

---

## Financial Literacy and Credit Accessibility for Small Scale Business Sustainable Growth

**Olasoji Margaret Bolanle**

Department of Business Administration, Achievers University, Owo

**Adegboyegba Ojo Ademola,**

Postgraduate School Kaduna Nigeria Defence Academy, Kaduna

doi: <https://doi.org/10.37745/ijbmr.2013/vol12n85166>

Published September 18, 2024

---

**Citation:** Bolanle O.M. and Ademola A.O. (2024) Financial Literacy and Credit Accessibility for Small Scale Business Sustainable Growth, International Journal of Business and Management Review, Vol.12, No.8, pp.51-66

---

**Abstract:** *This study is based on financial literacy and credit accessibility for small scale business sustainable growth Owo, Ondo State. The specific objectives of this study were; to examine the impact of financial behaviour, financial attitudes on the performance of small and medium scale enterprises in Owo, Ondo state. The population of the study was 218 respondents of owners and employees of SMEs in Owo, Ondo state. The study used primary data which was collected using questionnaire which comprised of both open ended and close ended questions each addressing the study's objectives. 218 copies questionnaire were administered out of which 181 were retrieved and used for data analysis. Analysis on the demographic features of the respondents were carry out with multiple regression method was used to test for two hypotheses. The result of the study indicates that; financial behaviour has a positive significant on the performance of SMEs in Owo, Ondo State, that financial attitude has positive and significant relationship with the performance of SMEs in Owo, Ondo State. The findings led to the conclusion that financial behaviour and financial attitude have a significant effect on SMEs performance and can directly determine the organization growth and increase in business assets. The study therefore recommended that owners and employees of SMEs should take a conscious effort to improve upon their financial behaviour and financial attitude by attending workshops, conferences and short courses on financial literacy.*

**Keywords:** *Small and Medium Scale, Enterprises Performance, Financial Literacy, Financial Behaviour and Financial Attitude*

---

### INTRODUCTION

In recent times the step of financial literacy in many nations amongst SMEs has turnout to be of major concern to researchers, professionals, authorities' agencies, coverage makers, and economic institutions (Muganamfura, 2018). The incessant distressed syndrome experiencing through SMEs across the globe, especially in developing countries has been attributed to financial illiteracy (Oke, 2018). Adeyemi and Odebisi (2017) argued that truly each SMEs lacks simple financial competencies that ought to guide their financial decisions to profit ability, yet the atmospherically

condition in the assessment of funds is hash to businesses. Disney and Gathergood (2015) asserted that SMEs lack financial information, problem of accessibility to finance, problem of innovation amongst others are key problems associated with the survival of businesses in Nigeria. Therefore, financial literacy is seen as an avenue for survival of business in 21<sup>st</sup> century.

Financial literacy refers to the knowledge of money and financial products that people can apply to financial choices in order to make informed decisions about how to handle their finances (Basu, 2005). It includes the ability to make informed judgments and to take effective decision regarding financial matters (Worthington, 2005). Organization for Economic Co-operation and Development (OECD) (2005) argued that financial literacy must involve not only the investors but also the employees, both having the knowledge of financial products and concepts and their ability to consider financial risks in their decision making and to make other effective actions to improve their financial levels. Financial literacy is essential in helping individuals to identify vital financial issues and behaviours that support effective management of financial resources (Hilgert, 2016).

In the modern business world, financial literacy has become essential in the running of businesses and operations of organizations in the complex and dynamic environment. Kinston and Messy (2012) says that governments around the world are interested in finding effective approaches of improving financial literacy of their populations through developing strategies for financial education with the main aim of providing various learning opportunities. Many countries have developed strategies for the implementation of financial education to improve financial literacy of their population as it is perceived as a life skill necessary for intelligent financial conducting modern life and an important basis for the economic and financial stability of society and the state (Tali, 2016).

In Ondo state, people have, however, forced by challenges into creating their own ventures and small enterprises. Reports indicate that the most people now have their own small businesses (OCED, 2015). The move to the venture creation and enterprises not only have positive impact on economy of the people but also for the growth and socio-economic wellbeing of the country, however, the conducting of a business, management of financial complexities and ensuring its profitability will still remain a challenge. However, the following questions were modified for the research work; how does the level of financial knowledge affect the performance of SMEs owners and employees in Owo, Ondo State and what influence does finance have on performance of the SMEs in Owo, Ondo State. **Objectives:** determine the level at which financial knowledge affect performance of the SMEs owners and employees and determine the effect of financial influence on the performance of SMEs in Owo.

