

**FINANCIAL LITERACY SKILLS AND SURVIVAL OF SMALL AND MEDIUM  
ENTERPRISES IN OSUN STATE, NIGERIA**

**BY**

**Elisha Olufemi ADETUNJI  
B.Sc (Educ) Hons (Ife), M.Ed (Ibadan)**

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## **CERTIFICATION**

I certify that this work was carried out by **Elisha Olufemi ADETUNJI (Matric No: 60043)** in the Department of Adult Education, University of Ibadan under my supervision.

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### **Supervisor**

**Professor Deborah. A. Egunyomi**  
B.Ed, M.Ed, Ph.D (Ibadan)  
Department of Adult Education  
University of Ibadan, Nigeria

## **DEDICATION**

This research work is dedicated to the glory of God Almighty who is the author and finisher of my faith. It is also dedicated to the loving memories of my late father Deacon Isaiah Oyebamiji Adetunji and late Mother Madam Eunice Oluremi Adetunji who both saw the beginning of this programme but were never granted the grace to see the end. May their sweet memories rest in perfect peace, amen.

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## ABSTRACT

Small and Medium Enterprises (SMEs) are the backbone/building blocks of the global economy in combating poverty, unemployment, and improving the standard of living. Although, they have been demonstrated to thrive in the face of harsh economic situations, reports indicated that SMEs, including those in Osun State, have low survival rate. Previous studies have focused largely on roles and impacts of SMEs on the economy, with little emphasis on how Financial Literacy Skills (FLS) including financial decision-making, saving culture, and credit/loan accessibility influence the survival of SMEs. The study, therefore, examined the extent to which financial literacy skills predicted the survival of SMEs in Osun State, Nigeria.

Prospect, Modern Portfolio and Dual-Process theories were used as framework, while the survey design was adopted. The 980 SMEs registered in Osun State were enumerated and stratified into micro, small and medium enterprises. The probability proportionate to size method was used to select 25% of the SMEs (micro=185; small=53; medium=12). The instruments used were Financial Literacy Skills (Financial decision-making,  $r=0.85$ ; money management,  $r=0.87$ ; budgeting ability,  $r=0.67$ ; saving culture,  $r=0.76$ ; credit/loan accessibility,  $r=0.81$  and investment knowledge and ability,  $r=0.73$ ) and SMEs Survival ( $r=0.83$ ) questionnaires. Key informant interviews were held with one officer each of the Bank of Industry, SMEs' Development Agency of Nigeria and the directors of Commerce, Industries, Cooperatives and Empowerment in the state, while six sessions of in-depth interview were conducted with selected entrepreneurs. Quantitative data were analysed using descriptive statistics, Pearson product moment correlation and Multiple regression at 0.05 level of significance, while qualitative data were content-analysed.

Participants' age was  $38 \pm 2$  years while most of them were males (64.5%); sole proprietors (61.1%) with highest qualification being secondary school certificate (35.5%). Entrepreneurs showed knowledge of financial literacy skills with money management (97.0%), budgeting ability (82.0%), credit/loan accessibility (94.5%), financial decision-making (96.0%), saving culture (94.0%) and investment knowledge (94.0%). Financial decision-making ( $r=0.66$ ), money management ( $r=0.71$ ), saving culture ( $r=0.63$ ), budgeting ability ( $r=0.68$ ), credit or loan accessibility ( $r=0.57$ ) and investment knowledge skills ( $r=0.66$ ) had significant positive relationships with SMEs' survival. There was a significant joint prediction of financial literacy skills on SMEs' survival ( $F_{(6297)} = 0.77$ ;  $R^2=.59$ ), accounting for 59.0% of its variance. Money management ( $\beta=0.56$ ), budgeting ability ( $\beta=0.42$ ) investment knowledge ( $\beta=0.24$ ) and credit/loan accessibility ( $\beta=0.22$ ) made relative contributions to SMEs' survival, while financial decision-making and saving culture did not. There were no differences in the acquisition and utilisation of FLS among the entrepreneurs based on their demographic profiles. The economic situation in the country was observed to affect entrepreneurs' financial decisions and also inhibited their saving culture.

Money management, budgeting ability and credit accessibility skills predicted the survival of Small and Medium Enterprises in Osun State, Nigeria. These factors should be considered for the survival of SMEs.

**Keywords:** Small and medium enterprises in Osun State, Financial literacy skills, Money management, Budgeting ability.

