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Small and Medium Scale Enterprises Performance: Financial Literacy

[1]BOLANLE, Olasoji Margaret
Registry Unit, Achievers University, Owo

[2]ADEYEFA, Princewill Emmanuel
Directorate of Internal Audit, Rufus Giwa Polytechnic, Owo,

[3]ADEMOLA, Adegboyegba Ojo
Nigeria Defence Academy, Kaduna

[4]OBAGBUWA, Oyebanji
Chancellery, Achievers University Owo

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Abstract
This study is based on financial literacy and performance of Small and Medium Scale Enterprises (SMEs) in 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*

I. Introduction

Developed and developing economies continue to trust on Small and Medium Enterprises (SMEs) to play a key role in prompting and sustaining economic growth and development. SMEs are facilitators for broad-based growth in competition, entrepreneurship and offer economy-wide benefits such as innovation and aggregate productivity growth (Kebede and Behailu, 2016). SMEs contribute largely to output, employment in both developed and developing countries and contribute greatly to the revitalization of the global economy and of individual national economies. In recent times the degree 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 (Okanta, 2018). The incessant distressed syndrome experiencing through SMEs across the globe, especially in developing countries has been attributed to financial illiteracy (Odebiyi, 2017) argued that truly each SMEs lacks simple financial competencies that ought to guide their financial decisions to profit ability, yet the atmo-spherical condition in the assessment of funds is hash to businesses. 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

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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).

Poorer people strive doing smaller business and richer people, the larger ones. Poor people mostly buy fruits and vegetables from wholesalers and sell them on the streets, while the average people establishing SMEs. This is tending to become a usual business live of most of population. The performance and growth of SMEs have in all the nations, been of great concern to, among others, development economists, entrepreneurs, governments, venture capital firms, financial institutions and non-governmental organizations (Eniola and Entebang, 2016). Entrepreneurship is important on many stages, as evident by the policy outlines that inspires new venture creation and development (Lizky and Eddlestone, 2015). Given the significance of the financial literacy of entrepreneurs in the SMES sector, there has been a paucity of research focusing on the financial literacy of SMEs entrepreneurs in developing countries like Nigeria. It is on this background that this study examines the impact of financial literacy on the performance of SMEs in Owo, Ondo state.

The aim of the study was to examine the importance of financial literacy in the SME sector and thus to address a gap in the literature. This study contributes to the literature on financial literacy and the sustainability of SMEs through assessing the impact of financial behaviour on the performance of SMEs in Ondo State and examining the extent to which financial attitude affects the performance of SMEs in Ondo State.

Research Questions

The following questions were formulated to guide this study;

i. to access financial behaviour effect on the performance of SMEs in Owo, Ondo state?

ii. how does financial attitude influence the performance of SMEs in Owo, Ondo state?

Research Hypotheses

Based on statement of problem and stated objectives of the study, the following hypotheses were formulated in a null form:

i. **H_{01}:** Financial behaviour has no significant effect on the performance of SMEs in Owo, Ondo State.

ii. **H_{02}:** Financial attitude of SMEs has no significant effect on the performance of SMEs in Owo, Ondo State.

II. Literature Review

Financial literacy (FL) enables financial planning and also assists in making effective financial decisions (Ramakrishnan, 2020). Financially sound people were more effective in financial planning and debt management. Lusardi et al. (2014) opined that financially literate individuals have better knowledge about how to generate, spend, invest, and save money. Similarly, (Grohmann et al, 2020) related the expansion of bank branches in rural and urban areas to be associated with improved financial literacy and enhanced financial initiatives. Researchers across the globe believe that financial initiatives can be achieved through financial competencies by improving financial literacy. However, Atkinson and Messy (2013) considered a low level of financial skill and knowledge as the major reason for lower levels of financial initiatives in any economy. They recommended that policymakers induce banks and financial institutions to conduct training programs to improve the financial initiatives level. Ramakrishna and Trivedi, (2018) recognized that technology positively influences financial initiatives. This was also reverberated by Rastogi and Ragabiruntha (2018). Innovation and technology through literacy can intensify financial initiatives, because it can circumvent prevailing structural and infrastructural challenges and directly reach the needy ones (Al-Mudimigh, 2020). Thus, that is the reason we have taken financial literacy as a mediating variable. Okello et al. (2020) have also used financial literacy as a mediator between social networks and financial literacy. Both the direct and indirect effects of financial literacy with financial literacy emerge as significant, which indicates the important role played by financial literacy in financial initiatives. Taking this as an indicator for future research, we want to examine financial behaviour effect on the performance of SMEs in Owo, Ondo state in this study and how financial attitude influence the performance of SMEs in Owo

