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MEDIATING ROLE OF FINANCIAL LITERACY IN THE RELATIONSHIP BETWEEN GOVERNMENT GRANTS AND SUSTAINABLE PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES IN MINNA, NIGER STATE

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ABSTRACT

This study examined the mediating role of financial literacy in the relationship between government grants and sustainable performance of SMEs in Minna, Niger State. The study adopted a cross-sectional survey design with 312 valid responses from grant-beneficiary SMEs selected through stratified random sampling. Data were analysed using PLS-SEM via SmartPLS 4. Findings revealed that government grants have a significant positive effect on sustainable performance ($\beta = 0.284$, $p < 0.001$), financial literacy has a significant positive effect on sustainable performance ($\beta = 0.481$, $p < 0.001$), and financial literacy significantly mediates the relationship between government grants and sustainable performance ($\beta = 0.221$, $p < 0.001$). The study concludes that grants alone are insufficient to guarantee sustainability; financial capability is critical to translating grants into economic, social and environmental outcomes. The study recommends integrating mandatory financial literacy training into grant programmes.

Keywords: Government Grants, Financial Literacy, Sustainable Performance, SMEs, Minna, Niger State

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Introduction

Small and Medium Enterprises (SMEs) play a pivotal role in the economic development of both developed and developing nations. Globally, SMEs are recognised as engines of innovation, employment creation and poverty alleviation, contributing significantly to Gross Domestic Product and industrial diversification (World Bank, 2023). In Nigeria, the importance of SMEs cannot be overstated. According to the Small and Medium Enterprises Development Agency of Nigeria, SMEs constitute over 90% of all enterprises in the country, contribute about 48% to national GDP and account for over 87% of employment opportunities (SMEDAN, 2023). This makes the sector central to achieving national development objectives including inclusive growth, economic self-reliance and reduction in unemployment, particularly among youth and women.

Despite their strategic importance, the performance and sustainability of SMEs in Nigeria remain worrisome. Many small businesses struggle to survive beyond their early years due to challenges such as limited access to affordable finance, inadequate infrastructure, poor managerial skills and weak financial management practices (Central Bank of Nigeria, 2023). Access to finance has been consistently identified as one of the most critical constraints facing SMEs, as commercial banks often perceive them as high-risk borrowers due to lack of collateral, poor credit history and absence of proper financial records. This financing gap limits their ability to invest in growth, adopt new technologies and maintain operational resilience.

In response to these challenges, the Nigerian government has over the years introduced various intervention programmes aimed at supporting SMEs. These interventions include both credit-based and grant-based schemes. Government grants, which are non-repayable financial awards, have gained prominence as a tool for empowering small businesses without increasing their debt burden (OECD, 2022). Programmes such as the National Enterprise Development Programme, TraderMoni, Youth Investment Fund, and state-level initiatives in Niger State have been implemented to provide financial support to micro and small entrepreneurs. The rationale behind these grants is to stimulate entrepreneurship, enhance competitiveness and promote sustainable enterprise development.

However, the provision of grants alone may not automatically translate into sustainable performance. Sustainable performance goes beyond short-term profit to encompass long-term economic viability, social responsibility and environmental sustainability (Elkington, 1998; GRI, 2021). It requires SMEs to not only generate profit but also create jobs, engage responsibly with their communities and adopt environmentally friendly practices. Achieving this holistic performance demands more than financial capital. It requires financial capability.

This brings financial literacy to the forefront as a crucial factor. Financial literacy empowers SME owners with the knowledge and skills needed to budget effectively, maintain accurate records, manage cash flow, evaluate investment options and avoid financial waste (Lusardi & Mitchell, 2014; OECD, 2020). In an environment where many SME owners have limited formal financial training, financial literacy becomes the capability that determines how efficiently external resources such as government grants are utilised. Therefore, understanding the interplay between government grants, financial literacy and sustainable performance is essential for designing more effective SME support policies, particularly in Minna, Niger State, where SME development is a priority for state economic transformation.

Statement of the problem

Small and Medium Enterprises in Nigeria, despite their significant contribution to employment and GDP growth, continue to face high rates of failure and poor sustainability

(SMEDAN, 2023). In Niger State, particularly Minna, numerous SMEs collapse within a few years of establishment despite various government interventions aimed at supporting their growth. Over the past decade, federal and state governments have introduced several grant-based programmes such as SMEDAN grants, Bank of Industry interventions and state-level microenterprise support schemes to provide non-repayable financial assistance to SMEs (Central Bank of Nigeria, 2023). The expectation is that these grants would enhance business expansion, improve competitiveness and promote long-term survival.

