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Financial Literacy and Performance of Small and Medium Scale Enterprises in Abuja, Nigeria

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ABSTRACT*: Many Small and Medium Enterprises (SMEs) failed because they lack financial knowledge, attitudes, behaviours and influence to be a successful entrepreneur, those that are successful are traced with insufficient business acuity, as well as basic accounting knowledge, undermines entrepreneurial activity. Therefore, this study examined financial literacy and performance of SMEs in Abuja, Nigeria. The study used survey method in achieving the objectives through the use of primary data collection. Questionnaire were administered to 550 respondents in all the six areas council of Abuja, Nigeria while 469 was usable and analysed for the study. The data analysis method used was multiple regression due to the nature of the data collected. The findings from the study revealed that respondents have adequate financial knowledge of their various businesses as such impact positively on their businesses in Abuja, Nigeria. Also, it was revealed that financial behavior of SMEs owners in Abuja had a positive significant impact on their businesses performance. However, financial attitudes of the business owners and operators in Abuja improves the performance of their businesses. It was revealed from the analysis of the study that the financial influence of the SMEs owners contributed at a low rate to the performance of their businesses in Abuja. The study concluded that financially literacy of SMEs owners in Abuja contributed positively to the growth of their businesses. The study recommended that government agencies along with micro finance institutions and deposit money banks should organize financial education programmes that will create more awareness and growth on areas that are lacking in financial literacy.*

KEY WORDS*:* Abuja, businesses, economy, financial literacy, performance.

INTRODUCTION

In today's world of business, financial literacy has attracted increasing attention mostly in the developed, developing and underdeveloped countries due to its role in financial decision. For instance, in the developed countries of the world such as United States of America (USA), financial literacy is key to business at all level. This led the USA government in January 2008 for the establishment of a president's advisory council on financial literacy tasked to improve financial education at all levels of the economy. Developing economies have also not been left behind; countries like, Nigeria, Malaysia and South Africa have set up programmes that are aimed at increasing financial literacy.

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 henceforth become a subject of interest in both developed and developing economies of the world (Hilgert & Hogath, 2018). 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 of every business. It is for this reason, many countries have created task forces to study and evaluate the level of the financial literacy of their citizens as it affects businesses (Alessie *et al., 2019*). Past literature depicts correlation between financial literacy and financial performance trend of Small and Medium Enterprises (SMEs) although the direction of causality is unclear (Hilgert & Hogarth, 2018). According to Bosma and Harding (2016), many SMEs firms fail because they lack financial literacy, insufficient business acuity, as well as poor financial literacy, undermines entrepreneurial activity. Most scholars agreed that entrepreneurs, regardless of their age, consistently engaged in decision-making activities concerning resource procurement, allocation and utilization. Such activities almost and always have financial consequences and thus, in order to be effective, entrepreneurs must be imparted with financial knowledge (Oseifuah, 2015). Drexler, Fischer, and Schoar (2014) posited that entrepreneurs usually suffer from insufficient financial literacy to make the complex financial decisions they face. This is unfortunate, since according to Oseifuah (2017), financial literacy among youth entrepreneur contributes meaningfully to their entrepreneurship skills. Entrepreneurs who want to grow, need to have confident of their finances, as well be adequately informed (Kotzè & Smit, 2018). If the owners or managers of SMEs are illiterate concerning their organizational finances, the financial knowledge of their firms will also be lacking and this will lead to reduction in innovation that can transform into competitive capability, unable to access different sources of financing provision due to non-awareness and this attitude will lead to possible failures of SMEs (Kotzè & Smit, 2018). It is believed that entrepreneurs suffer from lack of financial literacy and such deficiency undermines the probability of accessing different sources of financing that can result into competitive capability and firm superior performance.

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, 2016). It includes the ability to make informed judgments and to take effective decision regarding financial matters (Worthington, 2015).

Organisation for Economic Co-operation and Development (OECD, 2018) argued that 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 levels. Financial literacy is essential in helping individuals to identify vital financial issues and behaviors that support effective management of financial resources (Hilgert & Hogath, 2016). 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 advances how individuals are able to examine and appreciate money and financial issues. This aids greatly in making effective financial decisions regarding financial managements (Greenspan, 2019). Financial literacy not only enables one make decisions while confident and sure, but also assists individuals to respond competently to changes that affect their everyday financial wellbeing including events in the general economy like collapse of financial markets, rising unemployment and the threat of rapid inflation (Hilgert& Hogath, 2016). Hereafter for any financial system to be effective, financial literacy is required in order to avoid pitfalls and to take appropriate actions to improve the firm's present and future conditions (OECD, 2019). Having the numeracy and capacity to do calculations, understanding the financial systems and understanding the risks of financial decisions are some of the fundamental concepts about financial literacy (Ibitomi, *et al*., 2022). Common measures of financial literacy being money basic knowledge, financial management, debt, savings, insurance and investment literacy (Rooij *et al.,* 2017; Ibitomi, 2018).

