VOL. 05 NO. 7,
AUGUST, 2024
E-ISSN 3026-9679
P-ISSN 3026-9423

African Scholar Publications & Research International
www.africanscholarpub.com

Journal of Business Dev. and Management Res. (JBDMR)

The Influence of Financial Literacy on the Performance of Small and Medium Scale Enterprises (SMEs) in Bauchi Metropolis

Olalekan Olukemi Oluyemisi
Department Of Banking and Finance, Federal Polytechnic, Bauchi

Abstract

This study investigated the impact of financial literacy on the financial performance of small and medium scale enterprise (SMEs using the sample size of 223 SMEs in Bauchi metropolis. Result from the study indicated that there is a relationship between financial literacy and the performance of SMEs. In general, the findings revealed that there is a significant positive relationship between SMEs performance and financial literacy. The study recommended that the providers of various financial literacy programs should consider implementing a program which fits the culture and traditions of the people as well as preceding financial literacy and technology training with adequate technological infrastructures like electricity, network connectivity, to make its implementation a reality..

Keywords: Financial Performance; Financial Attitude; Financial Literacy.

Introduction

Background to the Study

Small and Medium Enterprise (SMEs) sector provides employment for substantially more people than the (formal) large enterprises' sector. The SMEs has contributed 80.8 per cent of total employment created (KNBS, 2012). The potential associated with the SME sector has been positively adopted by the government and other development partners in economic development, increasing wealth creation and fight against poverty and in employment creation. The argument that many people make financial decisions that are not in their best interest cannot be disputed. Today's financial world is characterized by a wide array of complex financial products which call for the need of high financial competence in order to participate within such a financial landscape.

Clearly poor financial decisions will result in detrimental financial mistakes whose effects may be difficult to reverse in the short term. The damage is more severe for SMEs who have to make sound financial decisions on a day-to-day basis for the survival of their enterprises. It

is however surprising to note that many individuals are ignorant of the need to evaluate alternative financial products and services and choose among competing service providers to enhance their financial well-being. For Small and Medium Enterprises (SMEs) the need to make sound financial decisions is not an option, and yet their ignorance is evident in their consistent business closures in their infancy owing to financial mismanagement. This is against the background that this sector is fundamental for the development of many economies across the globe.

SMEs are vital for the growth and development of Nigeria economy because they encourage entrepreneurship, generate employment, reduce poverty and promote of backward linkages (Kayanulad & Quartey, 2014 & Tagoe et al., 2015). Therefore, such SMEs have a high potential for rural sector development. As such promoting the growth and competitiveness in SMEs will lead not only to growing social and economic returns internally but also to allow the private sector participation in the global economy.

Generally, managers are decision makers and play a key role in the decision-making process related to the acquisition, allocation, and utilization of economic resources. To act effectively for better performance, it is assumed that every SME manager must be financially literate which implies the ability to read, analyze, manage and write about the financial conditions of the firm. The performance and growth of SMEs have throughout the nations, be of great concern to, among others, development economists, entrepreneurs, governments, venture capital firms, financial institutions and non-governmental organizations (Eniola & Entebang, 2014).Despite the positive outlook and growth trends of the SME sector a significant obstacle to the performance of SMEs throughout the developing world is a lack of knowledge, skills, attitude, and awareness to cope and direct the finances of their organization in a hardy, transparent, and professional way (Abiodon and Harry, 2015). One of the challenges affecting these SMEs is financial illiteracy as noted by Wanjohi (2012) and Joo and Grable (2000) affirmed that the reasons why businesspeople make inappropriate, inadequate and ineffective financial decisions are because of the lack of personal financial knowledge, lack of time to learn about personal financial management, complexities in financial transactions and the extensive variety of choices in financial products/services.

Financial literacy is an area that requires knowledge, skill, attitude, and experience with goals to deal with the survival of the firm; profit maximization; sales maximization; capturing a particular market share; minimizing staff turnovers and internal conflicts; and maximizing wealth (Jacobs, 2014). The decision-making of a business needs to be rational and be a premised on available information which implies that it is imperative that manager of business and individual should have a reasonable degree of knowledge related to the available information to make good decisions. Financial literacy is termed as the understanding and knowledge of the financial principles needed to make informed financial decisions and products which impact one's financial wellbeing (Basu, 2015). It contains the ability to make informed judgments and to take an effective decision regarding financial matters (Worthington, 2015). The financial literacy must involve not only the investors but also the customers, 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 knowledge (OECD, 2005). Financial literacy is essential in helping individuals to identify vital financial issues and behaviors that support the effective management of financial resources. It enables one to have the knowledge of critical financial concepts, for instance, types of interests, risks, and returns of investments, diversification of investments, among others. Hence it equips the ability to understand important financial products

needed in life including various bank products, basic investments, ideas and saving plans. It improves how individuals can examine an appreciate money and financial issues. This aids greatly in making effective financial decisions regarding financial management (Greenspan, 2002).

