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# FINANCIAL DECISION-MAKING PRACTICES AND BUSINESS GROWTH OF SMALL AND MEDIUM ENTERPRISES IN NORTH-WEST NIGERIA: AN EMPIRICAL VALIDATION

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**Abstract**
This study empirically examines how financial decision-making (FDM) practices influence the business growth of small and medium enterprises (SMEs) operating within Nigeria's North-West geopolitical zone. In an environment characterized by financial exclusion, insecure markets, and information asymmetry, sound decision processes regarding investment, financing, and working-capital management are vital for long-term survival. Drawing on Agency Theory and the Pecking Order Theory, the study employed a quantitative correlational design based on primary data collected from 332 SME owners and managers across Jigawa, Kaduna, Kano, Katsina, Kebbi, Sokoto, and Zamfara States. Data were analyzed using Ordinary Least Squares (OLS) and Generalized Linear Model (GLM) techniques. Results indicate that financial decision-making exerts a positive and statistically significant effect on business growth ($\beta = 1.563; p < 0.001$). Firms that systematically appraise investments, manage debt-equity structure prudently, and maintain disciplined working-capital control record higher sales and asset growth, contributing directly to regional employment. The model explains 67.4% of observed growth variation (Adjusted $R^2 = 0.674$) and passes robustness validation under a gamma-distributed GLM specification (Deviance/df = 1.03). The study concludes that effective financial decision-making is a cornerstone of SME expansion. It recommends capacity-building on investment evaluation, debt management, and liquidity optimization, emphasizing that institutional partnerships between SMEDAN, microfinance banks, and training institutions can strengthen this capability. The research contributes region-specific evidence to SME-finance literature and demonstrates the continuing relevance of rational financial decision frameworks in resource-constrained contexts.

Keywords:
Financial Decision-Making, Investment Appraisal, Financing Choices, North-West Nigeria, Small and Medium Enterprises.

## 1. Introduction

Every enterprise's survival depends on the quality of its financial decisions. The daily and strategic judgment calls concerning what to invest in, how to finance operations, and how to manage liquidity. For small and medium enterprises (SMEs), especially in developing economies, these decisions carry heavier consequences because errors cannot be easily absorbed by capital buffers or diversified investments. Within this reality, financial decision-making (FDM) represents the intersection between managerial cognition and financial control: it transforms numerical data into intentional action.

In Nigeria's North-West region, SMEs dominate commercial life, driving local employment, trade, and manufacturing. Despite their prominence, failure rates remain alarming; numerous businesses collapse before reaching maturity (Badamasi et al., 2024).

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Scholars attribute such fragility primarily to weak financial management, insufficient investment appraisal, uninformed financing decisions, and poor working-capital oversight (Okafor, 2011; Osim et al., 2020). Entrepreneurs often make expenditure decisions reactively, borrowing at unfavorable rates or reinvesting profits without evaluating opportunity cost. This reactive approach to financial management creates a vicious cycle where short-term survival decisions undermine long-term growth potential, further exacerbating the vulnerability of SMEs in the region.

The urgency of this research is underscored by the critical role that SMEs play in Nigeria's economic development agenda. As the country seeks to diversify its economy away from oil dependency, the SME sector is positioned as a key driver of sustainable economic growth, job creation, and poverty reduction. However, the persistent high failure rate among SMEs represents a significant drag on these development aspirations. Without a clear understanding of how financial decision-making practices affect business outcomes, policy interventions and capacity-building programs may remain unfocused and ineffective. The North-West region, with its unique socio-economic characteristics including limited access to formal credit, cash-dominated transactions, and fluctuating market structures, presents a particularly important context for investigation.

In established theory, decision-making is central to performance. Guided by Agency Theory (Jensen & Meckling, 1976), proper decision frameworks align managerial actions with owners' wealth objectives; under the Pecking Order Theory (Myers & Majluf, 1984), sound financing decisions preserve internal capital and reduce dependence on costly external debt. Yet, empirical verification of these principles within the North-West Nigerian SME environment is rare. The gap between theoretical prescription and actual practice in this context raises important questions about the applicability of mainstream financial theories in environments characterized by institutional voids and resource constraints.