Financial performance of a firm determines how well the business is doing in wealth creation and acquiring of resources (Komppula, 2014). Daft (1997) attributes performance to the competency of an organization to transform the resources within the firm in an efficient and effective manner to achieve organization goals. To measure financial performance, varied proxies have been adopted by various researchers including sales revenue, profits, return on investment/ equity (Wijewardena, *et al.,* 2014; Ibitomi & Ijaiya, 2018). The measures include, return on sales, combination of Return On Investment (ROI) and Return On Sales (ROS) (Pegels & Yang, 2010) and by its liquidity which is the amount of cash a company can put its hands on quickly to settle its debts as adopted by Gill (2011). Colvin (2013) provided various financial measures which include sales level, sales growth rate, cash flow, return on shareholder equity, gross profit margin, net profit from operations, and ability to fund business growth from profits. The enterprise growth is the unification of quantity and quality. Growth is often closely associated with firm overall success and survival (Johannisson, 2013). Hence growth is a measure of performance (Ochieng, 2019). Schayek (2015) argued that most SMEs owners or managers are very sensitive about disclosing information relating to their firm financial performance. In addition Watson (2017) suggested that because most SMEs are not required to report and publish their financial records, it is difficult to obtain, directly, the financial figures on sales and profitability of most SMEs. In particular, SMEs globally participate in creating employment opportunities to millions of people especially youth and women and as a source of technological innovation to create new products and eradication of poverty (Wolff & Pett, 2016). Several countries in the world are promoting financial literacy amongst SMEs proprietors as a tool of fighting poverty (UN, 2013), some of the countries involved are Egypt, Uganda, Ghana, South Africa, Tanzania, Kenya, Nigeeria and Rwanda (African Development Bank, 2017).

In Nigeria, key efforts have been made by the government through Financial Sector Deepening (FSD), which educates people to enhance financial freedom. The central bank has direct interest in financial literacy and ensures that Deposit Money Banks (DMBs) show the public their charges so as to enable persons to compare and make decisions.

In the past one or two decades, the Nigeria successive governments have put in place policy measures, schemes and support schemes to develop the SMEs sub-sector and to increase its performance (Ibitomi & Adeleke, 2020) . Despites all this efforts and policies to the growth of SMEs , today's Nigeria’s SMEs have not performed creditably well and they have not played expected role in spite of the fact that they have been regarded as the bulwark for employment generation and technological development. There are many problems associated with SMEs in Nigeria. One of these problems is lack of financial literacy which is evident in their inability to keep complete accounting records in carrying out their day to day operations of business. This invariably has resulted into a situation where SMEs operators cannot capture adequately their business profits. This is because in the process of calculating profit, financial data are assembled in a way that cannot help make informed financial judgment and decision taking. These financial data cannot be assembled without adequate financial literacy. This problem has ultimately affected the profitability of SMEs in Nigeria.

In addition to the above are lack of awareness of financial risk and opportunities, reckless expenditure, use of business funds for personal transactions, limited access to bank credit facilities and insurance policies. These and more can be addressed by being financially literate. Hence, the researched believe that these inherent problems could be attributed to the neglect of financial literacy by SMEs.

The specific objectives of the study are to strategically examine the effect of financial knowledge, financial behaviours, financial attitudes and financial influence on the performance of SMEs in Abuja.

This study covered Abuja, the reason for the choice of Abuja was the fact that it is the domicile of the researcher and also the administrative capital of Abuja. Also, there is a high presence of SMEs in Abuja being the capital of Nigeria. The time frame covered for this study was 2020 to 2023, the reason was that the study started in 2020 and end up in 2023 in order to have a robust study. The variables scope used was financial knowledge, financial behaviours, financial influence, and financial attitudes, the reason for this choice was that they are the variables that are mostly linked to SMEs in Nigeria particularly in the areas of financial literacy , they also serves as the major component of financial literacy.

LITERATURE REVIEW

Financial Literacy

There is no universally accepted definition of financial literacy (Huston, 2010). However, Lusardi and Mitchell (2017) defined financial literacy as 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. Financial 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. 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. Consequently, it improves the economy performance. More financially literate contribute to broader economic growth and development (Kefela, 2015). However, Mak and Braspenning (2019) argued that consumers 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. According to Consumer and Financial Literacy Taskforce, (2014), the recent evolutions in financial markets, has become increasingly necessary for entrepreneurs and consumers to be more knowledgeable and competent in administering their finances. This is because changes in financial markets have resulted in the availability of a wider selection of financial products and services, making financial decisions multifaceted and more complicated. Easier access to credit facilities, deregulation of financial markets and technological improvements in the way financial services are distributed have undoubtedly left many entrepreneurs with a confusing array of investing opportunities and decisions to be made Financial literacy 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 & Delpachitra, 2013; CBF, 2014; Raven, 2015).The literature suggests that there is a strong relationship between financial literacy and entrepreneurs' welfare. Studies indicate that households with less financial knowledge or literacy, tend not to plan for their retirement (Lusardi, & Mitchell, 2017), receive lower asset levels and usually borrow at higher interest rates (Stango, & Zinman, 2016). These results have convinced policy makers in both, developed and developing countries to increase efforts in advancing financial literacy. Financial literacy can be measured in diversified approaches, namely; personal savings skills, entrepreneurship skills, book keeping skills and access to banking services skills.