Bosma and Harding (2016) stated that many SME firms fail because they lack financial literacy, and the poor financial literacy undermines entrepreneurial activity. If the owners/managers are illiterate concerning their organizational finances, the financial knowledge of their firms will also be lacking and will lead to reduction in innovation that can transform into competitive capability, incapable to accessing different sources of financing due to non-awareness and this attitude will lead to possible failures of SMEs (Kotzè and Smit, 2018). Financial literacy would bring important implications for financial behavior; For instance, people with low financial literacy are more likely to have problems with debt, less likely to participate in the stock market, less likely to choose mutual funds with lower fees, less likely to accumulate and manage wealth effectively and less likely to plan for retirement (Lusardi & Mitchell, 2016). In recent times, concern for the levels of financial literacy in society has grown considerably and is expected to grow even more important in the future. Mahdzan and Tabiani (2013) state that increasing financial literacy and capability promotes better financial decision making, thus, enabling better planning and management of life events such as education, housing purchase, or retirement.

Statement of the Research Problem

In recent time, the degree of financial literacy in many nations amongst Small and Medium Enterprises (SMEs) entrepreneurs has turn out to be of concern to researchers, professionals, authorities, agencies, coverage makers, and economic institutions (Okanta, 2018; Khadija & and Wan, 2018). The incessant distressed syndrome experiencing through SMEs across the globe, especially in developing countries has been attributed to financial illiteracy (Oke, 2018). In line with this statement, Sajuyigbe, Adeyemi and Odebiyi (2017) argue that truly each small business entrepreneur lacks simple financial competencies that ought to in principle guide their financial decisions accordingly.

In another study, Disney and Gathergood (2013) opined that these entrepreneurs lack simple financial information and find it extraordinarily difficult to have access to finance for the growth of the operations. Studies carried out confirmed SME owners ignorant pertaining to in addition challenges experienced in the business due to lack of financial literacy (Rathnasiri, 2015; Okpara, 2011). Recently, the sector has been hit severely by way of the financial exclusion due to novel coronavirus (COVID-19) outbreak a global pandemic being declared by WHO on March 11, 2020, SMEs, across the globe have been experiencing cash trap. The study of Hilgert, Hogath and Sondra (2003) proof that financial literacy no longer only enables one make decisions whilst confident and sure, however, additionally assists individuals to respond safely to changes that have an effect on their daily economic wellbeing inclusive of activities in the accepted financial system like a cave in of financial markets, and the chance of pandemic and fast inflation. In the same vein, Oke (2018) argues that financial literacy is required in order to avoid pitfalls and to take fabulous movements to enhance the firm's current and future conditions.

Additionally, Huston (2010) reaffirms that financial literacy helps entrepreneurs to reap higher returns on the stock market and it helps to mitigate risk and prepare enterprise owners towards avoidable financial crisis. Given the significance of the financial literacy of entrepreneurs in the SME sector, there has been a paucity of research focusing on the financial literacy of SMEs

entrepreneurs in Bauchi. This study intends to fill the present gap in literature via examining the impact of financial literacy on the performance of Small and Medium Enterprises (SMEs).
This study justifies details for SMEs in Nigeria to proceed to roar all through and post COVID-19, and additionally for the sector to make contributions substantially toward the actualization of vision 2030 of Sustainable Development Goals.

Objective of the study.
The aim of this research is to examine the influence of financial literacy on the performance of SMEs using some SMEs in Bauchi metropolis. Specifically, the objectives include.

1. To examine the impact of financial literacy on the performance of SMEs
2. To examine the impact of financial behavior on the performance of SMEs
3. To examine the impact of financial attitude on the performance of SMEs

Research Questions

1. What is the Impact of financial literacy on the performance of SMEs?
2. What is the impact of financial behavior on the performance of SMEs?
3. How does financial attitude affect the performance of SMEs?

LITERATURE REVIEW

Conceptual Review

Financial literacy means the process by which financial consumers/investors improve their understanding of financial products and concepts and through information, instruction, and/or objective advice, develop the skills and confidence to become more aware of financial risks and opportunities to make informed choices, to know where to go for help and to take other effective actions to improve their financial well-being (Mitchell, 2017).
Literacy is the ability to understand matters of financial nature, consisting in the set of skills and knowledge that allows an individual to make informed and effective decisions through their understanding of finances (Kings, 2017). It is associated with the set of attitudes that are relevant for the financial decision-making, behavior and knowledge. These decisions include when to save, when to spend, managing a budget, choosing the right financial products and willingness to address other events, such as financing children's education and planning for retirement. The higher the financial literacy, the higher the benefit for people because it helps them making better financial decisions and gives them more control over their money (Ibrahim,2018). Consequently, it improves the economy performance. However, Mak and Braspenning (2012) argue that entrepreneurs generally do not have a sufficient level of financial literacy in order to enable them to make informed and rational decisions, concluding that behavioral biases have a distorting influence on consumer decision-making. Financial behaviour skills enable individuals to navigate the financial world, make informed decisions about their money and minimize their chances of being misled on financial matters (Beal, 2019).