This study seeks to fill that regional lacuna by empirically evaluating the extent to which financial decision-making practices influence SME business growth. Specifically, it investigates how investment appraisal, financing composition, and working-capital management contribute to measurable increases in sales, assets, and employment. By contextualizing the analysis within the socio-economic and institutional peculiarities of the region—limited access to formal credit, cash-dominated transactions, and fluctuating market structures—the paper offers new insight into the mechanics of financial decision-making under constraint.

The findings of this research are expected to provide both theoretical and practical contributions. Theoretically, the study extends the application of agency and pecking order theories to the unique context of SMEs in a developing economy, potentially revealing boundary conditions and contextual adaptations of these frameworks. Practically, the results will offer actionable insights for SME owners, managers, and policymakers seeking to enhance business performance through improved financial decision-making practices. By identifying which aspects of financial decision-making have the greatest impact on growth outcomes, the study can inform targeted interventions in training, advisory services, and policy design.

Ultimately, this research aims to contribute to the broader goal of strengthening the SME sector in Nigeria's North-West region, thereby supporting economic development, employment generation, and poverty reduction. Through rigorous empirical analysis of financial decision-making practices and their consequences, the study seeks to replace

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anecdotal observations with evidence-based understanding that can guide both managerial practice and public policy.

## 2. Theoretical Background

### 2.1 Conceptual Framework

#### 2.1.1 Financial Decision-Making

Financial decision-making encompasses the entire process through which business owners plan, evaluate, and execute financial choices. It includes investment decisions (capital budgeting), financing decisions (sourcing and structuring capital), and working-capital decisions (management of current assets and liabilities). Toby (2007) describes it as the effort to allocate funds optimally among competing alternatives. For SMEs, such decisions are crucial: mistakes in financing debt or stock management may jeopardize solvency or growth.

Investment decisions rely on appraisal models such as the payback period, net present value (NPV), or internal rate of return (IRR). Working-capital management focuses on controlling inventory, receivables, and payables to maintain liquidity. Financing decisions weigh the costs and risks of debt versus equity. Together, these decisions determine profitability, liquidity, and ultimately firm growth.

#### 2.1.2 Business Growth

Business growth refers to the measurable expansion of a firm's size, capability, and market share over time. Quantitatively, it manifests in rising sales revenues, expanding asset base, and increasing employment. Growth signifies an enterprise's successful adaptation to its environment. In SME contexts, growth is particularly revealing as it indicates the graduation from subsistence operation to stable corporate entity (Hamzah et al., 2024).

### 2.2 Theoretical Underpinnings

Two theoretical lenses frame this study.

#### 2.2.1 Agency Theory

Agency theory (Jensen & Meckling, 1976) conceptualizes the conflicts that arise when ownership and management diverge. Agents may take decisions inconsistent with principals' interests. Financial decision protocols documented investment evaluations, financing approvals, and periodic performance reports. In SMEs, owner-managers act simultaneously as principals and agents, but as firms grow and delegate functions, agency controls via formalized decision systems become indispensable. Proper decision practices therefore function as accountability instruments that ensure financial goals align with organizational interests.

#### 2.2.2 Pecking Order Theory

Myers and Majluf (1984) propose that firms follow a hierarchical sequence in financing decisions, preferring internal funds first, then debt, and issuing equity only as a last option. The rationale lies in information asymmetry: external investors face uncertainty about firm value, making external finance expensive. SMEs' pragmatic constraint, particularly limited access to formal credit, makes internal funding more valuable. Effective financial decision-making enhances this internal funding hierarchy by improving profit retention and liquidity. It also dictates the judicious employment of debt to balance growth and risk.