The following hypotheses structured along with objectives of the work.

**H<sub>01</sub>:** The level of financial knowledge has no significant effect on SMEs performance in Owo, Ondo State.

**H02:** Financial influence has no significant influence on the performance of SMEs in Owo, Ondo state.

## LITERATURE REVIEW

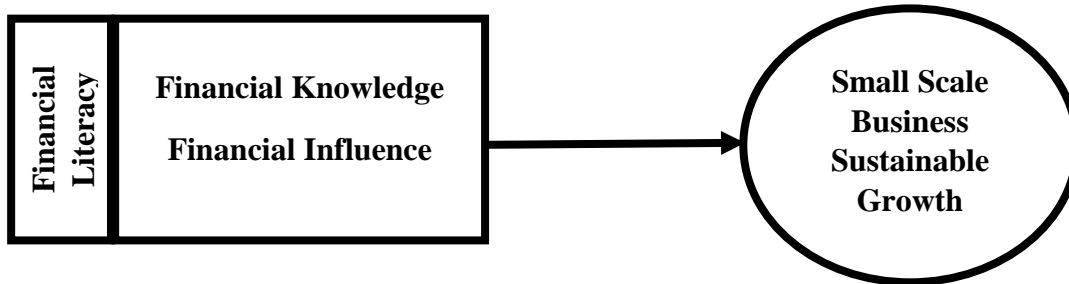
### Financial Literacy

Financial literacy is the ability to manage funds, to ensure more monetary success in the future (Margaretha and Sari 2015), financial literacy is the ability to make judgments and effective decisions related to money management. According to Remund (2010), research reviews since 2000 show many concepts about financial literacy, which were divided into five categories, namely: (1) knowledge of financial concepts, (2) ability to communicate financial concepts, (3) aptitude in managing personal finance, (4) skills in making appropriate financial decisions and (5) confidence in planning effectively for future financial needs.

The level of financial literacy from an individual or family point of view may influence the ability to have long-term savings that can use to buy assets, educational costs, and retirement (Aribawa, 2016). Poor and ineffective money management may cause a family financial crisis (Aribawa, 2016). On the other hand, MSMEs with sound financial literacy will be able to achieve their company goals, have a business development orientation, and survive in challenging economic conditions (Aribawa, 2016). OJK and a press release stated that the contribution of the MSME sector in Indonesia has proven to be highly significant for the national economy. This is due to the assistance of 60% of the Gross Domestic Product and absorbing 97% of the federal workforce. The role of MSMEs is strengthened by increasing their capabilities in managing finances and expanding their financial access (OJK.go.id, 2016). Idawati and Pratama (2020) stated that financial literacy is a positive effect on the sustainability of MSMEs. Furthermore, Rahayu and Musdholifah (2017) show that the influence of financial literacy on the sustainability of MSME has a positive effect. This indicates that financial literacy is at the highest level of business continuity.

The concept of small and medium-scale enterprises (also known as small and medium-scale businesses) have been variously defined by different Authors and scholars. Whereas small and medium-scale enterprises (SMEs) are commonly used by the European Union member states and some international organizations such as the world Bank, the United Nations and the world trade organization; the small and medium-scale businesses (SMBs) is predominantly used in the United States of America. Regardless of the dichotomy inherent in the classification, both SMEs and SMBs conceptually convey the same meaning (Wikipedia, 2011).

### Conceptual Framework



### Empirical Review

Erhomosele and Obi (2022) stated that financial literacy helps entrepreneurs to face the challenges of a dynamic business environment and enables them to achieve personal financial success. Therefore, according to Burchi et al. (2021), financial literacy has a positive and significant effect on the sustainability of the entrepreneurial activity. One way to examine the success of a business depends on MSME actors and their knowledge of financial literacy. This is related to business bookkeeping, making income and expenditure budgets, good capital management, and others. Sound financial management enables actors to maintain their business sustainability. The knowledge of financial literacy can be supported by access to finance because MSMEs take advantage of the services provided by banks in opening accounts, borrowing capital, transfers between banks, and others. The ease of MSME actors accessing banking with various kinds of financial product offers, from savings to secure loans and relatively affordable interest rates according to their needs, will create a comfortable condition in carrying out business activities. Furthermore, there will be no difficulties in terms of financial aspects (Aqida and Fitria, 2019).

