

Financial Literacy and Performance of Small and Medium Scale Enterprises in Damaturu, Yobe State

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Abstract

This study investigates the effect of financial literacy on the performance of SMEs in Damaturu Metropolis, Yobe State. Financial literacy was conceptualized through financial knowledge, and financial experience, while performance was measured using both financial (profitability, revenue, and asset growth) and non-financial indicators (customer satisfaction, employee welfare, and sustainability). The study employed a survey research design, and data were collected from 181 SMEs randomly sampled from 335 enterprises registered with the Small and Medium Scale Industry Credit Board (SMSICB) in Damaturu. Structured questionnaires were administered, and the data were analysed using Partial Least Squares–Structural Equation Modelling (PLS-SEM). Findings reveal that financial knowledge, financial behaviour, and financial experience each have a significant positive effect on SMEs' performance. Specifically, financial knowledge enhances decision-making and resource allocation, financial behaviour strengthens budgeting and operational efficiency, while financial experience improves risk management and opportunity recognition. The study concludes that financial literacy is a critical determinant of SME survival and growth in Damaturu. It recommends that government agencies, SME associations, and financial institutions develop targeted training programs and policies to strengthen the financial capacity of entrepreneurs for sustainable business performance.

Keywords: *Financial literacy, SMEs performance, Financial knowledge, Financial experience.*

Introduction

Small and Medium Enterprises (SMEs) are businesses established across the globe by private individuals with a common aim of profit making. These businesses provide employment opportunities and stimulate economic growth of many parts of society including men, women, young entrepreneurs and the community as a whole (Uwanaka, 2021). It is established in general that SMEs contribute to economic development and they are the source of founding new ventures and a heart of employment and income for millions of individuals (Muriithi 2017).

In Nigeria, SMEDAN (2021), defines SMEs based on two criteria which are assets (excluding land and building) and employment. These categories include; Micro enterprises are enterprises that have assets less than ten million naira (₦10M) and employment of less than ten (10) persons. Small enterprises are enterprises that have assets worth at least ₦10M but not up to ₦100M and employment of ten (10) to forty-nine (49) persons. Whereas, medium scales acquired assets minimum of hundred million naira (₦100M) but below one thousand million (₦1000M) and employ from fifty (50) to one hundred and ninety-nine (199) persons.

Consequently, performance refers to achievement in one particular field of activity. The indication of performance shows how an individual or groups attain a final conclusion in order to achieve a goal (Mahmudova & Kovacs, 2018). Eniola and Entebang (2017), affirm that firm performance can be attributed to ability of a firm to create acceptable results and actions. For the purpose of this study, both financial and non-financial performance are considered. The financial performance includes; market share, asset growth, revenue growth, net profit growth, economic value added, return on assets and return on investment. On the other hand, non-financial performance includes; recycling activities,

management of pollutant emissions, customer value added, customer loyalty, investment in employees, payment of benefits and the climate friendliness.

Financial literacy is regarded as investor or individual ability to comprehend and utilize financial concepts (Hakim, Oktavianti & Gunarta, 2018). Also, financial literacy can be viewed as grouping of financial behaviour, knowledge, awareness, attitudes and skills needed in making informed decisions which will offer individual welfare (Widiyati, Wijayanto & Prihatiningsih 2018). Thus, to facilitate SMEs owners/managers to know the importance of being financially literate, financial literacy should be stimulated among them. This will enable them source for relevant, complete and timely financial information required for making informed decisions and thereby enhancing their performance.

In the light of these important roles that financial literacy plays therefore, some of its constructs identified include; subjective financial literacy, behaviour, skills, experience, awareness, attitude, goal and decision (Dewi, Febrian, Effendi, Anwar & Nidar, 2020). Consequently, this study used three constructs in order to assess financial literacy and they are; financial knowledge, financial experience and financial behaviour while the performance of SMEs is the dependent variable. Questionnaire was used to measure the performance. This study therefore assessed the financial literacy effect on performance of SMEs in Damaturu Metropolis, Yobe State