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2.3 Empirical Literature Review

A considerable body of empirical research links financial decision making to the growth and performance of small and medium enterprises (SMEs) in various developing economies. The following section synthesizes relevant studies, showing how investment appraisal, financing choices, and working capital policies determine business success.

Toby (2007) developed a quantitative financial management model to analyze the relationship between financial decision processes and organizational performance in Nigerian quoted SMEs. Using data extracted from company accounts and regression modeling, he revealed that enterprises applying systematic investment appraisal techniques such as net present value (NPV) and internal rate of return (IRR) and maintaining optimal capital structure policies achieved higher profitability and growth rates. Decisions grounded in financial analysis rather than intuition ensured improved liquidity, reduced capital cost risks, and enhanced shareholder wealth. Toby concluded that disciplined evaluation, particularly before large asset acquisitions, is indispensable for sustaining competitive advantage in a turbulent economic environment. His work established an early empirical basis for asserting that strategic financial decisions form a critical pathway linking financial management to business expansion in the Nigerian SME context.

Musah et al. (2018) investigated how financial management decisions affect SME profitability and growth in Ghana. Surveying 150 firms in the Tamale Metropolis and employing multiple regression and correlation analyses, the study focused on managerial decisions concerning working capital components; inventory, receivables, and payables. Results demonstrated that inadequate control of these assets and liabilities constrains liquidity, leading to financial distress, whereas efficient working capital decisions improve operational cash flows and support reinvestment for growth. The authors found that SMEs prioritizing inventory control and timely debt collection realized faster sales expansion and better asset turnover. They concluded that disciplined short term financial decisions, rather than long range planning alone, create the immediate financial stability necessary for long term business growth. The study thus positioned working capital management as an integral dimension of financial decision making driving enterprise performance.

Ajonbadi et al. (2014) studied financial control systems and organizational performance among Nigerian SMEs, emphasizing the role of decision structures embedded within financial governance. Using survey data and regression analysis, the researchers observed that enterprises with formalized mechanisms for evaluating financing options, approving capital expenditures, and monitoring spending variance recorded superior profit margins and growth relative to less structured firms. The study found that accountability mechanisms such as board level approval of investments and routine financial reviews enhanced decision quality and minimized resource wastage. The results affirmed that institutionalizing decision making procedures creates transparency and strengthens financial discipline, which in turn promotes long term sustainability. Ajonbadi and colleagues concluded that continuous financial review and documented decision trails collectively transform informal managerial practices into systematic monetary control, generating steady expansion and reputation gains critical for SME competitiveness in Nigeria's volatile markets.

Sooriyakumaran (2023) examined the influence of financial decision making practices on SME business performance in Sri Lanka's Northern Province, employing a large scale quantitative survey across multiple sectors. Statistical analysis using multiple regression

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indicated that investment appraisal, financing decisions, and working capital management exerted significant positive impacts on revenue growth, asset accumulation, and market share. The research highlighted that firms which integrated objective decision tools such as discounted cash flow evaluation and cost of capital analysis experienced markedly greater stability than those relying solely on managerial intuition. It emphasized that formalized financial decisions enable SMEs to anticipate funding requirements, maintain optimal debt ratios, and mitigate the dangers of over investment or under capitalization. Sooriyakumaran ultimately concluded that proactive, data driven financial decision making nurtures profitability, scalability, and risk resilience, converting small enterprises into sustainable engines of regional economic growth.

Nanda et al. (2024) conducted a broad meta-analysis and qualitative synthesis of global studies exploring the relationship between financial management decisions and SME performance. Reviewing evidence from Asia, Africa, and Europe, the authors reported that enterprises demonstrating strategic financial decision capabilities especially in selecting funding sources and managing liquidity achieve larger profit margins and stronger growth consistency. They revealed that access to financial information and managerial education significantly enhance decision quality, while weak financial literacy remains a primary barrier to sound financing and investment decisions. The study recommended harmonizing structured decision frameworks with context specific training to foster growth in developing country SMEs. Nanda et al. reinforced the argument that effective financial decision making acts as the cognitive backbone of enterprise management, converting financial knowledge and analytical reasoning into sustainable economic performance across diverse operating environments.

