



ANALYSIS OF THE EFFECT OF CROWDFUNDING PLATFORMS IN ENHANCING THE SOURCES OF FINANCE FOR MICRO, SMALL AND MEDIUM ENTERPRISES (MSMEs) IN NIGERIA

Bukar Ali Bularafa^{1*} and Kachallah Umar Mustapha²

^{1&2}Department of Business Administration, Federal University Gashua, Yobe State, Nigeria.

*Corresponding Author's Email: abbularafa@gmail.com; Tel.: +2348065769382

Cite this article:

Bukar Ali Bularafa, Kachallah Umar Mustapha (2025), Analysis of the Effect of Crowdfunding Platforms in Enhancing the Sources of Finance for Micro, Small and Medium Enterprises (MSMEs) in Nigeria. International Journal of Entrepreneurship and Business Innovation 8(3), 42-59. DOI: 10.52589/IJEI-FEVR63UD

Manuscript History

Received: 11 Aug 2025

Accepted: 23 Sep 2025

Published: 8 Oct 2025

Copyright © 2025 The Author(s).

This is an Open Access article distributed under the terms of Creative Commons Attribution-NonCommercial-NoDerivatives 4.0 International (CC BY-NC-ND 4.0), which permits anyone to share, use, reproduce and redistribute in any medium, provided the original author and source are credited.

ABSTRACT: *The Micro, Small and Medium Enterprises (MSMEs) sub-sector plays a strategic role in the economic development of Nigeria, providing job opportunities, improving the standard of living, and promoting regional development. However, MSMEs in Nigeria faced a financial exclusion, which resulted in a shortage of finances for their businesses. This prevents many from sustaining and growing their businesses. Crowdfunding is an innovative Fintech aimed at closing the financial gap faced by MSMEs through raising funds from the crowd using the internet. This research examines the effect of crowdfunding platforms in enhancing the sources of finance for MSMEs in Nigeria. The idea behind this study is to examine the effect of crowdfunding platforms in enhancing sources of financing for MSMEs and analyse the financial gap and challenges faced by MSMEs. Descriptive-survey research design was adopted using a structured questionnaire as a data collection instrument. The data collected was analysed using descriptive analysis, Pearson correlation and multiple regression. Findings revealed a significant relationship exists between reward-based and debt-based funding and MSME financing. But donation-based and equity-based have no significance. Furthermore, the finding revealed that MSMEs in the study are faced with challenges in using crowdfunding platforms. Also, the study has realised that there is a financial gap among MSMEs in the study area. Conclusively, findings also confirmed the validity of the crowdfunding model in the context of Nigeria. Policymakers should also ensure that the necessary infrastructure of the Fintech industry is publicly accessible in order to facilitate new crowdfunding platforms and other financing tools and for the purpose of raising awareness about the significance of crowdfunding for MSMEs. Future researchers should consider using different states or zones within the country.*

KEYWORDS: Crowdfunding, Platforms, Finance, MSMEs, Nigeria.



INTRODUCTION

MSMEs sub-sector played a significant role in the economic growth and development of Nigeria through job creation, poverty reduction, improving standards of living and so on. The sub-sector provides jobs for about 77% of the workforce and accounts for about 50% of the Nigerian GDP (National Bureau of Statistics, 2017). Regardless of the significant role played by the MSME sub-sector, the sub-sector is still infantile due to various limitations, which include poor access to credit facilities, management/professional skills, inadequate infrastructure, and challenges in getting raw materials (Ezeaku, Anidiobu & Okolie, 2017). In addition, Awoyemi and Makanju (2020) argued that the greatest problem of MSMEs in Nigeria is poor access to loan facilities. However, if adequate finance is available to these MSMEs, it can ameliorate the difficulties that delay their growth and development (Awoyemi & Makanju, 2020).

Likewise, in his contribution, Ajayi (2021) noted a reduction of total credit facilities to MSMEs in Nigeria to 0.1% for the past five years. He also stated that out of the total credit worth ₦135.9 trillion that was injected into the economy within the period 2011 and 2015 only ₦159.75 billion was benefited by MSMEs. Similarly, Igwe, Onjewu, and Nwibo (2018) claimed that the formal financial institution gives loan facilities to only 35% of the MSMEs in Nigeria. The remaining 65% have to go for alternative sources of raising funds for their businesses. However, some of the challenges encountered by MSMEs in getting finance from the conventional financial institutions for their businesses in Nigeria were lack of collateral and a detailed business plan as a prerequisite for loan approval by these conventional financial institutions (Akpunonu, 2021). Consequently, to improve on the financial exclusion faced by MSMEs in Nigeria, the government through the Central Bank of Nigeria (CBN) created the microfinance bank in the year 2005 (Central Bank of Nigeria (CBN), 2005). The aim was to improve MSMEs' access to finance but all in vain.

According to Yusufu, Suleiman, and Saliu (2020), MSMEs find it difficult to get loans from microfinance banks due to high interest rates. The banks charge above a 22% interest rate on loans, which are mostly short-term in nature. Therefore, with recent improvement in technology, today MSMEs are more independent and more innovative in sourcing start-up and running capital through fintech referred to as 'crowdfunding' (Amuna & Aburahma, 2019).

Crowdfunding refers to a process by which an individual obtains funds for their business via the internet (Amuna & Aburahma, 2019). Through crowdfunding platforms entrepreneurs get funds, not minding professional lenders and other traditional sources (Hendratmi, Ryandono, & Sukmaningrum, 2020; Saiti, Musito, & Yucel, 2018). It is the extension of informal sources of finance without collateral (Saiti et al., 2018). Today, crowdfunding as a new source of raising funds by MSMEs is receiving great attention. The amount of funds raised through crowdfunding increased from \$1.5billion in 2011 to above \$100 billion in 2015 (Jenik, Lyman, & Nava, 2017) and is expected to raise to \$59.564billion in 2017 (Amuna & Aburahma, 2019).

