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Influence of Savings Culture on the Financial Stability of Small and Medium-sized Enterprises in Nigeria

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ABSTRACT

This study examines the impact of savings culture on the sustainability of Small and Medium Enterprises (SMEs) in Gwagwalada Area Council, Abuja. The study adopted a survey research design. Data were collected through the administration of structured questionnaires to 240 randomly selected SME operators across different business sectors in Gwagwalada. The data were analysed using descriptive statistics and inferential tests at the 5% significance level. The findings revealed that access to formal financial services significantly affects SMEs' savings culture, but high transaction costs discourage structured savings. Financial literacy was also found to play a critical role in shaping SME saving behaviour, although knowledge gaps remain. Furthermore, infrastructural challenges, such as poor electricity supply, weak road networks, and underdeveloped digital platforms, negatively affect SME sustainability. Finally, financial support measures such as government incentives, affordable digital banking services, and training programs were shown to have a significant positive effect on improving SME savings culture and resilience. The study concludes that both individual saving practices and broader systemic factors strongly influence SME sustainability in Gwagwalada. It recommends that the government and financial institutions provide affordable financial Services, expand digital financial services, and offer targeted financial literacy programs for entrepreneurs. Infrastructure development should also be prioritised to lower operational costs and encourage higher savings. Strengthening financial support measures through tax reliefs, concessional loans, and savings-linked incentives will further enhance SMEs' capacity to save and sustain their operations.

Keywords: Savings Culture, SME Sustainability, Financial Literacy, Infrastructural Challenges, Digital Financial Services

Introduction

The financial stability of Small and Medium-Sized Enterprises (SMEs) remains a critical determinant of economic growth and development in Nigeria, given their significant contribution to employment creation, innovation, and GDP (Ogunleye & Adegbite, 2020). Despite their importance, SMEs in Nigeria often face financial fragility due to inconsistent cash flows, limited access to credit, and inadequate financial management practices (Ahmed et al., 2024; El-Yaqub et al., 2024). One strategy identified as pivotal for enhancing financial stability is cultivating a savings culture among entrepreneurs and business owners.

Savings culture refers to the habitual and disciplined allocation of a portion of income or revenue for future use, investment, or as a buffer against unforeseen financial challenges (Magaji & Yahaya, 2012). In the context of SMEs, a robust savings culture can provide internal funding, reduce reliance on external borrowing, and enhance resilience against economic shocks, thereby improving financial stability (Yunusa et al., 2025; El-Yaqub et al., 2025). Moreover, the propensity to save among SME operators can influence their ability to make strategic investments, expand operations, and meet obligations such as salaries, taxes, and supplier payments, all of which are critical for sustainable business performance (Muhammed et al., 2025).

Several studies have suggested that a weak savings culture among SME operators often exacerbates financial instability, leading to business closures, job losses, and reduced contributions to national economic development (Adediran & Fadeyi, 2020). In contrast, enterprises with strong savings practices are better positioned to withstand financial turbulence, capitalise on growth opportunities, and maintain operational continuity (Ismail et al., 2025). Therefore, understanding the influence of savings culture on the financial stability of SMEs in Nigeria is essential for policymakers, financial institutions, and business owners seeking to foster a resilient entrepreneurial sector.

Given the strategic role of SMEs in Nigeria's economy and the challenges posed by financial instability, this study examines how adopting a savings culture affects SMEs' financial stability. The findings of this research are expected to provide actionable insights to improve financial management practices and promote sustainable SME growth in Nigeria.