Erick (2021) investigated the influence of financial literacy on financial performance of SMEs in Ruiru Town Kenya. A descriptive survey design was adopted in conducting the study. The study population entailed the 334 owners of registered SMEs in Ruiru Sub County and who have undergone some financial literacy training. The target population of this study was 334 SMEs operating in Ruiru town. A sample of 100 respondents was selected out of the total population using stratified sampling to get the sample of respondents and with the aid of the Yamanes' formula. The data collected was analysed using SPSS and the significance of the results tested using inferential statistics such as analysis of variance. The results of the multiple regressions revealed that there is significant strong positive relationship between financial literacy; personal savings skills, entrepreneurship skills, access to banking services skills and bookkeeping skills on financial performance of SMEs; growth in profitability, sales revenue turn over and return on equity. From the results, the study concluded that high levels of financial literacy among SMES owners led to higher financial performance of SMEs.

The relationship between financial skills and the sustainable development of Micro, Small, and Medium Enterprises (MSMEs) is crucial. Financial skills refer to the practical abilities and

---

Publication of the European Centre for Research Training and Development-UK

competencies in managing finances, including budgeting, cash flow management, financial analysis, and financial decision-making. Possessing strong financial skills enables MSME owners and managers to effectively allocate resources, monitor financial performance, and make informed decisions that contribute to the long-term sustainability of their enterprises (Beck et al., 2008). By having a solid understanding of financial concepts and being adept at financial skills, MSMEs can optimize their financial operations, identify growth opportunities, and navigate financial challenges. This, in turn, enhances their profitability, resilience, and ability to create employment opportunities, thereby fostering sustainable development (Klapper & Love, 20121). The financial skill of business operators has a positive effect on the growth and sustainable development of SMEs (Buchdadi et al., 2020).

Most of the empirical literatures on the development of SMEs are tied to the contribution of the sector to the growth and development of the economy concerned. In it, areas of emphasis included employment generation, poverty reduction and income generation among other issues. Yet, other studies such as Basil (2015) focus attention on the non-durability of SMEs. The study concludes that about 50% of SMEs surveyed did not receive external finance while 77% indicated lack of access to financial resources-hence, the ability to expand becomes contracted which ultimately resulted in their death.

## **METHODOLOGY**

### **Research Design**

This study adopted the survey research design. Thus, research designed specifies the framework for controlling data collection techniques and its main function is to ensure that the required data are collected at a very economical and accurate rate. In achieving this and due to the nature of this study, survey research design was used. This is a method of gathering data from respondents through the representative of the population using an administered questionnaire. The researcher administered questionnaires to elicit responses from SMEs Owners and Employees.

### **Population of the Study**

The population for this study consisted all employees of the four selected SMEs in Owo Local Government. There are a total of four hundred and seventy-eight (478) Owners and employees in the four selected enterprises as shown in the table 1

**Table 1: Population of the Selected Companies**

Companies	Populations
Dammy communication	18
Oyato Nigeria Limited	100
Mydas Resort Centre	150
Tisco Nigeria Limited	210
<b>Total</b>	<b>478</b>

Source: Researcher's field survey, (2024).

### Sample size and Sampling Technique

For the purpose of this study stratified random sampling was adopted by the researcher in determining the sample size. Yamani (1967) statistical formula were used for determine sample size for the study.

The sample size for the study was the owners and employees of staff of Four (4) selected small and medium scale enterprises (Oyato Nigeria Limited, Dammy Communication, Mydas Resort centre and Tisco Nigeria Limited) in Owo, Ondo State.

The above formula is being applied by:

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

Where N= population size; e= desired margin of error.

Therefore, the sample size for this study is

$$\frac{478}{1+(478)(0.05)^2} = 218$$

A total of two hundred and eighteen (218) respondents was used as sample size for this study. Copies of questionnaire were administered to the selected SMEs. Proportionate sampling was then used to determine the number of respondents for each strata to ensure equal representation hence reduce sampling errors. The sample size was calculated using Yamane's statistical formula (1967).

**Table 2: Sample size determination**

S/N	SMEs	Populations	Sample Size
1	Dammy communication	18	8
2	Oyato Nigeria Limited	100	46
3	Mydas Resort Centre	150	68
4	Tisco Nigeria Limited	210	96
	<b>Total</b>	<b>478</b>	<b>218</b>

Source: Researcher's Field Survey, 2024.

**Research Instruments**

Primary data was used as a mean of data collection, through the use of questionnaire distributed to the four selected SMEs in Owo, Ondo state. The questionnaire was divided into two sections; background information and research questions.