Empirical Review

Many studies have been conducted on financial literacy and its influence on SME performance in developed and developing countries. Positive relationships between financial literacy and performance have been found by several scholars (Hilgert et al., 219; Huston, 2019; Kidwell and Turrisi, 2018; Lusardi, Mitchell, and Curto, 2019; Piprek & Coetzee, 2018)

The concept of financial literacy is comprising of three dimensions, in knowledge (Lusardi and Bassa Scheresberg, 2018); attitude (Sabri and MacDonald, 2018); and awareness (Rahmandoust, Shah, Norouzi, Hakimpoor, and Khani, 2017). Knowledge is about understanding how business performance and business condition are measured using the mental model to facilitate, support, or enrich decision-making (Lusardi and Michell, 2017; Moore, 2019).

The literates are more participatory in financial markets because they know financial matters. Lusardi and Bassa Scheresberg (2019) examined the impact of financial literacy on the high cost of the borrowers. The result indicated that there is a relationship between financial literacy and low-cost borrowers. Most high-cost borrowers display very low levels of financial literacy, lack knowledge of basic financial concepts, which affect their performance level in a business.

Tamimi and Kalli (2019) examined the impact of financial literacy on financial knowledge. Their results showed that the field of individual activities affects the financial literacy level and people that invest in financial awareness have a higher level of financial literacy. The review also showed that male gender possesses higher financial literacy and income, age and education level are followed by a higher level of financial literacy. Braunstein and Welch (2018) pointed out that obtaining additional information can lead to improved financial attitude. Morgan, Kaleka, and Katsikeas (2018) concentrated on the importance of linkages among obtainable resources and capabilities, competitive strategy decisions, competitive advantage and performance outcomes.

These factors are conceptualized in terms of experiential, financial, scale & physical resources; product development, networking, and knowledge potential; cost-based advantage; the lowest cost of operation, marketing, product differentiation; product-based, economically, distributor & end-user. Kidwell and Turrisi (2017) indicated that firms with better financial knowledge keep detailed firm financial records and have a more competitive advantage in accessing external funding than their counterparts who keep not while Hilgert et al. (2019) insisted that a strong link between financial knowledge and financial behavior subsists.

Financial knowledge would affect in increase firm total sources of financing (Marcolin and Abraham, 2019). Moore (2018) elucidated that literacy or knowledge is gained via practical experience and active integration of knowledge. In other words, people will become more sophisticated in terms of finance when they are more literate.

Likewise, it is emphasized that an individual or organization who had financial literacy, knowledge and ability to put to use this knowledge, may not show the assume behavior or enhance his or her financial well-being as a result of other influences such as cognitive and behavior that is biased, self-control problems, family, peers, economic and institutional conditions that may affect the financial habits and financial well-being (Huston, 2010). However, researchers agreed that there is no established instrument applied to measure financial literacy and that financial literacy cannot be measured directly.

According to Lusardi and Tufano (2019) the ability to read analyzes, manage and discuss various financial conditions eventually lead to individuals' economic well-being. Deakins, Logan, and Steele (2018) found that owners-managers have different approaches to business planning. Fundamentally planning was indispensable to those firms under growing growth and periods of rapid changes.

However, (Lusardi & Tufano, 2019); Mandell (2018), emphasized on ability and decision-making aspect of financial literacy. Berman and Knight (2018) stated that financial literacy needs to become part of every business culture. Audet and St-Jean (2017) discovered that the SME

owner/managers, who perceived more and aware about the external service providers, make use of those services more than SME owner/managers who did not hold any information about these services.

While attitude is related to risk-taking, it is the firm consciously committing resources to projects with a chance of higher returns but may also entail a possibility of high failure (Lumpkin & Dess, 1996). Nevertheless, risk-taking is also usually linked with entrepreneurial behavior and that mainly successful entrepreneurs are risk-takers (Kuratko & Hodgetts, 2017). Lusardi and Tufano (2019) concentrated on a pattern of financial literacy–debt literacy. Moore (2018) goes far as incorporating handy experience in the argument that it provides the basis of knowledge and different perspectives financially related proficiency.

Cude (2010) examined effective factors of people's financial literacy and observed that more work experience, higher levels of education, risk appetite, parental occupation, higher age, family income, and training attending classes will boost financial literacy. Bond and Meghir (1994) opined that credit terms also determined the extent to which SMEs access finance. They noted that when credit terms are favorable the SMEs managers' attitudes to accessing that credit tends to be positive and they are encouraged to borrow and, therefore, expansion of the capital base leading to increased business activity. In this study, it is signified that the most successful people in their line of work and personal lives are highly financially literate. Their financial concerns were well lower, and they had long-term savings and investments and triggered a better future with more long-term vision. Financial literacy is reported having a negative relationship with financial constraints (Sabri & MacDonald, 2019).

Barte (2016), on a study on financial literacy in SMEs, found that financial literacy was directly linked to performance. The study found that Entrepreneurs had low levels of financial literacy as demonstrated lack of financial records, lack of monitoring of profit and losses and lack of cash management practices. The vendors were also confined to high-interest loan. The study, however, did not show the exact influence of financial literacy on these SMEs. Some studies, however, fail to establish the relationship between financial literacy on transaction costs and performance of small and medium enterprises. This is showed by a study conducted by Hoseini et al, (2018) on transaction costs of obtaining credit in rural Iran. The study established that the transaction costs of receiving a loan are an equivalent to nine percent of the total loan size.