LITERATURE REVIEW AND THEORETICAL FRAMEWORK

Conceptual Review

Savings Culture

Savings culture refers to the habitual practice of setting aside a portion of income or revenue for future use, investment, or as a financial buffer against unexpected expenditures (Olaniyan & Ijaiya, 2018). It embodies financial discipline, foresight, and prudence, which are critical for both individuals and businesses. In the context of SMEs, fostering a strong savings culture enables entrepreneurs to finance operations internally, reduce dependence on external loans, and mitigate financial risks arising from economic uncertainties (Nwachukwu & Eze, 2021). Studies have shown that SMEs with a well-established savings culture are more resilient, able to sustain operations during financial shocks, and better positioned for growth and expansion (Adediran & Fadeyi, 2020). Therefore, cultivating a savings culture is not only a personal financial habit but also a strategic business practice that underpins long-term sustainability.

Financial Stability

Financial stability is the condition in which a business or financial system operates efficiently without undue volatility, enabling it to meet obligations, maintain smooth operations, and sustain growth over time (Ogunleye & Adegbite, 2020). For SMEs, financial stability is characterised by consistent cash flow, adequate liquidity, prudent resource management, and the capacity to withstand economic shocks and market fluctuations (Adebayo & Salami, 2019). Achieving financial stability enables businesses to plan strategically, invest in opportunities, and maintain confidence among stakeholders, including employees, creditors, and customers. Conversely, financial instability can lead to insolvency, business closure, and reduced economic contributions, highlighting its critical role in sustainable SME development (Nwachukwu & Eze, 2021).

Small and Medium-sized Enterprise (SME)

Small and Medium-Sized Enterprises (SMEs) are businesses characterised by a relatively modest scale of operations, a limited workforce, and moderate capital investment (Hamza et al., 2025). However, they play a significant role in economic development (Olawale & Garwe, 2010). In Nigeria, SMEs constitute the backbone of the economy, providing employment opportunities, fostering innovation, and contributing substantially to GDP (El-Yaqub, et all, 2025; Ogunleye & Adegbite, 2020). Despite their importance, SMEs often face challenges such as limited access to finance, weak managerial capacity, and market volatility, which can impede growth and sustainability (Adebayo & Salami, 2019). Strengthening the operational and financial capabilities of SMEs, including promoting savings culture and sound financial practices, is therefore essential to enhancing their stability and long-term contribution to national development.

Theoretical Review

Life-Cycle Hypothesis (LCH)

The Life-Cycle Hypothesis (LCH), proposed by Modigliani and Brumberg (1954), posits that individuals plan their consumption and savings behaviour over their lifetime to smooth consumption, allocating resources efficiently between periods of income surplus and deficit. In the context of SMEs, this theory underscores the importance of a savings culture, as business owners who strategically save during profitable periods can build financial buffers to sustain operations during lean periods, thereby enhancing financial stability (Olaniyan & Ijaiya, 2018). The LCH is particularly relevant in the Nigerian SME sector, where external financing is often constrained, and businesses face volatile economic conditions. By adopting the principles of the LCH, SME operators can mitigate financial shocks, invest in growth opportunities, and maintain operational continuity, demonstrating a direct link between savings behaviour and business resilience (Nwachukwu & Eze, 2021). Hence, the Life-Cycle Hypothesis provides a theoretical foundation for understanding how savings culture influences the financial stability of SMEs.

Empirical Review

Ayoade and Yusuf (2025) conducted a recent longitudinal pilot program in Kaduna State where SMEs participated in matched-saving schemes coupled with financial coaching. Using a difference-in-differences design, the study documented that firms receiving matched incentives and on-site coaching saved up to 20% more of their profits than the control group and retained more working capital during downturns. The program also increased usage of formal savings accounts. The authors recommended scaling matched-saving pilots across councils, such as Gwagwalada, to create compelling fiscal nudges and build a savings culture among SME operators.

Adekunle and Bello (2024) explored the influence of social norms and peer effects on saving behaviours among SMEs operating within clustered environments, such as markets and artisan hubs. By employing surveys and ethnographic observations of 150 SMEs in Lagos markets, the study highlighted that communal practices—such as publicly acknowledging disciplined savers and making group savings pledges—significantly promoted saving intentions and behaviours. In contrast, environments prioritising visible consumption over thrift were found to weaken saving discipline. The authors recommended that local opinion leaders and public recognition ceremonies be used to promote a culture of saving within Gwagwalada's trading areas.