Many prior studies were conducted in Nigeria on crowdfunding, such as Ogwu et al. (2022); Oladejo, Ogunsade, Kolade and Atiase (2023); and Sulaiman, Muhammad and Muhammad (2021). Still, studies show there is scanty research in the field of crowdfunding (Aladejebi, 2020). Most of these studies were conducted in advanced countries of Europe and Asia, very few studies that systematically addressed Africa and particularly Nigeria, which belongs to the largest economy in Africa. Therefore, the present study will fill the existing gap in literature.



Statement of Problem

MSMEs have been recognised as key enablers of economic growth and development in many countries globally. This sub-sector plays a strategic role in job creation, balanced regional development, and increasing GDP among other things. In Nigeria, MSMEs provide about 77% of employment opportunities and account for about 50% of the country's GDP (National Bureau of Statistics, 2017).

In recognising this strategic role of MSMEs, the government, through the Central Bank of Nigeria (CBN), created the microfinance bank in the year 2005; the aim is to facilitate the MSMEs' fundraising (Central Bank of Nigeria (CBN), 2005). However, despite this bold step by the government, still many MSMEs faced financial exclusion in their bid to grow and sustain their businesses. In Nigeria, MSMEs find it difficult to get loans from microfinance banks due to high interest rates, lack of collateral, lack of a good business plan, the short-term nature of the loans, among other reasons (Awoyemi & Mekanju, 2020), and also a lack of awareness of available alternative sources of raising funds for their business.

Therefore, it is agreed that the MSME sub-sector in Nigeria is faced with the problem of financial exclusion, the most affected as compared to larger firms; as a result they remain static or fail due to lack of funds for growth and expansion. Hence, it is agreed that such a financial gap can be minimised by 10% (Beck & Demirguc-Kunt, 2006).

Therefore, this financial gap can be minimised through crowdfunding platforms. According to the World Bank (2015), crowdfunding platforms are not effectively utilised in Nigeria as in other countries of the world. The growth rate is still at 0.1% of the global crowdfunding activity and 21% of emerging market activity (Afrikstart, 2016). This is the reason behind the current study: to examine the effect of crowdfunding platforms in enhancing the sources of finance for MSMEs in Nigeria. The question that bordered the mind of the researcher that desired answers centred on the following major questions:

1. What is the extent of the financial gap for MSMEs in northeastern Nigeria?
2. What are the challenges faced by MSMEs in accessing finance from crowdfunding platforms (donation, reward, equity and debt) in northeastern Nigeria?
3. Do crowdfunding platforms (donation, reward, equity and debt) have an effect on enhancing sources of finance for MSMEs in northeastern Nigeria?

Objective of the Study

The main objective of this study is to examine the effect of crowdfunding platforms (donation, reward, equity and debt) in enhancing sources of finance for MSMEs in northeastern Nigeria. While the specific objectives were to:

1. Analyse the financial gap of MSMEs in northeastern, Nigeria;
2. Examine the challenges associated with sources of finance through crowdfunding platforms (donation, reward, equity and debt) for MSMEs in northeastern, Nigeria; and to



3. Determine the effect of donation, reward, equity and debt in minimising the financial gap of MSMEs in northeastern Nigeria.

LITERATURE REVIEW

This section reviewed much literature that is discussed in line with the study objectives. The section also discussed the financing needs of MSMEs and the challenges they faced. The theoretical review and conceptual framework and finally the effect of crowdfunding platforms in bridging the financing gap of MSMEs were all discussed.

Financing Gap in MSMEs

Finance is necessary in the growth and sustainability of MSMEs. However, many MSMEs in Nigeria fail in their first year of commencement due to problems in accessing finance (Gbandi & Amissah, 2014). About 70% of MSMEs in emerging markets suffer the problem of accessibility to credit facilities. But the gap differs among regions. However, Asia and Africa mainly suffered the most. According to the World Bank (2015), the credit gap of formal MSMEs amounts to US\$1.2 trillion, whereas for both formal and informal MSMEs, it amounts to US\$2.6 trillion.

Effect of Crowdfunding Platforms on Financing MSMEs

Crowdfunding platforms have fundamentally impacted entrepreneurial financing by providing new substitutes to equity, debt and informal borrowing, allowing entrepreneurs to leverage 'the crowd' so as to generate funds for their businesses (Belleflamme, Lambert & Schwienbacher, 2014; Bularafa, 2024). Entrepreneurial activities are the second highest-performing category after social issues (Casson & Giusta, 2007). Macht and Weatherston (2014) conducted a study and the findings revealed that crowdfunding platforms offer unique opportunities in filling the financing gap for MSMEs, especially due to the lack of restrictions on the nature of the firms that can get involved. Crowdfunding platforms also indirectly narrow the financing gap by reducing the marketing and customer acquisition costs MSMEs, especially start-ups, would have to incur.

Theoretical Underpinning

The study adopted two key theories as the underpinning theory for the study. Thus, pecking theory and the theory of financial intermediation.

Pecking Order Theory

According to this theory, firms resort to external financing while they have internal financing available and avoid new equity financing (internal or external) while they can engage in new debt financing at reasonably low interest rates (Murray & Goyal, 2005). Internal financing, the most preferred source of finance, includes retained earnings or personal savings.