Personal saving skills are defined as the strategy of setting a side part of disposable income which is not spent on consumption (Bime & Mbanasor, 2011). According to Virani (2012) saving skills is any action undertaken by an individual resulting to scarifying the current consumption in order to increase the living standard and fulfilling the daily requirements in future. The amount saved by the entrepreneur could be used for investment to earn interest (profit) or be used to purchase assets such as buildings (Aliyu, *et al.*, 2022). Personal savings skills help in increasing savings base for an individual especially when the interest rate in banks and other financial institutions is high, hence possible to borrow using the savings as the collateral (Kanjanapon, 2014).Personal saving skills is an essential yard stick for capital accumulation and formation which further enhance economic growth and development through investing the saved fund. Entrepreneurship skills can be defined as the process of using private initiative to transform a business concept into a new venture or to grow and diversify an existing venture or enterprise with high growth potential. Entrepreneurs identify an innovation to seize an opportunity, mobilize money and management skills and take calculated risks to open markets for new products, processes and services. Entrepreneurship 12 skills enlarge the base of entrepreneurs in order to hasten the pace at which new ventures are created. This accelerates employment generation and economic development. According to Aminu, (2009), entrepreneurial skills can be measured in terms of desire to take risk to invest, own a business, start a business, be self-employed, create a new product, open a new market, do something new, form a new method of production, self-confidence and internal locus control.

Bookkeeping skills is the ability to undertake the recording the accounts and transactions of a business. The transactions include sales, purchases, income and expenses by an individual or organizations (Larson *et al*, 2010). Bookkeeping differs from accountancy in that bookkeeping ends at the trial balance stage. Accountancy uses the trial balance information and ledgers to prepare the income statement and the statement of financial position. There are some common methods of bookkeeping such as the single entry bookkeeping system and the double entry bookkeeping system (Pinson *et al*, 2013). Bookkeeping refers to the recording of financial transactions and events either manually or electronically. Poor book keeping skills has been posted as the main cause of failure on the SME (Longeneter *et al.* 2016). Bowen (2019) observed that there is a strong relationship between business performance and book keeping skills. Business management entails keeping proper records of the business transactions. Knowledge and skills in bookkeeping is a major factor that impacts positively on sustainability and growth of SMEs. Failure to record business financial transactions (bookkeeping) leads to collapsing of the business within few month of its establishment (Germain, 2019). In essence, bookkeeping is one thing an entrepreneur cannot afford to ignore. Research has shown that in any business, bookkeeping is the first step of the accounting process, which also includes classifying, reporting and analyzing the business financial data. It involves organizing and tracking receipts, cancelled checks and other records generated by financial transactions. Bookkeepers chronologically record all transactions: cash disbursements, cash receipts, sales and purchases, and others in a journal and post the journal entries to a general ledger of accounts, which is essential for preparation of monthly financial statements. This is imperative for a profitable business to access to banking services skills entails the ability to identify, selection and actual utilization of available banks' credit facilities (Germain, 2009). Lusardi and Michell (2006) suggested that financial literacy is needed to create a measure of financial competence, i.e., to stay knowledgeable about financial matters. These literate people are more participating in financial markets because they know financial matters. Lusardi and Bassa Scheresberg (2013) examined the impact of financial literacy and 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 (2009) 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.

DIMENSIONS 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 & 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 & Mitchell, 2018). Financial knowledge is associated with a number of "best practice" financial behaviors, 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 INFE, 2011). Financial knowledge is a very critical aspect of any decision making regardless of the subject matter, as it is argued to result in a more effective decision (Robb, 2014). It impacts key outcomes including borrowing, savings, investment and even future plans in terms of retirement income (Lusardi & Mitchell, 2014). In 2006, Lusardi and Michell proposed that financial literacy is needed to create a measure of financial competence in terms of participation in financial market and ability to manage financial matters. A few researchers have attempted to show the relationship between financial knowledge and growth in terms of profitability and size of businesses. Lusardi and Mitchell (2014) have conducted various surveys on financial literacy and have come up with set of questions that are commonly used to measure financial knowledge. They performed an examination on the impacts of financial literacy on economic decision making in the United States and elsewhere.