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## **ABBREVIATIONS AND ACRONYMS**

SMEs-	Small and Medium Enterprises
FL-	Financial Literacy
BOI-	Bank of Industry
CBN-	Central Bank of Nigeria
SMEDAN-	Small and Medium Enterprises Development Agency of Nigeria
PACFL-	President’s Advisory Council on Financial Literacy
OECD-	Organization for the Economic Cooperation and Development
ATM-	Automated Teller Machine
US-	United States
EFinA	Enhancing Financial Innovation and Access
NFIS-	National Financial Inclusion Strategy
GAO-	General Accounting Office
NDE-	National Directorate of Employment
GIS-	Graduate Internship Scheme
MSMEs-	Micro Small and Medium Enterprises
GDP-	Gross Domestic Products
MDG-	Millennium Development Goals
UNDP-	United Nation Development Programme
UNIDO-	United Nations International Development Organization
MAN-	Manufacturers Association of Nigeria
NASSI-	Nigeria Association of Small Scale Industrialists
AfDP-	African Development Programme
NEEDS-	National Economic Empowerment Development Scheme
NACRDB-	Nigerian Agricultural Cooperative and Rural Development Bank
PPBS-	Planning Programming and Budgeting System
ZBB-	Zero Based Budgeting
SMECGS-	Small and Medium Enterprises Credit Guarantee Scheme
DMB-	Deposit Money Banks
KII-	Key Informant Interview
IDI-	In-Depth Interview

LGs-	Local Governments
MFB-	Micro Finance Bank
FGN-	Federal Government of Nigeria
FEAP-	Family Economic Advancement Programme
SON-	Standard Organization of Nigeria
CAC-	Corporate Affairs Commission
CPC-	Consumer Protection Council

## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1 Background to the Study**

The industrialization and economic development process in Nigeria is a major contribution of small and medium enterprises (SMEs). They boost capital income and output, creating job opportunities and promoting effective resource exploitation that are critical to economic growth and progress. In fact, they are very important for the economy of Nigeria. For example, there were currently approximately 41.5 million SMEs in Nigeria contributing approximately 49.7% of the country's Gross Domestic Product (GDP), whereas their export earning contribution was about 7.64 percent (National Bureau of Statistics, 2017). This noticeable impact of SMEs could be due to the fact that since independence in 1960, a strong emphasis has been placed on the growth of SMEs as a means of reducing poverty and unemployment (Mba & Emeti 2014). Small businesses, according to Fabayo (1988), are important sources of jobs for a diverse group of Nigerians.

Promoting SMEs results in substantial sales and wealth transfer, economic self-reliance, market growth, and a slew of other positive economic outcomes (Aremu, 2004). In terms of creating employment opportunities for low investments and the development of employment opportunity for entrepreneurial and indigenous technology, SMEs are seen as positive vehicles for achieving national targets. Aremu (2004), further explained that the movement of people from rural to urban areas is reduced by SMEs, while the later also contribute substantially to the country's gross domestic product (GDP), export earnings and creation of job opportunities.

It is important to note that almost every small company, once well run, will definitely become a big business (Sunda & Kumar, 2012). Indigenous companies such as Adebowale Electricals, Dangote Groups, Eleganza Nigeria Limited and TUNS Farms Limited among other companies began outfitting as small businesses, but subsequently became large plants. To achieve their objectives, SMEs need to be properly managed to

achieve their goals while contributing to national economic growth and development. If not, those companies will die prematurely in their infancy.

These SMEs, which are suppose to complement the roles of large companies, are not at all functioning in the country because they are not well managed. There are several SMEs which have died early, partly because of inadequate and ineffective management. Data from the preliminary inquiry and statistics provided by ministries of trade and commerce in Nigeria shows that 7 out of 10 registered small and medium-sized enterprises die prematurely every year. Although SMEs are expected to exist in large numbers because of the small amount required for their establishment and the matching fund provided by the Bank of Industry (BoI) and the State Ministry of Commerce, Industry, Cooperatives and Empowerment. There is evidence that some of them die during infancy, while a few survive beyond their infancy. This is particularly so in the state of Osun because Osun is the only South-western state that has a small concentration of industries in Nigeria and also has an anemic industrial estate. In the State of Osun this is particularly so. Some SMEs died during infancy but some survived in the three Senatorial districts of the state. The fact that SMEs are mainly managed under universally accepted management principles, mainly based on Financial Literacy (FL) capabilities, certainly contribute to their survival. The question is: how would Financial Literacy (FL) improve the existence of SMEs in Osun State if it was acquired? Only one or two of twenty small and medim businesses still survive and strive beyond infancy despite the N250 million matching funds jointly provided annually by the State Ministry of Commerce, Industry, Cooperatives and Empowerment and the Bank of Industry (BoI) to promote SMEs.