Statement of the Problem

Business enterprises (SMEs) play an essential role in terms of economic development and growth of a country with respect to wealth creation, employment and the development of

innovation (Kizza, 2019). Nonetheless, besides the positive and vital role they play, many SMEs face various difficulties ranging from poor management skills, lack of capital, power shortage, corruption, incompetency and insufficient information. It is notable that governments of many countries provide very little support to SMEs thereby ignoring the vital economic role they play (Muriithi, 2017). Small and Medium Enterprises failure rate in Nigeria is very high (Eniola & Entebang, 2017). The businesses are often challenged with financial constraints which include deficiency in access to capital resources, financial institutions, and also limitations of saving (Wwidiyati, Wijayanto & Prihatiningsih, 2018). Consequently, this has led to a situation whereby small business owners cannot determine effectively the profit of their business as data are collected in a manner in which financial decision cannot be made. It is difficult to gather data without sufficient financial literacy. Thus, the problem of lack of data has effect on the performance of these businesses (Sunday, 2018).

Small and Medium Enterprises Development Agency of Nigeria (SMEDAN, 2021), report indicates that like in most of the developing countries, Nigerian MSMEs are yet to achieve their complete potential due to some number of obstructing factors. The factors include the following; vast skills gaps with regards to management and low level of technology and operating capabilities, attitudes and knowledge (many promoters of small businesses lack knowledge of what they want to know they do not know), low innovative results and low level of R&D investments, absence of collective voice and weak influence on formation of policy, high operators division and aversion of operations in order to joint ownership, lack of financial literacy and financial mismanagement, disregard for formalities of business and tough family ties, lack

of qualified personnel recruitment, non-perseverance and power of staying, more especially where the business is experiencing tough times, lack of record keeping, more especially books of account, inadequate attention to standardization of product, absence of succession or exit plan and neglecting sanctities of contract.

Financial literacy is imperative for a better performance of a business and gives an entrepreneur opportunity in making both investment and financial decisions. In a business environment which is dynamic, entrepreneurs experience many challenges that can be dealt with by getting financial knowledge. This is because many studies indicate that financially educated entrepreneurs are more successful compared to those that do not have financial knowledge (Menike, 2018).

Furthermore, even though there were various studies on effect of financial literacy on SMEs performance, most of them were inconclusive. Some studies have demonstrated significant relationships (Ahmad & Haddad 2016; Eniola & Entebang, 2017; Akanno, Emejuru & Khalid, 2017; showed that there exists no relationship between SMEs performance and financial literacy. Therefore, these studies have produced mixed findings. Consequently, this leads to the current study to assess the effect of financial literacy and SMEs performance.

Damaturu metropolis is the focus of this study because even though there are enough studies on the effect of financial literacy on SMEs' performance, there is a lack of the study in Damaturu metropolis. Thus, it is imperative to carry out a study in order to place Damaturu, Yobe State on the map.

Objectives of the Study

The main objective of the study is to assess the effect of financial literacy on SMEs performance in Yobe State, and the specific objectives are to:

- i) Examine the effect of financial knowledge on performance of SMEs.
- ii) Determine the effect of financial experience on performance of SMEs.

Significance

The results of this study important to academicians and researchers, financial regulators and government, investors and financial institutions. It is also of immense benefit to academicians and researchers' as it serves as an addition to the existing body of knowledge.

Scopes

This study focused on financial literacy and performance of SMEs in Damaturu metropolis, Yobe State, Nigeria. The study covered SMEs in Damaturu. There are several SMEs in Damaturu, therefore, the scope only covered SMEs registered with Small and Medium Scale Industry Credit Board (SMSICB) in Damaturu, Yobe State.

Literature: Conceptual Issues

This section explains concepts of SMEs, performance of SMEs, financial literacy. Past literature are reviewed and some concepts are operationalized which are be in line with the specific objectives stated in section one. Moreover, one relevant theories are discussed in order to explain the relationship between the variables. The research variables consist of dependent and independent variables

Concept of Small and Medium Scale Enterprises

According to Mahmudova and kovacs (2018), an enterprise can be defined as any legal entity which possess the right to carry out economic activity and business, for instance, entering in to contracts, sustain liabilities, ownership of property and opening bank accounts. These businesses are categorized in to distinct classes depending on their criteria and size which include; annual turnover and the number of employees. The firms (SMEs) employ less than two hundred and fifty people and the annual turnover is not more than EUR fifty million. They are further categorized into micro enterprise has fewer than ten employees and the annual turnover/yearly balance sheet total not up to EUR two million whereas small enterprises has ten to forty-nine employees a balance sheet total or annual turnover not more than EUR ten million (Mahmudova & kovacs 2018).

