The most appropriate survival strategy for small businesses is to pursue the growth objective. Our study seeks to investigate the presence or otherwise of a relationship between financial literacy and small business growth. Our findings reveal that entrepreneurs with a high level of financial literacy are more likely to succeed at growing their businesses when compared to entrepreneurs with a lower level of financial literacy. Hence, financial knowledge, financial behaviour and financial attitude are important assets for growing small businesses. We recommend a concentration of efforts on the human capital development of entrepreneurs to ensure the survival and growth of small businesses in Nigeria.

Keywords: Business growth, Entrepreneur, Financial literacy, Nigeria, Small business.

I. INTRODUCTION

Economic growth is often at the heart of every nation’s macroeconomic strategy. Economic growth is measured by indices such as the level of industrialization, the level of economic output, income per capita, employment levels, equitable distribution of income, and the welfare and quality of life enjoyed by the citizenry (Aremu & Adeyemi, 2011). Economic policies are fundamental tools for pursuing the objective of economic growth. Economic policies are diverse in their targets. In recent years, entrepreneurship has been a major target area of economic policies in many countries around the world.

The concept of entrepreneurship has gained global attention within the last decade. Individuals, institutions and national governments have pursued entrepreneurship as a panacea to the challenge of unemployment which has continued to plague the economies of many nations. A well-structured entrepreneurship system can promote employment, productivity and economic growth (Kritikos, 2014). Entrepreneurship involves new venture creation and the effective management of enterprises with the aim of survival and profitability. Micheline and Sleuwaegen (2000) believe that entrepreneurship is a panacea for economic growth. Similarly, Raposo et al. (2011) opined that entrepreneurship is an engine that stimulates economic growth, employment, and competitiveness in global markets. Entrepreneurship and entrepreneurs are important drivers of economic growth because they contribute to the creation of new jobs and the emergence of innovations to stimulate competitiveness (Stoica et al., 2020).

Although, entrepreneurship has been fingered as the engine of economic growth; entrepreneurs, especially in developing countries like Nigeria, are faced with daunting challenges in running their small businesses. Financial experts in Nigeria assert that approximately 80 per cent of Small and Medium Enterprises (SMEs) in Nigeria fail within the first five years of operation due to poor financial management practices (Adelowo, 2020). Lack of planning, improper financing and poor management have been posited as the main causes of failure of small enterprises (Longenecker, Petty, Moore & Palich, 2006). Few entrepreneurs have succeeded in growing their businesses from small enterprises to strong medium-sized and large companies despite the high rate of small business failure that persists in the country. This may be attributed to having sound financial knowledge and management skills. Suparno and Saptono (2018) posit that having sound knowledge of budget management, credit management, and financial risks of business operations is fundamental to the success of any entrepreneurial venture. Widespread financial challenges may be remedied if more attention is given to improving the level of financial literacy of entrepreneurs. Indeed, the need for entrepreneurs to develop financial management capabilities cannot be overemphasized (Succaahi, 2013).

Sound financial decisions by entrepreneurs are a function of the level of their financial literacy (Wagner, 2015). The dearth of financial literacy has informed the development and implementation of various educational programmes, both in the public and private sector, aimed at improving financial literacy. According to Wagner (2015), financial education typically increases an individual’s financial literacy score. Alnassar (2020) corroborated the foregoing by stating that financial literacy education enhances financial knowledge and skills.

Financial literacy comprises awareness, knowledge, skills, attitude, and behaviour that sponsor sound financial decisions and ultimately the attainment of the financial well-being of the individual (Alnassar, 2020). It refers to the competence and application of knowledge and skills by individuals (entrepreneurs) to manage available financial resources...
effectively to enhance the profitability and survival of their businesses.

Based on the work of Atkinson and Messy (2012), under the auspices of the Organization for Economic Co-operation and Development (OECD), financial literacy can be disaggregated into three significant components: (1) financial knowledge (2) financial behaviour, and (3) financial attitude. Financial knowledge is measured by the capacity of an individual or group of people to make sound financial decisions in the areas of insurance, investment, savings, tax planning, budget management, credit management and risk management, amongst others. It refers to concepts and information that enables entrepreneurs to compare financial services and products so as to make sound financial decisions (Alnassar, 2020). In other words, it denotes access to information that permits informed decisions and actions. Financial knowledge affects an individual’s financial behaviour and personal finance success (Ahmad et al., 2019).