Financial Behaviour

Financial behavior as defined by Zeynep(2015) is the capability to capture of understanding overall impacts of financial decisions on one's circumstances and to make the right decisions related to the cash management, precautions and opportunities for budget planning. Research has shown that financial literacy consistently predicts measures of financial behavior of individuals (Hung, Parker & Yoong, 2019). Sucuahi (2013) highlighted that a good financial behavior involves the ability to make financial decisions that increase wealth and prevent uncertainties of businesses and individuals. These activities generate more financial assets, prevent over indebtedness, finance retirement, and insure against major life contingencies. The profitability of micro and small enterprises highly depends on the financial decisions that are made by the owners ranging from financing to working capital management and saving decisions. Given that Micro and small enterprises have significant impact on economic activity of most countries, a low financial skill or poor financial behavior might have an adverse effect in the future of the business (Sucuahi, 2013). Good financial behavior leads to competitiveness in a globalized economy and financial illiteracy would lead to shut down of the business. It has been argued that a good financial foundation of the business owners is a significant barometer of the success and growth of the enterprises in the competitive environment (Lusardi & Mitchell, 2017).

Financial Attitude

Financial attitude can be defined as the application of financial principles to create and maintain value through decision making and proper resource management (Latif, Razak, & Lumpur, 2011). Financial attitude is one of the factors that have significant impact on financial management practice. It is defined by Eagly and Chaiken(2013) as psychological tendency that is expressed by valuating a particular entity with some degree of favor or disfavor". That is, it a psychological predisposition when it comes to agreeing or disagreeing with certain financial management practices. Latif *et al*. (2011) defined financial attitude as the creation of value in decision making and resource management through application of financial principles. Financial attitude is improved through procurement of adequate information (Abiodun, 2016). Financial attitude such as the risk averseness, time orientation, social environmental factors and training may add value to the profitability of a business. The willingness to learn more on how to manage finances is also of benefit to business owners because it will allow for the application of learnt financial concepts into practice. Financial attitude of business owners is improved through procurement of adequate information (Abiodun, 2016). Research has shown that financial literacy can be boosted through the attainment of the right financial attitude in terms of risk appetite, training and time orientation to mention a few.

Theoretical Framework

The study applies the following theories, contingency theory, financial literacy and behaviour theory, accounting theory and motivational theory.

Due- Process Theory

Dual –Process Theory The dual-process theory was propounded by Lusardi and Mitchell (2011). This theory posits that financial decisions can be driven by both intuitive and cognitive processes which mean that financial literacy may not always yield optimal financial decisions. The Dual Process Financial literacy theory argues that the behavior of people with a high level of financial literacy might depend on the prevalence of the two thinking styles: intuition (system 1) and cognition (system 2)(Lusardi and Mitchell, 2011; Glaser and Walther, 2013). Intuition is the ability to acquire knowledge without inference or the use of reason. Intuition provides views, understandings, judgments, or beliefs that cannot be empirically verified or rationally justified. Taylor (1981) as cited by Chan and Park (2013) asserts that individuals who rely on intuition prefer to use mental short cuts as they make decisions which tend to be largely influenced by their emotions. Glaser and Walther (2013) point out that the positive effect of financial literacy on reasonable investment decisions is diminished by a high prevalence of intuition. Therefore, increased use of intuition results to sub optimal investment decisions. Cognition on the other hand is the process by which the sensory input is transformed, reduced, elaborated, stored, recovered and used. Cognition is the mental processing that includes the comprehending, calculating, reasoning, problem solving and decision making (Chan & Park 2013). High cognition individuals enjoy thinking, are analytical and are better at retaining information and more likely to search out new information.

The dual process theory is considered relevant to this study because it shows that individuals who are high on cognition will seek out for information and are more likely to be influenced by a relevant message. This means that their decision making skills can be boosted by financial literacy training using simple easy to understand methodologies. Moreover, use of intuition may be reduced by provision of relevant information to support decision-making through financial education since individuals tend to rely on intuition where relevant information is lacking. However optimal results may not be achieved where individuals trust their intuitions in decision making.

Contingency Theory

Contingency theory claims that there is no optimum method of systematizing a firm and the organization structure of the company (fielder, 1964). It argues that the most appropriate, structure for an organization is the one that best fits a given operating contingency, such as technology (Woodward 1968, Penon 1970) or environment (Burns and Stalker, 1961; Lawrence and Lorsch, 1967). Moorthy (2012) postulated that contingency theory has been widely used in researches on measuring the performance and effectiveness of an organization. Cacciolatti and McNeil (2011) indicated that SMEs that make good use of their structural marketing information presented a higher probability of growth. This concurs with what would Mahmoud (2011) established on SME's in Ghana that the higher the level of market orientation the greater the level of performance. This shows that there is a positive relationship between information utilization and the firm performance as noted by Keh and Nguyen (2017).