The SMEs' importance for the productivity, economic growth and competitiveness in both the developed and developing nations is generally recognised. These businesses are not only crucial for delivering extra inclusive growth, because of their income generation and employment potentials, in addition, they also provide various contributions to social wellbeing and the economic at large. Worldwide, SMEs are recognized as nurturing grounds and critical background for technical skills, entrepreneurial and domestic capacities, managerial competencies and technological innovativeness for development of private sector.

Consequently, SMEDAN (2021), classified MSMEs on the basis of two criteria which are; assets which excludes land and building and employment. Micro enterprises are enterprises that have assets less than ten million naira (₦10M) and employment of less than ten (10)

persons. Small enterprises are enterprises that acquired assets valued at least ten million (₦10M) but less than hundred million (₦100M) and employment of ten (10) to forty-nine (49) persons. Whereas, medium scales have assets worth minimum of ₦100M but not up to ₦1000M and employ from fifty (50) to one hundred and ninety-nine (199) persons.

The above classification got passed into the national policy (revised) in 2017. It stated that where there is a conflict in category/classification between assets and employment criteria (for instance, if a business has assets valued N12M but has seven persons as employees), the classification based on employment takes preference (and the business would be considered as micro). Classification based on employment is likely to provide a somewhat more firm definition, because inflationary trends regularly compromise the definition based on asset.

Concept of Performance

Kotane and Kuzmina-Merlino (2017), opined that the term “performance” is used in academic literature and foreign research to refer to the results of business activities of a company. Mahmudova and kovacs (2018), affirm that, performance is a prominent achievement in a particular field of activity. Performance shows how groups or individuals attain a final decision to achieve a goal. “Performance” is a word derived from Latin which is "performare" meaning, to accomplish a task which is directed. In English "to perform" which means, to execute something that needs a particular skill or ability. In addition, "performance" denotes to assessment of work completed by entities and measuring the competitiveness level. (mahmudova & kovacs, 2018). The success of SMEs can be determined by their ability to manage financial issues.

Furthermore, performance can be defined as an attainment of set objectives. Therefore, performance of business can be defined as an ability of an enterprise to achieve its targeted outcome as measured against its expected outputs (Attamah, 2019). Furthermore, performance of business can be considered as the proficiency of a enterprise to surpass or come get its pre-set goals or objectives as it has been approved by investors for a definite period of time which assists the enterprise to realise superfluous or unique set goals significant to a business growth in the market (Allgood, & Walstad, 2016). In addition, Atkinson and Messy (2012), affirmed that when business performance is reviewed, it is a better way forward towards finding out whether an enterprise is growing or not by the considering indicators which makes it easy to look into the business enterprise situation which include number of employees, annual sale turnover rate, growth, competition innovation and resources availability. According to the study, an index such as giving back to the community and balance of work-life are among the factors which are critical to business owners. However, Usama and Yusoff (2018), opined that such business measures must comprise both performance of business enterprise such as “economic growth” and any other criteria that the owners of business deemed to be successful. Moreover, Pulka, Ramli, and Mohammad (2018), argue that SMEs performance is regarded as how well are the SMEs doing in providing and creating values to their customers, owners, agencies of government and the societies at large.

Consequently, there is no generally agreed measures of performance; nonetheless, the conventional standards of enterprises performance include; financial and non- financial indicators. The financial indicators consist of profitability indicators like return on asset, Investment return, market share, sales return,

operational efficiency and return on equity (Atkinson & Messy, 2012). On the other hand, non-financial measures comprise career satisfaction, employee turnover, organizational commitment and entrepreneur satisfaction. Moreover, because of some legal implications, small enterprises distort some data (financial) and have such distortion controlled by adjusting measures subjectively (Dawuda, 2015). Therefore the small enterprises performance can be assessed by the use of some common measures (subjective) that indicates objective measures more-specific. (Toluyemi, Adigbole & Kasum, 2015). The usage of such subjective measures for performance assessment is satisfactory, because it indicates high positive relations with objective enterprises performance measures (Attamah, 2019).