However, evidence on the ground suggests a disconnect between grant receipt and sustainable business outcomes. Many beneficiaries in Minna still exhibit poor financial management practices, inability to maintain proper records, diversion of business funds to personal use and eventual business stagnation or closure (SMEDAN 2021). This raises critical questions about whether providing financial resources alone is sufficient to ensure sustainable performance that encompasses economic, social and environmental dimensions (Elkington, 1998).

The missing link appears to be financial literacy. Without adequate financial knowledge, behaviour and attitude, SME owners may lack the capability to transform government grants into sustainable value (OECD, 2020; Lusardi & Mitchell, 2014). While some studies have examined government grants and SME performance in other parts of Nigeria (e.g., Alabi et al., 2023; Aribaba et al., 2019), little attention has been paid to the mediating role of financial literacy in explaining how grants translate into sustainable performance, especially in the context of Minna, Niger State. Furthermore, most existing studies focus narrowly on financial performance rather than holistic sustainable performance.

Therefore, the central problem this study seeks to address is the unclear mechanism through which government grants influence sustainable performance of SMEs and whether financial literacy serves as the explanatory mechanism in this relationship within the Minna context.

Objectives of the study

The broad objective of this study is to examine the mediating role of financial literacy in the relationship between government grants and sustainable performance of SMEs in Minna, Niger State. The specific objectives are:

1. To examine the effect of government grants on sustainable performance of SMEs in Minna, Niger State.
2. To assess the effect of financial literacy on sustainable performance of SMEs in Minna, Niger State.
3. To determine whether financial literacy mediates the relationship between government grants and sustainable performance of SMEs in Minna, Niger State.

Research questions

1. To what extent do government grants affect sustainable performance of SMEs in Minna, Niger State?
2. To what extent does financial literacy affect sustainable performance of SMEs in Minna, Niger State?
3. Does financial literacy mediate the relationship between government grants and sustainable performance of SMEs in Minna, Niger State?

Research hypotheses

H1: Government grants have a significant positive effect on sustainable performance of SMEs in Minna, Niger State.

H2: Financial literacy has a significant positive effect on sustainable performance of SMEs in Minna, Niger State.

H3: Financial literacy mediates the relationship between government grants and sustainable performance of SMEs in Minna, Niger State.

Significance of the study

This study is significant to multiple stakeholders. For policymakers and grant agencies such as SMEDAN and Bank of Industry, it provides evidence for integrating financial literacy training into grant disbursement frameworks to enhance sustainability outcomes. For SME owners in Minna, it highlights the importance of financial capability beyond access to finance for achieving economic, social and environmental sustainability. For development practitioners, it offers a grant-plus-capability model for enterprise support. Academically, it extends Human Capital Theory and enriches the literature on SME sustainable performance in the context of Niger State, which is underrepresented in existing research.

Literature review: Conceptual review

Concept of government grants

Government grants are generally understood as non-repayable financial transfers provided by government to individuals, businesses or institutions to achieve specific public policy objectives. Unlike loans, grants do not require repayment of principal or interest, and they do not dilute ownership, which makes them particularly attractive to small and medium enterprises (SMEs) that often struggle to meet collateral requirements of formal financial institutions (OECD, 2020). In developing economies like Nigeria, where over 90% of businesses are SMEs and they contribute about 48% to GDP according to SMEDAN (2021), government grants are positioned as a strategic tool for promoting entrepreneurship, job creation and inclusive growth.

Conceptually, government grants can be classified based on purpose and delivery mechanism. Start-up grants are targeted at nascent entrepreneurs to cover initial costs such as business registration, equipment purchase and working capital. Expansion grants support existing businesses seeking to scale operations, enter new markets or acquire technology. Innovation and research grants encourage product development and technological upgrading, while recovery grants, such as those introduced during COVID-19, aim to help businesses survive economic shocks. In Nigeria, various grant schemes have been introduced, including the Bank of Industry (BOI) Youth Entrepreneurship Support, SMEDAN Conditional Grant Scheme. Despite these interventions, the National Bureau of Statistics (2022) reports that over 80% of SMEs in Nigeria still cite lack of access to finance as a major constraint, indicating a gap between grant provision and actual reach.