In order for SMEs to contribute positively to the economy of the nation, entrepreneurs must possess minimum levels of financial literacy skills. Such skills are the keys to any developing economy. It is very important to be able to manage investment very well with the skills and trust. The key pillar in helping the government to build economic stability is now widely known to ensure that all large or small entrepreneurs become financially capable (Adeoti, 2010). Today, entrepreneurs face a number of consumer and business decisions that rely on the individual's training and on the desire

of the family to efficiently utilise money as a way for business management of SMEs to function properly.

Financial Literacy (FL) was unconsciously done in the past, hence its conscious application in the Nigerian economy is relatively new; but in recent times, a wide range of key stakeholders and economic agents in all sectors of the country's economy have taken it into consideration. In a sphere where every small entrepreneur has to choose from a number of complex decisions, FL is becoming gradually important (Lusardi & Mitchell, 2006). Therefore, in the world today, FL is more important than in the past, as people now understand money management, income, savings and expenditure, together with other FL components which include financial services awareness, financial decision making, budgeting, credit or loan accessibility, all of which will prepare our young entrepreneurs to provide information on fraud fighting and financial control. Young entrepreneurs now live in an unprecedented period of financial difficulty and face financially challenging times.

The ability to obtain, understand and evaluate relevant information required to make decisions in a knowledge of the potential financial significances/results is defined as the concept of Financial Literacy. According to Berman & Knight (2006), financial knowledge in this regard can be associated with the idea of Financial Intelligence as a set of qualities that all who want to run their business efficiently and track the financial world and understand it. In a different sense, OECD (2005) describes FL "as a mixture of consumer/investor understandings of financial products and ideas and their ability and trust to appreciate financial risks and opportunities, making informed choices, knowing where to go for help and take further measures to advance their financial opportunities." Therefore, FL is an important skill to develop in order to build wealth and to benefit both ourselves and others from long-term financial security.

FL includes skills for financial decision-making, money management, savings culture, budgeting, credit or loan accessibility skill, financial products and services awareness skill and investment knowledge skill. Financial decision-making is the ability to take a reasonable step towards successfully using one's different resources, including finances. In order to make sound financial choices, one must be numerically informed or able. Financial decision-making processes include the ability to pay bills on time and

understand good debt management, which will improve the ability to be trusted to pay money owed to future borrowers, thereby supporting the source of income, economic development, sound financial systems, and poverty reduction. The ability to manage money is linked to financial decision-making abilities. In economics, money management simply refers to getting the most out of the money an entrepreneur has. It also entails making prudent financial decisions and determining where you want your money to go.

Saving culture, which is another FL skill, is a tendency found among people to save money for future use, which greatly aids the survival of SMEs. Savings should be regarded as a virtue that small and medium-sized business owners should vigorously support, and it should be made more enticing to inspire young entrepreneurs to get involved. Investment is another valuable skill to have when it comes to investing. Entrepreneurs must be well-versed in the field of finance. Investment in SMEs contributes to the country's long-term economic growth and decreases unemployment in general. Another crucial skill is the ability to budget. Preparing a budget, which is essentially a tool that allows entrepreneurs track the money coming in and out of businesses, is the most rational way to manage the finances of SMEs. It determines if SMEs spend more or less than they can afford, and then takes steps to find the right combination between spending and saving. Accessibility to credit or loans can be characterized as the ability to obtain a sufficient supply of an acceptable standard of financing. Due to the importance of capital or finance in the survival of a business, its availability from various sources should be sufficient.

As a result of all of the above, the acquisition, application, and utilization of all the FL components (skills) could result in the successful maintenance and survival of SMEs. The population of the United States, as stated by Hilgert, Horgath, and Beverly (2003), lacks a variety of financial skills, and the same can be said of the Nigerian population. As a result, it is critical to boost the FL of SME owners and others. The result of increasing their FL would lead to a better understanding of basic investment principles and methods (Volpe, Kotel & Chen, 2002). In addition, exposure to financial literacy awareness and skills will undoubtedly allow these operators to make smart decisions and increase their value in the future.