Furthermore, business performance can be measured by a numeral actions which can be divided into financial and nonfinancial performance (Ahmad & Jamil, 2020). Financial performance according to Ahmad and Jamil (2020), is a subjective measure of how well enterprise can use its assets from its primary business activities and earn future cash inflow to the enterprise. The performance reveals an overall business financial condition over a particular period of time which can be used to assess and compare with another firm within the same industry so as to evaluate their performance (Ahmad & Jamil, 2020). According to the study, there are various measures of financial performance which are profitability, sales growth and size. In order to justify whether the enterprise performance is satisfied or not, enterprises need to assess qualitative evidence as well instead of evaluating quantitative information in monetary value. This is because so many enterprises perceived that qualitative information is an essential part of improving enterprises performance. Hence, performance measures that

are nonfinancial are likely to be the indicators of performance measurement of the future. Examples of nonfinancial performance are but not limited to measures of customer or employee satisfaction number of new products and market growth or expansion (Ahmad & Jamil, 2020).

Concept of Financial Literacy

Esiegbugie, Richard and Emmanuel (2018), posit that financial literacy encompasses the proficiency of financial concepts and principles like financial planning, time value of money, managing debt, profitable savings techniques, and compound interest. Lack of financial literacy may result to making financial choices which are poor and which can affect financial well-being of individual negatively (Esiegbugie, Richard and Emmanuel, 2018). Similarly, Lestari, Kantun, Hartanto, Suharso and Widodo (2019), posit that financial literacy is the aspect of financial management that is needed to be understood by the members of community. The reason is that, the public is expected to choose, access and use products appropriately from financial institutions. Moreover, they argued that if financial literacy is understood, the public can maintain and manage their funds in a best way, like saving and investing, so they can get appropriate credit to grow their business (Lestari, Kantun, Hartanto, Suharso & Widodo, 2019).

Consequently, if the financial literacy abilities of entrepreneurs fall short of those required to carry out a successful business, the risk is not only on individual business. Therefore, failure to efficiently and effectively manage enterprises would not only affect the individual business negatively but could also harm the aggregate economy. Therefore, an entrepreneur is expected to have financial skill/ intelligence. Financial intelligence is related to the appropriate financial assets management which will minimize the risk and provide optimal benefits. Entrepreneurs' owners and managers are not only able to obtain

but are also expected to manage funds properly. Hence, financial literacy is needed (Widiyati, Wijayanto & Prihatiningsih, 2018). This is because the higher the level of individual's financial literacy, the better the financial management.

All entrepreneurs are part of decision-making process which relate to acquiring, allocating, and utilizing resources. In order to perform effectively, it is expected that every entrepreneur ought to be financially literate. This means, their ability to read, write, analyse, and manage financial situations of their enterprises (Widiyati, Wijayanto & Prihatiningsih, 2018). Furthermore, financial literacy is the skill of a person to take effective decisions and make informed judgments regarding financial resources utilization and management (Allgood & Walstad, 2016). Similarly, knowledge of finance is important, not only for persons but for business as well. Therefore, financial literacy has been considered as a necessary tool for development, growth of organizations and financial stability of individual (Atkinson, & Messy, 2012). Attamah (2019), affirm that SMEs require financial literacy so as to assess the financial activities of business and make financial decisions. Attamah (2019), posits that financial literacy assists enterprises in management of risks over strategies, which include; maintenance of financial reserves, diversification of investment portfolio and buying insurance. It was witnessed that one of the key problems to the SMEs performance is insufficient financial literacy.