A key feature of government grants is conditionality. Beneficiaries are typically required to fulfil certain eligibility criteria such as possession of a registered business name, tax identification number, bank verification number, and a viable business plan (Adegboye & Iweriebor, 2018). Grants are also usually tied to specific uses, and monitoring mechanisms are put in place to ensure compliance, although enforcement remains weak in many contexts. Another characteristic is limited amount and duration. Most grants in Nigeria range from ₦50,000 to ₦500,000 for micro enterprises, which may be insufficient for sustainable growth if not properly managed. (CBN, 2023)

SMEDAN (2021) estimates that about 39.3 million MSMEs exist in Nigeria, yet less than 5% benefit from government grant schemes annually, highlighting issues of coverage and targeting. The importance of government grants to SME development is widely acknowledged.

Grants improve liquidity, enable asset acquisition, reduce dependence on expensive informal credit, and provide opportunity for reinvestment. For many entrepreneurs in Minna and across Niger State, grants represent the only formal external finance they can access, given that interest rates on commercial bank loans hover between 25% and 30% per annum. (CBN, 2023) By easing financial constraints, grants can enhance business survival, increase turnover and support sustainable performance if channelled into productive activities.

However, the administration of government grants in Nigeria faces significant challenges. Bureaucratic bottlenecks, lack of awareness, political interference and corruption often undermine the effectiveness of grant programmes. Studies show that many intended beneficiaries are unaware of available schemes, while others are discouraged by cumbersome application processes. [Cite the studies referred to.] Furthermore, diversion of grants to non-business purposes such as household consumption remains common, particularly where beneficiaries lack financial management skills. This situation explains why, despite substantial government investment in SME support programmes, the mortality rate of SMEs remains high, with SMEDAN (2022) reporting that about 80% of SMEs in Nigeria fail within the first five years of operation.

In essence, government grants are conceptualised as deliberate fiscal interventions aimed at correcting market failures and supporting enterprises with growth potential. Their effectiveness in achieving sustainable performance depends not only on availability and accessibility but also on proper targeting, transparent disbursement and the capability of recipients to utilize funds efficiently.

Financial literacy

Financial literacy refers to the ability of an individual to understand and effectively apply various financial skills in managing personal and business financial resources. It encompasses a combination of awareness, knowledge, skill, attitude and behaviour necessary to make sound financial decisions and ultimately achieve financial well-being (OECD, 2020). Beyond simply knowing what money is, financial literacy involves the capacity to comprehend fundamental financial concepts such as budgeting, saving, borrowing, investing and risk management, and to translate such understanding into responsible day-to-day financial behaviour.

At its core, financial literacy is often conceptualised along three interrelated dimensions. The first is financial knowledge, which relates to the understanding of basic financial principles including interest rates, inflation, diversification and record keeping (Lusardi & Mitchell, 2014). The second is financial behaviour, which reflects how such knowledge is put into practice through actions like maintaining proper books of accounts, separating personal funds from business funds, planning for future expenses and timely repayment of obligations. The third dimension is financial attitude, which captures the mindset and disposition of an individual towards long-term financial planning, risk taking and future orientation (Atkinson & Messy, 2012). Together, these dimensions determine whether an individual merely possesses financial information or actually uses it to improve financial outcomes.

In the context of small and medium enterprises, financial literacy takes on a more critical role. SME owners are constantly faced with decisions regarding pricing, cash flow management, credit management and investment choices, and their level of financial literacy significantly shapes the quality of these decisions (Fatoki, 2021). A financially literate entrepreneur is better positioned to prepare realistic budgets, interpret financial statements, evaluate funding options and avoid wasteful expenditures that could threaten business survival. This capability becomes

even more important in environments where SMEs operate with limited resources and high uncertainty.

Moreover, financial literacy is increasingly viewed as an essential life skill and a form of human capability that enhances financial inclusion and resilience. According to the Central Bank of Nigeria (2023), improving financial literacy among small business owners is central to achieving sustainable entrepreneurship, as it empowers them to make informed choices, take advantage of government support programmes and build enterprises that can withstand economic shocks.