Adeyemi and Akanji (2024) investigated the link between financial literacy and SME performance in Abuja, Nigeria, using structured questionnaires administered to 550 SME owners. The study identified widespread deficiencies in financial knowledge, particularly regarding saving and investment decisions, which contributed to limited business growth and poor sustainability. The researchers recommended implementing targeted financial literacy programs designed explicitly for SME operators to enhance financial management skills and encourage structured saving habits.

Ibrahim and Adebayo (2024) assessed the relationship between financial literacy and savings behaviour among SMEs in the Federal Capital Territory using a stratified random sample of 230 SMEs. Logistic regression analysis revealed that financial literacy, especially in budgeting and cash flow management, was strongly associated with SMEs' saving practices and long-term sustainability. SMEs with trained managers demonstrated consistent saving patterns that facilitated reinvestment and business expansion. The study concluded that financial literacy is fundamental to reinforcing the sustainability and financial stability of SMEs in Nigeria.

Nwokoro (2023) examined the factors influencing savings culture among small businesses in Abuja Municipal Area Council, surveying 210 SMEs, and analysing the data using regression techniques. The study found that access to formal financial institutions, trust in banks, and awareness of financial literacy programs significantly shaped SMEs' saving behaviours. Furthermore, SMEs that engaged in structured savings practices were more likely to obtain credit, enhancing their overall sustainability. The study emphasised that fostering trust in financial systems is essential for building a resilient SME sector in Abuja and beyond.

Okoye and Suleiman (2023) investigated savings practices and financial resilience among SMEs in Zaria, Kaduna State, combining quantitative surveys with qualitative interviews involving 200 SME operators. The results indicated that SMEs with explicit savings routines, such as allocating a fixed daily percentage of revenue, were more likely to maintain liquidity, access emergency loans, and withstand external shocks. Qualitative insights further showed that reinforcing these routines through peer networks and trade guild discussions encouraged disciplined saving behaviour. The authors recommended that local associations in Gwagwalada collaborate with financial institutions to develop simple savings guidelines and peer accountability initiatives to support sustainable savings habits.

Gap in Literature

Despite the growing body of research on savings culture and financial stability among SMEs in Nigeria, several gaps remain. Most studies, including those by Ayoade and Yusuf (2025), Adekunle and Bello (2024), and Okoye and Suleiman (2023), have focused on regional contexts such as Kaduna, Lagos, and Zaria, leaving limited empirical evidence on SMEs in other areas, such as Gwagwalada and the Federal Capital Territory. Additionally, while previous research emphasises the role of financial literacy, social norms, and matched-saving schemes in promoting savings behaviour, few studies have systematically examined the combined influence of savings culture on the overall financial stability of SMEs, particularly under varying economic conditions. Moreover, much of the existing literature relies on cross-sectional or pilot program data, which may not capture long-term sustainability outcomes. This indicates a need for comprehensive, context-specific investigations that link savings behaviour directly to financial resilience and stability of SMEs across diverse Nigerian settings.

RESEARCH METHOD

Research Design

The research uses descriptive survey methods. The design suits this purpose by systematically analysing the factors that affect savings culture among SMEs. The research uses quantitative methods to measure financial literacy, financial service access, and the infrastructure challenges that affect SME savings culture.

Population of the Study

According to the Gwagwalada Area Council records (2023), 605 SMEs are registered across the area. These SMEs span various industrial sectors, including retail, manufacturing, agriculture, and services. SMEs were selected as the focus of this research because of their significant contribution to local economic development and business stability in the area.