Cosh and Hughes (1996) emphasise that the Pecking Order Theory is applicable to SMEs in the preference to use funds generated within the business instead of those generated externally. However, because MSMEs have less access to external funds when compared to large enterprises, MSMEs seemingly experience a more acute rendition of the Pecking Order Theory



known as a "constrained" Pecking Order (Holmes & Kent, 1991). It implies that using external funds correlates to the profitability of MSMEs, in that if they are not stock exchange listed, they will first resort to utilising internally generated funds, while those which make use of external funds generally have a lower level of profit.

Theory of Financial Intermediation

The modern theory of financial intermediation analyses, mainly, the role of financial intermediation, the way in which the financial intermediation impacts the economy as a whole and the effects of government policies on the financial intermediaries. Crowdfunding platforms can be regarded as financial intermediaries. In contrast to traditional finance intermediation, crowdfunding platform intermediation is characterised by certain fundamental differences. First, in crowdfunding platform intermediation the funding judgement and funding activities are no longer reserved for professional financial institutions (banks, venture capitalists) but opened up to the public. Second, platform intermediation provides funding for ventures that would have struggled via traditional forms of funding by making use of information technology (Haas, Criscuolo & George, 2015).

Third, in contrast to traditional financial intermediation, the crowdfunding platform intermediary is not involved in the actual funding process. By contrast, it serves as a matchmaker by linking capital seekers and capital givers directly and by enabling them to exchange value and information. It is under the premise of this theory that the researchers analyse the role of crowdfunding platforms as an alternative source of finance in closing the financing gap for MSMEs in Nigeria.

Challenges Faced in Accessing Funding Through Crowdfunding Platforms

In line with the World Bank (2015), crowdfunding is an exciting concept for entrepreneurs who see it as a solution to the constraints of traditional access to finance. Still, crowdfunding from these platforms is not easy and necessitates substantial dedication of time and resources, more so in areas such as West Africa and especially Nigeria, where the crowdfunding platform concept is still new. The report on crowdfunding in *Emerging Markets, Lessons from East Africa Startups*, provides a summary of some of the main lessons learnt on crowdfunding in West Africa and these lessons have been outlined below.

The first lesson learnt is that crowdfunding platforms are not for everyone and not as easy as most entrepreneurs anticipate. Substantial amounts of human effort are needed for a successful campaign. Mollick (2018) demonstrated that geographic clusters are still evident in the use of crowdfunding platforms and determine the type of crowd-funded project and their success.

The second lesson learnt is that the selected platform should be determined by business requirements. Entrepreneurs have to accurately examine the amount of capital obtainable from crowdfunding platforms serving their geographic areas. It is rare to find debt and equity platforms that normally facilitate larger amounts of funding in several emerging markets. Thirdly, payment systems have an influence on the platform choice. The forefront international crowdfunding platforms habitually have limitations on who can launch campaigns. They also put into place payment systems that hinder contributions from the developing world. Local-based platforms are more suitable for engaging the developing world but do not have a large pool of possible contributors.



The fourth lesson learnt is that quality and quantity of contributor networks are vital. It is important that entrepreneurs spend a lot of time establishing a contact base that will fund capital and endorse the campaign. Moreover, the likelihood of attaining fundraising goals is augmented for entrepreneurs who can “pre-raise” funds from their current networks prior to a campaign going live. The fifth lesson learnt is that entrepreneurs must venture into complementary resources and organisations to upsurge their prospects of success. These lessons or challenges are not particularly specific to Nigerian MSMEs and it is unclear the extent to which these challenges influence the MSMEs' ability to access funding from the crowdfunding platforms. Further, it is unclear which platform types are particularly affected by each of these challenges.

Crowdfunding Platforms in Nigeria

According to Soreh (2017), crowdfunding is a new funding innovation available to entrepreneurs and creators of innovative ideas to raise money to fund projects for a predetermined reward. The new funding innovation is yet to penetrate the fabrics of entrepreneurial finance in Nigeria but has considerable acceptance in the USA, France, Netherlands, Britain, etc. Presently, a crowdfunding campaign for entrepreneurial activities in Nigeria is still evolving. Hence, this study is conceived to scale the level of awareness and the people's attitude regarding the concept. Nigeria is said to be a host of about nine crowdfunding platforms with several listings on some of the platforms, especially sites such as Imeela, Naturfund, Funmilowo, and Donate-ng, but there is little or no evidence of successful funding for entrepreneurial activities. Some successful campaigns recorded for entrepreneurial activities in the country were listed on the platforms' websites.

Conceptual Framework

A conceptual framework is an analytical tool with several variations and contexts and is used to make conceptual distinctions and organise ideas into a visible frame. Figure 1 provides the conceptual framework for the study.