Financial behaviour refers to financial actions, decisions, and choices, which depict an individual’s risk appetite in the short run. According to Alnassar (2020), failing to plan for potential expenditures, postponing bill payments, or selecting financial products without investigating the market are examples of bad financial behaviour and can unfavourably affect a person's financial wellbeing and situation.

Financial attitude refers to the accumulated behaviours of an individual toward a long-run financial objective, especially the disposition to savings and investments. Attitudes are the aggregate decisions and actions taken by individuals that over time forms their character. While financial behaviours are instantaneous decisions and actions that are easily adjusted, financial attitudes are formed over time and are somewhat difficult to amend. Financial knowledge influences financial behaviour. Financial behaviour exhibited over time forms an individual's financial attitude.

In the recent past, entrepreneurship development has received increased attention in Nigeria due to the rising profile of unemployment as well as the crime rate. The Nigerian government has rolled out several programs to support and encourage small-scale businesses. One of the principal reasons for including entrepreneurship as a compulsory General Study (GST) course in the tertiary education curriculum of the country is to encourage and support entrepreneurial spirit among young people and, in the long run, curb the menace of youth unemployment.

Based on recent evidence, it may seem that government efforts have not yielded the expected results despite the volume of financial resources injected into the SME sector. It is against this backdrop that this study seeks to investigate the relationship between financial literacy and entrepreneurship growth, vis-à-vis, financial education, financial behaviour and financial attitude.

II. STATEMENT OF HYPOTHESES

We formulated the following hypotheses to meet the objectives of the study:

A. Hypothesis 1

There is no significant association between the level of financial knowledge and the growth of SMEs.

B. Hypothesis 2

There is no significant association between financial behaviour and the growth of SMEs.

C. Hypothesis Three 3

There is no significant association between financial attitude and the growth of SMEs.

III. REVIEW OF LITERATURE

A. The Concept of Finance

Finance deals with the management of money. It includes activities such as saving, investing, borrowing, lending, budgeting and forecasting. (Corporate Finance Institute [CFI], 2021). Finance can be used to describe funds used to run a business or an organization. It can also be referred to as the provision of money at the time when it is needed. The financial manager often performs the finance function, and it deals with the procurement of funds and their effective utilization by a business concern. Finance is an important and integral part of any business (Taylor & Donnelly, 2003). It is for this reason that finance is often described as the lifeblood of an organization. The three levels of finance are reflective of the three economic units of every economy: (1) personal finance – individuals, (2) corporate finance – business, and (3) public finance – government. Personal and corporate finance are the relevant areas of finance for the entrepreneur and his SME. It should be noted that for small businesses, the entrepreneur, more often than not, is responsible for the financial management of his business.

B. The Concept of Financial Literacy

In the last two decades, research has shown that the level of financial literacy across many countries (both developed and developing nations) is relatively low and that higher financial literacy is associated with better financial outcomes (Michaud, 2017; Lusardi & Mitchell, 2014). The concept of financial literacy suggests that financial literacy is a useful life skill in the modern business world, where people are responsible for their short-term and long-term financial decisions (Refera et al., 2016). One of the first institutions to introduce the concept of financial literacy on the global stage was the OECD, which defined financial literacy as a combination of awareness, knowledge, skills, attitude, and behaviour necessary to make sound financial decisions and ultimately achieve individual wellbeing. This definition was globally acknowledged and was endorsed by the G20 leaders in 2012 (Swiecka et al., 2019).
Financial literacy, more recently, has captured the attention of many, including national governments that have advocated for financial education for its citizen. This position has been encouraged by the ubiquity of financial scandals globally (Ahmad et al., 2019) and entrepreneurial failures caused by poor financial management (Sucuahi, 2013). Financial literacy is a basic concept in understanding money and its use in daily life (Kumari, 2020). Research shows that SMEs that are run by financial literate entrepreneurs have a higher chance of being successful than those run by entrepreneurs with a low level of financial literacy (Njoroge, 2013).

