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Innovative financing model for sustainable entrepreneurship: unlocking funding opportunities for impact-driven ventures in Kaduna state, Nigeria

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Abstract

This study examines innovative financing models for sustainable entrepreneurship by identifying novel approaches, analyzing funding challenges, and developing strategic solutions to improve access to finance. Guided by three objectives and corresponding research questions, the study surveyed 200 sustainable SMEs in Kaduna State using structured questionnaires validated by experts and piloted (Cronbach's $\alpha = 0.85$). Descriptive statistics revealed that lack of collateral and high interest rates are primary barriers to funding. Crowdfunding and impact investing emerged as effective models. The paper recommends capacity-building programs for financial institutions and policymakers to enhance awareness and utilization of these models among sustainable entrepreneurs.

Keywords: Financing model, Entrepreneurship, Sustainability, Impact-driven venture

Introduction

Entrepreneurship is globally recognized as a driver of innovation, employment, and economic growth. In Kaduna State, Nigeria, small and medium-sized enterprises (SMEs) form the backbone of the local economy, contributing to poverty alleviation and socio-economic development. However, access to finance remains a persistent barrier for sustainable entrepreneurs. Traditional banks impose stringent requirements such as collateral security and high interest rates, effectively excluding many impact-driven ventures from credit access (Lughu, 2025).

The justification for this study lies in the growing recognition that sustainable entrepreneurship requires innovative financing mechanisms to achieve long-term economic, social, and environmental viability. Traditional forms of finance, such as bank loans and credit facilities, often remain inaccessible to many small and medium-sized enterprises (SMEs) due to stringent requirements, high interest rates, and lack of collateral. Kaduna State, with its diverse

SME ecosystem and entrepreneurial vibrancy, presents a fertile context for investigating how new financing approaches can be adapted to local realities.

Globally, models such as crowdfunding, impact investing, green bonds, and blended finance have shown promising outcomes in providing capital to impact-driven ventures and promoting inclusive growth (Belleflamme, Lambert, & Schwienbacher, 2014; Clark, Feiner, & Viehs, 2015). However, in Nigeria, these models are still underexplored and underutilized, leaving many sustainable entrepreneurs without viable pathways to secure funding. This gap underscores the importance of generating empirical evidence to inform both practice and policy.

Policymakers, financial institutions, and development partners require context-specific data to design effective frameworks that can expand access to finance for impact-driven ventures (World Bank, 2021). By exploring the opportunities and challenges of innovative financing models in Kaduna State, this study bridges the existing knowledge gap while offering practical insights for stakeholders. Ultimately, the research provides a roadmap for unlocking funding opportunities that can strengthen sustainable entrepreneurship and contribute to broader national development goals.

Objectives

Investigate the impact of traditional financing barriers on sustainable SMEs.

Evaluate the effectiveness of innovative financing models (crowdfunding, impact investing, blended finance) for SMEs.

Propose strategies to enhance entrepreneurs' capacity to access innovative financing.

Research Questions

What are the key traditional financing challenges limiting sustainable SMEs?

How effective are alternative financing models for impact-driven ventures?

What strategies can enhance SMEs' capacity to adopt innovative financing models?

Methodology

Design: Cross-sectional survey.

Population: SMEs in Kaduna State engaged in sustainable entrepreneurship.

Sample: 200 SMEs selected through random sampling.

Instrument: Structured questionnaire, validated by experts and piloted.

Reliability: Cronbach's alpha = 0.85.

Analysis: Descriptive statistics (mean, SD) used to assess barriers and model effectiveness.

Findings

Traditional Financing Barriers

Barrier	% of SMEs Reporting	Mean Score	Rank
Lack of collateral	78%	4.50	1
High interest rates	74%	4.38	2
Bureaucratic loan processes	62%	4.02	3
Lack of awareness of loan options	58%	3.89	4

Source: Field survey (2025)

These results align with World Bank (2021) and Lughu (2025), confirming that traditional banking systems limit SME access to finance.

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Effectiveness of Innovative Financing Models