The record of organization for Economic Co-operation and Development (OECD) (2020) suggests that over 70% of SMEs trip serious financial has sole all over Europe, Canada, the United States of America, and Asian countries. In the same direction, Economic Policy Research Centre (EPRC) in Uganda and Femi Egbesola, national president, Association of Small Business Owners of Nigeria (ASBON), reveals that over 80% of SMEs in Africa nations have trapped due to financial crunch (Anudu and Okojie, 2020). The study of Hilgert, Hogath and Sondra (2003) asserts 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) argued 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 (2015) confirmed 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.

Financial literacy encompasses the knowledge and skill required by individual to function effectively in the money economy and make informed judgments in respect to their own and their family circumstances. The need for financial literacy among entrepreneurs and business owners has hence forth become a subject of interest in both developed and developing economies (Hilgert and Hogath, 2016). Though it might not be an absolute state, it enables individuals to be able to respond effectively to ever changing personal, social and economic circumstances. Financial literacy is hypothesized to be a major determinant of the firm’s success or failure. It is for this reason, many countries have created taskforces to study and evaluate the level of the financial literacy of their citizens (Alessie, Van and Lusardi, 2015).

The need for financial literacy by SMEs has been emphasized by different scholars. Financial literacy is the mastery of a set of knowledge, attitudes and behaviours. It is defined by Nkundabanyanga and Kasozi (2014) as the ability of an individual to make informed judgment and take effective decisions regarding the use and management of money. They added that such personal so possesses facilitating attitude to the effective and responsible management of financial affairs. That is the ability to read, analyses, manage and communicate personal financial conditions that affect well-being and the ability to distinguish financial choices, discuss money and financial issues without discomfort. It has assumed the role in allowing people to make responsible decisions as they strive to attain financial wellbeing.

Small and Medium Scale Enterprises (SMEs) Performance

Business is any purposeful -activity that involves the use of human and non-human resources towards the achievement of set goals and objectives. Actually there is no one generally accepted definition of small and medium scale enterprises. This is because different authors and scholars have come up with different definitions and meaning of small and medium scale enterprises. According to Owualah (2019), small and medium scale enterprises, are businesses with total investment (including land and working capital not exceeding N5000 and/or whose annual turnover did not exceed N5 million. However, Owualah (2019) notes that since 1993, the Central Bank of Nigeria (CBN) has redefined them as firms whose total cost excluding cost of land but including working capital is above Ni million but not exceeding N10 million. Thus, small and medium scale enterprises, here are known for the special feature in their size, capital outlay and managerial capabilities.

Zenith Economic Quarterly (2005) asserts that SMEs are, for the purpose of revised guidelines for the small and medium Enterprises Equity Investment Scheme (SMESEIS); defined as any enterprise with a maximum asset base of N500 million (excluding land and working capital), and with no lower or upper limit of staff. This definition, according to them, is subject to review by the Bankers’ Committee from time to time. By this definition, small and medium scale enterprises of today may be different from the one of yesterday and tomorrow.

Performance

Prior researches define overall performance from different perspectives. Some define it from a qualitative perspective, while some define it from a quantitative perspective. For example, Eniola (2015) is of the opinion that enterprise performance is the functionality of an entrepreneur to surpass its pre-set goals or goals. In another study, Yadav (2015) sees enterprise performance as a central wonder in business philosophies and additionally a multifaceted phenomenon. The study of Begonja, Filip, and Gerbin, (2016) notes that enterprise overall performance is the attainment of targets and objectives in any phase of human life prospects. In any other study, Gentry and Shen (2010) argue that commercial enterprise performance can be measured by using financial and non-financial indicators.