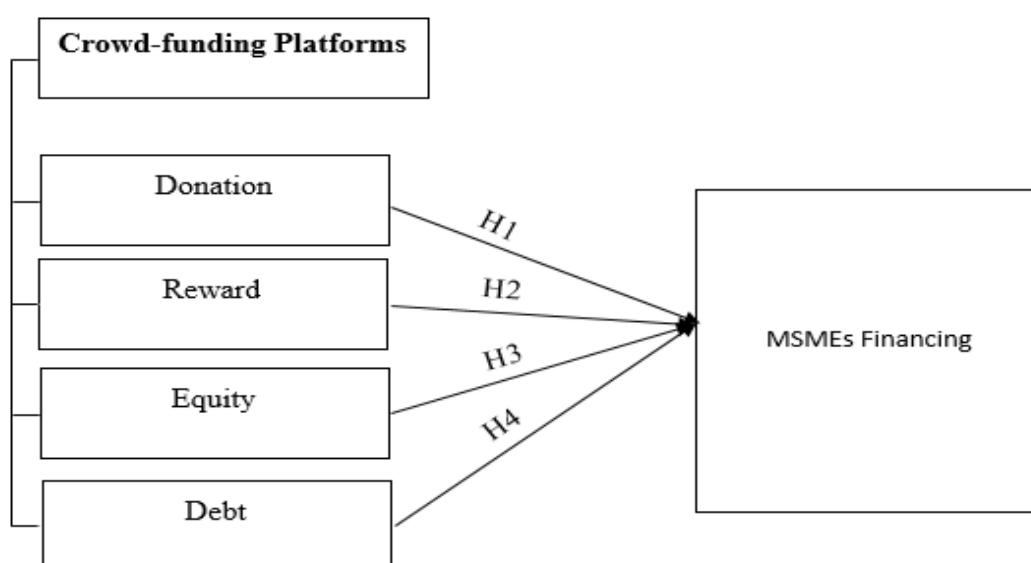


Figure 1: Conceptual Framework for the Study.

Source: Authors



METHODOLOGY

The methodology section provides details about the specific methodologies adopted for the study. The research design adopted for the study was descriptive – survey research design. The population for the study was 118,000 registered MSMEs (CAC, NBS, SMEDAN, 2025); therefore, a sample of 383 MSME owners/managers was used for the study and was determined by the Morgan (1970) formula for determining sample size. Thus, $s = \frac{X^2 NP (1 - P)}{d^2(N - 1) + X^2 P (1 - P)}$. Where $s = 3.841$; $P = .50$; $d = .05$; $N = 114,000$ (population). Hence, $s = 3.841 \times 28500 \div 284.9975 + 0.96025 = 109468.5 \div 285.95775 = 382.81$ $s \approx 383$. However, 383 questionnaires were administered to the respondents; only 353 were retrieved, and out of the 353 retrieved, 23 were not properly filled and therefore were not used for analysis. Hence, 330 questionnaires were used for the analysis, 86% of which is considered good for analysis.

Table 1: Population and Sample Size Computation

State	Population	Sample size calculation	Percentage	Sample size
Adamawa	20,000	$20,000 \div 114,000 \times 100 = 16.94$	17.54	67
Bauchi	25,000	$25,000 \div 114,000 \times 100 = 21.18$	21.93	84
Borno	17,000	$17,000 \div 114,000 \times 100 = 14.40$	14.91	57
Gombe	28,000	$28,000 \div 114,000 \times 100 = 23.72$	24.56	94
Taraba	14,000	$14,000 \div 114,000 \times 100 = 11.86$	12.28	47
Yobe	10,000	$25,000 \div 114,000 \times 100 = 8.47$	08.77	34
Total	114,000		100	383

Source: *Authors' Field Survey, (2025)*

Furthermore, the sample size was selected through the stratified random sampling technique. The instrument for data collection was a structured questionnaire based on a five-point Likert scale from 1 – strongly disagree to 5 – strongly agree and was administered by the researchers and twelve research assistants who were trained on how to administer the questionnaire. The study used Pearson correlation and multiple regression to analyse the data collected for the study using Statistical Package for Social Sciences (SPSS).



RESULTS

Objective One: To analyse the financial gap of MSMEs in northeastern, Nigeria, therefore, to achieve this objective, a descriptive analysis was performed to analyse the financial gap, and three indices were used; these are business financing profile, access to finance and challenges and policy and support awareness. Thus, Tables 1 – 3 present the results of the analysis.

BUSINESS FINANCE PROFILE

Table 2: Main Sources of Business Funding

Source	Frequency	Percent
Personal savings	256	77.6
Family/Friends	45	13.6
Bank loans	13	3.9
Microfinance institutions	3	0.9
Government grants/loans	5	1.6
Co-operative societies	8	2.4
	330	100.0

Source: *Authors' Field Survey, (2025)*

Table 2 indicates that the majority of the respondents indicated that the main source of their business financing was through personal savings; out of 330 respondents, 256 (77.6%) revealed that personal savings are the main source through which they finance their business.

Table 3: Application for a Formal Loan for your Business

Response	Frequency	Percent
Yes	91	27.6
No	239	72.4
Total	330	100.0

Source: *Authors' Field Survey, (2025)*

Table 3 shows the descriptive analysis of the respondent on the application for a formal loan for MSMEs. The results showed that the majority of the respondents, 239 (72.4%), did not apply for a formal loan for their business. Only 91 (27.6) applied for a loan for their business. This implies that the majority of the respondents did not apply for any loan for their business.

**Table 4: Major Financing Needs of Business**

Response	Frequency	Percent
Working capital	172	52.1
Equipment/Machinery	103	31.2
Expansion	48	14.5
Inventory	7	2.1
Total	330	100.0

Source: *Authors' Field Survey, (2025)*

Furthermore, Table 4 describes the results of the major financing needs of the business currently. Out of the 330 respondents who participated in the study, 172 (52.1%) indicated working capital is their current financial need, followed by equipment/machinery as their current needs with 103 (31.2%). This implies that most of the respondents' financial needs currently lie in working capital and equipment/machinery.

ACCESS TO FINANCE AND CHALLENGES

Table 5: Access to Finance and Challenges

Source	Frequency	Percent
Very difficult	131	39.7
Difficult	118	35.8
Neutral/Undecided	68	20.6
Easy	5	1.5
Very easy	8	2.4
Total	355	100.0

Source: *Authors' Field Survey, (2025)*

Table 5 describes the results of the study on access to finance and challenges. The findings indicate that respondents find it difficult to access finance, with 131 (39.7%) indicating it is very difficult to access funds for their business, followed by difficulty with 118 (35.8%). This shows that the majority of respondents find it difficult to access funds for their business in the study area.