Damayanti, Murtaqi and Pradana (2018), opined that financial literacy relates to the well-being of a person, financial skills and knowledge in managing individual finance which are very crucial in daily life. Financial deficiencies are not attributed to just a function of income alone (low income). It may also arise in the situation where there is mismanagement such as absence of

financial planning and misuse of credit. Financial deficiencies can cause low self-esteem and stress. The presence of financial literacy and financial knowledge will help the person in management of personal financial planning, in such a way that individuals can maximize the value of money. Also the benefits gained by individuals will be higher and improve the standard of living. Financial literacy is regarded as the basic requirement for every individual to avoid financial difficulties (Damayanti, Murtaqi & Pradana, 2018). With accurate financial management supported by proper financial literacy, the living standard of the people is likely to increase, the reason is that no matter how high an income level of a person but without good financial management, achievement of financial security will be difficult. The need for public education on banks' financial products and non-banks is demanding so that people will not be easily cheated by any irresponsible persons. Financial literacy's importance in all aspects of personal finance is not as a result of the difficulty in money utilisation they have, but people are expected to be enjoying their life by the use of their specifically owned financial resources. Moreover, financial literacy refers to the competence of entrepreneurs as regards to making use of cognisance and skills to control and manage financial resources intelligently in order to fulfil the financial objectives of the business. (Kyari, Gulani, & Abdullahi, 2020).

Financial literacy has an imperative role in the process of SMEs' value creation that results to greatest performance (Usama & Yusoff, 2018). It is imperative that SMEs owners and managers understand how financial literacy is important and strategic roles in order to improve the knowledge capacity of the enterprise. Toluyemi, Adigbole and Kasum (2015), observed that various of studies demonstrated that financial literacy relates to performance of firm positively

(Allgood,& Walstad, 2016). Knowledge is regarded as comprehension of the way condition of business and its performance and are being measured where mental model is used to facilitate, enrich or support making of decision (Lusardi & Mitchell, 2014) . Firms that acquired financial literacy have better knowledge of the financial aspects of key issues; hence, they perform better (Lusardi & Mitchell, 2011). Survival of SMEs is possible through financial literacy as it plays a vital role in both developed and emerging countries of the world. Thus, when financial literacy level is low, it will result to improper financial management practices and in turn led to numerous financial mistakes (Toluyemi, Adigbole & Kasum, 2015).

Empirical

Numerous research works were carried out on SMEs performance and financial literacy. This study will review various studies that are carried out on financial literacy and performance of SMEs specifically on the effect of financial knowledge, financial behaviour and financial experience as dimensions of financial literacy on SMEs performance.

Akanno, Emejuru and Khalid (2017), assessed a profitability-focused of financial literacy level of SMEs in South Eastern Nigeria. Budgeting, cash management, saving and financial record keeping are used as components of financial literacy. The study employed questionnaire as an instrument for data collection following completion of the questionnaire, further face-to-face interview was conducted. Population of the study comprises selected SMEs South-Eastern zone of Nigeria which include Abia, Anambra, Enugu, Ebonyi and Imo State. A total of 498 samples were selected. The findings reveal that financial literacy status of manager of a South-East SME is significantly related to the enterprise capacity to manage cash, keep financial records, prepare

budget and also save money. In addition, it was found that financial literacy is significantly related to the profitability of the enterprise. However, the study is narrow because it considers only profitability as performance indicator while there are other non-financial performance which this study intends to incorporate.

Further, Stanley, Onyekachi and Ede (2017), examined savings behaviour of SMEs in Enugu. A survey research was employed for this study and standardized questionnaire were administered to 200 respondents that were chosen as the study sample through simple random sampling technique out of population of estimated 1000 SMEs. The finding also reveals that contribution group/corporative society are the means of micro financing that are most largely used. Moreover, the reason why the SMEs owners save is not to grow their businesses but to acquire household appliances. Though, this study has not used the most relevant component of financial literacy, conclusion cannot be drawn. Similarly, the finding does not indicate how business performance is affected whether positively or negatively.

Financial Experience

According to Ahmad and Haddad (2016), financial experience refers to the individuals' experience with regard to investing in and handling of various financial assets. They argue that current financial experience is assumed to affect the risk taking attitude of persons in the future.