Dimension of Financial Literacy

Financial Knowledge: Financial knowledge is defined as the understanding of key financial terms and concepts needed to function daily (Huston, 2017). It is defined by Potrich, Kelmara and Wesley (2016) as a particular kind of capital acquired in life through the ability to manage income, expenditure and savings in a safe way. Financial knowledge is wisdom acquired through learning the ability to manage income, expenditure and savings in a safe way (Lusardi and Mitchell, 2008). Financial knowledge is associated with a number of "best practice" financial knowledge, including possessing an adequate emergency fund, monitoring credit reports, avoiding checking account overdrafts, avoiding revolving debt, owning a dedicated retirement account, and having insurance protection (Robb, 2014). The Organization of Economic Co-operation and Development (OECD), added that financial knowledge is an important determinant of whether the individual is financially literate, involving questions related to concepts such as simple and compound interest, risk and return and inflation OECD/International Network for Financial Education (OECD/INFE, 2011).

The Determinant of Financial Knowledge are:

1. Access to Credit: Access to finance is defined as the availability of financial services, in the form of demand deposits, credit, payments or insurance (Hamori. 2016). Access to finance has been identified as one of the major constraints on the sustainability of SMEs. It should be remembered that the key purpose of the finance activities of the firms, in every aspect of business, is raising the funds. Charan and Kishinch (2016) in their research study has identified that, the micro, small and medium-sized enterprises (MSMEs) have had concerns about finance for all their stakeholders including other financial institutions, and government organizations and other entrepreneurs. They emphasised that bank loans, loan from the microfinance banks, venture capital, loans from family, relatives, and friends, equity finance are the key financial providers for the MSMEs. Numerous scholars have tried to investigate the prominence and significance of the availability of finance required to fund enterprises. There was a debate the early 1970s saying that different sources of finance would rise to different rates of income for business.

As the various businesses require particular financial sources and types that are best appropriate for them, a fully understanding the chain of the capital information has always been negotiable. This is an indication of how necessary it is to have financial knowledge about the various sources of financing which is extremely important for decision making (Muhammad and Ejaz, 2010). In facilitating development projects, smaller firms, as compared to the larger firms, are experiencing much more difficulties and complications to get access to source of finance. Thus, for investors who have greater access to finance as compared to their competitors, access to finance is most probably as significant resource success and a source of competitive advantage (Grande, Madsen, and Borch 2011).

Charan and Kishinch (2016) highlights that the reason the informal sector is dominant in the addressing the financial requirements of MSMEs is because there are multitude limitations of formal sources of financing which are the requirement for collateral or a guarantee, inflexible policies, high rates of lending, complicated procedures, and entrepreneurs' lack of financial knowledge of applicable schemes, while it is difficult for enterprises in the start-up stage. As most of the SMES do not have the required knowledge about available schemes, which make it difficult for them to choose the most effective option for financial assistance, they may fail to provide collateral for a loan (Charan and Kishinch, 2016). Thus, for managers of MSEs, it is highly important to have full understanding and information on what source of finance, when they are to opt for external sources, will be most economic and effective for their business.

2. Debt Management: Debt management is defined as a policy mechanism used for the minimization of the cost of borrowings form the government while considering the degree of risk over medium to long term (Singh and Charan, 2016). Debt management enables individual to do the required activities of a firm with the budget limit. The People, who are too much in debt and want to manage their debt, often tend to prepare a debt management plan themselves (Bankrate.com, 2010). Sucuahi (2013) stresses that, being a part of the financial literacy, debt management provides the investors the ability in obtaining the capital at the minimum cost.

Financial Literacy and Business Performance

However, financial literacy has got an increasing interest in both developed, and developing countries including Nigeria. Nonetheless, Matewos, (2016) carried out a review on financial literacy for developing countries in Africa and the result showed low level of financial literacy in both developed and developing countries and concludes that policymakers and academics in African developing countries need to understand the level of financial literacy in the population, in order to devise suitable financial education and other related policy interventions to improve personal financial literacy for its benefits of enhancing individual socio-economic welfare and building an inclusive financial system and sustainable economic growth.

In the context of small businesses, financially literate entrepreneurs manage resources more widely, use financial information more astutely thereby improving the profitability and of their business enterprises (Morrison, 2015). Financial literacy also enhances participation in financial markets which facilitates asset accumulation and consumption smoothing and access to broader sources of funding (Van Rooij, 2015). Financial literacy is linked to debt and investment literacy (Lusardi, 2015). Financial literacy also encouragements the access and utilization of financial services (Nunoo, 2017). In a nutshell, Lusardi, (2013) suggested that financial literacy enables individuals to process economic information and make informed decisions about financial planning, saving, debt management, and investment diversification which become progressively imperative to allow individual and business to cope with the ever-rising complexity of financial products and service in the market.