Table 6: Major Challenges Faced in Accessing Finance

Source	Frequency	Percent
High interest rate	193	58.5
Collateral requirement	73	22.1
Complex application process	36	10.9
Lack of information	14	4.2
Poor credit history	14	4.2
Others	0	0
Total	330	100.0

Source: *Authors' Field Survey, (2025)*



Table 6 of the descriptive analysis shows that out of the 330 respondents who participated, 193 (58.5%) indicated that high interest rates are a major challenge faced by the majority of the respondents in accessing finance for their business. This implies that high interest rates charged by lenders became the major challenge bedevilling MSMEs in accessing finance in the study area.

Table 7: Effect of Financial Limitations on Business Operations

Source	Frequency	Percent
Reduced Production	107	32.4
Inability to expand	170	51.5
Low employee retention	19	5.8
Poor market visibility	32	9.7
Others	2	.6
Total	330	100.0

Source: Authors' Field Survey, (2025)

In addition, the study's descriptive analysis indicates that finance limits their business operations. Table 7 shows that out of 330 respondents in the study, 170 (51.5%) indicated that financial limitation resulted in their inability to expand, followed by reduced production with 107 (32.4%). This showed that inability to expand and reduced production are the two variables the respondents indicate the most in limiting their operations.

Policy and Support Awareness

Table 8: Awareness of Government or Non-governmental Organization Support for MSMEs

Response	Frequency	Percent
Yes	95	28.8
No	235	71.2
Total	330	100.0

Source: Authors' Field Survey, (2025)

Table 8 describes the respondents' descriptive analysis of the awareness of government or non-governmental organisation support for MSMEs, out the 330 respondents who participated in the study, 95 (28.8%) are aware of government or non-governmental support for MSMEs, while 235 (71.2%) are not aware of any government or non-governmental organisation support for MSMEs. This shows that the majority of the respondents who participated in the study are not aware of any support to MSMEs from either government or NGOs.

Table 9: Benefited from any Support Schemes

Response	Frequency	Percent
Yes	66	20.0
No	264	80.0
Total	330	100.0

Source: Authors' Field Survey, (2025)



Table 9 shows the descriptive study on whether respondents benefited from any support programmes such as loans, grants, training, etc., for MSMEs. The results indicate that out of the 330 total respondents, only 66 (20.0%) have benefited from one or two support schemes, and 264 which represent 80%, did not benefit from any form of support scheme in the study area. This implies that the majority of the respondents did not receive any form of support from any organisation in the study area.

Objective Two: To examine the challenges associated with sources of finance through crowdfunding platforms (donation, reward, equity and debt) for MSMEs in northeastern Nigeria. To achieve this objective, descriptive analysis was conducted using SPSS software and the results were presented in Table 9.

Table 10: Challenges Associated with Sources of Finance through Crowdfunding Platforms (Donation, Reward, Equity and Debt) for MSMEs

Statement	Response	Freq.	%
Internet access or poor connectivity makes it hard to use crowdfunding.	SD	66	20.0
	D	30	9.1
	N	42	12.7
	A	131	39.7
	SA	61	18.5
Facing difficulties meeting the requirements of crowdfunding platforms	SD	26	7.9
	D	56	17.0
	N	75	22.7
	A	133	40.3
	SA	40	12.1
Trust in online platforms discourages MSMEs from using crowdfunding	SD	30	9.1
	D	27	8.2
	N	65	19.7
	A	130	39.4
	SA	78	23.6
No support or guidance for MSMEs on how to use crowdfunding	SD	37	11.2
	D	38	11.5
	N	78	23.6
	A	133	40.3
	SA	44	13.3
Crowdfunding is not yet popular or culturally accepted in my business community	SD	25	7.6
	D	28	8.5
	N	69	20.9
	A	133	40.3
	SA	75	22.7

Source: Authors' Field Survey, (2025)



Table 10 presents the descriptive analysis for the challenges associated with sources of finance through crowdfunding platforms (donation, reward, equity and debt) for MSMEs. On lack of access to the internet or poor connectivity making it hard to use crowdfunding, out of the 330 respondents, 173 (58.2%) agreed that lack of internet accessibility or connectivity is a major challenge in the usage of crowdfunding platforms. On the difficulties facing meeting the requirements of crowdfunding platforms, the majority of the respondents agreed on this statement, with 173 (52.4%). This implies that the majority of the respondents agreed that difficulty in meeting crowdfunding platforms' requirements was their major challenge.

Table 10 further reveals the descriptive analysis of the respondents on trust in online platforms discourages MSMEs from using crowdfunding out of the 330 total respondents, 208 (63.0%) agreed with the statement, which constitutes the majority of the respondents. This shows that the majority of the respondents agreed that lack of trust in online platforms discourages them from using crowdfunding platforms.

In addition, Table 10 reveals the descriptive analysis for challenges regarding lack of support or guidance on how to use crowdfunding, out of the 330 total respondents, 177 (53.6%) agreed that lack of support or guidance on how to use crowdfunding platforms discourages them from using the platform and also constitutes the majority. Finally, the challenge of crowdfunding is not yet popular or culturally accepted in my business community; out of the 330 respondents, 208 (63.0%) agreed with the statement and they constitute the majority. This implies that most of the respondents, more than 60 percent revealed that crowdfunding is new and culturally not accepted by most.

Objective three: Hypothesis testing on the relationship between the exogenous variables and the endogenous variable.

