access may diminish when the institutional and market environment does not support productive investment.

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This finding resonates with Jiménez et al. (2024), who cautioned that access to credit in constrained environments does not automatically produce survival-enhancing outcomes, and is consistent with Nguyen et al.'s (2025) observation that the sustainability effects of secured lending are contingent on how funds are applied. From the lens of Resource-Based Theory, the mere acquisition of a financial resource is insufficient; it is the effective utilization of that resource that confers competitive advantage and survival resilience (Barney, 1991).

Collateral Adequacy and MSME Survival

The non-significant effect of Collateral Adequacy on MSME survival ($\beta = -0.072$, $p = 0.221$) similarly challenges conventional wisdom in the MSME financing literature. Prior studies such as Ogujiuba et al. (2023) and Mhlongo and Daya (2023) have identified collateral availability as a positive predictor of SME sustainability. However, those studies primarily examined collateral as a determinant of credit access, rather than as a direct predictor of survival outcomes. The present study models collateral adequacy as a direct structural predictor of survival, and finds no significant relationship.

This result may be interpreted as indicating that collateral serves as a necessary but insufficient condition for MSME survival. Adequate collateral enables loan acquisition, but its survival-enhancing potential is mediated through the effective use of the funds secured. When the loan proceeds are not productively deployed a condition captured by the Loan Utility construct adequate collateral yields no significant survival dividend. This interpretation is consistent with Financial Intermediation Theory, which emphasizes that the efficiency of financial intermediation is determined not merely by the availability of collateral, but by the effective channeling of funds into productive investment activities (Mishkin, 2020).

Loan Utility and MSME Survival

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The strong, positive, and significant effect of Loan Utility on MSME survival ($\beta = 0.831$, $t = 15.446$, $p < 0.001$) is the most substantively important finding of this study. This result is consistent with and extends prior evidence from Fasano et al. (2024) and Nguyen et al. (2025), who found that the manner in which loan funds are deployed is a more decisive predictor of enterprise outcomes than credit access per se. The magnitude of the path coefficient ($\beta = 0.831$) is remarkably large, suggesting that Loan Utility dominates the model's explanatory power, accounting for the bulk of the variance explained in MSME survival alongside the R^2 of 0.549.

This finding carries profound implications for both theory and practice. Theoretically, it reinforces the Resource-Based Theory proposition that competitive advantage and survival derive from the effective exploitation of resources, not merely their acquisition (Barney, 1991). Practically, it suggests that interventions focused exclusively on expanding credit access or relaxing collateral requirements may yield limited survival gains unless accompanied by mechanisms that enhance the productive utilization of loan funds. This implies a need for integrated financial support programmes that combine credit provision with financial literacy training, business advisory services, and post-disbursement monitoring.

Conclusion

This study set out to examine the structural relationship between cash-backed loans and MSME survival in Abuja, Nigeria, through the application of PLS-SEM. Drawing on data from 313 MSME operators and a theoretically grounded framework anchored in Resource-Based Theory and Financial Intermediation Theory, the study disaggregated cash-backed loans into three distinct dimensions: Loan Accessibility, Collateral Adequacy, and Loan Utility/Effectiveness. The principal finding is that MSME survival in Abuja is primarily driven by Loan Utility the effective and productive deployment of loan funds rather than by the mere accessibility of loans or the adequacy of

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collateral. Loan Accessibility and Collateral Adequacy exerted statistically non-significant effects on MSME survival, while Loan Utility exerted an overwhelming and highly significant positive effect ($\beta = 0.831$, $t = 15.446$, $p < 0.001$). The model accounted for 54.9% of the variance in MSME survival.

These findings have important theoretical implications, affirming the Resource-Based Theory proposition that enterprise survival is a function of effective resource exploitation, not resource acquisition alone. They also highlight that Financial Intermediation Theory must be extended to incorporate the demand-side dimension of financial resource management if it is to fully explain MSME survival in developing-country contexts.

For practice, the results suggest that lending institutions and government agencies should complement credit provision with robust post-disbursement monitoring, financial literacy programmes, and structured business advisory support. Credit access policies alone are insufficient the critical leverage point for improving MSME survival rates in Abuja lies in enhancing the quality of loan utilization. Future research should explore the mediating role of financial literacy and managerial competence in the loan utility MSME survival relationship, and examine whether similar patterns obtain in other Nigerian states and across different sectoral contexts.

Recommendations

i. Financial institutions and government agencies should ensure that cash-backed loan facilities are accompanied by favourable lending conditions, including lower interest rates and flexible repayment schedules, to reduce the debt-servicing burden on MSMEs.

ii. Lending institutions should adopt more flexible collateral evaluation frameworks, including alternative credit assessment methods and credit guarantee schemes, to expand credit access for MSMEs lacking substantial physical assets.

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iii. Given the dominant role of Loan Utility in predicting MSME survival, government agencies notably SMEDAN and the Bank of Industry should mandate financial management training, post-disbursement monitoring, and business advisory support as integral components of all MSME lending programmes.

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