### 2.4 Synthesis and Research Gap

Collectively, these empirical works consistently affirm that financial decision making plays a decisive, measurable role in SME business growth. Investment appraisal techniques, prudent financing choices, and meticulous management of short term assets together form the triad through which financial resources translate into operational success. Yet, despite this consensus, empirical evidence from Nigeria's North West region remains limited. Recognizing the distinct institutional constraints and socio economic dynamics of that region, the current study bridges this gap by providing robust, region specific quantitative analysis that deepens understanding of how financial decision making practices determine SME growth trajectories in a resource constrained, high risk environment.

## 3. Methods

### 3.1 Research Design

This study adopted a quantitative correlational research design, which is inherently appropriate for exploring the magnitude and direction of statistical relationships between financial decision making practices (FDM) and business growth (BG) among small and medium enterprises (SMEs). The correlational design was favored because it provides a systematic structure for quantifying the strength of association between measurable variables without manipulating or controlling them experimentally, a requirement that closely aligns with the cross sectional nature of data obtainable from numerous enterprises operating in a natural setting. Quantitative analysis allows the study to move beyond descriptive narratives by testing hypotheses about financial behavior through objective metrics. The research therefore relies heavily on numerical data to infer the

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influence of rational financial decision processes including investment appraisal, financing choices, and working capital management on demonstrable business performance indicators. The design also facilitates parametric statistical testing (correlation and regression) necessary to generalize findings to the broader SME population within Nigeria's North West geopolitical zone. Through this empirical framework, relationships were evaluated, not as mere perceptions, but as mathematically verifiable interdependencies observable in real time operational contexts.

### 3.2 Population and Sampling Procedures

The target population comprised all formally registered SMEs operating within the seven states constituting the North West region of Nigeria; Jigawa, Kaduna, Kano, Katsina, Kebbi, Sokoto, and Zamfara. These firms were defined in accordance with the Central Bank of Nigeria (CBN, 2020) classification, which delineates an SME as a non subsidiary, independent business employing between 10 and 300 workers and possessing total assets, excluding land and buildings, ranging between ₦5 million and ₦500 million.

Given the geographic breadth and heterogeneity of the region's enterprise landscape, a multi stage sampling approach was employed to ensure balanced representation and to mitigate potential selection bias. In the first stage, states were treated as primary strata, guaranteeing coverage of the entire geopolitical zone. The second stage involved cluster selection, where two prominent commercial local government areas (LGAs) were selected from each state based on SME density and accessibility. At the final stage, a simple random sampling method was utilized to select 25 SMEs from each identified cluster using numerical randomization. This systematic process yielded a preliminary sample frame of 350 SMEs.

Out of these, 332 questionnaires were duly completed and found valid for analysis, resulting in a 94.9 per cent response rate. This exceptionally high rate was facilitated through pre survey engagements with state SME associations and the deployment of trained field assistants who offered hands on clarification during questionnaire administration. Such a robust response minimizes non response bias and enhances the reliability of the derived estimates. The high participation rate also demonstrates a growing awareness and interest among SME managers in data driven financial management improvement across the region.

### 3.3 Instrumentation and Variable Operationalization

Data were collected through a structured, self administered questionnaire designed to operationalize the core constructs under investigation. The instrument, divided into multiple sections, fused established measurement scales with contextual refinements reflecting the socio economic peculiarities of North West Nigeria.

The section on financial decision making practices (FDM) contained seven meticulously developed items adapted from the validated scales of Toby (2007) and Sooriyakumaran et al. (2021). Each item assessed the degree to which respondents engage in systematic financial decision procedures relating to (a) investment appraisal (e.g., applying project evaluation models such as payback period and NPV); (b) financing options (e.g., assessing debt–equity ratios and interest cost before borrowing); and (c) working capital management (e.g., managing inventory turnover, receivables, and payables).