"Financial awareness improved the probability of joining the stock market by leading to stronger portfolio management and higher wealth" ( Rooij, 2009). Fox, Bartholomew, and Lee (2005:195) agreed with Rooij, by concluding that:

*An alarming rate of bankruptcy, high consumer debt levels, low savings rates, and other negative outcomes that may have been caused by poor family financial management and low FL highlighted the need for financial education.*

From the above, it can be deduced that a low savings proportion instigated by a lack of or low level of FL will have a negative effect on the maintenance and survival of SMEs. Furthermore, a lack of FL or a poor degree of FL may likely have significant consequences on the management and sustainability of SMEs. To summarize, all business persons must possess the various components of FL skills. Previous researches, on the other hand, have focused on the role, value, and effect of SMEs on the overall economy, with little or no focus on the acquisition or utilisation of FL skills and their effect on the survival of SMEs in any part of the country, especially in Osun State, where SMEs have a low survival rate in the Southwest, hence the need for this study.

## **1.2 Statement of the Problem**

SMEs have been identified as the primary drivers of economic growth in most emerging economies. They employ the majority of people and perform a significant part in economic development and growth. However, it is common knowledge that running a business, no matter how small, is extremely difficult. Many SMEs have been discovered to have died young due to incompetent and ineffective management, partially due to a lack of FL skills. Available statistics showed that, even with the joint provision of the N250 million matching fund by the Osun State Ministry of Commerce, Industry, Cooperatives and Empowerment and the BoI, just one or two SMEs out of twenty flourished past infancy. Many SMEs fail because their founders have a poor knowledge of FL. It is generally recognized that financial mismanagement and a lack of other FL skills, especially in the management of small businesses, often result in the failure of businesses before they reach full maturity. This trend will inevitably have an effect on the few jobs that are generated, and the unemployment rate in the State of Osun is already high. Low living standards, lack of capacity building, lack of systemic development of

rural areas, poor dispersal or spread of industry, poor use of local resources, and a decrease in the government's revenue base are some of the other consequences for the economy. As a result, entrepreneurs should avoid making common business mistakes like obtaining the wrong form of funding, underestimating the amount needed, and not knowing what it costs to borrow money. If one lacks proper FL education, they are susceptible to making all of the above mistakes.

However, there is little empirical research on the correlation between FL skills and the survival of SMEs in Nigeria or Osun State. Most of the previous studies carried out concentrated on the effect or importance/role of SMEs. For instance, Adelaja (2007) worked on the importance of SMEs in a developing/underdeveloped economy with Nigeria as a case study, while Odubanjo (2000), Onwuemere (2000), Moronkeji and Oluchukwu (2012) and others considered the relevance and impact of SMEs in the economic development of Nigeria and in the generation of employment in Lagos state, respectively. But despite the fact that these studies have established some skills relevant to the importance, impact and growth of SMEs, they have not paid enough attention to FL skills or have not been able to link these skills to the survival of the business. As a result, this study investigated the predicting power of FL skills and survival of SMEs in Osun State, Nigeria.

### **1.3 Objectives of the study**

This study examined the degree to which FL skills predicted the survival of Small and Medium Enterprises in Osun State, while the specific objectives are to:

- (i) determine the extent to which FL skills predicted SMEs' survival
- (ii) ascertain the level of acquisition of the FL skills among the entrepreneurs
- (iii) assess the sources of acquisition of FL skills such as financial decision making, money management, savings culture, budgeting, credit or loan accessibility and investment knowledge among the entrepreneurs.
- (iv) determine the extent of FL skills' utilisation by the entrepreneurs
- (v) determine if there are differences in the acquisition and utilisation of FL skills by the entrepreneurs based on their demographic characteristics and classification of SMEs.

## **1.4 Research Questions**

The study was guided by the following research questions:

- RQ<sub>1</sub>: To what extent do Financial Literacy skills (financial decision making, money management, savings culture, budgeting ability, credit or loan accessibility and investment knowledge) predict the survival of Small and Medium Enterprises in Osun State?
- RQ<sub>2</sub>: What is the level of acquisition of Financial Literacy skills (financial decision making, money management, savings culture, credit or loan accessibility and investment knowledge) among the entrepreneurs?
- RQ<sub>3</sub>: What are the various sources of the acquisition of Financial Literacy skills (financial decision making, money management, savings culture, credit or loan accessibility and investment knowledge) among the entrepreneurs?
- RQ<sub>4</sub>: To what extent are Financial Literacy skills (financial decision making, money management, savings culture, credit or loan accessibility and investment knowledge) being utilised among the entrepreneurs?
- RQ<sub>5</sub>: Are there differences in the acquisition and utilization of Financial Literacy skills by the entrepreneurs based on the demographic characteristics and classification of SMEs?