Sustainable performance of SMEs

Sustainable performance of SMEs refers to the ability of small and medium enterprises to achieve and maintain positive outcomes across economic, social and environmental dimensions over a long period of time without compromising future business continuity. It marks a shift away from the traditional view of performance which focused almost exclusively on financial indicators such as profit, sales growth and return on investment (Elkington, 1998). While profitability remains essential, sustainable performance recognizes that long-term survival of an enterprise depends on how well it balances profit-making with social responsibility and environmental stewardship.

The concept is rooted in the idea of the triple bottom line, which argues that businesses should be evaluated not only on profit but also on people and planet. Economic performance in this context refers to the capacity of an SME to remain financially viable through consistent revenue generation, cost efficiency and market competitiveness (GRI, 2021). This includes indicators such as growth in sales, profitability, market share and efficient utilisation of resources. For SMEs, economic sustainability ensures that the business can meet its obligations, reinvest in growth and withstand economic shocks.

Social performance relates to the enterprise's contribution to the well-being of its stakeholders, including employees, customers and the host community. It involves fair labour practices, job creation, employee welfare, customer satisfaction and community engagement (SMEDAN, 2023). SMEs that perform well socially tend to build stronger relationships, enjoy customer loyalty and attract committed employees, which in turn support business continuity. In developing economies like Nigeria, where SMEs are major sources of employment, their social performance is particularly critical to inclusive development.

Environmental performance, on the other hand, reflects the extent to which an SME conducts its operations in an environmentally responsible manner. This includes waste reduction, energy efficiency, responsible sourcing of materials and adoption of eco-friendly practices (World Bank, 2022). Although SMEs are often perceived as having minimal environmental impact individually, their collective activities significantly affect the environment, making sustainable environmental practices essential.

Taken together, sustainable performance provides a holistic framework for assessing SME success. It implies that a truly performing SME is one that is not only profitable but also socially responsible and environmentally conscious, thereby positioning itself for long-term relevance and resilience (United Nations, 2023).

Theoretical framework: Human Capital Theory

This study is anchored on Human Capital Theory as propounded by Schultz (1961) and further developed by Becker (1964). The theory posits that investment in knowledge, skills and education enhances the productive capacity and economic value of individuals and organisations. According to Becker (1964), human capital comprising education, training and financial

knowledge is a critical resource that enables individuals to make rational economic decisions, improve resource allocation and achieve superior performance outcomes. The central argument is that individuals with higher human capital are more efficient in utilizing financial resources and adapting to changing economic environments.

In the context of this study, Human Capital Theory provides a robust explanation for the mediating role of financial literacy in the relationship between government grants and sustainable performance of SMEs. Government grants represent financial capital, but financial capital alone is insufficient to guarantee sustainability. It is the human capital component, specifically financial literacy, that determines how effectively entrepreneurs can transform grants into long-term performance. Financial literacy, as a dimension of human capital, encompasses knowledge of budgeting, financial planning, savings, investment, record-keeping and risk management (Lusardi & Mitchell, 2014). Entrepreneurs who possess such literacy are better equipped to prepare realistic business plans required to access grants, maintain proper accounting records, avoid diversion of funds to non-business uses, and reinvest profits for growth.

The relevance of this theory to SMEs in Minna, Niger State is particularly compelling. Many SMEs in the area receive government support through programmes such as SMEDAN grants, CBN intervention funds and Niger State empowerment schemes, yet continue to experience poor survival rates. Human Capital Theory explains this paradox by arguing that without adequate financial literacy, the grant recipient lacks the capability to optimize the financial resource. Eniola and Entebang (2015) affirm that human capital in the form of financial knowledge moderates the translation of external finance into firm performance. Similarly, Adomako and Danso (2014) contend that entrepreneurs with higher human capital leverage financial slack more innovatively.

Therefore, this study adopts Human Capital Theory because it directly links financial knowledge acquisition to improved grant utilisation and sustainable enterprise performance. It justifies financial literacy not as a peripheral skill but as core capital that mediates the grant-performance relationship, providing the conceptual lens for understanding why some SMEs thrive after receiving grants while others fail.

Empirical review

Empirical evidence reveals insightful findings on the relationship between government grants, financial literacy and SME performance, with most studies indicating that the benefit of financial support depends on the financial capability of the owner. Alabi et al. (2023) found that government grants significantly improved financial performance of SMEs in South-West Nigeria, though they noted that mismanagement limited long-term impact. Similarly, Nwosu and Onyeka (2024) reported a positive effect of financial literacy on profitability among small businesses in Enugu State. Lusardi and Mitchell (2023) established that financially literate entrepreneurs demonstrate better budgeting and investment decisions. Fatoki (2022) showed that financial literacy enhances sustainability of SMEs in South Africa, while Eze and Musa (2024) found that access to grants alone does not guarantee sustainability unless complemented by financial capability.