The study also revealed that the contractual form, loan size, distances, and borrower peculiarities were important determinants of transaction costs and not financial literacy. Mengich et al. (2016), shows that equity financing was constrained by low financial literacy, information asymmetries, and transaction costs. The study, however, did not examine the relationship between financial literacy, equity financing, and performance of the SMEs. Wamugo, Muathe and Kosimbei (2016) also conducted a study on financial literacy investigating the relationship between capital structures on the performance of non-financial companies listed in the Nairobi Securities Exchange (NSE), Kenya. Feasible Generalized Least Square regression results revealed that financial leverage had a statistically significant negative association with performance as measured by return on assets (ROA) and return on equity (ROE).

Njoroge (2013) found that most of the entrepreneurs in Nairobi had some financial literacy and that in some cases those informal SMEs were highly financially literate. Hieltjes et al. (2016) found that the impact of financial literacy on transaction costs on banks account uptake and uses

the direct linkage between the two variables and found that financial literacy and transaction costs influence demand for and the use of financial services and subsequent performance of the SMEs. Brown et al. (2016), noted that financial literacy for small business owners must contemplate the ability to read and understand fundamental financial statements, as well as, the ability with numbers, in order to make informed judgments and to make effective decisions regarding the use and management of money while Pearl and Eileen (2014) surveyed 14 small businesses owners in Florida in order to determine their level of financial understanding and their usage habits of financial statements in making management decisions reveal that there was a clear connection between the lack of financial literacy and financial difficulties experienced by entrepreneurs, and adequate financial education can partially decrease the financial difficulties. Sagana (2014) conducted a study on entrepreneur financial literacy, financial access, transaction costs and performance of microenterprises in Kenya with a representative sample of 396 microenterprises and findings of the study indicated that entrepreneur financial literacy had a statistically significant influence on enterprise performance. Studied the effect of financial literacy on financial returns of miraa farmers in Meru County and found that financial literacy levels remained low among the Miraa farmers, and this resulted in low returns.

RESEARCH METHODOLOGY

Research Design

An effective research design seeks to ensure that the findings obtained satisfactorily answered the research questions with clarity (Cooper & Schindler, 2014). It refers to the structure of an enquiry and is a logical matter rather than a logistical one. This study will be based on sample survey method which is intends to be achieved with the use of questionnaires. Stratified sampling technique method will be used to have a representative of the overall SMEs situated in the study area.

Population of the study.

The Population refers to the entire group being studied with some specific Information. The population is very important because it is the subject matter of an experiment. The population of the study is made up of selected SMEs in the study area which is Gwallameji. About 540 selected SMEs were considered as the population of the study.

Sample Size

The aim of any sample in a study is to have a representative of a given population as a study could not cover a huge amount of group (population) of activities or event especially in a cross-sectional study (primary mode of collection of data using questionnaire) like this study. Therefore, based on a given population this study employed the process of attaining sample size provided by Krejcie and Morgan (1979). Consequently, the sample size based on the population is 223.

Sampling techniques.

A stratified random sampling is used for the study. A stratified sampling method is a sampling technique that involves the division of a population into smaller subgroups known as strata. In a stratified random sampling, the strata are formed based on member's shared attributes or characteristics, such as income or educational attainment.

Source of data Collection

This study employed primary mode of collection of data using Questionnaire survey. The respondents will feel free to express themselves on the subject matter through the use of close ended Questionnaire. The Questionnaire will be design in a form of five Likert scale which include Strongly Agree (SA), Agree (A). Undecided (U), Strongly Disagree (SD) Disagree (D).

Method of data analysis.

The study intends to use descriptive analysis to convey the demographic profile of the respondents. Also, multiple regression analysis will be used to analyze the data that will be collected. The multiple regression analysis will help to summarize and describe the data in such a way that the result will be interpreted effectively.

Model Specification Employed

Since the variables based on the objectives of the study are three, the study used multiple regression analysis (ANOVA) analysis of variance, which could be depicted as:

SG = FL+ FB + FA + the error term

Where: SG(Sales Growth) represent the dependent variable, FL represent Financial Literacy and FA is Financial Attitude. The mathematical function is solve through the use of the parameter estimate that is: Beta 0 Beta 1 and Beta 2.

1. To examine the impact of financial literacy on the performance of SMEs
2. To examine the impact of financial behavior on the performance of SMEs
3. To examine the impact of financial attitude on the performance of SMEs

PRESENTATION OF DATA, ANALYSIS, AND INTERPRETATION

Regression Results

Table 4.2: Model Summary

	R	R square	Adjusted R square	Std. Error of the Estimate
1	.954[a]	.910	.902	.17491

Field Survey (2023)

a. Predictors: (Constant), Financial Literacy, Financial Behavior and Financial Attitude

From the model in table 4.2, the three independent variables explain 91.0% of the variations in the dependent variable. Thus, Financial Literacy, Financial Behavior and Financial Attitude explains 91.0% of the variance in financial performance which is highly significant (Sig. = .000) as indicated by the F-value of 106.719 (Table 4.3).