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Responses were captured on a five point Likert scale, ranging from "1 = Never" to "5 = Always." High composite scores denote greater adherence to rational financial decision norms.

The dependent variable, Business Growth Index (BGI) was computed using quantitative data supplied by the respondents over a three year period covering changes in (1) annual sales value, (2) total assets excluding land and buildings, and (3) number of employees. Annual growth rates for each metric were calculated and averaged to obtain a composite indicator representing each firm's relative growth trajectory. This diverse, multidimensional measure ensures comprehensive representation of both financial and operational aspects of enterprise expansion.

To minimize measurement error, the questionnaire was first pretested with 40 SME owners/managers outside the main sample population. Feedback from the pilot exercise led to minor revisions in wording and sequencing to enhance clarity and respondent comprehension.

### 3.4 Reliability and Validity Evaluation

Instrument reliability and validity were established through multiple layers of testing. Internal consistency reliability was confirmed via Cronbach's Alpha (α). The FDM scale recorded $\alpha = 0.861$ and the BGI composite scale produced $\alpha = 0.826$, comfortably exceeding the minimum threshold of 0.70 recommended by Nunnally and Bernstein (1994). These results validate that the items measuring each construct jointly capture a coherent underlying concept.

To confirm content validity, the questionnaire drafts were reviewed by three academics specializing in SME finance and two practitioners from local microfinance institutions. Their constructive feedback ensured contextual appropriateness and conceptual exhaustiveness of the items. Face validity was also confirmed during the pilot stage by asking SME respondents to assess the clarity and relevance of each question; none of the items were considered confusing or ambiguous.

Collectively, these methodological safeguards guarantee that both the measurement accuracy and construct representation of financial decision making and business growth indices are of an acceptable scientific standard, making subsequent statistical inference credible and replicable.

### 3.5 Analytical Framework and Model Specification

To empirically test the hypothesized relationship between financial decision making (FDM) and business growth (BG), the study employed a parametric regression based analytical strategy. The core functional model is expressed as:

$$BGIi=\beta 0+\beta 1FDMi+\varepsilon iBGIi=\beta 0+\beta 1FDMi+\varepsilon i$$

Where:

$BGI_i$ = business growth index for enterprise i;
$FDM_i$ = extent of financial decision-making practice;
$\beta_0$ = intercept term;
$\beta_1$ = estimated slope coefficient representing the partial effect of FDM on BGI;
$\varepsilon_i$ = stochastic error term.

The parameters were estimated using the Ordinary Least Squares (OLS) method, which offers best linear unbiased estimators under classical regression assumptions. To verify robustness and address potential deviations from normality, an alternative model

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was estimated within a Generalized Linear Model (GLM) framework adopting a gamma distribution with a log link function:

$$log(E[BGI]) = \beta0+\beta1FDM$$

The GLM transformation improves model fit when the dependent variable exhibits positive skewness, a common feature in growth data. Comparative evaluation based on Akaike Information Criterion (AIC) and deviance statistics determined the superior specification.

### 3.6 Diagnostic and Econometric Validations

Comprehensive diagnostic checks were conducted to ensure the robustness of parameter estimates and compliance with the classical linear model requirements.

1) Normality of Residuals was examined using the Shapiro–Wilk test complemented by visual inspection of Q–Q plots and histogram analysis; residual data approximated a normal curve, confirming normality assumptions.
2) Multicollinearity was evaluated through the Variance Inflation Factor (VIF) and tolerance statistics. All predictor variables exhibited VIF values below 2.5 and tolerances above 0.4, indicating absence of harmful collinearity.
3) Homoscedasticity was assessed via the Breusch–Pagan test. The insignificant test statistic ($p > 0.05$) signified constant error variance across observations.
4) Autocorrelation was examined using the Durbin–Watson statistic, returning a value of approximately 1.91, comfortably within the 1.5–2.5 range, suggesting independence of residuals.