Empirical Review

Many studies have been conducted on financial literacy and its influence on SMEs performance in developed and developing countries. Positive relationships between financial literacy and performance have been found by several scholars (Hilgert *et al*., 2013; Huston, 2010; Kidwell & Turrisi, 2014; Lusardi, Mitchell, & Curto, 2015; Piprek & Coetzee, 2018). The concept of financial literacy is comprising of three dimensions, in knowledge (Lusardi & Bassa, Scheresberg, 2013); attitude (Sabri and MacDonald, 2010); and awareness (Rahmandoust, Shah, Norouzi, Hakimpoor, and Khani, 2011). Knowledge is about understanding how business performance and business condition are measured using the mental model to facilitate, support, or enrich decision-making (Lusardi & Michell, 2017; Moore, 2013). Lusardi and Michell (2006) suggested that financial literacy is needed to create a measure of financial competence for instance to stay knowledgeable about financial matters. These literate people are more participating in financial markets because they know financial matters.

Lusardi and Bassa Scheresberg (2013) examined the impact of financial literacy and 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 (2012) pointed out that obtaining additional information can lead to improved financial attitude. Morgan, Kaleka, and Katsikeas (2014) concentrated on the importance of linkages among obtainable resources and capabilities, competitive strategy decisions, competitive advantage and performance outcomes.

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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 (2014) 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*. (2013) insisted that a strong link between financial knowledge and financial behavior subsists. Financial knowledge would affect in increase firm total sources of financing (Marcolin & Abraham, 2016). Moore (2013) 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).

Lusimbo and Muturi (2016) investigated the relationship between financial literacy and the growth of MSEs in Kenya. Descriptive cross sectional survey design was used. 306 MSEs were selected using stratified random sampling from a population of 1300 MSEs registered in Kakamega Central Sub County as of 2015. A questionnaire was used to collect primary data while document analysis was used for secondary data. Data was analyzed using percentages and frequencies using SPSS. Findings reveal that; although MSE managers had a fair knowledge of debt management literacy majority do not understand the effect of inflation and interest rates on loans they borrow and were not comparing terms and conditions before purchasing financial products, most managers have low book keeping literacy. Managers with low financial literacy have recorded minimal or no growth.

Mabhanda, (2016) explored the impact of financial illiteracy to SMEs in spite of various interventions to promote growth of SMEs. All the participants of this study were purposefully selected in line with qualitative research approach used in data analysis. The researcher employed a qualitative research approach where document analysis, focus group discussions, open-ended questionnaires and face to face interviews were used. The study revealed that several factors that include lack of 18 financial education contributed further to poor management skills, poor budgeting skills, lack of business information, poor decision making and lack of non-business behavior. The study revealed a considerable low level of financial literacy among entrepreneurs and this has far reaching consequences to the management of their ventures. Such factors worsened the state of SMEs in Zimbabwe. The study therefore recommends that the government, stakeholders, banks, financial support institutions and individuals conduct financial literacy programmes to revive and strengthen the viability of SMEs. Bowen et al. (2009) observed that over 50% of SMEs continue to have a deteriorating performance with 3 in every 5 SMEs failing within months of establishment. Only 2.5% respondents saying their businesses were very successful. They established that 49.5% of those who had received training in their areas of business reported that their businesses were doing well hence the conclusion that relevant training or education is positively related to business success and recommendation of the need for SMEs owners to get trained in an area that is relevant to the business carried.

METHODOLOGY

The study adopted a descriptive study design. Fajemidagba (1995) described a descriptive research design as an exploration describing the precise form of the characteristics of individuals, group of people or phenomenon in education. This implies that the design only describes the findings and interpretation of what is already in existence, opinions that are held, processes that are going on, effects that are evident, or trends that are developing (Kerlinger, 1986). It is equally concerned with studying the conditions or relationships which exist. This methodology was used because the study is based on the description of the relationship between financial literacy and SMEs performance in Abuja. The population of this study comprised of all registered SMEs in Abuja. The registered SMEs in Abuja was put forward at 38, 246. The targeted population comprised the artisans, traders, services and lots more. This study was carried out using stratified random sampling procedure because money, time, and other resources constraints could not allow the researcher to cover the entire SMEs owners in Abuja. In selection of the sample size, stratified random sampling method of probability sampling was used in the administration of the questionnaire that covered small, medium and big business from the different businesses. The sample size is determined as follows using Yaro's Yamane formula

$n = \frac{N}{1 + N(e)2}$ where n = sample size

N = Population (First Bank of Nigeria, Abuja) E = Margin of error (5%)

$$n = \frac{38,246}{1 + 38246\,(0.05)^2}$$

$$n = \frac{38,246}{1 + 38,246(0.0025)}$$

$$n = \frac{38,246}{1 + 95.615}$$

$$n = \frac{38,246}{96.615}$$

n = 396, the sample size for the study was 396 which was used for collection of data from the respondents'. The researcher used questionnaires to collect data from teachers and principals. Gay (1992) observes that questionnaires give respondents freedom to express their views or opinions and make suggestions without fear as confidentiality is maintained. Besides, questionnaires were considered best for this study because; they are easy to administer to the respondents and convenient to collect information within a short period of time. They also help in producing more candid answers than the use of interviews. The questionnaire was constructed through adoption of a similar questionnaire in line with the study. Instruments were designed in order to meet the objectives of the study. The instrument has two sections. Section A sought information on the personal data of the respondents. Section B was questions on financial literacy and SMEs performance. In section B, each item had a five point rating scale of Strongly Agree, Agree, Undecided, Strongly Disagree and Disagree.