To achieve this objective, three hypotheses were formulated and tested using a Pearson correlation and multiple regression analysis and the results of the findings were presented in Tables 7, 8, 9 and 10. Table 7 shows the relationship between the predictor and the dependent variables. The variables displayed consist of enhancing source financing for MSMEs as the (DV), while the predictor variables were donation-based, reward-based, equity-based and debt-based fundings as the (IVs).

Table 11: Pearson Correlations between Variables: Donation-based, Reward-based, Equity-based and Debt-based on Enhancing Source of Financing for MSMEs

	DBF	RBF	EBF	DBF	MSMEP
Donation-Based	1	.637**	.546**	.287**	.315**
Funding		1	.647**	.343**	.435**
Reward-Based			1	.270**	.342**
Funding				1	.376**
Equity-Based					1
Funding					
Debt-Based Funding					
MSMEP					

** . Correlation is significant at the 0.01 level (2-tailed).

Source: Researchers' Field Survey (2025)



Based on the result of the findings, it was revealed that all the variables – donation-based, reward-based, equity-based and debt-based funding – were significantly correlated in enhancing sources of financing for MSMEs. Furthermore, all the variables' correlation values fall within the weak correlation of 0.3 – 0.5 as suggested by Guilford (1973).

Table 12: Estimate Coefficient in Enhancing Source of Financing for MSMEs Model

Model	Unstandardised Coefficients		Standardize Coefficients	Sig.
	B	Std. Error Beta		
(Constant)	1.018	.128	7.933	.000
Donation-Based Funding	.016	.058	.017	.782
Reward-Based Funding	.269	.064	.287	.000
Equity-Based Funding	.074	.059	.079	.207
Debt-Based Funding	.249	.049	.252	.000

Source: Researchers' Field Survey (2025)

The stated hypothesis **H1** indicates that there is a positive and significant effect of donation-based funding in enhancing sources of financing for MSMEs. However, after testing the hypothesis, it was found that there is no positive and significant effect of donation-based funding on enhancing sources of financing for MSMEs based on ($\beta=0.016$, $p < 0.782$). This finding suggests that there is no significant influence of donation-based funding in enhancing sources of financing for MSMEs in the study area. Table 8 also showed the results of the estimated coefficient for enhancing sources of financing for MSMEs on the hypothesis **H2** which states that reward-based funding has a positive and significant effect in enhancing sources of financing for MSMEs. The findings indicate that reward-based funding has a positive and significant effect in enhancing sources of financing for MSMEs based on ($\beta=0.269$, $p>0.000$), hence **H2** is supported.

The result of the study further indicated **H3** that the variables of equity-based funding did not have influence in enhancing sources of financing for MSMEs, which contradicts the stated hypothesis based on ($\beta=0.074$, $t= 1.263$, $p < 0.207$); therefore, **H3** is not supported. This implies equity-based funding did not have significant influence in enhancing sources of financing for MSMEs in the study area. Finally, **H4** states that there is a positive and significant effect of debt-based financing in enhancing sources of financing for MSMEs. After testing the hypothesis, it was found that debt-based funding has a significant effect on enhancing sources of financing for MSMEs ($\beta=0.249$, $p<0.000$); hence, **H4** is supported at the 0.05 significance level. Therefore, this suggests that debt-based funding has a significant influence on enhancing sources of financing for MSMEs in the study area.

**Table 13: ANOVA^a**

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	44.271	4	11.068	29.511	.000 ^b
Residual	131.261	350	.375		
Total	175.532	354			

a. Dependent Variable: MSMEP

b. Predictors: (Constant), Debt-Based Funding, Equity-Based Funding, Donation-Based Funding, Reward-Based Funding.

Source: Authors' Field Survey (2025)

Table 13 reveals that significant differences exist among the variables of donation-based, reward-based, equity-based, and debt-based funding in enhancing sources of financing for MSMEs. The result of the ANOVA in Table 9 indicates a significant difference observed ($P=.000$) at the .05 level of significance between the variables in the study towards enhancing sources of financing for MSMEs.

Table 14: Model Summary

Model	R	R Square	Adjusted R-Square	Standard Error of the Estimate
1	.502 ^a	.252	.244	.61240

Source: Authors' Field Survey (2025)

Table 14 reveals the model summary result, which indicates the coefficient of determination (R^2), indicating variance explained by individual variables on the dependent variable (Sarstedt et al., 2022). This implies that the total effect of all independent variables on the dependent variable; hence, in this study, the adjusted R^2 value obtained from Table 10 is 0.244, this implies that all the variables in the study have moderate ability to predict enhancing sources of financing for MSMEs.

DISCUSSION

This study analyses the effect of crowdfunding platforms in enhancing the sources of financing for MSMEs in northeast Nigeria. In Hypothesis **H1**, the findings revealed that donation-based funding did not have an effect on enhancing sources of financing for MSMEs ($\beta=0.016$, $p<0.782$). This finding agrees with the findings of Sulaeman (2020). However, hypothesis **H2** stated that reward-based funding has an effect on enhancing the source of financing for MSMEs; the findings revealed a significant effect ($\beta=0.269$, $p > 0.000$), which implies that reward-based funding has a significant effect on enhancing the source of financing for MSMEs. This finding corresponds with the findings of Kankisingi and Dhliwayo (2022). The analysis further revealed the result of hypothesis **H3** which states that equity-based financing has a significant effect on enhancing sources of financing for MSMEs. The finding showed that equity-based financing did not have a significant effect on enhancing the source of financing for MSMEs ($\beta=0.074$, $p<0.207$). This finding was in line with the findings of Lawhaishy and Othman (2023). Lastly, on hypotheses, hypothesis **H4** which states that debt-based financing



has a significant effect on enhancing sources of financing for MSMEs, the findings revealed that debt-based funding has a significant effect on enhancing sources of financing for MSMEs with ($\beta=0.249$, $t= 5.087$, $p < 0.000$). This finding supports the findings of Rhoudri and Ougoujl (2024)