## **1.5 Hypotheses**

The following eight null hypotheses were formulated as bases for this study

- HO<sub>1</sub>: There is no significant relationship between financial decision making skill and survival of Small and Medium Enterprises in Osun State
- HO<sub>2</sub>: There is no significant relationship between money management skill and survival of Small and Medium Enterprises in Osun State
- HO<sub>3</sub>: There is no significant relationship between savings culture skill and survival of Small and Medium Enterprises in Osun State
- HO<sub>4</sub>: There is no significant relationship between budgeting ability skill and survival of Small and Medium Enterprises in Osun State

HO<sub>5</sub>: There is no significant relationship between credit or loan accessibility skill and survival of Small and Medium Enterprises in Osun State

HO<sub>6</sub>: There is no significant relationship between investment knowledge and ability skill and survival of Small and Medium Enterprises in Osun State

HO<sub>7</sub>: There is no significant difference in the acquisition of FL skills among the entrepreneurs based on their demographic characteristics and classification

HO<sub>8</sub>: There is no significant difference in the utilisation of FL skills among the entrepreneurs based on their demographic characteristics and classification

### **1.6 Significance of the Study**

The study looked at the effect of FL skills on the survival of SMEs in Osun State. There is no way to run a successful business if the owner is not financially literate. As a result, adequate FL skills are essential for the survival of any business, large or small. FL skills are extremely important and should be promoted among small and medium-sized business owners in order for them to be able to provide full and appropriate financial information to help them make better decisions and increase the profitability of their businesses.

Individuals, the government, and the citizens of Osun State, as well as researchers and all policy-making stakeholders will benefit greatly from the successful implementation of this study. It will also be crucial to raise individual awareness of savings and investment to the degree that they boost people's lives and, as a result, the economy expands. The results of the study will be used to establish and enforce the National FL Framework, which seeks to enhance citizens' awareness and understanding of financial products and services in order to increase sustainable use and financial inclusion.

The study would be extremely beneficial to Nigerians in terms of understanding and using all efforts made to increase their FL so as to encourage private sector entrepreneurs to contribute to capacity building and development, as well as economic growth and job creation. The study's findings will shed light on the various measures/steps taken or adopted by the Central Bank of Nigeria (CBN) to reduce/remove bottlenecks

commonly encountered during the account opening process in order to expand financial services to unbanked or under-banked groups of people in the country.

Given the value of FL skills and its effect on the survival of SMEs, it is easy to see why there is no particular subject that teaches FL and the numerous benefits that can be gained from it, despite the fact that there are several subjects in our school curriculum. The outcome of this study will, first and foremost, contribute to the current literature and its collective effect on the survival of SMEs.

### **1.7 Scope of the Study**

This study looked at Financial Literacy skills as predictors of SMEs' survival. Despite the presence of SMEs or business opportunities in Osun State, the state is classified as a civil service state, one of six in the South-West. The choice of Osun State for this study was also motivated by the fact that the state is the largest debtor among the 36 states in the federation, according to available statistics from the Federal Ministry of Finance (2018). Osun State, on the other hand, is seen as the state that receives the least monthly allocation from the federation account. As a result of the state's current status, there are little or no resources available to devote to the financing of SMEs in the state, making it almost impossible for the state to efficiently manage SMEs. It will thus be possible to better manage SMEs to a viable and productive level through the learning and application of FL skills. The study also covered the activities of all SMEs associated with the State Ministry of Industries, Trade, Cooperatives, and Empowerment; BoI; and Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) in the State. The State's SMEs are categorized using the National Policy on Micro, Small, and Medium Enterprises' (MSMEs') classification system. The number of workers in each of the companies is the criterion used by MSMEs to identify them. Micro-scale businesses employ maximum of less than 10 people, while small businesses employ between ten and 49 people, and medium-sized businesses employ between 50 and 199 people. All SMEs in Osun State that have registered with the Ministry of Industries, Commerce, Cooperatives, and Empowerment fall into the above categories.

Financial decision-making skill, money management skill, saving culture skill, budgeting skill, credit or loan accessibility skill, and investment awareness skill were the FL skills used in the study and their acquisition, application and utilisation led to the survival of SMEs. The research was also limited to the years 2001 to 2015. This time period was chosen because the organisations considered were established during this time. The BOI, for example, came up in 2001, while the SMEDAN was established in 2003.

### **1.8 Operational Definition of Terms**

For the purpose of this study and to avoid the problem of misrepresentations, ambiguity and to ensure proper understanding of the work, efforts have been made to define some of the key concepts used therein. The terms include among others the following:

**Financial Literacy Skills:** are the various skills needed by operators of SMEs to make knowledgeable judgments and to take operative decisions as regards to the use and management of money. Other skills involved are investment knowledge skill, budgeting ability skill, saving culture skill and credit or loan accessibility skill. It is making use of them all as applicable to one's businesses.