Table 4.3: **Analysis of Variance (ANOVA)**

Model		**Sum of Squares**	**Df**	**Mean Square**	**F**	**Sig.**
1	Regression	13.060	4	3.265	106.719	.000[b]
	Residual	1.285	42	.031		
	Total	14.345	46			

a. Dependent Variable: Financial Performance

b. Predictors: (Constant), Financial Literacy, Financial Behavior and Financial Attitude.

The ANOVA table as presented in Table 4.3 shows that the F-value (Variance Inflation Factor|) is 106.719 at 0.000 Significance level. The implication is that Financial Literacy, Financial Behavior and Financial Attitude has a significant effect on financial performance.

Table 4.4: **Coefficients**

Model	B	Standard Error	B	t-stat	Sig.	Tolerance	VIF
Constant	1.510	0.293	-	5.187	0.000	-	-
Financial literacy	0.221	0.141	0.336	7.564	0.001	0.246	21.598
Financial behavior	0.197	0.114	0.172	11.568	0.003	0.177	5.637
Financial attitude	0.362	0.198	0.410	9.829	0.000	0.342	23.589

Dependent Variable: Financial Performance

The dataset was examined to know whether or not multicollinearity is prevalent in it using the tolerance value. An examination of the tolerance values financial literacy (0.246), financial behaviour (0.177), financial attitude (0.342 indicate the value exceeds the 0.1 minimum (Hair, et al. 2006) or the stringent acceptable tolerance value 0.2 (Coakes, 2005).

Moreover, unstandardized Beta coefficients indicate financial attitude has the largest beta coefficient of 0.410 thus making the strongest contribution in explaining financial performance, when the variance explained by all other variables in the model is controlled for financial literacy (0.336) makes the second largest contribution followed by financial behaviour which has the least (0.172). Based on the beta sig level, it can be seen that all the independent variables have a positive and significant effect on financial performance of SMEs.

Table 4. 5 Descriptive Analysis for Measurement of Sales Growth

Sales Growth	Frequency	Percentage (%)
Decrease	86	38.6
Less than #300,000	65	29.1
#301,000 - #400,000	45	20.2
#401,000 - #500,000	27	12.1
Above #500,000	Nil	-
Total	**223**	**100**

Field Survey, 2023

From the measurement of sales growth presented in table 4. 5 the finding showed that 86(38.6%) had decrease in growth, 65(29.1%) had less than #300,000, 45(20.2%) had #301,000 - #400,000, while 27(12.1%) had above #401,000 - #500,000.

Hypotheses Testing

Hypothesis one (H_1): There exist a significant relationship between financial literacy and financial performance of SMEs.

The first hypothesis (H_1) is stated as "financial literacy has significant relationship with performance of small-scale business". The regression result suggests positive and significant

relationship between financial literacy and performance of small-scale business. The output show standardizes and understandable regression of coefficient of 0.336 and 0.221, with *t*-value of 7.564 and *p*-value of 0.001sig. Furthermore, by having *p*-value of > 0.05, means that the result reaches statistical significance. In other words, based on the output ($\boldsymbol{\beta}$=0.336; t=7.564 & p=0.001sig), it can be concluded that financial literacy has significant relationship with performance of SMEs. (see Table 3). Hence, H_1.

There is significant relationship between financial literacy and financial performance of SMEs.

Hypothesis two (H_2): There Exist a Relationship Between financial behavior and financial performance of SMEs.

The second hypothesis (H_2) is stated as "financial behavior has significant relationship with performance of SMEs." The regression result suggested a positive significant relationship between financial behavior and performance of SMEs. The output shows a standardized and understandable regression coefficient of 0.172 and 0.179, with t-value of 11.568and p-value of 0.003. Furthermore, by having p-values of > 0.05, means that the result reaches statistical significance. In other words, based on the outputs ($\boldsymbol{\beta}$=0.172; t=11.568 & p<0.003), it can be concluded that financial behaviour has significant impact on financial performance of SMEs (see table 3). Therefore, (H_2): There is a significant relationship between financial behavior and performance of SMEs is accepted.

Hypothesis Four (H_3): There exist a significant relationship between financial attitude and financial performance of SMEs.

The third hypothesis (H_3) is stated "financial attitude and financial performance of SMEs." The regression result suggested a positive and relationship between financial attitude and financial performance of SMEs. The output shows a standardized and understandable regression coefficient of 0.410 and 0.362, with t-value of 9.829 and f-value of 0.00. Furthermore, by having p-values of > 0.05, means that the result reaches statistical significance. In other words, based on the outputs ($\boldsymbol{\beta}$=0.410; t=9.829 & f<0.005), it can be concluded that financial attitude has significant impact on financial performance of SMEs. (See table 3). Therefore, (H_3): there is a significant between financial attitude and performance of SMEs is accepted.

Table 4.6: Multiple Regression Analysis Results

Construct	R square (R^2)	Unstd. B	Std.$\boldsymbol{\beta}$	t-value	f-value	Decision
Financial Literacy	1	0.221	0.336	7.564	0.001	Significant
Financial Behavior	1	0.179	0.172	11.568	0.003	Significant
Financial Attitude	1	0.362	0.410	9.829	0.000	Significant

Source: Researcher's survey, 2023.