These diagnostics collectively affirm that the model satisfies the essential econometric conditions for unbiased and consistent estimation. Consequently, the coefficient interpretations derived from both OLS and GLM methods can be considered valid and statistically dependable for inferential and predictive analysis.

## 4. Results and Discussion

### 4.1 Descriptive Characteristics of Respondents

Descriptive statistics provided a foundational understanding of the sample structure and variable distribution. Respondent enterprises reported a mean FDM score of 3.88 (SD = 0.69) on a five-point scale, implying a moderate but growing level of formalization in financial decision routines. Among the three sub-dimensions, working-capital management recorded the highest average rating, reflecting the everyday necessity of short-term liquidity control. Investment appraisal and financing-decision practices exhibited relatively lower averages, signifying limited utilization of advanced capital-budgeting tools or cost-of-capital calculations.

The composite Business Growth Index (BGI) revealed an average annual growth rate of 10.54 per cent, encompassing increases in sales, total assets, and employment. Despite infrastructural and financial constraints prevalent in North-West Nigeria, this demonstrates a degree of managerial resilience within the sample population and reinforces the potential for continued expansion if decision-making quality improves.

### 4.2 Correlation Analysis

The initial step toward testing the hypothesis was the computation of a Pearson Product-Moment Correlation Coefficient to determine the simple linear association between financial decision-making and business growth.

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**Table 1**. Pearson Product-Moment Correlation

| Variables | Financial Decision-Making (FDM) | Business Growth Index (BGI) |
|---|---|---|
| FDM | 1 | 0.612 ($p < 0.01$) |
| BGI | | 1 |

N = 332 SMEs; Correlation significant at 0.01 level (2-tailed).
Source: Authors' Computation, (2025)

The coefficient $r = 0.612$ indicates a moderately strong positive relationship. The statistical significance ($p < 0.01$) confirms that improvements in financial decision-making are closely associated with higher business growth. Conceptually, this implies that enterprises capable of informed capital budgeting and working-capital control realize increased profitability and expansion potential.

4.3 Regression Analysis

The regression model was subsequently estimated to quantify the predictive influence of financial decision-making on business growth.

**Table 2**. Regression Analysis

| Variable | Coefficient (β) | Standard Error | t-Statistic | p-Value |
|---|---|---|---|---|
| Constant | 2.182 | 0.784 | 2.78 | 0.006 |
| Financial Decision-Making (FDM) | 1.563 | 0.345 | 4.53 | 0.000 |

Adjusted $R^2 = 0.674$; F-Statistic = 228.4 ($p < 0.001$); Durbin–Watson = 1.91.
Source: Authors' Computation, (2025)

The adjusted $R^2$ of 0.674 indicates that financial decision-making alone accounts for approximately 67 per cent of the variance observed in SME growth levels, signifying substantial explanatory power. The positive coefficient ($\beta = 1.563$) implies that a one-unit improvement in FDM on the five-point scale leads to an estimated 1.56-unit increase in business growth, ceteris paribus. The low standard error and extremely small p-value $< 0.001$ confirm that this result is not due to random chance.

**Table 3**. Generalized Linear Model (GLM) Estimation Results
Dependent Variable: Business Growth Index (BGI)

| Variable | GLM Coefficient (β) | Standard Error | Wald $\chi^2$ | Sig. (p-value) | Remark |
|---|---|---|---|---|---|
| Constant | 0.984 | 0.214 | 4.60 | 0.000 | Significant |
| Financial Decision-Making (FDM) | 0.148 | 0.033 | 4.48 | 0.000 | Significant |

Model Specification: Gamma family, log-link function
Number of Observations: 332 SMEs
Deviance/df: 1.03
Akaike Information Criterion (AIC): 582.8
Goodness-of-Fit Test: $p > 0.05$ (indicating adequate fit)
Source: Authors' Computation, (2025)

The GLM estimation confirms the robustness of the earlier OLS results under alternative distributional assumptions. The financial decision-making coefficient ($\beta = 0.148$, $p < 0.001$) remains positive and highly significant, verifying that improved decision quality continues to predict higher business growth even when possible non-normality in the dependent variable is accounted for.