**Table 3: Reliability Test Scores of Variable**

Variables	Number of items	Cronbach's Alpha
Financial Knowledge	6	.720
Financial Influence	10	.775

**Source: Researcher's Field Survey, 2024.**

The above table 3 reveals the reliability test for the instruments (questionnaire) that was used for the study. Therefore, a pilot study was conducted on which the consistency of results was ascertained through the use of Cronbach's coefficients alpha. The accepted lower limit for Cronbach's coefficients alpha is 0.60 and 0.70 above as good reliability (Tabachnick & Fidell, 2024). Therefore, above output shows that financial behaviour, financial attitude, financial knowledge, financial influence and performance has alpha values of 0.720 and 0.775, respectively. However, all the measurement deems to have adequate reliability as recommended by (Sekaran & Bougie 2020).

**Model Specification**

The model used for this study show the link between financial literacy and SMEs performance:

SMEs Perf =f (FB, FA, FK, FI)

SP = f (FB, FA, FK, FI)-----3.1

Sp =  $\alpha_0 + \beta_3FK_1 + \beta_4FI_2 + \sum$

Sp = SMEs Performance

FK = F .....K

FI = F .....I

The a priori expectation are:

$\beta_1, \beta_2, \beta_3, \beta_4 > 0$  (coefficient of FK, and FI )

$\sum_I$  = Error term

Where,  $\alpha_0$  = Alpha  $\beta_1$ .....  $\beta_2$  = Beta  $\sum$  = error terms, i= samples of selected SMEs in Owo

SP = SMEs Performance

F<sub>1</sub> = Financial Knowledge: (Financial Awareness, Debt Management, and Access to finance)

F<sub>2</sub> = Financial Influence: (Learning of forecasting, Investment alternative, Cash management)



**ANALYSIS OF THE DATA****Table 4: SMEs performance**

The numbers listed below shall be taken to mean the following, 1 = Strongly Disagree, 2 = Disagree, 3 = Undecided, 4 = Agree, 5 = Strongly Agree.

Statement	1	2	3	4	5	Mean	SD
The volume of sales has been increasing	0%	2.8%	3.3%	45.3%	48.6%	1.60	.689
The organizations acquire and update its knowledge on the	0%	1.7%	9.9%	53%	35.4%	1.78	.688
The number of employees has been rising every year	1.1%	9.9%	7.7%	38.1%	43.1%	1.88	.998
My annual sales turnover is high	3.3%	2.2%	10.5%	49.7%	34.3%	1.91	.911
The performance of my business for the past five years has been increased	1.1%	3.3%	13.3%	42%	40.3%	1.83	.862

**Source: Researcher's Field Study, 2024**

The table 4.2.1 shows that 48.6% of the respondents strongly agreed that the volume sales has been increasing every year, 45.3% respondents agreed to the fact, 5 respondents did not, 53.0% of the respondents agree, 35.4% respondents strongly agreed, 18 respondents undecided, while 3 respondents disagreed the fact this means business is growing as shown by means of 1.60, Over 78 of the respondents strongly agreed the number of employees has been rising every year, 69 respondents agreed, 18 respondents disagree, 14 respondents not decided, while 2 respondents strongly disagreed the fact, it shown by mean of 1.88, Over 49.7% of the respondents agreed that annual sales turnover is high which means that financial literacy has positive effects of the performance of SMEs in Owo, Ondo state, 34.3% respondents strongly agreed, 6 respondents opined that sales turnover is not high, 4 respondents disagreed, this is shown by mean of 1.91, while 19 respondents did not decide and Over 42.0% of the respondents agreed that performance of their business for the past five years has been increased, 40.3% respondents strongly agreed, 6 respondents disagree, 2 respondents strongly disagree with the fact, while 13.3% respondents undecided about the fact shown by mean of 1.83.



**Table 5: Financial Knowledge and Performance of SMEs**

Statement	1	2	3	4	5	Mean	SD
My debt management skills have enable me to access	2.2%	2.2%	12.2%	38.1%	45.3%	1.78	.904
High inflation can affect my business	0%	8.8%	8.8%	48.1%	34.3%	1.92	.885
I can access finance at a minimum cost	0%	6.6%	21.0%	50.3%	22.1%	2.12	.828
I can determine accurately the total debt position of my business	1.1%	7.7%	14.4%	47%	29.8%	2.03	.924
I am aware of financial issues concerning my	0%	3.3%	15.5%	38.7%	42.5%	1.80	.821