Discussion of Findings

Hypothesis one (H_1): states that there exists a relationship between financial literacy and financial performance of SMEs.

On-the-job-training and employee's production. (Table 3) shows that there is a positive and significant relationship between financial literacy and financial performance of SMEs. Also (Quartey,2015) in his study found that there is a significant relationship between financial literacy and financial performance of SMEs in the sense that Financial literacy is essential in helping individuals to identify vital financial issues and behaviors that support the effective management

of financial resources. It enables one to have the literacy of critical financial concepts, for instance, types of interests, risks, and returns of investments, diversification of investments, among others. Hence it equips the ability to understand important financial products needed in life including various bank products, basic investments, ideas and saving plans. It improves how individuals can examine an appreciate money and financial issues. This aids greatly in making effective financial decisions regarding financial management.

Hypothesis Two (H_2): state that there exists a relationship between financial behavior and financial performance of SMEs. (Table 3) shows that there is a positive and significant relationship between financial behavior financial performances of small-scale business. Also (Wanjohi, 2012) firms' Financial behavior is an area that requires literacy, skill, attitude, and experience with goals to deal with the survival of the firm; profit maximization; sales maximization; capturing a particular market share; minimizing staff turnovers and internal conflicts; and maximizing wealth. It contains the ability to make informed judgments and to take an effective decision regarding financial matters

Hypothesis Three (H_3): state that there is a significant relationship between financial attitude and financial performance of SMEs. According to Worthiinton (2015) if the owners-managers have ill attitude over their organizational finances, the financial literacy of their firms will also be lacking and will lead to reduction in innovation that can transform into competitive capability, incapable to accessing different sources of financing due to non-awareness and this attitude will lead to possible failures of SMEs. Tabiani (2013) re-affirms that increasing financial attitude and capability promotes better financial decision making, thus, enabling better planning and management of life events such as education, housing purchase, or retirement

Summary of Major Findings

Based on the analysis as presented in the previous section, the following findings were obtained:

- Financial literacy has significant impact on financial performance of SMEs.
- Financial behavior has significant impact on financial performance of SMEs.
- Financial attitude has significant impact on financial performance of SMEs.

Summary

The result based on hypothesis 1 shows that there is a positive and significant relationship between financial knowledge and financial performance of SMEs. This is similar to the findings of Quartey (2015) which established that there is a significant relationship between financial knowledge and financial performance of SMEs in the sense that financial literacy is essential in helping individuals to identify vital financial issues and behaviors that support the effective management of financial resources. It enables one to have the knowledge of critical financial concepts, for instance, types of interests, risks, and returns of investments, diversification of investments, among others. Hence it equips the ability to understand important financial products needed in life including various bank products, basic investments, ideas and saving plans. It improves how individuals can examine an appreciate money and financial issues. This aids greatly in making effective financial decisions regarding financial management.

On the other hand, in relation to hypothesis 2 of the researcher, the result shows that there exists a relationship between financial behavior and financial performance of SMEs. (Table 3) shows that there is a positive and significant relationship between financial behavior financial performances

of small-scale business. Similarly, Wanjohi (2012)) reveals that firm's Financial behavior is an area that requires knowledge, skill, attitude, and experience with goals to deal with the survival of the firm; profit maximization; sales maximization; capturing a particular market share; minimizing staff turnovers and internal conflicts; and maximizing wealth. It contains the ability to make informed judgments and to take an effective decision regarding financial matters with regards to hypothesis 3 of the study, the result states that there is a significant relationship between financial attitude and financial performance of SMEs. According to Worthiinton (2015) if the owners-managers have ill attitude over their organizational finances, the financial knowledge of their firms will also be lacking and will lead to reduction in innovation that can transform into competitive capability, incapable to accessing different sources of financing due to non-awareness and this attitude will lead to possible failures of SMEs. Tabiani (2013) re-affirms that increasing financial attitude and capability promotes better financial decision making, thus, enabling better planning and management of life events such as education, housing purchase, or retirement.

Conclusion

Collected data were described by frequency, percentage and regression analysis. The study found that there is a strong positive effect of three pillars of financial literacy (knowledge, behavior and attitude) on the performance of SMEs. The results reveal that SMEs that are more successful are run by entrepreneurs who are financially literate and understand key financial concepts that include debt management, record keeping, and budgetary skills. Financial literacy of the owners regarding the budgeting skills and planning assist in reducing the SMEs running costs while increasing the profits thereby enable them to proper planning on loan repayment. In addition, the direction by parents on financial matters empowers them to improve their financial literacy skills that the ability to read, analyze, manage and write about financial conditions of the firm to do better cash management to ensure a proper channeling of resources towards credit management. Financial literacy facilitates accumulating savings, diversifying assets, and purchasing insurance, decision making processes such as payment of bills on time, proper debt management which improves the creditworthiness of potential borrowers to support livelihoods, economic growth, poverty reduction, growth, and expansion. It can be concluded that financially literate SMEs tend to be more successful than those with a low level of financial knowledge.