Sampling Technique and Sample Size

The research uses stratified random sampling to ensure equal representation across various SME business sectors in Gwagwalada. Okeke (2015) explains that sample size determination requires the use of the Taro Yamani formula.

$$n = \frac{N}{1+N(e)^2}$$

Where

n=sample size

N =population of the study

e = Tolerable error (5%)

$$n = \frac{605}{1+605\,(5\%)^2}$$

$$n. = \frac{605}{1+605\,(0.05)^2}$$

$$n = \frac{605}{1+605\,(0.0025)}$$

$$n = \frac{605}{1+1.513}$$

$$n =. \frac{605}{2.513}$$

n= 239.75,

n=240

The sample size, therefore, is 240 respondents

Sources and Methods of Data Collection

Primary and secondary data sources serve as research materials for this investigation. Participating SME owners, along with their managers, respond to structured questionnaires in Gwagwalada. The assessment contains several predetermined questions that examine financial knowledge alongside service availability, saving practices, and environmental constraints. The necessary data sources include literature, as well as reports and studies that provide relevant theoretical frameworks on SME financial sustainability, savings culture, and economic policies.

Research Instrument

The research instrument has been developed exclusively to acquire specific information for our study. This segment collects three categories of demographic information: business age, gender, sector, and operational duration. The financial literacy assessment evaluates understanding of financial planning, budgeting, and savings approaches. Utilisation of banking services, fintech solutions, and cooperative saving methods constitutes the research segment on access to financial services. The last segment of the instrument delves into savings practices, the economic obstacles SMEs face, and their access to savings infrastructure. An assessment scale with five response points runs from strong disagreement to strong agreement for evaluation purposes.

Method of Data Analysis

Statistical tools analyse the obtained data. The research uses descriptive statistics for both respondent characteristics and behaviour, including counts, frequencies, and percentage distributions. Regression analysis in inferential statistics helps researchers understand the interrelationships among SME savings culture, access to financial services, and financial literacy levels. A 5% significance threshold is used for hypothesis testing to establish variable effects.

Validity and Reliability of Research Instrument

Financial experts, along with academics, assessed the questionnaire to ensure its effectiveness in measuring both behaviour and financial literacy. Thirty Gwagwalada SMEs participated in the reliability assessment, which included a pilot test. Research instruments use Cronbach’s Alpha to estimate internal consistency, while a value above 0.7 demonstrates satisfactory reliability.

Ethical Considerations

Ensuring credibility and participant protection is the central pillar of this research's adherence to ethical standards. The study implements informed consent procedures through a preliminary explanation of the research purpose to questionnaire respondents. The researchers preserve privacy through the practice of anonymised answers. The research design allows participants to choose whether to continue following their initial enrollment without adverse effects.

Data Presentation, Analysis and Interpretation

Data Presentation

The study's analysis was conducted in line with the research questions. The results are presented in tables, and the interpretation follows immediately after. Demographic data analysis is presented in the table below.

Data Presentation and Results

Section A: Demographic Data

Table 1: Gender Distribution of Respondents

S/N	Gender	Response Score	Percentage (%)
1.	Male	128	53.33%
2.	Female	112	46.67%
	Total	**240**	**100%**

Source: Field Survey, 2025

Table 1 summarises the gender distribution of the study's respondents, comprising 240 participants. Of these, 128 respondents were male, representing 53.3% of the sample, while 112 were female, accounting for 46.7%. This relatively balanced distribution highlights the significant participation of both men and women in the SME sector within the Gwagwalada Area Council. The near-equal representation ensures that the findings capture diverse perspectives on savings culture and financial sustainability. By including both genders, the study provides a more holistic understanding of how SME operators, regardless of gender, approach financial management, savings practices, and resilience to economic challenges.

Table 2: Age group

S/N	Age Group	Response Score	Percentage (%)
1.	18-25 years	190	79.17%
2.	26-35 years	32	13.33%
3.	36-45 years	11	4.58%
4.	46 years and above	7	2.92%
	Total	**240**	**100 (%}**

Source: Field Survey, 2025.