**Source: Researcher's Field Study, 2024**

From the table 4.2.4, 82 respondents strongly agreed that debt management skills enable them to access various source of finance for their business, 69 respondents agreed, 22 respondents undecided to the fact, 2.2% of the respondents disagreed while 4 respondent was strongly disagreed as shown by mean of 1.78, majority agreed that high inflation can affect their business, 62 respondents strongly agreed, 16 respondent disagree to the fact, while 8.8% of the respondents undecided as shown by mean of 1.92, 91 respondents agreed, 40 respondents strongly agreed, 12 respondent disagree to the fact, while 38 of the respondents undecided, 85 respondents agreed as shown by the mean of 2.12, 54 respondents strongly agreed, 14 respondent disagree to the fact, 2 of the respondents strongly disagreed while 26 respondent was undecided i can access finance at a minimum cost as shown by mean of 2.03, and 77 respondents strongly agreed they are knowledge of financial awareness of their business, 70 respondents agreed, 26 respondent undecided to the fact, while 6 respondent disagreed to the fact as shown by mean of 1.80

**Table 6: Financial Influence and Performance of SMEs**

Statement	1	2	3	4	5	Mean	SD
I learn from my family about my business	3.3%	18.8%	24.3%	37.6%	16.0%	2.56	1.071
I learned how to keep records of my sales through my partner	11.6%	24.3%	11%	42%	11%	2.83	1.245
I learned how to manage my business account through	8.3%	19.3%	17.7%	34.8%	19.9%	2.61	1.236
I learned how to managed my business through informal means	8.8%	22.1%	12.2%	47.5%	9.4%	2.73	1.167
I learned financial literacy through internet	3.3%	17.7%	14.4%	52.5%	12.2%	2.48	1.025

**Source: Researcher's Field Study, 2024**

From the table 4.2.5, majority strongly agreed that they were influenced through their family as shown by mean of 2.56, I learned how to keep records of my sales through my partner as shown by mean of 2.83, I learned how to manage my business account through friend as shown by mean of 2.16, I learned how to managed my business through informal means as shown by mean of 2.73 and I learned financial literacy through internet as shown by mean of 2.48.

**Table 7: Test of Hypotheses**

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	$\beta$	Std. Error	Beta		
(Constant)	8.103	1.346		6.022	.000
Financial Knowledge	.028	.074	.025	.375	.708
Financial Influence	.325	.044	.498	7.453	.000

**Table 8: Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.613 <sup>a</sup>	.375	.361	2.28958

$$SP = 8.103 + 0.028 + 0.325FI + U$$

From the regression equation it was revealed that financial Behaviour, financial knowledge, financial attitude and financial influence to a constant zero, the financial performance of small and medium enterprise in Owo, Ondo state would be at 8.103, a unit increase in financial behaviour would lead to an increase in financial performance of small and medium enterprise in Owo, Ondo state by a factors of 0.354, a unit increase on financial attitude would lead to increase in financial performance of small and medium enterprise in Owo, Ondo State by factors of 0.282, a unit increase in financial knowledge would lead to increase an in financial performance of small and medium enterprise in Owo, Ondo state by a factor of 0.-028, and a unit increase in financial influence would lead to an decrease in financial performance of small and medium enterprise in Owo, Ondo state by a factors of 0.-325 would lead to increase in financial performance of SMEs in Owo, Ondo state . Two of the variables were significant as their significant value was less than ( $p < 0.05$ ) except financial knowledge and financial attitude.

Financial knowledge has no significant effect on the performance of SMEs in Owo, Ondo State. Results of the statistical analysis revealed that there was a negative insignificant relationship between financial knowledge and organizational performance. This was evident from the coefficient (-0.028) and P-value (0.708) which was greater than the benchmark of 5 per cent specified for this analysis. This outcome basically implied that, with all other variables held constant, an increase or a change in financial knowledge by one unit resulted in a 0.708 unit decrease in SMEs performance. Hence, the null hypothesis which states that “Financial knowledge has no significant effect on the performance of SMEs in Owo, Ondo State” was rejected.