Recommendations

The study recommends that SMEs should consider enrolling in financial literacy program or any other related programs to enhance their capability. The study recommends the formation of mergers for those SMEs facing constraints in the market in order to remain competitive in the market. This is very important owing to the fact that, SMEs plays a paramount role in economy and growth in this sector means growth in economy.

The providers of various financial literacy programs should consider implementing a program which fits the culture and traditions of the context targeted and avoid one size fits all because different SMEs have different experiences. For financial literacy programs to achieve better results should be provided by neutral providers who may not have any other interest to derive from the program apart from benefiting the target beneficiaries.

The providers of various financial literacy programs should consider implementing a program which fits the culture and traditions of the context targeted and avoid one size fits all because

different SMEs have different experiences. The provision of technology based financial services must be preceded with the necessary infrastructures to make its implementation realistic like electricity, network connectivity, general improvement of local population literacy levels and identification of business opportunities and ways of exploitation for the entire population to be economically active and then can discern the relevance of financial literacy training and its influence in usage of technology based financial services and products.

More should be done to improve on training and mentoring through designing of Youth Enterprise Development Fund, refinancing programs to the beneficiaries.

There should be more collaboration between the various association affecting different sectors. This will enable the SMEs achieve a better and bigger effort in their marketing of their products, improved competition and promotion of technological exchange and improved skills on individual members. There should be more focus on the secondary education where technical and vocational training should be done to develop artisans, entrepreneurs and managers for the informal sector in both rural and urban centers.

REFERENCES

Abiodon, K.,Harry, A., (2015) *Research methods, statistics and applications*, *Los Angeles,* Sage Publications

Adam, E. (2019). Factors affecting the use of public support services by SME owners: Evidence from a periphery region of Canada. *Journal of Developmental Entrepreneurship,* 12(2), 165180.http://dx.doi.org/10.1142/S1084946707000629

Adeyemi,N., Gathergood, J., (2017). Prediction of goal-directed behavior: attitudes, intentions, and perceived behavioral control. *Journal of Experimental Social Psychology*, 22: 453-474.

Barke, A. (2016), "Keeping it simple: Financial literacy and rules of thumb", *American Economic Journal, Applied Economics,* 6(2), 1–31.

Basu, J,(2019) Assessing financial literacy in 12 countries : an OECD / INFE international pilot exercise. *Journal of Pension Economics and Finance*, *10*(4), 657–665. doi:10.1017/S1474747211000539

Baumane-vitolina, I. (2013). Theoretical framework for using resource based view in the analysis of SME innovations. *European Scientific Journal*, *1*(December), 174–182.

Beal ,J. (2019) . Efficacy of the theory of planned behavior: a meta-analytic review*, British Journal of Social Psychology*, 40, 471-499.

Beal, D. J., & Delpachitra, S. B. (2003). Financial literacy among university students. *Economic Papers*, *22*(1), 65–78.

Beck, T., Demirguc-Kunt, A., & Maksimovic V., (2008). Financing patterns around the world: are small firms different? *Journal of Financial Economics 89, 767*-487

Beck, T., Demirguc-Kunt, A., & Peria, M. S. M., (2008). Bank financing for SMEs around the world, drivers, obstacles, business models and lending practises, *Policy Research Working Paper Series* 4785

Behrman, J. Mitchell, O. S. Soo, C. & Bravo, D. (2012). Financial literacy, schooling and wealth accumulation, *American Economic Review, 102(3)*, 300-304

Bell, E. & Lerman, R. I. (2005). Can financial literacy enhance asset building? opportunity and ownership project, *The Urban Institute,* 9 (6), 1-7.

Berger, A. N. & Udell, G. F. (1998). The economics of small business finance*: the roles of private equity and debt markets in the financial growth cycle, available at http://ssrn.com/abstract=137991.* Accessed on August 27, 2014.

Bernheim, D. (1995). Do households appreciate their financial vulnerabilities? an analysis of actions, perceptions, and public policy, *Tax Policy and Economic Growth,* Washington, DC: American Council for Capital Formation, pp. 1-30.

Beverely, L. (2018), "Building the Case for Financial Education39(1), 195-214.

Bodie Z Treussard J., & Willen P., (2007). The theory of optimal life cycle saving and investment, *Public Policy Discussion paper*, Federal Reserve Bank of Boston.

Bonga, W. G., & Mlambo, N. (2016). Banks and financial literacy enhancement in Zimbabwe. *IOSR Journal of Economics and Finance*, *7*(2), 69–74. https://doi.org/10.9790/59330702026974

Borden, L. Lee, S. Serido, J. & Collins, D. (2008). Changing college students" financial knowledge, attitudes, and behavior through seminar participation. *Journal of Family and Economic Issues*, 29 (1): 23-40.