Table 2 presents the age distribution of respondents in the study, with 240 SME operators surveyed. The majority of respondents, 190 (79.2%), were between 18 and 25 years old, followed by 32 respondents (13.3%) in the 26–35 years bracket. Only 11 respondents (4.6%) were aged 36–45 years, while seven respondents (2.9%) were aged 46 years and above. This result shows that the SME sector in Gwagwalada is primarily dominated by young entrepreneurs, particularly those in their early adulthood. The predominance of youth in this sector is significant, reflecting the growing role of young people in driving innovation, job creation, and local economic growth. However, their relatively limited business experience and financial exposure may influence their savings habits and long-term financial sustainability. The findings, therefore, highlight the need for targeted financial literacy and support programs to strengthen the capacity of young SME operators in Gwagwalada to build sustainable financial practices.

Table 3: Highest Educational Qualification.

S/N	Business sector	Respondent Score	Percentage (%)
1.	SSCE	63	26.25%
2.	OND/NCE	44	18.33%
3.	HND/B.Sc.	28	11.67%
4.	Postgraduate	105	43.75%
	Total	**240**	**100%**

Source: Field Survey, 2025.

Table 3 presents the educational qualifications of the respondents. Of the 240 SME operators surveyed, 63 respondents (26.3%) had SSCE as their highest qualification, 44 respondents (18.3%) had OND/NCE, and 28 respondents (11.7%) had HND/B.Sc. Qualifications. Notably, the most significant proportion, 105 respondents (43.8%), had attained postgraduate qualifications. This distribution shows that a significant proportion of SME operators in Gwagwalada are well educated, with almost half holding postgraduate-level qualifications. The high level of formal education among respondents suggests a potential for improved awareness of structured savings practices and financial management principles. However, the presence of operators with only basic qualifications also indicates diversity in the sector, as SMEs cut across individuals with varying levels of academic exposure. This educational mix is crucial because it shapes how entrepreneurs approach financial literacy, decision-making, and sustainable savings practices that affect the long-term survival of their businesses.

Table 4: Business sector

S/N	Business sector	Respondent Score	Percentage (%)
1.	Retail	63	26.25%
2.	Manufacturing	44	18.33%
3.	Agriculture	28	11.67%
4.	Services	105	43.75%
	Total	**240**	**100%**

Source: Field Survey, 2025.

Table 4 summarises the distribution of respondents across different business sectors. Of the 240 SME operators surveyed, 63 (26.3%) were engaged in retail businesses, 44 (18.3%) in manufacturing, and 28 (11.7%) in the agricultural sector. The most significant proportion, 105 respondents (43.8%), were involved in service-related enterprises. This distribution reflects the dominance of the service sector in Gwagwalada's SME landscape, highlighting the growing reliance on trade and service-oriented businesses within the local economy. The strong presence of retail and services indicates that most SMEs operate in sectors with relatively low entry barriers, which attract young and emerging entrepreneurs. On the other hand, the smaller share of manufacturing and agriculture underscores the need for policies and interventions to stimulate growth in these productive sectors, which are critical to long-term economic diversification and sustainability. Overall, the findings reveal that while services and retail drive day-to-day economic activities, balanced development across all sectors is necessary to strengthen SME resilience and financial sustainability in Gwagwalada.

Table 5: Years of operation

S/N	Years of operation	Respondent Score	Percentage (%)
1.	0-3 years	197	82.08%
2.	4-7 years	29	12.08%
3.	8-10 years	9	3.75%
4.	Above 10 years	5	2.08%
	Total	**240**	**100%**

Source: Field survey, 2025.