Financial influence has no significant influence on the performance of SMEs in Owo, Ondo state. Results of the statistical analysis reveal that there was a negative significant relationship between financial influence and SMES performance. This was evident from the coefficient (-0.325) and P-value (0.000) which was lower than the benchmark of 5 per cent specified for this analysis. This outcome basically implied that, with all other variables held constant, an increase or a change in financial influence by one unit resulted in a 0.329 unit decrease in SMEs performance. Hence, the null hypothesis which states that “Financial influence has no significant influence on the performance of SMEs in Owo, Ondo state” was rejected. Thus, financial influence has significant influence on the performance of SMEs in Owo, Ondo state

## DISCUSSION OF FINDINGS

The regression result indicated that, the R-squared of the variables was 0.376. This is the coefficient of determination, which denotes a goodness of fit measure for linear regression models and specifies the percentage of the variance in the dependent variable that the independent variables explain collectively. As a measure of the overall fitness of the model, the R-squared indicated that, the model was capable of explaining 38 per cent of the systematic variation in the value of the dependent variable which could be traced to the independent variables and that about 62 per cent of the variations in SMEs performance were accounted for by other factors not captured by the model. This result was complimented by the adjusted R-squared of 34.8 per cent, which was the proportion of total variance that could be explained by the model.

Similarly, findings from the Fishers ratio (i.e. the F-Statistic) which is a proof of the validity of the estimated model presented a p-value of (0.000) less than 0.05; this invariably suggested clearly that simultaneously, the independent variables (financial behaviour, financial attitude, and financial influence) were significantly associated with the SMEs performance except financial knowledge which is insignificant.

Results of hypothesis one revealed that there was a positive significant relationship between financial behaviour and organizational performance. This was evident from the coefficient (0.354) and P-value (0.000) which was lower than the benchmark of 5 per cent specified for this analysis. This result implies that employees are associated with a number of financial behaviours which includes possessing cash managements, monitoring credit reports, avoiding mixing personal cash with business cash, keeping proper book keeping owning, and having separate account for the business. The finding is compatible with the findings of Fernandes (2015), Menike, LMCN, (2018) in which they found a positive relation between financial behaviour and SMEs performance. Results of the statistical analysis revealed a positive significant relationship between financial attitude and SMEs performance. This was evident from the coefficient (0.282) and P-value (0.006) which was less than the benchmark of 5 per cent specified for this analysis. The positive interaction implies that employees of SMEs are able to make the right decisions related to the cash management, insurance. In addition, it can be deduced that employees have the ability to make

financial decisions that increase sales growth and prevent uncertainties of businesses and individuals. These activities generate more financial assets, prevent over- indebtedness, business asset sales growth and insure against major life count in agencies (Grohmann, Menkhoff & Storck, 2015). The positive relation between financial literacy and SMEs performance is in line with the findings of many studies (Pearl & Eileen 2014). Barte (2012) also find that financial literacy was directly linked to the performance of SMEs while Bruhn. (2011) show that financial literacy has a significant impact on the growth of firms in Bosnia. Also, the findings relate to that of Gikomo (2013) and Sagana (2014) who also established that financial literacy and efficient financial management influenced greatly how the firms performed. This result is not in agreement with the outcome result of Menike, LMCS, and (2018) who established that financial attitudes do not reveal any statistically significant relationship with the performance of SMEs.

Results of the statistical analysis revealed that there was a negative insignificant relationship between financial knowledge and organizational performance. This was evident from the coefficient (-0.028) and P-value (0.708) which was greater than the benchmark of 5 per cent specified for this analysis. The result is not in agreement with the outcome of Hamori, (2016).

Results of the statistical analysis reveal that there was a negative significant relationship between financial influence and SMES performance. This was evident from the coefficient (-0.325) and P-value (0.000) which was lower than the benchmark of 5 per cent specified for this analysis. This reveals that finance is discussed openly in the family of most of the SMEs and partner do argue about finance in the family and guide them on better functioning and owners/employees do base their decisions on informal means life experience. In addition, the knowledge gained through keeping of records influenced immensely for proper maintenance of transactions which leads to improving the performance. This implies that employees are not able to apply financial principles to create and maintain value through decision making and proper resource management. This outcome is against the results of the works of (Latif, Razak & Lumpur, 2011; Latif, 2011; Abiodun, 2016) who found that attitude of SMEs managers influences their access to finance and expansion of capital among other business activities and the result of the works of Mwambia (2014) and Chamwada (2015) who also found that financial literacy positively reacts to SMEs performance.

## **CONCLUSION AND RECOMMENDATIONS**

### **Conclusion**

The study concludes that financial influence is significant of financial performance of SMEs, but has negative effect on the performance of SMEs. This reveals that finance is discussed openly in the family of most of the SMEs and partner do argue about finance in the family and guide them on better functioning and owners/employees do base their decisions on informal means life experience. The study concludes that most SMEs owners are knowledgeable about the basic financial concepts because a greater percentage of the respondents answered some of the

---

Publication of the European Centre for Research Training and Development-UK  
financial knowledge questions correctly. However, the question of debt management was not a strong area for the respondents.