Also, Miller, (2018) measured financial literacy as an active process with dual consecutive results. Besides, Fatoki, (2014) states that financial literacy conveys knowledge and skills which enable entrepreneurs to make financial decision to improve the financial wellbeing of business. Nevertheless, entrepreneurs with financial knowledge and attitude were found to implement lesson learned from financial education and were able to decide on financial services and products that are at their best interest (Chepkemoi, 2017).

Human Capital Theory

Human capital theories written by Gary Becker in 1964, is regarded as one of the classic works in economics. The theory of human resources entails the expertise and experience of small business owners. The general premise is that the founder's human capital increases the chances of survival of small businesses. Human capital is working as a resource. However, human resource theory studies typically conclude that experience is converted into expertise and skills. Bruederl. (1992) define human capital as “knowledge, skills, and capabilities of individuals that have economic value to an organization. Dess, Lumpkin and McGee (1999) also define human capital as “capabilities, knowledge, skills, and experience, all of them embodied in and inseparable from the individual.” Human capital theory claims that education or training offers valuable information and skills to workforce who, in turn, improve productivity and income (Becker, 2002). Becker distinguishes between unique human capital and general human capital. Relevant human resources require experience gained through education and training that is relevant to a specific business.

Mazzarol, Reboud and Clark (2015) examined the financial management practices in small to medium enterprises (SMEs) from a study of 289 small business owner- managers across 30 industry sectors in Australia and Singapore. The data was collected using a case study survey by MBA students and analysed via three stages: first was the examination of the quantitative survey data; second was the NVivo analysis of the interview data; and thirdly was the Leximancer analysis of the selected coded transcripts. The findings show that SMEs have largely informal and adhoc financial management practices. Differences by size and financial literacy levels were found. As the firm grows in size and complexity the owner-manager is required to adopt more sophisticated and systematic approaches to financial management. SMEs with higher financial literacy have greater capacity to monitor and control the financial performance of their businesses. Challenges for SMEs negotiating with more powerful players were also identified and approaches to address this issue briefly discussed.

Ngek (2016) sought to find out the impact of financial literacy on firm performance, as well as to examine the moderating effect of financial capital availability on the financial literacy–performance relationship, amongst SMES in the Free State province of South Africa. The results showed that on average SMES have low levels of financial literacy and financial capital availability. It was also observed that financial literacy positively influenced SMES performance, and that the relationship is positively moderated by financial capital availability. It is therefore, necessary for SMES owners to develop financial literacy skills as an essential part of entrepreneurial activities. Likewise, since businesses rely on financial capital to invest, develop and grow, policy makers should put in place measures on how to bridge the access to finance gap, and, thus, ensure that entrepreneurs are relieved from financing constraints.

Buturache and Stancu (2021). As a result, statistical and theoretical methods have been employed. According to the findings, a company's profitability can be gauged by how well it achieves its long-term sustainability goals. When it comes to sustainable development goals.

III. Research Design and Methodology

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 overseen questionnaires to elicit responses from SMEs Owners and Employees to synergies regarding financial literacy drivers through financial behaviour effect and financial attitude influence on performance of SMEs and sustainable growth.

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

Regression analysis used in testing the hypotheses based on t-statistics and regression technique. It measures the extent to which the variation in dependent variable is explained by two or more independent variables at those financial literacy variables.

Model Specification

The researcher overseen questionnaires to elicit responses from SMEs Owners and Employees to synergies regarding financial literacy drivers through financial behaviour effect and financial attitude influence on performance of SMEs and sustainable growth.

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

SMEs Perf =f (FB, FA)

SP = f (FB, FA)……………………………………………………………………………….1

$Sp = \beta_o + \beta_1 FB_1 + \beta_2 FA_2 + U$

Sp = SMEs Performance

Financial Behaviour Effect (FBE) and Financial Attitude Influence (FAI)

The a-priori expectation are:

$\beta_{1,}$ and $\beta_{2,} > 0$ (coefficient of FB, and FA), U = Error term

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Table 1: Demographic Details