Efforts to measure financial literacy date back to at least the early 1990s when the Consumer Federation of America (CFA) began conducting a series of consumer knowledge surveys among different populations which included questions on several personal finance topics including consumer credit, bank accounts, insurance and major consumer expenditure areas such as housing, food, and automobiles (Świecka et al., 2019). The absence of a standard tool for measuring financial literacy accounts for the variations in research findings (Wagner, 2015).

Overall, it has been shown that entrepreneurs who are deliberate about improving their financial literacy are more effective and efficient in managing their businesses compared to non-financial literate entrepreneurs.

C. Micro, Small and Medium Scale Enterprises (MSMEs)

Small and Medium Enterprises (SMEs) became prominent on the development landscape as early as the late 1940s. The primary aim of promoting SMEs was to improve trade and industrialization in the now developed nations of the world. Private small and medium-sized enterprises (SMEs) typically account for more than 95% of firms outside the primary agriculture sector, constitute a major source of employment and generate significant domestic and export earnings for developing countries (OECD, 2004). Thus, improved SME competitiveness contributes to economic and social development and poverty reduction.

The definition and scope of SMEs are usually defined in each country based on the peculiar role of SMEs in the economy and the policies and programs designed by particular agencies or institutions empowered to develop SMEs in each country. For instance, a small business in developed economies like Japan, Germany, and the United States of America (USA) is likely equivalent to a medium-sized or large-scale business in a developing economy like Nigeria. Furthermore, the definition of SME also varies over time from one agency or institution to another, depending on the policy focus. These variations notwithstanding, SMEs can be defined based on certain general criteria, including but not limited to (1) turnover, (2) number of employees, (3) profit, (4) capital employed, (5) available finance, (6) market share and relative size. Subsistence enterprises represent the vast majority of SMEs in developing countries.

The Central Bank of Nigeria (CBN) defines SMEs broadly as businesses with a turnover of less than N100 Million per annum and/ or less than 300 employees. The Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) uses the acronym MSMEs (Micro, Small and Medium Enterprises) in place of SMEs and has provided, arguably, the most detailed scope of MSMEs in Nigeria. The Agency classifies MSMEs into three progressive groups based on the criteria of employment and Asset base.

<table>
<thead>
<tr>
<th>S/N</th>
<th>Category</th>
<th>Employment</th>
<th>Asset (N' Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Micro</td>
<td>&lt; 10</td>
<td>&lt; 5</td>
</tr>
<tr>
<td>2</td>
<td>Small</td>
<td>10-49</td>
<td>5 to &lt;50</td>
</tr>
<tr>
<td>3</td>
<td>Medium</td>
<td>50-199</td>
<td>50 to &lt; 500</td>
</tr>
</tbody>
</table>

* Asset excludes land and buildings.

The foregoing stratification is fundamental and relevant as it is on this basis that a national policy on MSMEs was developed for the country.

D. The Nigerian Business Environment

It is common knowledge that business organizations do not operate in a vacuum. They function within the framework of their environments thereby making society a critical factor in business success. The business environment refers to the surroundings and circumstances, which influence business operations (Moses, 2010). The business environment is the set of norms and values, legal and regulatory frameworks, trade and investment rules, governance and institutions, and the overall policy that set the rules for the conduct of business, and influence (positively or negatively) the performance of markets, the flow of investment, factor productivity, and the cost of doing business (Essia, 2012). It is relevant to note that there are varying environments that different organizations have to face. These environments are strategic and important in organizational analysis and planning because they are increasingly dynamic by nature.

Despite the potential and opportunities that abound in Nigeria, the reality remains that the Nigerian business environment is unfavourable to business growth and development. Consequently, SMEs are the most vulnerable because of their small size. Essia (2012) described the Nigerian business environment as costly, uncertain and inhospitable. This situation has been detrimental to the achievement of the business objectives of SMEs. In the last decade, Nigeria has remained in the bottom 30% of the ease of doing business rankings. The foregoing is evidence that the business environment has not been conducive for business success. Thus, the case for the entrepreneur to be highly knowledgeable and skilled, in order to navigate the harsh environment, is imperative.

![Fig. 2. Nigeria’s ranking on the ease of doing business (2011-2019).](http://dx.doi.org/10.24018/ejbm.2022.7.3.1461)

Source: World Bank (n.d.).