The study concludes that SMEs owners and employees are knowledgeable about the basic financial concepts because a greater percentage of the respondents answered the financial knowledge questions correctly. The study also concludes that financial knowledge does not have positive significant relationship with performance of SMEs.

### **Recommendations**

In view of the conclusion, the following recommendations were made for the study:

The owner and employees of SMEs must make a conscious effort to improve upon their financial knowledge by attending workshops, conferences and short courses on financial literacy. Such events could be organized through government. Such as seminar and workshops that will create awareness on areas that are lacking such as debt management, more effective sources of funds for start-up businesses and financial awareness. This will encourage SMEs to expand and grow in areas they are lacking. Financial education will not only improve the growth of the enterprises but also the entire economy as SMES's contributes so much to the economies where they exist.

As reflected from the study, it is evident that financial behaviour is an important contributor to the performance of SMEs. This therefore, reflects the need for training programs on financial reports, book keeping, saving in SMEs and other institutions that seek to promote financial literacy and practice. Financial behaviour should be adopted by all small and medium scale enterprises since it promotes financial performance such as sales growth, increase in business asset.

From the results, it is evident that the financial attitude of SMEs owners and employees has positive significant effect on their performance. Therefore, it is important for the government and relevant agencies to put efforts in influencing the attitudes of SMEs owners and employees positively. Positive attitudes lead to positive behaviours and hence benefit both the SMEs and their stakeholders.

The result shows that financial influence of SMEs Owners and employees has positive significant on their performance. Moreover, friends, media and internet are the least influential factors. Most owners learn about saving and bookkeeping while the least number of respondents learn about financial literacy at home and internet. It is therefore recommended that owners and employees should have access to internet, family members including friends, which can influence their financial management.

## REFERENCES

- Abdul, S. S. (2019). Impact of the Financial Literacy on the Business Performance: A case study in Afghanistan: A Thesis Presented to Business Department, American University.
- Aminu, A. A. (2009). *Entrepreneurship Theory and Practice*. Maiduguri, Nigeria: Compaq Publishers Ltd.
- Ani, C. G., Kelmara, M. V., & Wesley, M. D. (2016). Article information: *Management Research Review*, 39(3), 356–376.
- Anudu, O & Okojie, J. (2020). SMEs closures seen after Covid-19 pandemic. <https://businessday.ng/entrepreneur/article/SMEs-closures-seen-after-covid-19-pandemic/>
- Bandura, A. & Ross, S. A. (1961). Transmission of aggression through the imitation of aggressive models. *Journal of Abnormal and Social Psychology*, 63,575-582.
- Barte, R., (2012). Financial literacy in microenterprises: The case of Cebu Fish vendors Philippines Management .Vol: 9. Pp 250-263
- Basu, S. (2005). White Paper: Financial literacy and the life cycle. White House Conference on Aging: [http://216.87.66.5/member/govt\\_relation](http://216.87.66.5/member/govt_relation)
- Begonja, M, Filip, B. B & Gerbin, A. (2016) Innovation and business performance determinants of SMEs in the Adriatic region that introduced social innovation, *Economic Research-Ekonomska Istraživanja*, 29:1, 1136-1149, <https://DOI.org/10.1080/1331677X.2016.1213651>.
- Bime, M. J & Mbanasor (2011).Determinants of informal savings amongst vegetable. Farmers in North West Region, Cameroon. *Journal of Development and Agricultural Economics* 3(12), 588-592, <http://www.academicjournals.org/JDAE>
- Bruhn, M., & Bilal, Z. (2011). Stimulating managerial capital in emerging markets: the impact of business and financial literacy for young entrepreneurs. Policy Research Working Paper Series. World Bank.
- Bucher, K.T. & Ziegelmeyer, M. (2011). Who Lost the Most? Financial Literacy, Cognitive Abilities, and the Financial Crisis. Working Paper Series. European Central Bank, February.
- Caleb, Njage, Nyagah. (2009). Non-Financial Constraints Hindering Growth of SMEs in Kenya. The Case of Plastic Manufacturing Companies in Industrial Area in Nairobi County.
- Charney, A., & Libecap, G. D. (2000). Impact of Entrepreneurship Education: Kauffman Center for Entrepreneurial Leadership. Commonwealth Bank Foundation (CBF), (2004b).Improving Financial Literacy in Australia: Benefits for the Individual and the Nation, Research Report, Commonwealth Bank Foundation, Sydney.
- Chepngetich, P. (2016). Effect of Financial Literacy and Performance SMEs. Evidence from Kenya. *American Based Research Journal*, 5, 26–35.
- Cherugong, P. (2015). The Effect of Financial Literacy on Performance of Small and Medium Enterprises in Trans Nzoia County. A Research Project Submitted to the School of



Business, University of Nairobi, 76Pp.