**Savings culture skill:** means, the attitude an entrepreneur has to saving.

**Budgeting ability skill:** A method for short term planning and control of an entrepreneurs' finances.

**Investment knowledge skill:** means knowing the type of investment opportunity an entrepreneur can engage in, considering the amount of capital available at one's disposal.

**Credit or loan accessibility skill:** Knowing how, where and at what rate an entrepreneur can obtain loan to increase the capital that can be spent to start and expand one's business venture.

**Money management skill:** is the ability an entrepreneur has to live within one's means or cutting one's coat according to one's size financially.

**Small and Medium Businesses:** are businesses that are owned and run by one person and do not employ many workers. They need small capital/finance to operate and are classified into three thus: Micro, Small and Medium scale Enterprises.

**Micro Scale Enterprises:** are businesses that employ between 1 to 9 workers within its operation.

**Small Scale Enterprises:** are businesses that engage 10-49 employees within its operation.

**Medium Scale Enterprises:** are enterprises where between 50 and 199 workers are engaged within its operation.

**Survival of SMEs:** is the ability to run and control a business successfully such that it does not go into extinction.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

This chapter deals with the review of related literature and the theoretical framework for the study.

The subheadings considered in the review included the following:

- 2.1 The concept of Financial Literacy
  - 2.1.1 Components of Financial Literacy (FL)
  - 2.1.2 Dimensions of Financial Literacy (FL)
  - 2.1.3 Strategies for Measuring FL
  - 2.1.4 Financial Education: A Global Perspective
  - 2.1.5 Financial Literacy Education in Nigeria
  - 2.1.6 The Importance of Financial Literacy
  - 2.1.7 Expected outcomes of FL in Nigeria
  - 2.1.8 Target Audience of FL
  - 2.1.9 Effects and Impacts of FL
  - 2.1.10 Knowledge of Financial Literacy
  - 2.1.11 Basic Knowledge of Financial Information
- 2.2 Sources and Methodology of Acquisition of FL
- 2.3 Utilisation of FL Skills: Issues and Perspectives
- 2.4 Small and Medium Scale Enterprises: Concept and Importance
  - 2.4.1 Concept of SMEs
  - 2.4.2 Importance of SMEs
- 2.5 Historical Development and Role of Small Scale Industry in Nigeria
  - 2.5.1 Problems Militating Against Small Scale Entrepreneurship
  - 2.5.2 Government Agencies and their Contributions to SMEs
- 2.6 Survival of Small and Medium Enterprises (SMEs)
  - 2.6.1 COVID-19 and Survival of SMEs
  - 2.6.2 Indices of Survival of SMEs
- 2.7 FL Skills and Survival of SMEs

- 2.7.1 Financial Decision making skill and Survival of SMEs
- 2.7.2 Money Management skill and Survival of SMEs
- 2.7.3 Budgeting Ability Skill and Survival of SMEs
- 2.7.4 Credit/Loan Accessibility Skill and Survival of SMEs
- 2.7.5 Savings Culture Skill and Survival of SMEs
- 2.7.6 Investment Knowledge and Ability Skill and Survival of SMEs
- 2.8 Review of Empirical Finding/Results
- 2.9 Theoretical Framework
  - 2.9.1 The Prospect Theory
  - 2.9.2 The Modern Portfolio Theory
  - 2.9.3 The Dual-Process Theory

## **2.1 The Concept of Financial Literacy**

Financial Literacy is a synonym for financial education. It is therefore imperative to distinguish between the two terms in order to have a good grasp of what each of them means; and where the two terms meet.

According to the President's Advisory Council on Financial Literacy (PACFL,2008), 'financial education provides a mechanism for people to enhance awareness about financial products, programmes and policies in order to make knowledgeable choices, prevent falls, find help, and take additional steps to strengthen their current and long-term financial well-being.'

In its own case the OECD (2005) expresses financial education as a procedure whereby financial investors improve their understandings of financial products, services and concepts and develop in the process information, training, objective advice, skill and confidence in financial risks and opportunities; make conversant conclusions to determine where assistance should be provided.

As reported in PACFL (2008), however, financial education is "a method by which one fully acquires financial experience, not information and expertise" Financial education is also seen as a concept to promote FL. FL was described in various ways by different researchers and organizations. The PACFL (2008), for example, describes it as 'the

capacity to use skills and expertise to manage financial capital efficiently for the financial well-being era.'