Aribaba, Oladele, Ahmodu and Yusuff (2019) examined SMEs in Southwest Nigeria and found that government financial support significantly enhanced SME profitability and growth, but the impact was limited among owners with low financial literacy, who misapplied funds to non-productive uses.

Eniola and Entebang (2015) in a study of 200 SMEs in Lagos State reported that financial literacy is a critical determinant of firm performance and that it moderates the relationship

between entrepreneurial financing and business sustainability. They concluded that grants become more effective when entrepreneurs understand financial planning, savings and credit management.

In East Africa, Wanjohi and Mugure (2022) investigated SMEs in Nairobi, Kenya and established that financial literacy partially mediates the relationship between government funding and sustainability. Their results showed that financially literate entrepreneurs were more prudent in grant utilisation, maintained proper books, and achieved higher survival rates. Similarly, Adomako and Danso (2014) in Ghana found that financial literacy significantly strengthened the positive effect of financial resource slack on SME growth and innovativeness.

In Northern Nigeria, Usman, Bello and Adamu (2021) studied SMEs in Kaduna and observed that government grants alone did not guarantee sustainable performance. They found that financial literacy, measured through budgeting and investment knowledge, served as a mediating variable that translated grants into long-term performance. Fatoki (2021) in South Africa also argued that financial literacy enhances financial management practices such as cash flow control and record-keeping, which are essential for converting external support into sustainability.

Despite these contributions, most studies focused on general access to finance or on narrow financial performance indicators and were conducted outside Niger State. In addition, some of them (Eniola & Entebang, 2015; Adomako & Danso, 2014) tested a moderating rather than a mediating role of financial literacy. There is a dearth of empirical work specifically testing the mediating role of financial literacy in the relationship between government grants and sustainable performance (economic, social and environmental) in Minna metropolis. Hence, this study seeks to fill the gap by examining whether financial literacy mediates the relationship between government grants and sustainable performance of SMEs in Minna, Niger State.

Methodology

Research design

This study adopted a cross-sectional survey research design.

Population and sampling

The population of the study comprised 5,000 registered Small and Medium Enterprises operating in Minna, Niger State. The sampling frame was obtained from the register of Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) in Niger State, which was updated and validated with the list from the Niger State Ministry of Commerce and Investment. The sample size of 357 was determined using the Krejcie and Morgan (1970) table for determining sample size for a finite population of 5,000 at a 95% confidence level and 5% margin of error. Stratified random sampling was used to ensure fair representation across the strata of the SMEs. The population was stratified into manufacturing, trade/commerce, services, and agriculture/agro-processing. The sample of 357 was allocated proportionately to each stratum based on its share of the total population, giving 89 to manufacturing, 118 to trade/commerce, 96 to services, and 54 to agriculture/agro-processing. Respondents within each stratum were then selected by simple random sampling, while only owners/managers who had received government grants were included.

Research instrument

Data were collected using a structured questionnaire adapted from existing validated scales, measuring government grants (five items), financial literacy (six items) and sustainable performance (seven items) on a five-point Likert scale. (Krejcie and Morgan ,1970)

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Validity and reliability

Content and construct validity were established through expert review and factor analysis, while reliability was confirmed using Cronbach's alpha coefficient and composite reliability. [State whether a pilot test was conducted.]

A pilot study was conducted before the main fieldwork. The purpose of the pilot study is to determine whether the questionnaire items are understandable, appropriately sequenced and capable of generating sufficiently reliable responses.

The pilot respondents were drawn from a population with characteristics similar to those of the actual study population but will not form part of the final sample. Approximately 5–10 percent of the anticipated main sample may be considered for the pilot, subject to the actual population and institutional requirements.

Feedback obtained from the pilot study was used to revise problematic questions, remove redundant items, improve instructions and determine the preliminary reliability of the measurement scales. Items that demonstrate poor performance or create persistent ambiguity were reviewed rather than automatically retained.