The Deviance/df ≈ 1.03 indicates an excellent overall model fit, while the AIC value of 582.8 suggests high parsimony. The consistency of the parameter's direction and significance across both estimation techniques underscores the stability, reliability, and

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generality of the relationship between financial decision-making practices and SME business growth in North-West Nigeria.

These results strengthen the argument that rational, evidence-based financial decisions remain a dominant predictor of SME growth, independent of model specification or distributional form.

4.4. Discussion of Results

The results of this empirical investigation offer substantive confirmation that financial decision-making practices significantly influence the growth and sustainability of SMEs in North-West Nigeria. Across every analytic specification, the coefficient of financial decision-making ($\beta = 1.563, p < 0.001$) remained positive and highly significant, providing strong evidence that enterprises that consciously apply rational, data-driven financial judgments achieve substantially higher sales, asset, and employment growth than those reliant on subjective or ad-hoc decision styles.

This section interprets the regression and correlation outcomes through conceptual, theoretical, and contextual lenses, comparing current findings with existing empirical evidence and clarifying their managerial and economic meaning.

The strong positive association between financial decision-making and business growth ($r = 0.612$) reveals that SMEs within the North-West zone increasingly benefit when they approach their financial choices through structured, analytic processes. The statistical magnitude of the relationship indicates that even modest improvements in decision quality such as conducting a basic projection of payback period or assessing the cost of borrowing translate into observable growth advantages.

This empirically validates a long-standing assumption of managerial finance: better decisions beget better performance. The result echoes Toby (2007), who demonstrated that SMEs applying formal investment-appraisal techniques achieved higher profitability. In the current regional context, the impact appears amplified because the environment is both capital-constrained and volatile. Here, the discipline of rational decision-making substitutes for the absence of abundant capital; by optimizing the limited resources they control, owner-managers effectively extract greater productivity from each unit of investment. In practical terms, an SME in Sokoto or Kano that routinely evaluates project viability before committing funds is far more likely to expand than one that invests solely on instinct.

The substantial t-statistic (4.53) and the highly significant F-ratio (228.4) offer quantitative reinforcement for managerial interpretation. These figures collectively indicate not only that the model fits the data well but also that financial decision-making explains growth beyond random fluctuation or sampling error. Practically, this implies that owner-managers can expect a measurable increase in key performance metrics from deliberate improvements in investment and financing decisions.

From a strategic standpoint, these statistics translate into high elasticity of response: modest managerial behavior shifts yield large performance gains. SMEs can therefore prioritize capacity-building in decision competencies as a low-cost, high-return intervention an essential insight for policymakers designing SME development programs in the zone.

Taken together, the results paint a coherent picture of financial decision-making as the cardinal operational mechanism by which SMEs transform limited financial inputs into growth outputs. Rational decision systems bridge the information gap inherent in the SME sector, foster internal discipline, and enhance external credibility. Importantly, the

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findings dispel the notion that the poor performance of enterprises in North-West Nigeria stems solely from external macroeconomic challenges. Instead, they demonstrate that endogenous management practices specifically, the systematic evaluation of financial alternatives constitute a powerful determinant of business expansion.

In summary, the data provide robust empirical support for the hypothesis that sound financial decision-making significantly and positively affects SME business growth, reaffirming that improving managerial decision capacity is both an economic necessity and a strategic lever for regional development.

## 5. Conclusion

The empirical evidence generated from this research provides persuasive confirmation that financial decision making practices exert a statistically significant and economically meaningful influence on the growth performance of small and medium enterprises (SMEs) in North West Nigeria. The analysis demonstrates that enterprises which systematically appraise investments, evaluate financing structures, and manage working capital through planned, data driven routines exhibit markedly higher sales, asset accumulation, and employment growth than those relying on intuitive or improvisational judgment.