One of the striking characteristics of financial literacy is that it has been defined in different ways:

- (a) a specific knowledge form;
- (b) the ability or skill to apply such knowledge;
- (c) perceived knowledge;
- (d) good financial conduct;
- (e) experience in financial matters;

Lusardi and Mitchell (2007a), defines the term as "the knowledge of the basic economic notions necessary for sensible savings and investment decisions. These are other definitions of FL founded on the concepts linked to the above variables.

The Schagen (2007), from which ANZ Bank (2008) drew, also rightly defines FL as "the capacity to make knowledgeable choices on the use and management of money."

Moore (2003) defines FL by saying: "If as a person, you can show that you have used the knowledge you have learned, then, you will be considered financially educated." There can be no direct measurement of FL but instead the use of representatives must be made. Practice and accurate incorporation of information achieve literacy. As people become literate, they are increasingly financially sophisticated, and this can also mean that a person is more competent." Moore (2003), with his arguments says that practical experience offers the foundations for knowledge and other aspect of FL.

"The capability to read, examine, accomplish and transform personal financial conditions which have implications for material well-being" refers to personal FL. It is also capable of making monetary choices, discussing money and financial questions without (or despite) discomfort, planning for the future and properly responding to life-related events affecting everyday financial decisions, even events in the general economy. It will let a person know enough how to manage money for decisions and to prevent fraud. This definition appears all to be inclusive as almost all FL components or variables can be identified and seen in it. The definition was mainly focused on the capacity of a person to make use of FL in its entirety.

The following are other concise definitions of FL:

"Basic knowledge, which must live in a contemporary society, is FL" (Kim, 2001). FL means "an individual's ability to comprehend and apply financial concepts" (Servon & Kaestner, 2009). According to Jumpstart Coalition, (2007), FL refers to the capacity to utilise information and services to efficiently manage economic and financial resources for the lifetime of financial security. It refers to the skill used in making conversant judgement, and effective decision on the use and management of money " (Noctor, Stoney & Robert, 1992:4).

The literature identified at least four separate areas of FL. The following are included:

- Money or personal finances, including money value, purchasing power, concepts of personal financial accounting.
- Borrowing involving the present provision of future resources by using credit cards, consumer loans or mortgage
- Investing in the usage of saving accounts, stocks, bond funds and mutual funds to save the current resources for future use.
- Protection of resources that may be produced by guaranteed products or by other techniques for risk management.

In order to be financially literate, people must show the knowledge and skills necessary to decide for all consumers, irrespective of their specific characteristics, within the financial market. Anyone who has the ability to use knowledge, may not have a predicted behavior or increased financial well-being. Additional factors influencing a person who is financially educated can include behavioural/cognitive bias, problems of self-discipline, household, friends, economy, communal and official questions. Taking into account several conceptual and empirical perspectives of FL by numerous authors shows that FL will be a significant predictor of the survival of SMEs.

### **2.1.1 Components of Financial Literacy (FL)**

The following are the diverse parts FL contains and which fall within the meaning of the term in order to take full advantage of what it constitutes. Financial literacy includes the following:

- (a) Financial products and services awareness. These include stocks, bonds, shares, debentures, credit cards, debit cards and insurance products. Financial services cover deposits, cash withdrawal, transfer of funds, payment of bills, recharge cards and so on.
- (b) The financial decision-making ability. This skill will help entrepreneurs to adopt well informed and responsible decisions on how to incur and pay debt to remain financially secure and credible.
- (c) Money Management skill: This skill helps the person to maintain a positive cash flow through effectively managing the money, develop plans that guide spending habit and make choices on the best financial instrument.
- (d) Saving culture skill: This refers to a person's saving attitude. Many Nigerians have been established to lack saving culture. Oyinlola (2004) states that at least 20% of disposable income should be saved or invested. The remainder of 80 percent can be used for food, clothing, shelter and other luxury expenses for family living.
- (e) Budgeting ability skill: Through this, you can understand how long and short-term objectives can be achieved through prioritising the financial planning process, individual needs and wants.
- (f) Credit or loan accessibility skill: With this skill, entrepreneurs can identify where they can obtain the capital necessary to start up their enterprises.
- (g) Investment knowledge and ability skill: This relates to individuals' various investment opportunities. There are plenty of opportunities for an individual to invest in.

The 20% savings made by the individual can be invested in a savings or fixed deposit account with a healthy and sound bank to generate interest, invested in shares, stocks or bonds for the purpose of generating a dividend called income or placed in such a fund for the construction of a structure that can generate income by way of rent (Oyinlola, 2004). Examples of small-scale enterprises (SMEs) one can set up are bakery, poultry and fish farming, satchet water production, block making, mechanized farming and so on. It should be noted that investing in one of the first three options listed above progressively builds a good old-age home.