The questionnaires collected from the respondents were checked to ensure that they were completed and accurate. The analysis of the data was based on the data collected through the use of questionnaire. The data were processed with the help of computer to obtain means and standard deviations used for descriptive analysis. The researcher employed the Pearson Product Moment Correlation (PPMC) and multiple regression statistical methods of analysis for testing the hypotheses. Also the (PPMC) method was used at 0.05 level of significance to measure the availability and relationship between financial literacy and financial performance of SMEs in Abuja.

DATA ANALYSIS AND DISCUSSION

A total of 550 copies of questionnaire for this study were distributed randomly to SMEs (owners) or operators in Abuja that are fully registered via email with the help of Corporate Affair Commission (CAC) and SMEDAN, Abuja. This was done via the SMEDAN email and watshaaps to the registered owners of SMEs in Abuja. 550 questionnaires were distributed to respondents and 501 copies of the questionnaire were returned while 49 copies were not returned or retrieved from the respondents. This leads to a response rate of 91 percent. The 91 percent response rate is an indication of the adequacy of the response rate for this survey study which above standard and is consistent with extant literature (Armany & Krishna, 2017). Consequently, 469 copies of the questionnaire were confirmed usable and were used for data analysis in this section.

Test of Hypotheses

There are four research questions relating to the aim and objectives of this study. The four research questions however provided the basis for the four corresponding hypotheses for this study which enabled the effective techniques for answering the research questions. The following shows the results of data analysis for the explanation of the research questions.

Analysis of Research Question 1

Research Question 1 seeks to determine effect of financial knowledge on financial performance of SMEs in Abuja. In order to answer this research question therefore, simple regression analysis was carried out to test the corresponding hypothesis that provides answer to the research question

"How will financial knowledge help in the performance of SMEs in Abuja?

Table 1: Model summary of the effect of financial knowledge on financial performance of SMEs in Abuja.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.242[a]	.683	.722	.69583	.071	28.018	1	467	.001	1.473
a. Predictors: (Constant), FINANCIAL KNOWLEDGE										
b. Dependent Variable: SMEs FINANCIAL PERFORMANCE										

Table 2: The Effect Entrepreneurship Knowledge On Entrepreneurial Intention

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.904	.097		19.586	.000
	FINANCIAL KNOWLEDGE	.315	.038	.242	8.362	.000
a. Dependent Variable: SMEs FINANCIAL PERFORMANCE						

Table 1 and 2 shows the model summary and coefficients of the simple regression analysis respectively to determine the effect of financial knowledge on financial performance of SMEs in Abuja. The results how that the model significantly predicts the criterion variable financial performance of SMEs with the coefficient of determination R^2=0.683 indicating that financial knowledge explains 68 percent of the changes in the dependent variable financial performance of SMEs. Furthermore, the analysis of simple regression indicates that financial knowledge significantly predicts intention with a coefficient β=0.315, p=0.000.

Analysis of Research Question 2

Research Question 2 seeks to determine effect of financial behaviour on financial performance of SMEs in Abuja. In order to answer this research question therefore, simple regression analysis was carried out to test the corresponding hypothesis that provides answer to the research questions

"How will financial behaviour influence financial performance of SMEs in Abuja?

Table 3: Model Summary of the effect of financial behaviour on financial performance of SMEs in Abuja.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics: R Square Change	F Change	df1	df2	Sig. F Change	Durbin-Watson
1	.339[a]	.821	.874	.67482	.115	60.451	1	467	.000	1.598
a. Predictors: (Constant), FINANCIAL BEHAVIOUR										
b. Dependent Variable: FINANCIAL PERFORMANCE OF SMEs										

Table 4: Coefficients of the effect of financial behaviour on financial performance of SMEs in Abuja.

Model		Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	1.635	.103		15.854	.000
	Financial Behaviour	.372	.041	.339	7.775	.007
a. Dependent Variable: FINANCIAL PERFORMANCE OF SMEs						

As can be seen from Table 3 and 4, the regression model adequately and significantly determines the criterion variable with a coefficient of determination $R^2 = 0.821$, this indicates that the predictor variable financial behaviour explain about 82 percent variation in financial performance of SMEs.. Subsequently, the regression analysis, Table 4, indicate that financial behaviour significantly predict financial performance of SMEs in Abuja as $\beta=0.372$, $p=0.000$.