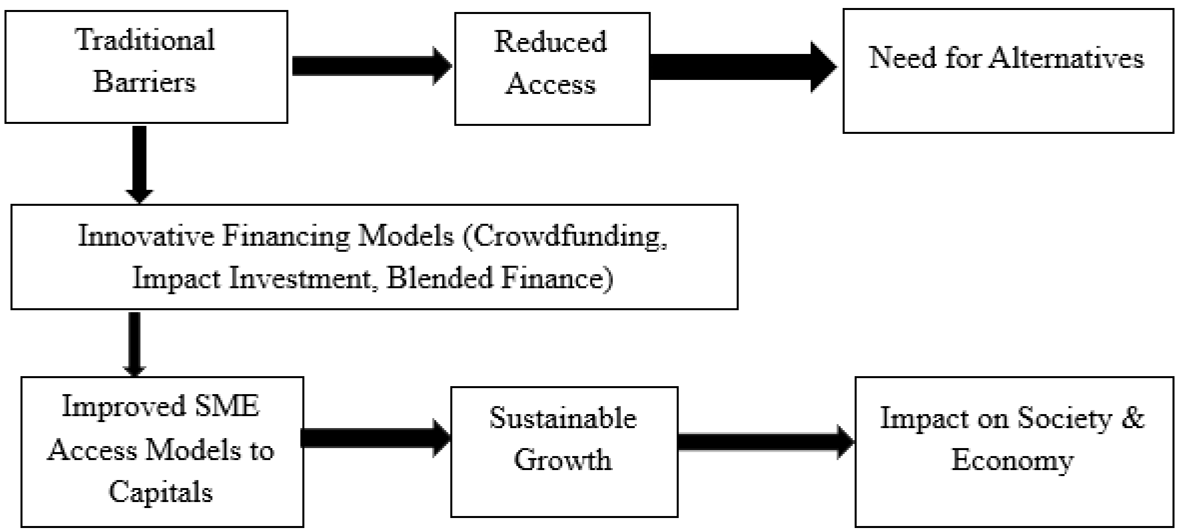
Financing Model	Effectiveness Rating (Mean)	Perceived Strengths
Crowdfunding	4.45	Accessible, fast, community-driven
Impact Investing	4.32	ESG focus, long-term partnerships
Blended Finance	4.10	Mobilizes public-private funds
Green Bonds	3.95	Environmental project focus

Source: Field survey (2025)

Crowdfunding and impact investing emerged as the most highly rated, with local evidence from Monieworx's crowdfunding success (TechCabal, 2023; PR Newswire, 2023).

Conceptual Model

Below is a simplified framework showing the relationship between barriers, innovative models, and entrepreneurial outcomes:



This framework highlights how shifting from traditional to innovative financing enhances sustainability outcomes.

Discussion

The findings underscore that traditional credit systems exclude many SMEs due to structural barriers (collateral, interest, bureaucracy). Crowdfunding directly addresses these by mobilizing community capital, while impact investing attracts global ESG-focused investors (Belleflamme et al., 2014; Clark et al., 2015). Blended finance represents a pragmatic pathway for Kaduna State, where government resources are limited but private capital can be mobilized.

A key takeaway is that capacity-building financial literacy, digital training, and impact measurement is critical. Without such, entrepreneurs cannot fully leverage these models.

Conclusion

This study has demonstrated that innovative financing models such as crowdfunding, impact investing, green bonds, and blended finance provide viable alternatives to the persistent funding challenges faced by sustainable entrepreneurs in Kaduna State. Conventional financing mechanisms, dominated by high-interest bank loans and rigid collateral requirements, remain largely inaccessible to most small and medium-sized enterprises (SMEs). By contrast, innovative models open up opportunities for entrepreneurs to access capital in ways that align with sustainability principles and social impact objectives. The findings highlight that for entrepreneurship to thrive in Kaduna State, financing strategies must shift from traditional approaches to more inclusive, flexible, and impact-driven models. Ultimately, strengthening these financing mechanisms will not only enhance enterprise survival and growth but also contribute to broader economic diversification, job creation, and sustainable development in Nigeria.

Recommendations

1) Strengthen Regulation and Support for Local Crowdfunding Platforms
Crowdfunding has emerged as one of the most promising financing tools for small businesses globally. However, in Nigeria, weak regulation and lack of institutional support often discourage potential contributors. Establishing clear regulatory frameworks that protect both entrepreneurs and investors will enhance trust in local crowdfunding platforms. Moreover, offering incentives such as government-backed guarantees or digital infrastructure support could encourage broader participation from citizens, diaspora communities, and corporate entities.
2) Incentivize Impact Investors through Tax Reliefs and ESG-Aligned Policies
Impact investing, which focuses on both financial returns and measurable social/environmental benefits, is underutilized in Kaduna State. To attract both domestic and international investors, government agencies can introduce tax reliefs and other fiscal incentives for investments directed at green enterprises, women-owned businesses, or renewable energy ventures. Aligning investment policies with global Environmental, Social, and Governance (ESG) standards will also increase Nigeria's attractiveness to socially responsible investors who are seeking high-impact opportunities in emerging markets.
3) Establish Blended Finance Hubs Combining Public Funds with Private Capital
Blended finance leveraging concessional public funds to de-risk private investments has been shown to unlock significant resources for sustainable development. Creating blended finance hubs in Kaduna State would provide a structured platform where development banks, government agencies, and private investors can pool resources to support impact-driven ventures. Such hubs can help mitigate risks for private capital while ensuring that funding flows into high-impact sectors such as agribusiness, renewable energy, and digital enterprises.
4) Launch SME Training Programs on Digital Fundraising and Financial Literacy
Even when financing opportunities exists, entrepreneurs often lack the knowledge to effectively access and utilize them. Training programs tailored to SMEs on digital fundraising tools, financial literacy, and investor relations are essential. These programs should focus on equipping entrepreneurs with skills to design compelling crowdfunding campaigns, maintain transparent reporting, and build long-term relationships with investors. Partnerships with universities, business incubators, and chambers of commerce can strengthen the outreach and sustainability of such programs.

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