Ahmad and Haddad, (2016), assessed financial experience and financial knowledge of male and females' gender risk taking attitude. The study considers two major cities which are Islamabad and Rawalpindi. Questionnaire was used as an instrument. The findings reveal that if financial experience and knowledge of male investors

increase, the propensity of their risk taking is anticipated to increase. Conversely, the risk taking propensity of females is expected to increase where the financial knowledge increases and it is anticipated to decrease where financial experience increases. However, this study equally lacks theory that guides it and it considered only financial performance, hence, the need to conduct further research.

Further, even though there were various studies on effect of financial literacy on SMEs performance, most of them were inconclusive. Some studies have demonstrated significant relationships (Ahmad & Haddad, 2016; Stanley, Onyekachi and Ede (2017), Eniola & Entebang, 2017; Akanno, Emejuru & Khalid, 2017; Zeynep (2015), show that there exists no relationship between SMEs performance and financial literacy. Therefore, these studies have produced mixed findings.

Theoretical Framework

Various theories have been reviewed and adopted in several research works in order to explain the financial literacy effects on SMEs' performance. Similarly, theory which relevant to this study is Resource Based theory.

Resource Based Theory

Warnerfelt, (1984), propounded the theory which is considered as one of the theories of strategic management due to its practical significance. The theory suggests that a critical predictor of opportunity based entrepreneurship and growth of new enterprise is access to resources by founders.

Financial literacy, has to do with the ability to sufficiently manage financial resources so also connect with financial services and products (Eniola & Enteba, 2017) This study adopts RBT which highlighted ways on how enterprises

achieve improved performance by utilizing their resources. Thus, this theory is considered relevant because it shows that financial literacy influences owners and managers of SMEs who are skilled, and knowledgeable having experience among other will have better superior performance than those who do not have it.

METHODOLOGY

The study covered effect of financial literacy on Small and Medium Enterprises (SMEs) performance in Damaturu metropolis, Yobe State. The state is one of the North-Eastern states with a total of seventeen (17) local government areas. Damaturu is one of the local governments. The area is chosen because several type of businesses are carried out and it has the highest number of SMEs to be studied. Similarly, the SMEs in the area engage in both on-farm and off-farm. The on-farm activities are activities that have direct bearing to agriculture such as fish farming, poultry farming, cattle rearing and irrigation farming (vegetables). On the other hand, off-farm activities are activities that have no direct bearing to agriculture and they include blacksmith, mechanics, tailoring, textiles, cosmetics, provision stores, pharmaceuticals, electrical stores and construction industry.

This study employed random sampling technique so as to get the appropriate sample. Using the sample size table by Krejcie and Morgan (1970), the study used sample of 181 SMEs approximately out of the population.

This study is quantitative in nature where responses generated on Likert Scale were coded into numbers, because quantitative data enables individual to analyses the relationship between variables objectively and make predictions (Agyapong & Attram, 2019). This study employed survey method to gather data through questionnaire data that covers areas which

include: respondents' personal information, financial knowledge, financial experience and SMEs performance. Consequently, section (A) captured general data of SMEs owners/managers and his age, marital status, gender, monthly income and education, years of experience. Obtaining this information guides the study about the SMEs' owners/managers background information. Section (B) was devoted to cover their financial knowledge. Section looked at financial experience of SME owners/managers. The last section covered the SMEs financial performance.

The questionnaire was designed to show the extent of influence of the items using 5-point Likert scale. The completed questionnaires were edited for consistency and completeness then the data were given a code to assist in the analysis.

Similarly, Cronbach alpha was considered to test the reliability of the instrument. Consequently, descriptive analysis was employed using tables, frequencies, percentages and measure of central tendencies and also normality distribution test was considered. Moreover, data analysis was done using Structural Equation Model (SEM) through Smart PLS.

Data Presentation and Analysis

This section discusses the outcomes of data analysis which concur with the objectives of the study. Inferential and descriptive statistics were considered for data analysis. Consequently, frequency, percentage, mean and standard deviation were employed as descriptive statistics. The three hypotheses of the study were assessed using PLS-SEM.