- Chu, Z., Wang, Z., Xiao, J. J., & Zhang, W. (2017). Financial Literacy, Portfolio Choice and Financial Well-Being. *Social Indicators Research*, 132, 799–820.
- Cooper, D.R & Schindler, P.S. (2003), Business Research Methods (8th edn) McGraw-Hill: New York
- Creswell, J. W. (2023). Research Design: Qualitative, Quantitative, and Mixed Methods Approaches. Thousand Oaks: Sage Publications, Inc.
- Daniel A. & Albert B. A (2019): Effect of Owner-Managers financial Literacy on the performance of SMEs in Cape Coast Metropolis in Ghana: *Journal of Global Entrepreneurship Research* <https://don.org/10.11861s40497-019-0191-1>
- Disney, R., & Gathergood, J. (2015). “Financial Literacy and Consumer Credit Portfolios.” Working Paper, University of Nottingham.
- Eniola, A. A., & Entebang, H (2016). Financial literacy and SMES firm performance. *International Journal of Research Studies in Management*.
- Eniola, A. A., & Entebang, H. (2014). SMES firms performance in Nigeria: Competitive advantage and its impact. *International Journal of Research Studies in Management*, 3(2), 75-86. <http://dx.doi.org/10.5861/ijrsm.2014.854>
- Eniola, A. A., & Entebang, H. (2017). SMES Managers and Financial Literacy. *Global Business Review* 11(1), 35–64. Eresia-Eke, C. E., & Raath, C. (2013). SMME Owners’ Financial Literacy and Business Growth. *Mediterranean Journal of Social Sciences*, 4, 397–406
- Erick O. (2016). Influence of Financial Literacy on Financial Performance of Small and Medium Scale Enterprises in Ruiru, Kenya: A project submitted to the Graduate School, Egerton University.
- Fatoki O. (2014): The Financial Literacy of Micro Entrepreneurs in South Africa. *Journal of Social Science*, 40(2), 151-158
- Gathungu, J.A., & Sabana, B. M (2018). Entrepreneur Financial Literacy, Financial Access, Transaction Costs and Performance of Microenterprises in Nairobi City County in Kenya. *Global Journal of Management and Business Research: A Administration and Management* 18(6); 39-51.
- Gentry, R. J., & Shen, .W. (2010). The relationship between accounting and market measures of firm financial performance: How strong is it? *Journal of Managerial Issues*, 12(4), 514-530.
- Geoffrey, K., Otieno, E., & Adam, S. (2016). A Study on the Influence of Financial Literacy on Financial Performance of Small and Medium Enterprises in Ruiru Town, Kiambu County, Kenya. *International Journal of Economics, Commerce and Management* Vol. IV, Issue 11, 416-437.
- Gerardi, Kristopher, Lorenz Goette, & Stephan Meier. 2010. Financial Literacy and Subprime Mortgage Delinquency: Evidence from a Survey Matched to Administrative Data. Federal Reserve Bank of Atlanta.
- Gravetter, R. & Forzano, S. (2003). Research Methods for Behavioural Sciences, Belmont: Wardsworth. Greenspan, A. (2002) Financial Literacy: A Tool for Economic Progress:



The Futurist, Vol. 36, (4).

Gunasekaran, A., Patel, C., & Tirtiroglu, E. (2021). *Performance measures and metrics in a supply chain environment. International Journal of Operations and Production Management*, 2001. 21(1/2): p. 71-87.

Hartenian, L., & Gudmundson, D. (2000). Cultural Diversity in Small Business: Implications for Firm Performance, *Journal of Developmental Entrepreneurship*, 5 (3), 209–219.

Hilgert, M, A, Hogarth, J, M. & Beverly, S, G, (2016). Household financial management: the connection between knowledge and behaviour. *Federal Reserve Bulletin*, 89, 309-322.

Huston, S. (2015). Measuring Financial Literacy. *Journal of Consumer Affairs*, 44: 296–316.