IMPLICATIONS FOR RESEARCH AND PRACTICE

This study examined the analysis of the effect of crowdfunding platforms in enhancing the sources of financing for MSMEs in northeast Nigeria. More precisely, the study examined the key challenges facing MSMEs on crowdfunding platforms, analysing the financial gap of MSMEs. Also, the study investigated the factors that influence the crowdfunding platforms in enhancing the sources of financing for MSMEs in northeastern Nigeria. The results of the study have important implications for a variety of stakeholders. For example, the findings can be used to establish essential guidelines for future researchers in their investigations of different issues related to crowdfunding as well as other factors that may influence the decisions of MSMEs with regard to crowdfunding. The study also provided an overview of the effect of factors that enhance the source of financing for MSMEs when using crowdfunding platforms to finance their business. The study also revealed key crowdfunding variables that have an effect on enhancing the source of financing for MSMEs that could generate value for policymakers, entrepreneurs in general and MSMEs in particular, as well as universities, research institutions, training programmes and entrepreneurship centres.

CONCLUSION

This study examined the analysis of the effect of crowdfunding platforms in enhancing the sources of financing for MSMEs in northeast Nigeria. The findings generated interesting results; particularly, the result confirmed the challenges faced by MSMEs in sourcing finance through crowdfunding platforms and the financial gaps existing among MSMEs. Furthermore, the study revealed that two of the four variables used in the study (reward-based crowdfunding and debt-based crowdfunding) were found to predict the effect of enhancing sources of financing for MSMEs. The findings also confirmed the validity of the crowdfunding model in the context of Nigeria.

RECOMMENDATION

Based on the findings of this study, the following recommendations were made. Accordingly, policymakers are required to focus on introducing and permitting various types of crowdfunding platforms to operate in the market after adopting the necessary precautionary measures. Doing so will allow MSMEs to obtain funds from a pool of individuals worldwide instead of depending on traditional financial institutions, such as commercial banks, that demand collateral and entail lengthy procedures. Policymakers in Nigeria should also direct their efforts toward addressing the challenges identified in this study by ensuring that the available crowdfunding platforms deliver the expected results for MSMEs. Policymakers should also ensure that the necessary infrastructure of the Fintech industry is publicly



accessible in order to facilitate new crowdfunding platforms and other financing tools and for the purpose of raising awareness about the significance of crowdfunding for MSMEs. Finally, existing crowdfunding platforms should consider the various factors presented in the current study to improve on their operations and performances

LIMITATION OF THE STUDY

However, despite these compelling results, the study had some limitations, such as a limited number of categories of MSMEs, which may limit its generalisability. Furthermore, focus was placed on four variables (donation, reward, equity and debt); also, it focused only on northeastern Nigeria. Lastly, as the study used a questionnaire to collect data, it was not possible to address the individual concerns and perspectives of the respondents. As such, future research should include more constructs, a larger sample size and comparisons with other contexts, such as different states, countries or different zones within the country.

DECLARATION OF CONFLICTING INTERESTS

The authors declared no potential conflicts of interest with respect to the research, authorship, and/or publication of this article.

FUNDING

This research was sponsored by the Tertiary Education Trust Fund (Tetfund).

REFERENCES

- Afriksart. (2016). Crowdfunding in Africa. Available online: <http://afrikstart.com/report/wp-content/uploads/2016/09/AfrikstartCrowdfunding-In-Africa-Report.pdf> (accessed on 5 July 2022).
- Ajayi, O. I., Ajuwon, O. S., & Ikhida, S. . (2021). Access to finance and performance of services sector MSMEs in Nigeria. . *Oradea Journal of Business and Economics*, 6(2), 8-20.
- Akpunonu, U. (2021). Financial Inclusion Strategy and Access to Credit by Micro Small and Medium Scale Enterprise (MSMEs) in Nigeria. *Available at SSRN 3902043*.
- Aladejebi, O. (2020). Crowdfunding: An emerging source of raising funds in Nigeria. *Archives of Business Review–Vol*, 8(7), 10.14738.
- Amuna, Y. A., & Aburahma, I. (2019). Enhancing entrepreneurial abilities through various crowdfunding models. *International Journal of Academic Management Science Research (IJAMSR)*, 3(5).
- Awoyemi, B. O., & Makanju, A. A. (2020). The growth prospect and challenges of financing micro, small and medium scale enterprises (MSMEs) in Nigeria. *European Journal of Business and Management Research*, 5(4).