E. The Resource-Based View (RBV) Theory

The RBV focuses on internal resources and capabilities to identify the determinants of a firm’s competitive advantage and performance (Jeronimo, Lopez & Pizon, 2019) The
proponents of this theory argue that organizations should look within the business to find the sources of competitive advantage rather than searching in the external environment (Jurevicius, 2021). According to this theory, firm resources could either be (1) tangible or (2) intangible in nature.

Tangible resources are physical in nature. It includes assets such as Land, buildings, machinery, equipment and capital. Physical resources can easily be acquired in the market. Tangible resources contribute little or nothing to the competitive advantage of the firm. This is because competitors can easily acquire similar assets from the market. Conversely, Intangible resources describe those assets with no physical substance. Brand reputation, trademarks and intellectual property are all intangible assets. Intangible resources usually stay within a company and are the main source of sustainable competitive advantage (Jurevicius, 2021). The implication of the resource-based theory for this study is that sound financial literacy qualifies as an intangible resource that gives an entrepreneur a competitive advantage. Financial literacy is an internal resource that can enhance entrepreneurial success. The lack of it constitutes a disadvantage to the entrepreneur and his business.

F. Empirical Review

The works of Lusardi & Mitchell (2011; 2014) reveal that the level of financial literacy is relatively low on a global scale. Interestingly, even the so-called developed nations are not better off in the matter. Many researchers such as Mwathi et al. (2017), Oteng (2019), Alnassar (2020), Kumari (2020) and Walakumbura (2021) have emphasized the impact of financial literacy on financial decisions. Studies around linking financial literacy and entrepreneurship intentions (Singhry & Bogoro, 2016; Ahmad et al, 2019).

Suparno and Saptono (2018) emphasized the need for entrepreneurship education and financial literacy as a tool for enhancing entrepreneurship skills. The work of Njoroge (2013) found a link between financial literacy and entrepreneurial success in Kenya. According to Lusardi and Mitchell (2011; 2014) as well as Opoku and Egbe (2018), the importance of financial literacy in ensuring sound financial wellbeing has been justified by the relative financial stability experienced by individuals possessing a higher level of financial literacy.

The work of Atkinson and Messy (2012) for the OECD has since provided a widely accepted methodology for approaching the subject of financial literacy.

IV. DATA ANALYSIS

A. Research Design

We adopted the survey research design for this study. Data were collected by means of a structured questionnaire that reflected the various domains of financial literacy. Our survey was focused on micro enterprises based on the definition provided by SMEDAN. The population, for the purpose of this research work, was the total number of registered SMEs in the Jos-North Local Government Area of Plateau State, Nigeria. There was no published record to ascertain the number of registered SMEs located in the research area at the time of this report. However, a 2017 report by the Nigerian Bureau of Statistics (NBS) had put the number of registered SMEs in Plateau State at 1,574 (NBS, 2017).

B. Procedure for Processing Data

Following the retrieval, sorting, data entry and data cleaning processes, the responses were transformed to a scale ratio by scoring the responses in each domain. Every true response was scored as one (1) point; otherwise, it was scored as a zero (0). The total score in each category for each respondent was then computed as a proportion of the total available scores in each category.

Financial Knowledge (FK) = 12 items
Financial Behaviour (FB) = 7 items
Financial Attitude (FA) = 5 items
Entrepreneurship Growth (EB) = 5 items

The resulting proportions were subsequently placed in two categories for each question domain to allow the use of the Chi-Square test.

<table>
<thead>
<tr>
<th>TABLE II: DOMAIN SCORING RANGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domain</td>
</tr>
<tr>
<td>FK Knowledgeable</td>
</tr>
<tr>
<td>FB Good_Behaviour</td>
</tr>
<tr>
<td>FA Good_Attitude</td>
</tr>
<tr>
<td>EG Healthy</td>
</tr>
</tbody>
</table>

C. Results and Interpretation

The Chi-square statistical test was used to ascertain the relationship between entrepreneurial growth and financial literacy. The data were analyzed using the Statistical Package for Social Sciences (SPSS) and Microsoft Excel. The *Phi* and *Cramer V* statistics were evaluated for effect size using the following rule of thumb.