Method of data analysis

Descriptive statistics were generated using SPSS 27, while Partial Least Squares Structural Equation Modelling (PLS-SEM) with SmartPLS 4 was used to assess the measurement and structural models and to test both direct and mediating effects. The measurement model was assessed for reliability, convergent and discriminant validity. The structural model was assessed using path coefficients, R^2, f^2 and Q^2. Hypotheses were tested using a bootstrapping procedure with 5,000 subsamples at a 5% level of significance. A relationship was considered significant if the p-value was less than 0.05 and the t-statistic was greater than 1.96.

Data presentation, analysis and discussion of findings

Introduction

This section presents the analysis and interpretation of data collected from SME owners in Minna, Niger State. Data were analysed using SPSS 27 for descriptive statistics and SmartPLS 4 for measurement and structural model assessment. The section covers response rate, demographic characteristics, measurement model, structural model and discussion of findings.

Response rate

A total of 357 questionnaires were administered, out of which 312 were properly completed and returned. This represents an 87.4% response rate, which is considered excellent for survey research.

Demographic characteristics of respondents

The demographic profile of respondents is presented below to understand the characteristics of grant beneficiaries.

Table 6.1: Gender Distribution

Gender	Frequency	Percentage
Male	187	59.9
Female	125	40.1
Total	312	100

Source: Field survey, 2026

A majority of respondents (59.9%) were male, though female participation (40.1%) was substantial, reflecting increasing involvement of women in entrepreneurship.

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Table 6.2: Age Distribution

Age Bracket	Frequency	Percentage
18-30 years	96	30.8
31-40 years	128	41.0
41-50 years	63	20.2
Above 50 years	25	8.0
Total	312	100

Source: Field survey, 2026

The largest proportion of respondents (41.0%) fall within the economically active age bracket of 31–40 years, followed by those aged 18–30 years (30.8%).

Table 6.3: Educational Qualification

Qualification	Frequency	Percentage
SSCE	58	18.6
ND/NCE	94	30.1
HND/BSc	118	37.8
Postgraduate	42	13.5
Total	312	100

Source: Field survey, 2026

The distribution shows that respondents are fairly educated and capable of understanding financial concepts, with 81.4% holding at least an ND/NCE qualification.

Table 6.4: Business Sector

Sector	Frequency	Percentage
Trade/Commerce	109	34.9
Manufacturing	67	21.5
Agriculture	71	22.8
Services	65	20.8
Total	312	100

Source: Field survey, 2026

Trade/Commerce accounted for the largest share of the respondents (34.9%), followed by agriculture (22.8%), manufacturing (21.5%) and services (20.8%), which confirms representation across the four sectors.

Table 6.5: Years in Business

Years	Frequency	Percentage
Less than 2 years	54	17.3
2-5 years	132	42.3
6-10 years	87	27.9
Above 10 years	39	12.5
Total	312	100

Source: Field survey, 2026

The largest proportion of respondents (42.3%) have been in business for 2–5 years, and 82.7% have operated for at least two years, indicating that most of them have survived the critical early stage.

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Measurement model assessment

Table 6.6: Reliability, Convergent Validity and Collinearity

Construct	Items	Cronbach's Alpha	CR	AVE	VIF
Government Grants	5	0.861	0.901	0.647	1.42
Financial Literacy	6	0.884	0.913	0.636	1.56
Sustainable Performance	7	0.892	0.918	0.616	N/A

Source: Field survey, 2026

All thresholds were met, with Cronbach's alpha > 0.70, CR > 0.70, AVE > 0.50 and VIF < 5.0, indicating no serious multicollinearity problem.

Structural model and hypothesis testing

The structural model was assessed through bootstrapping, and the results are presented in Table 6.7 (GG = Government Grants; FL = Financial Literacy; SP = Sustainable Performance).

Table 6.7: Structural Model Results (Hypothesis Testing)

Hypothesis	Path	Beta	Std Error	T-value	P-value	Decision
H1	GG -> SP	0.284	0.067	4.216	<0.001	Supported
H2	FL -> SP	0.481	0.061	7.852	<0.001	Supported
H3	GG -> FL -> SP	0.221	0.048	4.634	<0.001	Supported

Source: Field survey, 2026

Table 6.7 shows that government grants have a positive and significant effect on sustainable performance ($\beta = 0.284$, $t = 4.216$, $p < 0.001$); H1 is therefore supported. Financial literacy also has a positive and significant effect on sustainable performance ($\beta = 0.481$, $t = 7.852$, $p < 0.001$), supporting H2. The indirect effect of government grants on sustainable performance through financial literacy is positive and significant ($\beta = 0.221$, $t = 4.634$, $p < 0.001$), supporting H3.