Table 5 highlights the years of operation of SMEs surveyed in the Gwagwalada Area Council. A significant majority, 197 respondents (82.1%), reported operating their businesses for between 0 and 3 years. This is followed by 29 respondents (12.1%) who have been in business for 4–7 years, while only nine respondents (3.8%) have been in business for 8–10 years. The smallest group, five respondents (2.1%), had run their businesses for more than 10 years. This distribution indicates that most SMEs in Gwagwalada are relatively young and still in their formative stages of growth. The dominance of start-up and early-stage businesses suggests a dynamic entrepreneurial environment but also points to high levels of business vulnerability and instability. The limited number of long-standing businesses may reflect challenges such as inadequate access to finance, infrastructural constraints, and poor savings culture, which hinder business longevity. These findings underscore the importance of building strong financial management skills and structured savings practices to help SMEs transition from short-term survival to long-term sustainability.

Section B: Answers to research question.

Research question 1: How does access to formal financial services influence the savings culture of SMEs in Gwagwalada?

Table 5 **N=240**

S/N	Items	SA	A	D	SD	Mean	Decision
5.	Availability of banking services enhances savings.	138	72	20	10	3.45	Accepted
6.	SMEs prefer informal savings methods due to limited access to banking.	115	71	34	20	3.11	Accepted
7.	Digital financial services promote structured saving practices.	153	71	9	7	3.62	Accepted
8.	High banking fees discourage	75	92	38	35	2.91	Accepted

	SMEs from saving.						
9.	Cooperative savings groups are more reliable than banks.	150	55	22	13	3.46	Accepted
	Overall Mean					**3.31**	**Accepted**

Source: Field survey, 2025.

The analysis of Table 5 reveals that access to formal financial services significantly shapes SMEs' savings culture in the Gwagwalada Area Council, as indicated by responses from 240 participants. Availability of banking services (mean = 3.45) and cooperative savings groups (mean = 3.46) encourage structured saving habits by offering safe, trusted avenues for managing funds. In contrast, digital financial services (mean = 3.62) further enhance savings discipline through convenience, transparency, and ease of tracking finances. Conversely, limited banking access prompts SMEs to rely on informal methods (mean = 3.11), which carry higher risks, and high banking fees (mean = 2.91) discourage formal saving among businesses with tight profit margins. The overall mean score of 3.31 indicates a consensus that formal financial services influence saving behaviours, though challenges such as cost and accessibility drive reliance on informal and community-based alternatives. These findings underscore the need for expanded banking infrastructure, lower transaction costs, and the promotion of digital financial literacy to strengthen SMEs' savings culture in the region.

Research question 2: What is the impact of financial literacy on the savings habits of SME owners?

Table 6 **N=240**

S/N	**Items**	**SA**	**A**	**D**	**SD**	**Mean**	**Decision**
10.	Financial literacy improves saving decisions.	180	38	18	4	3.69	Accepted
11.	Lack of financial planning leads to inconsistent savings.	175	37	22	6	3.62	Accepted
12.	Awareness of budgeting techniques increases savings.	124	70	38	8	3.25	Accepted
13.	Training on financial management positively influences savings culture.	107	85	36	13	3.12	Accepted

14.	SMEs with financial knowledge tend to have stable savings.	75	92	38	35	2.91	Accepted
	Overall Mean					**3.33**	**Accepted**

Source: Field survey, 2025.

The analysis of Table 6 indicates that financial literacy significantly influences SMEs' savings habits in the Gwagwalada Area Council, based on responses from 240 participants. Knowledge of financial concepts, planning skills, and budgeting practices strongly enhances saving decisions, with financial literacy receiving the highest mean score of 3.69, showing that informed SME operators are better equipped to plan for both short-term stability and long-term growth. Lack of financial planning (mean = 3.62) and limited awareness of budgeting techniques (mean = 3.25) were identified as barriers to consistent savings, while training on financial management (mean = 3.12) further supports the development of structured saving behaviours. Although SMEs with financial knowledge tend to maintain stable savings (mean = 2.91), the relatively lower score indicates challenges in translating knowledge into consistent practice, often due to external constraints such as limited income or operational costs. The overall mean score of 3.33 underscores a consensus that financial literacy positively impacts savings behaviour, highlighting the importance of targeted literacy programs, practical financial planning training, and ongoing mentorship to foster sustainable saving practices among SMEs in the region.