- Beck, T., & Demirguc-Kunt, A. (2006). Small and medium-size enterprises: Access to finance as a growth constraint. *Journal of Banking & Finance*, 30(11), 2931-2943.
- Belleflamme, P., Lambert, T., & Schwienbacher, A. (2014). Crowdfunding: Tapping the right crowd. *Journal of business venturing*, 29(5), 585-609.
- Bularafa, B. A., (2024). Crowdfunding as the New Hope for Financing Small Business Entrepreneurship in Nigeria, *Gamji Journal of Arts and Humanities*, 1(1), 93-117.
- Casson, M., & Giusta, M. D. (2007). Entrepreneurship and social capital: Analysing the impact of social networks on entrepreneurial activity from a rational action perspective. *International small business journal*, 25(3), 220-244.
- Central Bank of Nigeria (CBN). (2005). Micro Finance Policy, Regulatory and Supervisory Framework for Nigeria. Abuja: CBN.
- Cosh, A., & Hughes, A. (1996). The Changing State of British Enterprise. *ESRC Centre for Business Research, Cambridge*.
- Ezeaku, H. C., Anidiobu, G. A., & Okolie, P. I. (2017). SMEs financing and its effect on manufacturing sector growth in Nigeria: An empirical assessment. *European Journal of Economic and Financial Research*.
- Gbandi, E., & Amissah, G. (2014). Financing options for small and medium enterprises (SMEs) in Nigeria. *European Scientific Journal January*.
- Guilford, J. P. (1973). Characteristics of Creativity.
- Haas, M. R., Criscuolo, P., & George, G. (2015). Which problems to solve? Online knowledge sharing and attention allocation in organizations. *Academy of management journal*, 58(3), 680-711.
- Hendratmi, A., Ryandono, M. N. H., & Sukmaningrum, P. S. (2020). Developing Islamic crowdfunding website platform for startup companies in Indonesia. *Journal of Islamic Marketing*, 11(5), 1041-1053.
- Holmes, S., & Kent, P. (1991). An empirical analysis of the financial structure of small and large Australian manufacturing enterprises. *Journal of small business finance*, 1(2), 141-154.
- Igwe, P. A., Onjewu, A. E., & Nwibo, S. U. (2018). Entrepreneurship and SMEs' productivity challenges in sub-Saharan Africa *African entrepreneurship: challenges and opportunities for doing business* (pp. 189-221): Springer.
- Jenik, I., Lyman, T., & Nava, A. (2017). Crowdfunding and financial inclusion. *CGAP (Consultative Group to Assist the Poor) working paper*, 41.
- Kankisingi, G. M., & Dhliwayo, S. (2022). Rewards and innovation performance in manufacturing small and medium enterprises (SMEs). *Sustainability*, 14(3), 1737.
- Lawhaishy, Z. B., & Othman, A. H. A. (2023). Introducing an Islamic equity-based microfinance model for MSMEs in the State of Libya. *Qualitative Research in Financial Markets*, 15(1), 1-28.
- Macht, S. A., & Weatherston, J. (2014). The benefits of online crowdfunding for funds-seeking business ventures. *Strategic Change*, 23(1-2), 1-14.
- Mollick, E. (2018). Crowdfunding as a font of entrepreneurship: Outcomes of reward-based crowdfunding *The economics of crowdfunding: Startups, portals and investor behavior* (pp. 133-150): Springer.
- Morgan, K. (1970). Sample size determination using Krejcie and Morgan table. *Kenya Projects Organization (KENPRO)*, 38(1970), 607-610.
- Murray, Z. F., & Goyal, V. K. (2005). Trade-off and Pecking Order Theories of Debt. New York: McGraw Hill Education Ltd.



- National Bureau of Statistics, N. (2017). Micro, Small and Medium Enterprises Survey Report. Unemployment and Underemployment. Retrieved January 31, 2018, from www.nigerianstat.gov.ng.
- Ogwu, K., Hickey, P., Okeke, O. J.-P., Haque, A. u., Pimenidis, E., & Kozlovski, E. (2022). An integrated online/offline social network-based model for crowdfunding support in developing countries: The case of Nigeria. *Sustainability*, 14(15), 9333.
- Oladejo, O. R., Ogunsade, A. I., Kolade, S., & Atiase, V. (2023). Crowdfunding and traditional finance: the prospects and challenges for SMEs in Nigeria. *Entrepreneurial Financial Resilience and Financial Innovation in a Turbulent Era*, 85-105.
- Rhoudri, S., & Ougoujil, S. (2024). Propensity toward Islamic debt financing among Moroccan MSMEs: assessing the mediating effect of entrepreneurial achievement motivation using PLS-MGA. *International Journal of Bank Marketing*, 42(7), 2177-2215.
- Saiti, B., Musito, M. H., & Yucel, E. (2018). Islamic crowdfunding: Fundamentals, developments and challenges. *Islamic Quarterly*.
- Sarstedt, M., Hair, J. F., Pick, M., Liengaard, B. D., Radomir, L., & Ringle, C. M. (2022). Progress in partial least squares structural equation modeling use in marketing research in the last decade. *Psychology & Marketing*, 39(5), 1035-1064.
- Soreh, W. C. (2017). Awareness and attitude towards crowdfunding in Nigeria. *International Journal of African and Asian Studies*, 36(1), 1-8.
- Sulaeman, S. (2020). A conceptual and empirical study on the development of the Islamic donation-based crowdfunding platform model for micro small and medium-sized enterprises (MSMEs) in times of Covid-19 pandemic in Indonesia. *Asian Journal of Islamic Management (AJIM)*, 107-122.
- Sulaiman, S. M., Muhammad, Y., & Muhammad, M. A. (2021). An assessment of the intention to accept the shariah-compliant crowdfunding mode of financing in Borno State, Nigeria. *Journal of Islamic Monetary Economics and Finance*, 7(4), 687-708.
- World Bank. (2015). Crowdfunding in Emerging Markets, Lessons from East Africa. Washington DC: World Bank Publishers. Retrieved from: <https://openknowledge.worldbank.org>.
- Yusufu, O., Suleiman, O., & Saliu, H. (2020). Effect of micro finance bank on the growth of Small and Medium Enterprises in Nigeria. *KIU Interdisciplinary Journal of Humanities and Social Sciences*, 1(2), 127-142.