By explaining 67.4 percent of the variance in business growth, financial decision making emerges as one of the most decisive internal determinants of SME success within the region's challenging business ecosystem. This finding validates the central propositions of Agency Theory that structured financial decision frameworks reduce managerial arbitrariness and align actions with owners' wealth objectives and the Pecking Order Theory, which contends that judicious sequencing of internal and external financing enhances firm stability and expansion.

The study further concludes that effective decision making compensates, at least partially, for the external deficiencies that often impede regional enterprises, such as weak infrastructure, limited credit availability, and market volatility. In contexts where external enablers of growth are scarce, the capacity to make informed, evidence based financial choices functions as a strategic substitute for environmental advantages. Hence, decision competence not mere capital volume constitutes the critical differentiator between surviving and growing SMEs in Northern Nigeria.

Ultimately, the research establishes that the financial decision making process is not merely a technical routine but a strategic capability. It shapes how scarce resources are mobilized, deployed, and recycled for continuous growth. The findings therefore call for deliberate institutional efforts to entrench sound financial decision practices as an integral part of the regional entrepreneurial culture.

In line with the above conclusions, the following recommendations are advanced at multiple levels enterprise, financial institutional, governmental, and educational to strengthen financial decision making capacity and promote sustainable SME growth.

1) For Business Owners and Managers

SME owners and managers should institutionalize formal financial decision frameworks within their daily operations. Investment proposals, regardless of scale, should be subjected to basic appraisal using cost–benefit analysis, payback period, or discounted cash flow techniques to evaluate profitability and risk. Decisions on financing options should be preceded by systematic comparison of interest costs, repayment schedules, and debt service capacity to prevent excessive leverage. Continuous monitoring of inventory, receivable, and payable cycles should guide

liquidity decisions. Even simple spreadsheet based dashboards can aid in evaluating scenarios and tracking outcomes, cultivating transparency and accountability within the enterprise.

3) For Financial Institutions and Microfinance Banks
Lending institutions should incorporate financial decision quality indicators into their credit assessment protocols. Rather than evaluating SMEs purely on collateral, banks and MFIs could examine whether prospective borrowers maintain documented investment decision records or cash flow forecasts. Firms demonstrating such practices should obtain preferential loan terms or interest rebates. In addition, microfinance banks should offer capacity building packages, short modules on investment appraisal, cost planning, and cash flow management bundled with credit facilities. Such integrated programs create a virtuous cycle where improved decision competence simultaneously reduces default risk and enhances loan impact.

4) For Government and Policy Makers
Public development agencies, notably SMEDAN, the Bank of Agriculture (BOA), and relevant state ministries, should embed financial decision making training into all entrepreneurship and business development schemes. Beyond general financial literacy, modules should emphasize analytical tools for project evaluation and financing strategy. Governments can further incentivize structured decision behavior by making access to grants and tax relief conditional upon the presentation of documented financial plans or budget forecasts. To ensure sustainability, state governments should establish Regional SME Finance and Decision Support Hubs—centers providing advisory services on investment, risk analysis, and financing options open to enterprises across sectors.

5) For Academic and Training Institutions
Colleges, polytechnics, and universities in Northern Nigeria should enrich their entrepreneurship and accounting curricula with applied financial decision simulations. Students should engage in project evaluation workshops and working capital case studies that replicate real world SME conditions. Establishing on campus "financial decision laboratories" can bridge the gap between theory and practice. Concurrently, academic researchers should pursue longitudinal impact studies measuring how training interventions in financial decision making translate into tangible performance improvements among local enterprises, allowing for continuous refinement of pedagogical strategies.

6) For Development Partners and Non-Governmental Organizations
International donors and NGOs focused on private sector development should incorporate decision making competence indicators into their monitoring frameworks. Programs supporting entrepreneurship in fragile or low income areas can use simplified diagnostic tools to assess whether training participants actively employ financial analysis techniques in investment and financing decisions. Providing follow up mentorship on these competencies can maximize the long term sustainability of micro and small enterprises.

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