Table 1 Descriptive Statistics of the Variables

Variables	Minimum	Maximum	Mean
Financial Knowledge	1.00	5.00	3.4967
Financial Experience	1.00	5.00	3.4651
SMEs Performance	1.00	5.00	3.4165

From table 1 above the mean and standard deviation scores for Financial Knowledge 3.4967 and 1.40371 respectively. The mean and standard deviation scores for financial experience is 3.4651 and 1.146419. While the SMEs performances' mean and standard deviation scores is 3.4165 and 1.20891.

The Assessment of the Measurement Model

The initial phase of analysis of PLS is the measurement model evaluation. The measurement model has to do with the component estimation that assesses how the indicators load theoretically and relate with relevant constructs. Consequently, outer model

analysis ensures that the constructs are measured by the survey items they were designed to measure hence, making sure that they are valid and reliable. Therefore, measurement model evaluation comprises how to determine reliability

of individual item, internal consistency, content validity, reliability, convergent and discriminant validity (Henseler, Ringle, & Sinkovics, 2009; Sarstedt, Ringle, & Hair, 2017; Marko Sarstedt, Ringle, Smith, Reams, & Hair, 2014)

Table 2 Loadings, Composite Reliability and Average Variance Extracted

Items	Standardized Loadings	Cronbach's Alpha	Composite Reliability	Average Variance Extracted
Financial Experience		0.706	0.819	0.532
FIE1	0.754			
FIE10	0.704			
FIE2	0.732			
FIE3	0.725			
Financial Knowledge		0.759	0.837	0.508
FIK1	0.774			
FIK12	0.717			
FIK2	0.729			
FIK6	0.668			
FIK8	0.672			
SMEs Performance		0.844	0.881	0.515
SP1	0.692			
SP12	0.689			
SP13	0.711			
SP14	0.713			
SP3	0.777			

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SP4	0.695
SP5	0.740

Source: PLS results (2023)

Discussions

The outcomes of this research are discussed in terms of underpinning theory, previous studies and also according to the specific objectives of the research.

Financial Knowledge and SMEs' Performance

This is objective number one, as far as this study is concern. This is, to assess the effect of financial knowledge on performance of SMEs in Damaturu. The analysis evaluated the effect of financial knowledge on SMEs performance. The result shows that $\beta = 0.318$, T statistics = 3.908 and P values = 0.000. This showed that a significant relationship between financial knowledge and performance of SMEs exists. Hence, hypothesis one, which assumes that financial knowledge has no significant effect on the SMEs performance is rejected. This result is consistent with the studies of (Eniola & Entebang, 2017; Usama & yusoff; 2018; Lestari, Kantum, Hartanto, Suharso & Widodo, 2019; Rahim & Balan, 2020) which indicate that there is significant positive relationship between financial knowledge and SMEs performance. Therefore, it can be established that financial knowledge is one of the vital resources that SMEs owners/managers require to enhance performance.

The study also supports the assertion of RBT, which emphasizes the need of SMEs owners/managers to have knowledge and expertise to achieve performance, specifically SMEs in Damaturu. The finding of this study indicate empirical evidence in support of RBT

that considered firm as a gang of resources which are converted to produce firm abilities which can be used to improve performance. The gaining of valuable resources results in the creation of a competitive advantage which can be well-maintained for longer period of time when the business safeguard itself from substitution, or imitation of the resources. The more the SMEs owners have sound, the better they will be able to make informed decisions that enhance their performance.

CONCLUSION AND RECOMMENDATIONS

The main objective of the study was to examine the effect of financial literacy on SMEs' performance in Damaturu, Yobe State. Two specific objectives were formulated from the main objective.

The first objective was to assess the effect of financial knowledge on SMEs' performance in Damaturu. The study concludes that there is positive significant relationship between financial knowledge and SMEs performance.

The second objective was to determine the effect of financial experience on SMEs performance in Damaturu. The study resolved that financial experience relates significantly to SMEs' performance.

The following recommendations were made based on the findings of the study:

- i. Programmes and workshops should be organized by the government to educate the SMEs owners/managers

- on the importance of financial literacy.
- ii. Policy should be formulated and implemented by the government that will improve the financial experience of SMEs owners/managers.
- iii. Government should give emphasis on enhancing the financial literacy and not only funding of these businesses.

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