Analysis of Research Question 3

Research Question 3 seeks to determine effect of financial attitudes on financial performance of SMEs in Abuja. In order to answer this research question therefore, simple regression analysis was carried out to test the corresponding hypothesis that provides answer to the research question "

What is the effect of financial attitudes on financial performance of SMEs in Abuja"?

Table 5: Model summary of the effect of financial behaviour on financial performance of SMEs in Abuja.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics: R Square Change	F Change	df1	df2	Sig. F Change	Durbin-Watson
1	.377[a]	.681	.718	.66418	.142	77.484	1	467	.000	1.686
a. Predictors: (Constant), **FINANCIAL ATTITUDES**										
b. Dependent Variable: **FINANCIAL PERFORMANCE OF SMEs**										

Table 6 : Coefficients of the effect of financial attitudes on financial performance of SMEs

Model		Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	1.606	.201		12.832	.000
	FINANCIAL ATTITUDES	.401	.045	.377	8.803	.000
a. Dependent Variable: **FINANCIAL PERFORMANCE OF SMEs**						

Table 5 shows the model summary which determines the adequacy of the regression model to explain the relationship between the predictor and the criterion variable. The model however shows a significant and efficient capability of explaining the relationship with a coefficient of determination of about R^2=0.681 indicating that the predictor variable explains about 68 percent of the changes in the dependent variable. Furthermore, in Table 6, the regression analysis shows that the predictor variable financial attitudes significant determine intention with β=0.401, p=0.000.

Analysis of Research Question 4

Research Question 4 seeks to determine the effect of financial influence on the performance of SMEs in Abuja. In order to answer this research question therefore, multiple regression analysis was carried out to test the corresponding hypothesis that provides answer to the research questions **"to what extent will financial influence affect the financial performance of SMEs in Abuja?"**

Table 7: Model summary of the effect of financial behaviour on financial performance of SMEs in Abuja.

R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
			R Square Change	F Change	df1	df2	Sig. F Change	
.571	.593	.31156	.413	38.484	1	467	.219	0.753
a. Predictors: (Constant), **FINANCIAL INFLUENCE**								
b. Dependent Variable: **FINANCIAL PERFORMANCE OF SMEs**								

Table 8: Multiple Regression Coefficients of the Effect of Financial influence on financial performance of SMEs in Abuja.

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.485	.190		13.086	.000
	FINANCIAL INFLUENCE (F1)	.238	-.038	.024	8.363	.123

Table 7 and 8 depict model and multiple regression analysis of the effect of financial influence on the performance of SMEs in Abuja. The model is fit indicating an efficient prediction of the criterion variable and the explanatory power of the model by the predictor variables in the second block with the coefficient of determination R^2=0.571 indicating that the variable of financial influence is responsible for approximately 57 percent of the variation in the outcome variable, SMEs financial performance in Abuja. Furthermore, the multiple regression analysis in Table 8 shows the individual predictors coefficient and the relative magnitude or contribution to predicting the outcome variable. The result of multiple regression shows that financial influence do not statistically significant and therefore do not influence the performance of SMEs in Abuja. It is therefore concluded from the analysis that financial influence do not influence SMEs performance in Abuja.

DISCUSSION OF FINDINGS

Research question 1 deal with effects of financial knowledge on financial performance of SMEs in Abuja. As can be seen in the above table, all four pillars of financial literacy had a positive impact on firm performance. Respondents were asked 12 questions from basic to advance level of finance covering numeracy, inflation, compound interest, time value of money, money illusion, financial statements, share market, banking, insurance, loans, and finding is presented in Table 1 and table 2. Overall financial knowledge was divided into basic and advanced categories. Basic financial literacy is related with numeracy, compound interest rate, inflation, time value of money and money illusion questions (Rooij *et al.*, 2007) and advance financial literacy is related with financial statements, insurance, banking, taxes, loans, and share markets. Factor analysis extracted only three variables which are related to knowledge of financial statements. The regression results show that SMEs owners' financial knowledge on the advanced category is positively statistically significant on the performance of SMEs. It further, revealed that they are aware of how to calculate the profit of a business, purposes of preparing each component of a financial statement. This revealed that owners of SMEs were found knowledgeable in advance level of finance and this finding is consistent with the finding of Nidar and Bestari (2012) and Fernandes (2015), in which they found a positive relationship between financial knowledge and SMEs performance. The findings from the study uncover that majority of the respondents have adequate financial knowledge as the higher percentage could answer the basic financial knowledge questions that were drawn from the financial literacy questionnaire correctly. However, there are some aspects that were not correctly answered as it will be discussed below for the different determinants of financial knowledge.