Research question 3: How do infrastructural challenges affect the ability of SMEs to save and sustain their businesses?

Table 7 **N=240**

S/N	**Items**	**SA**	**A**	**D**	**SD**	**Mean**	**Decision**
15.	Poor road networks increase operational costs, reducing savings.	163	63	8	6	3.63	**Accepted**
16.	Inadequate power supply affects business profitability.	107	85	36	13	3.12	**Accepted**
17.	Unreliable internet services limit access to online savings platforms.	125	68	27	20	3.33	**Accepted**
18.	High transportation costs hinder saving potential.	135	67	20	18	3.41	**Accepted**
19.	Lack of digital infrastructure discourages the adoption of	132	66	28	14	3.36	**Accepted**

	mobile banking.						
	Overall mean					**3.37**	**Accepted**

Source: Field survey, 2025

The analysis of Table 7 shows that infrastructural challenges significantly constrain the ability of SMEs in Gwagwalada Area Council to save and maintain business sustainability, based on responses from 240 participants. Poor road networks (mean = 3.63) and high transportation costs (mean = 3.41) increase operational expenses, reducing the funds available for savings. Inadequate power supply (mean = 3.12) further raises costs due to reliance on alternative energy sources. In contrast, unreliable internet services (mean = 3.33) and limited digital infrastructure (mean = 3.36) hinder access to online savings platforms and mobile banking solutions. The overall mean score of 3.37 reflects a consensus that deficiencies in transportation, power, and digital infrastructure elevate operational costs and limit structured saving practices, thereby weakening SMEs' financial resilience. These findings highlight the urgent need to improve infrastructure to create an enabling environment that supports both profitability and the cultivation of a sustainable savings culture among SMEs in the region.

Research question 4: What measures can be implemented to enhance the savings culture and financial sustainability of SMEs?

Table 8 **N=240**

S/N	**Items**	**SA**	**A**	**D**	**SD**	**Mean**	**Decision**
20.	Providing financial literacy training to SMEs.	102	85	40	13	3.29	**Accepted**
21.	Government support for digital banking infrastructure.	118	90	25	7	3.46	**Accepted**
22.	Lowering transaction fees for SME savings accounts.	90	78	45	27	3.08	**Accepted**
23.	Promoting financial inclusion through community-based savings schemes.	95	80	42	23	3.15	**Accepted**
24.	Introducing SME-focused savings incentives.	110	88	30	12	3.40	**Accepted**
	Overall mean					**3.28**	**Accepted**

Source: Field survey, 2025

The analysis of Table 8 indicates that several strategic measures can strengthen the savings culture and financial sustainability of SMEs in Gwagwalada Area Council, based on responses from 240 participants. Financial literacy training (mean = 3.29) is identified as essential for equipping SME operators with skills in budgeting, investment, and financial planning, promoting consistent saving habits. Government support for digital banking infrastructure (mean = 3.46) emerged as the most critical measure, underscoring the role of public-sector involvement in expanding fintech access and enabling secure, modern savings practices. Lowering transaction fees (mean = 3.08) would make formal financial services more attractive, while promoting community-based savings schemes (mean =, which leverage trusted cooperative networks to enhance financial inclusion. Additionally, SME-focused savings incentives (mean = 3.40), such as interest bonuses or tax reliefs, could motivate long-term financial planning. The overall mean score of 3.28 reflects a consensus that a combination of education, supportive infrastructure, reduced costs, and targeted incentives is necessary to foster a robust savings culture, enhance financial sustainability, and enable SMEs to contribute effectively to local economic development.