Variables	Number of Respondents	Valid Percentages (%)
	Gender	
Male	93	51.4
Female	88	48.6
Total	**181**	**100.0**
	Age	
Less 30	66	36.5
35 to 40	75	41.4
Above 40	26	14.4
Total	**181**	**100.0**
	Educational Status	
Undergraduate	18	9.9
Graduate	37	20.4
Post Graduate	69	38.1
Total	**181**	**100.0**
	Nature of Business	
Dammy Communication	8	4
Oyato Nigeria Limited	38	21
Mydas Resort Centre	56	31
Tisco Nigeria Limited	79	44
Total	**181**	**100.0**

Source: Self-calculated through SPSS

The table 1 showed that 93 respondents were male while 88 respondents were female of both Owners and Employees of four selected SMEs in Owo, Ondo state. The result revealed that male respondents are more than female respondent. This shows SMEs industry was highly dominated by male gender.

66 respondents fall with ages that less than 30 years, 75 respondents fall in the age bracket of 31-40 (41.4%), 26 respondents ages fall from 40 and above. These findings indicate that the respondents were drawn from all the age categories. However, it is clear that the number of the SME owners and employees are reducing from age bracket of 30 to 40 years.

18 (9.9%) of respondents were undergraduate, while 37 (20.4%) were Graduate, and 69 (38.1%) respondents were post graduate. This confirms that the respondents sampled in this study have an adequate level of education and they are able to play a key role with respect to investment in Owo, Ondo state. Therefore, these respondents are knowledgeable enough to understand what were addressed in the study.

Table 2: Ordinary Least Square (OLS) Technique Result

DV: SMES Performance
DI: (Constant), Financial Influence and Financial Attitude

Variables	B	Std. Error	T-stat	Sig (P)
(Constant)	8.103	1.346	6.022	.000
Financial Behaviour	0.354	0.101	3.491	.001
Financial Attitude	0.282	0.101	2.783	.006

Source: SPSS V.26

Table 3: Model Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate
.913[a]	.905	.361	2.28958

Source: SPSS V.26

Table 4: Robustness of the Model on F-statistic

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	554.372	4	138.593	26.438	.000[b]
	Residual	922.622	176	5.242		
	Total	**1476.994**	**180**			

Source: SPSS V.26

SP = 8.103 + 0.354FB **+ 0.282**FA **+ U**

From the regression equation it was revealed that financial behaviour and financial attitude 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. Two of the variables were significant as their significant value was less than ($p<0.05$) except financial knowledge and financial attitude. Financial attitude has significant effect on the performance of SMEs in Owo, Ondo State. Results of the statistical analysis discovered a positive significant relationship between financial attitude and SMEs performance across the captured area. This was evident from the coefficient (28.2%) change effect and P-value (0.006) which was less than the benchmark of 0.05 percent specified for this analysis. This outcome basically implied that, with all other variables held constant, an increase or a change in financial attitude by one percentage resulted in a 28.2 percentage increase in SMEs performance. Hence, the null hypothesis which states that “Financial attitude has no significant effect on the performance of SMEs in Owo, Ondo State” was accepted.

The regression result indicated that, the R-squared of the variables was 0.913. 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 91 percent of the systematic variation in the value of the dependent variable which could be traced to the independent variables and that about 09 percent 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 90.5 percent, 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. The finding is compatible with the findings of Fernandes (2015), Menike, LMCN, (2018), Jorgensen (2007), and in which they found a positive relation between financial behaviour and SMEs performance.

IV. Conclusion and Recommendations

The study conclusion that financial behaviour is a significant predictor of performance for small and medium scale enterprises. Most SMEs owners and employees however apply strong saving, book keeping and financial report skills in their business activities. Finally, the study notes that financial influence and financial behaviour has positive effect on SMEs performance. Most SMEs managers and employees have negative attitudes towards their financial activities. 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. 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 financial knowledge questions correctly. However, the question of debt management was not a strong area for the respondents. Finally, the study notes that financial attitudes have positive significant on the performance of SMEs. However, most SMEs Owners and employees have positive attitudes towards their financial activities. This was evident by the low future orientations, ability to takes risks and participation in training programs that can promote their financial skills despite the knowledge on the importance of directing short -term activities towards long-term goals of the business. Therefore, it is important for the government and relevant agencies to put efforts in influencing the attitudes of SMEs managers and owners positively. Positive attitudes lead to positive behaviours and hence benefit both the SMEs and their stakeholders. It can be concluded that financially literate SMEs tend to be more successful than those with a low level of financial knowledge.

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