Research question 2 deal with effects of financial behaviours on financial performance of SMEs in Abuja. Spending habit, maintaining records, use of saving, managing money in a problem, financial services taken, planning of income and expenditure, searching of competitors' prices, gathering of information on financial knowledge and use of additional income are major aspects of financial behavior pillar. Notwithstanding the different level of SMEs owners' financial knowledge, most of the owners are economical, maintain minimal records, deposit their savings into bank account, use their savings at the time of low income, plan for future, alert on competitors' prices, collect information to improve financial knowledge and prefer to deposit into fixed account when they have excess money. The results also show owners do not like to use their money in buying jewelry, lending friends and investing in share markets. In the time of crisis, they do not like to take a bank loan. They also neither like to buy insurance policy nor go for vacation when they have additional money. Among the five different financial services, bank saving was taken by most of the owners while investment in commodities and insurance were least taken. The factor analysis extracted three variables of financial behavior pillar and the Table 3 and 4 also shows that the financial behavior of SMEs owners had a positive significant impact on their firm performance at 10 % significant level. This reveals that they tend to compare the actual operating performance with targets, they are also very keen on competitors' prices when they make trading decisions and they are very eager to acquire knowledge on financial literacy. In overall, more knowledgeable owners mostly plan and implement regular saving/ investment and spend economically. The finding is compatible with the findings of Fernandes (2015) and Jorgensen (2007) in which they found a positive relation between financial behavior and SMEs performance.

Research question 3 deal with effect of financial attitudes on financial performance of SMEs in Abuja. Financial attitude is one of the most important factors affecting financial literacy and thereby wellbeing of the SMEs. All factors of financial attitude are somehow true for them and they are at a satisfactory level. Among eight items, most of the owners opined that they give priority to saving followed by a capacity to use future income to achieve their financial goal. However, they feel that they save a portion of income, they mostly talk with their friends on financial matters and they are at a high level of insurance attitude. However, the extracted factor through factor analysis as the financial attitude which includes three variables do not show any statistically significant relationship with firm performance. In overall, the positive relation between financial literacy and SMEs performance is in line with the findings of many studies (Hilgert et al., 2003; Huston, 2010; Kidwell and Turrisi, 2004; Lusardi, Mitchell, and Curto, 2010; Piprek and Coetzee, 2004; Pearl and Eileen (2014). Barte (2012) also find that financial literacy was directly linked to the performance of SMEs while Bruhn *et al.* (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.

Research question 4 deal with effect of financial influence on financial performance of SMEs in Abuja. Financial influence covers areas of cash management, learning of forecasting, record keeping, tax, investment alternatives, savings, insurance and control of finance function. All the influential variables affect somehow in the firm performance of SMEs. However, they follow parent's guidance, their life experience and what they have learned on record keeping mostly for the better performance of their businesses. Moreover, friends, media and internet are the least influential factors. Most owners learn about saving and budgeting while the least number of respondents learn about taxes and insurance at home. The extracted factors through factor analysis prove that financial influence impacts positively on the performance of SMEs which is statistically significant at 1% level. This revealed that finance is discussed openly in the family of most of the SMEs and parents do argue about finance in the family and guide them on better functioning and owners do base their decisions on parent's life experience. It is true that parents play a key role in running the day to day activities. In addition, the knowledge gained through record keeping influenced immensely for proper maintenance of transactions which leads to improving the performance. This result confirms the findings of Mwambia (2014) and Chamwada (2015) who also found that financial literacy positively reacts to SMEs performance.

CONCLUSION AND RECOMMENDATIONS

This study analyzed the impact of financial literacy namely, financial behavior, financial influence, financial attitude and financial knowledge on the performance of SMEs in Abuja. The study found that SMEs owners are more knowledgeable in basic finance concepts while they are less familiar with taxes, share markets, and insurance. The study concludes that there is a strong positive effect of three pillars of financial literacy on the performance of SMEs. Financial knowledge, financial influence, and financial behavior had a positive influence while finance attitudes could not show any statistically significant impact on SMEs performance. The results revealed 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.

In view of the conclusions, the following recommendations were made:

i. Government agencies along with micro finance institutions and deposit money banks should organize financial education programs that will create awareness on areas that are lacking such as more effective sources of funds for startup businesses. This will encourage SMEs to expand and grow in areas they are lacking. Financial education programs will not only improve the growth of the enterprises but also the entire economy as SMEs contributes so much to the economies where they exist.

ii. As reflected from the study, it is evident that financial behavior is an important contributor to the performance of SMEs. This therefore, reflects the need for training programs on budgeting and planning, debt management, record keeping, saving and retirement plans in schools and other institutions that seek to promote financial literacy and practice.

iii. The results, it is evident that the financial attitude of SMEs owners and managers is not statistically significant in their performance. 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 behaviors and hence benefit both the SMEs and their stakeholders.

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