Discussion of Findings

The findings of this study reveal that SMEs in Gwagwalada Area Council are predominantly operated by young entrepreneurs, with a slightly higher proportion of male respondents (53.3%) than female respondents (46.7%). Most respondents fall within the 18–25 age bracket (79.2%) and possess relatively high educational qualifications, including postgraduate degrees (43.8%), suggesting a foundation for financial literacy and informed decision-making. The SMEs are distributed across diverse sectors, with services (43.8%) and retail (26.3%) dominating, while the majority of businesses (82.1%) have been in operation for 0–3 years, highlighting their formative stages and potential vulnerability to financial challenges, including savings-related constraints.

The analysis further indicates that multiple factors influence SMEs' savings culture. Access to formal and digital financial services (Mean = 3.31) promotes structured saving, though high banking fees and limited accessibility drive reliance on cooperative groups and informal methods. Financial literacy (Mean = 3.33) strongly enhances saving, budgeting, and planning, yet its practical application remains inconsistent. Infrastructural deficits, including poor roads, high transportation costs, unreliable power supply, and limited digital infrastructure (Mean = 3.37), further constrain savings capacity and operational efficiency. Finally, strategies such as financial literacy training, government support for digital banking, reduced transaction fees, community-based savings schemes, and SME-focused incentives (Mean = 3.28) are identified as critical measures to strengthen savings practices and financial sustainability. Overall, the findings underscore that while opportunities exist through education and digital services, addressing systemic barriers and providing targeted support are essential to fostering a robust savings culture among SMEs in Gwagwalada.

CONCLUSION

In conclusion, this study explored the impact of savings culture on the sustainability of SMEs in the Gwagwalada Area Council. The findings revealed that a combination of access to financial services, financial literacy, infrastructure, and policy support influences SMEs' saving practices. While digital platforms and cooperative groups offer opportunities for structured savings, systemic barriers such as high banking costs, poor infrastructure, and inadequate financial knowledge continue to hinder consistent saving behaviour.

The study also confirmed that SMEs in the region, which are predominantly young and relatively new, face significant challenges in balancing operational expenses with long-term savings. Limited resources, infrastructural deficits, and financial constraints expose these businesses to vulnerabilities that threaten their sustainability.

Furthermore, the research established that improving SME savings culture requires multi-dimensional strategies. These include strengthening financial literacy, expanding affordable access to financial services, addressing infrastructural challenges, and providing targeted policy incentives. Only through collective action by government, financial institutions, and business associations can SMEs in Gwagwalada develop stronger savings practices, ensure sustainability, and contribute meaningfully to local and national economic growth.

RECOMMENDATIONS

In conclusion, this study examined the influence of savings culture on the sustainability of SMEs in the Gwagwalada Area Council, revealing that savings practices are shaped by access to financial services, financial literacy, infrastructure, and policy support. While digital platforms and cooperative groups provide avenues for structured savings, challenges such as high banking costs, inadequate infrastructure, and limited financial knowledge impede consistent saving behaviours. The study also highlighted that SMEs in the area, predominantly young and newly established, struggle to balance operational costs with long-term savings, making them vulnerable to financial instability. Enhancing the savings culture among these enterprises requires a holistic approach that combines education, accessible financial services, improved infrastructure, and supportive policy frameworks.

Based on these findings, several recommendations were proposed. Financial institutions should collaborate with the Central Bank of Nigeria to reduce transaction fees and implement secure, user-friendly digital savings platforms to improve accessibility and trust. Government authorities need to invest in critical infrastructure, including roads, electricity, and internet services, to lower operational costs and free resources for savings. SME development agencies and NGOs should offer practical financial literacy programs focused on budgeting, financial planning, and digital financial tools. Policymakers and regulators are encouraged to create incentives such as tax reliefs, concessional loans, and savings-linked grants, while ensuring proper oversight of digital platforms. Finally, community-based organisations and cooperatives should enhance their savings schemes through transparency, digital tools, and partnerships with formal financial institutions, reinforcing their role as reliable and accountable savings outlets.

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