Bosma, D., Harding, I., (1991). The theory of planned behavior, *Organizational Behavior and human decision Processes,* 50(2) 179-211

Bouri, A., Breij, M., Diop, M., Kempner, R., Klinger, B., & Stevenson, K. (2011). *Report on support to SMEs in developing countries through financial intermediaries*. *Dalberg Global Development Advisors*. Retrieved from http://eudevdays.eu/sites/default/files/dalberg_smebriefing-paper.pdf

Braspenning M. (2012)). Social cognition models and health behavior: a structural review, *British Journal of Social Psychology*, 40, 471-499

Bristow, B. J., (1997). *Promoting financial well-being: running a successful MONEY 2000 campaign*, Ithaca, NY; Cornell Cooperative Extension

Brown, L. Deakins, D., Logan, D., & Steele, L. (2016). The financial management of the small enterprise. *London: Certified Accountants Educational Trust*

Brown, M. & Graf, R. (2013). Financial literacy and retirement planning in Switzerland, *Swiss Institute of Banking and Finance Working Paper*, University of S. Gallen, Numeracy

De Villiers R. R. & Fauche, J. P., Philosophical paradigms and other underpinnings of the qualitative and quantitative research methods: an accounting education perspective, *Journal of Social Science* 43(2), 125-142.

Delavande, A., Rowedder, S. & Willis, R. (2008). Preparation for retirement, financial literacy and cognitive resources, *Working Paper Series 190*, Michigan Retirement Research Centre.

Keh, H. T., Nguyen, T.T.M., & Ng, H.P. (2007). The effects of entrepreneurial orientation and marketing information on the performance of SMEs. *Journal of Business Venturing, 22(4), 592-611*

Kings, J.. (2017). *ANZ Survey of Adult Financial Literacy in Australia (October),*

Kingsley, R. (2018). You owe it to yourself: The financially literate manager. Accounting Forum, 30(2), 179-191. doi:10.1016/j.accfor.2006.03.001

Kotze, I. (2018). Perceived behavioral control, self-efficacy, locus of control, and the theory of planned behavior, *Journal of Applied Social Psychology*, 32 (4) 665-683

Latif, J. (2018). Financial intelligence for entrepreneurs: What you really need to know about the numbers. Boston, Mass.: Harvard Business Press.

Lusardi& Mitchell, I. (2016). Attitudes, personality and behavior, *Open University Press*, Second Edition, McGraw Hill Education.

Mendel, S., & Klien, C. (2017). Financial Constraints and Company Investment. *Fiscal Studies, 15*(2), 1–18.http://dx.doi.org/10.1111/j.1475-5890.1994.tb00194.x

Mitchell, A. (2017). The life cycle hypothesis of savings: aggregate implicationand tests, *The American Economic Review*, 53(1), 55-84

Ndume (2018), SME financial Literacy in South Africa, available ahttp://www.banking.org.za.index.php/our-industry/small and medium enterprise/southafrican-sme-financial-literacy/ Accessed on July 20, 2014.

Njoroge, A. (2013)." Financial Literacy: A Tool for Economic Progress", The *Futurist*, 36 (4), 37-41.

Okanta, I. & Khaji, G., Wan,J., Gathungu,J., (2018) . Understanding attitudes and predicting social behavior, *Englewood Cliffs*, NJ Prentice-Hall.

Oke, M. (2018) The entrepreneurship of resource-based theory. *Journal of Management*, *27*, 755–775.

Okojie, M. (2020). Financial literacy and credit card behavior, a cross sectional analysis by age, *Numeracy* 6(2):3

Osefuah (2018) . Firm resources and sustained competitive advantage, Journal of Management 17(1) 99-120

predicting consumption of a low fat diet using the theory of planned behavior,*Journal of Applied Social Psychology,* 29(1) 72-90

Rathnasiri, J., 2015), . Credit card satisfaction and financial literacy: evidence from an emerging market economy, *Emerging markets finance and Trade*, 48 (5), 103-115

Remund, R. (2018), "Global entrepreneurship monitor: GEM 2006 summary results", Babson College London Business School.

Sagana, S.. (2014). financial literacy: *An overview of practice, research, and policy. Fed. Res.Bull., 88, 445.*

Spinelli (2017) financial literacy in micro-enterprises: the case of Cebu fish vendors, *Philippines Management Review*, 19, 91-99

SSRN Working Paper, Retrieved from: http://papers.ssrn.com/sol13/papers.cfm?abstract_id=1091623 (accessed on 11 November 2015.)

Vroom, S.R. (1964). Financial Literacy in Nepal: A Survey Analysis from College Students, Conference Paper, 2nd International Conference on Economics and Finance 26-28 February 2015.

Wanjohi,A., (2012) Financial literacy and retirement preparation in the Netherlands. *Journal of Pension Economics and Finance*, *10*(4), 527–545. doi:10.1017/S1474747211000461

Working Paper 09-117, 1–37. Retrieved from: http://www1.worldbank.org/prem/poverty/ie/dime_papers/1107.pdf

Worthington,A. (2017), Learning in the credit card market,

www.accaglobal.com/content/dam/acca/global/PDF-technical/small.../pol-tp-fefe.pdfretrieved on 19 May 2017.

Yadav, R. B. (2015). The screen test for the number of factors. *Multivariate Behavioural Research*, 1 (2), 245-276.

Zeynep, S., (2015). White Paper: Financial literacy and the life cycle. White House Conference on Aging. [Online] Available from: http://216.87.66.5/member /govt_relation.