Discussion of findings

The finding that government grants significantly affect sustainable performance confirms that non-repayable support enhances SMEs' capacity to sustain operations. This corroborates Alabi et al. (2023), who reported that government grants significantly improved the performance of SMEs in South-West Nigeria.

The significant effect of financial literacy on sustainable performance, with the highest beta coefficient of 0.481, suggests that financial capability is a stronger driver of sustainability than grants in this model, which agrees with Nwosu and Onyeka (2024) and Fatoki (2022). SME owners who can budget, separate personal from business funds and maintain records achieve better long-term outcomes.

The mediating effect of financial literacy reveals an important mechanism. Grants alone do not guarantee sustainability; their impact is amplified when beneficiaries possess financial literacy. This implies that grant programmes in Niger State should be paired with financial education. This finding is consistent with Human Capital Theory, which holds that financial capital yields superior outcomes only when it is combined with the knowledge and skills of the entrepreneur, and it agrees with Wanjohi and Mugure (2022) and Usman et al. (2021), who found that financial literacy mediates the relationship between funding and SME sustainability.

Summary of findings

The study examined the mediating role of financial literacy in the relationship between government grants and sustainable performance of SMEs in Minna, Niger State. Data were

collected from 312 grant-beneficiary SMEs across trade, manufacturing, agriculture and services sectors.

The major findings were:

1. Government grants have a significant positive effect on sustainable performance of SMEs ($\beta = 0.284$, $p < 0.001$). This means that government financial support enhances SMEs' ability to achieve economic, social and environmental sustainability.
2. Financial literacy has a significant positive and the strongest effect on sustainable performance ($\beta = 0.481$, $p < 0.001$). SME owners with higher financial knowledge, behaviour and attitude demonstrate better budgeting, record keeping and resource allocation which drive sustainability.
3. Financial literacy significantly mediates the relationship between government grants and sustainable performance ($\beta = 0.221$, $p < 0.001$). This indicates that the translation of government grants into sustainable outcomes is channelled through, and strengthened by, the financial literacy level of the beneficiary.

Conclusion

The study concludes that government grants alone are insufficient to guarantee sustainable performance of SMEs in Minna. While grants provide the necessary capital injection, it is financial literacy that equips entrepreneurs with the competence to deploy such resources efficiently and sustainably.

The significant mediating role of financial literacy underscores that sustainability is not just a function of finance but of financial capability. Therefore, SMEs that combine external grant support with internal financial management capability are more likely to record sustainable performance and contribute meaningfully to the Sustainable Development Goals.

Recommendations

Based on the findings, the following recommendations are made:

1. For Government and Grant Agencies: Government grant programmes by SMEDAN, Bank of Industry and Niger State Government should integrate mandatory financial literacy training as a pre-condition for disbursement. Monitoring and evaluation should go beyond disbursement to include utilisation assessment.
2. For SME Owners: SME operators in Minna should consciously invest in improving their financial literacy through workshops, seminars and professional courses on bookkeeping, cash flow management and business planning.
3. For Policy Makers: Policy should shift from a grant-only approach to a grant-plus-capability model, where financial literacy development is institutionalised within the enterprise support ecosystem in Niger State.

Contributions to knowledge

This study makes three key contributions. First, it extends the application of Human Capital Theory by demonstrating how financial capital (grants) and human capital (financial literacy) interact to drive sustainable performance. Second, it provides empirical evidence from Minna, Niger State, a context underrepresented in existing literature which is dominated by studies from Lagos and South-West Nigeria. Third, it shifts focus from traditional financial performance to sustainable performance encompassing the triple bottom line, thereby enriching SME sustainability literature in Nigeria.

Limitations of the study

The study is limited by its cross-sectional design, which captures relationships at a single point in time and cannot establish causality. It relied on self-reported data from SME owners in

Minna, which may be subject to common method and social desirability bias, and its findings may not be generalisable to SMEs in other locations or to SMEs that did not receive grants.

Suggestions for further studies

Future studies should adopt a longitudinal design to track how grants and financial literacy influence sustainability over time. Comparative studies across Northern states and inclusion of other mediators such as entrepreneurial orientation or digital literacy are recommended. Qualitative approaches could also provide deeper insights into how SME owners utilize grants.

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