<table>
<thead>
<tr>
<th>TABLE III: CHI-SQUARE EFFECT SIZE THRESHOLDS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Range</td>
</tr>
<tr>
<td>= 0.1</td>
</tr>
<tr>
<td>= 0.3</td>
</tr>
<tr>
<td>= 0.5</td>
</tr>
</tbody>
</table>


<table>
<thead>
<tr>
<th>TABLE IV: QUESTIONNAIRES DISTRIBUTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Units</td>
</tr>
<tr>
<td>Returned Valid</td>
</tr>
<tr>
<td>Returned Invalid</td>
</tr>
<tr>
<td>Distributed</td>
</tr>
</tbody>
</table>

Fig. 3 suggests that there is equal participation of the male and female gender in small business activities within the research area.

Fig. 4 shows that over 70% of the respondents are youths (under the age of 35).

Fig. 5 reveals that approximately 46% of small businesses surveyed are 5 years old or less.

Fig. 6 shows that less than 10% of entrepreneurs in the research area have accessed loans for their businesses.

Fig. 7 shows that approximately two-thirds of SMEs within the study area are sole proprietorship businesses.
Fig. 3. Gender distribution of respondents.

Fig. 4. Age of respondents.

Fig. 5. Length of time in business.

Fig. 6. Source of finance.

Fig. 7. Business type.

Fig. 8. Financial knowledge aggregate score.

Fig. 9. Financial behaviour aggregate Score.

Fig. 10. Financial attitude aggregate score.
Thus, the study adopted the Phi statistic. The Phi statistic of 0.381 has a small effect size. The effect size is statistically significant at 5% level of significance (0.025 < 0.05). The phi statistic is preferred to the Cramer’s V statistic because the contingency table is a 2X2 matrix.

Table VII shows the Chi-Square statistics for the test of association between financial attitude and business growth of SMEs. There was no violation of the assumption of a minimum expected count of 20%. Thus, we adopted the P-value of the Pearson Chi-Square statistic (0.001). Consequently, the test shows that there is a significant association between financial attitude and business growth of SMEs (0.001 < 0.05). The effect size of the association is measured using the Phi statistic. The Phi statistic of 0.381 indicates that the association between the research variables has a medium effect size. The effect size is statistically significant at 5% level of significance (0.001 < 0.05). The phi statistic is preferred to the Cramer’s V statistic because the contingency table is a 2X2 matrix.

Table VIII shows significant associations between (FK, FB), (FK, BG) and (FA, BG). Whereas this may provide some insight for the study, the primary purpose of the analysis is to establish some confidence as to the direction of the relationship between the research variables and to provide a robustness check for the results of the Chi-square test. We observed that the correlation matrix contains only positive correlations for each pair of variables. The foregoing supports the following assertions:

1. The components of financial literacy are directly correlated to each other, albeit this does not confirm a causal relationship between them.
2. Each component of financial literacy is directly related to business growth.
The significance of these correlations has not been highlighted because of the aggregation of scores and the unbalanced nature of the number of questions included in each domain of the research instrument. This can skew the results in an unpredictable manner.

V. CONCLUSION

Although there are many challenges that confront the growth of small businesses in Nigeria, the lack of financial literacy is one obstacle that cannot be overlooked as it affects both the personal success of the entrepreneur and his business success. The results of the study confirm the findings of previous studies which make a case for a strong relationship between financial literacy and entrepreneurial growth; the implication being that the low level of financial literacy is one problem which is pervasive on a global scale.

Stakeholders must concentrate a large portion of available resources on improving human capital in the SME sector of the economy. Investments in financial capital and physical infrastructure will yield very little results if the financial literacy capacity of entrepreneurs is not improved. This may be a tough task in a country like Nigeria which has a far below-average literacy level. However, it is not impossible to achieve with the right policies and people to drive those policies.

Financial literacy can quip entrepreneurs to face the challenges of the dynamic business environment and enable them to achieve personal financial success.

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CONFLICT OF INTEREST

The authors whose names are listed in this manuscript have no affiliations with or involvement in any organization or entity with any financial interest (such as honoraria, educational grants, participation in speakers’ bureaus, membership, employment, consultancies, stock ownership, or other equity interest, and expert testimony or patent-licensing arrangements), or non-financial interest (such as personal or professional relationships, affiliations, knowledge or beliefs) in the subject matter or materials discussed in this manuscript.

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