The above items are universal FL components. In addition to the above, Nigeria has the following components: Financial inclusion and exclusion which is providing financial services to those who are financially underserved. This describes the number of persons with personal bank accounts as well as persons without personal bank accounts. The Cashless Economy is the other component of Nigerian FL. This enables the implementation of mobile and electronic banking systems possible with the use of ATMs and Internet banking systems. When transacting business using such systems, a businessman/entrepreneur does not need to carry about a large amount of money. This will help reduce the incidence of armed robbery leading to loss of cash. Payments can equally be done through the use of Point of Sales (PoS) method.

### **2.1.2 Dimensions of Financial Literacy (FL)**

Financial Literacy generally has two conceptual dimensions: comprehension (with personal financial knowledge) and application (having personal finance application).

FL comprises three specific dimensions, which are:

- (a) Financial knowledge – this means "understanding the key financial terms and concepts necessary for the day-to-day operation" (Huston, 2017). Potrich, Kelmara and Wesley (2016) defined it as 'a specific type of life-long capital acquired by means of prudent management.' Financial knowledge is linked to a range of financial behaviours "best practice." These include satisfactory alternative funds, the monitoring of credit reports, steering clear of overdraft and debts, owning a dedicated pension account and insurance coverage (Robb, 2014). Individuals must have the capacity to make confident financial decisions using their financial knowledge. All the concepts referred to in Robb (2014) can be used effectively in making financial decisions based on concepts such as simple and compound interest, risk and return and inflation.
- (b) Financial Behaviour – Zeynef (2015) described financial behaviour as "the ability to understand and make the right decisions on cash management, precautionary measures and budget planning opportunities for overall effects of financial decisions on one's circumstances. Sacushi (2013) defines good financial behaviour

as the ability of companies and individuals to take financial decisions that increase wealth and alleviate uncertainty. Financial behaviour will ensure that debts and retirements are avoided, and that life contingencies are protected against them. Financial behaviours can also be interpreted as awareness of FL. Awareness comes under the obligation to look after organisations for the well-being of the business.

- (c) Financial attitude – the Usage of financial principles in the creation and maintenance of value by sound decision-making and management of resources is called financial attitude as described by Latif, Razaq and Lumpur, (2011). The financial attitude of a person has an important impact on their practices in financial management. Abiodun (2016) believed in his own case that financial attitude can be improved by obtaining sufficient information.

From this, it is obvious that the financial decision-making process is linked to every three aspects of FL, i.e. financial behavior, financial knowledge and financial attitude. Consequently, all the financial decisions are founded on a comprehensive understanding of financial concepts, products and services.

### **2.1.3 Strategies for measuring FL**

FL can be evaluated in a number of ways, just as we have different meanings for the principles of FL. The authors of the PACFL report presented a list of concepts that an individual should understand before being deemed financially literate after completing a financial education program. The capital market structure and financial institutions are among the concepts discussed, as well as domestic cash flow, the advantages of providing an emergency fund, and the fundamentals of credit granting. The material domains of savings, investment, and debt can be used to evaluate FL.

The following techniques or approaches may be used to assess FL:

- (a) **Knowledge-based performance tests:** These assess concepts such as saving, borrowing, debt, and money management. Consumers agree that in performance test, they can learn more from FL education than they do. Functional assessment is another term for performance test. Individual respondents were given a task to complete as part of the functional approach to assessing FL, and their results were compared to their underlying literacy. The Programme for Instructional Student

Assessment (PISA) of the Organization for Economic Cooperation and Development (OECD) introduced the success test method in 2012 to evaluate how students aged 15 in 18 participating countries performed in FL. The PISA study tested participants' comprehension of numeracy, document literacy, and FL through a set of test tasks or problems to solve (OECD, 2012).

- (b) **Method of self-reporting or self-assessment:** This approach evaluates people's perceived awareness or trust, or how much they think they know. Customers sometimes assume they know more than they do, according to the OECD (2005). This finding, according to Alba and Hutchinson, 2000; Lichtenstein, Fischhoff, and Phillips, 1982 and Yates, 1990; has been revealed not only in financial matters, but also across a broad spectrum of knowledge and abilities. Self-report is focused on surveys in which consumers' education, awareness, attitudes, financial condition, and exposure to FL education are all measured. Social desirability, demand characteristics, and selective biases may all influence the results of these surveys. Due to social desirability biases, respondents will unconsciously report their expected or desired savings behaviour. Studies conducted after and during which a person undergoes a personal finance course shows that most of the consumers see the course as successful and are willing to change their behaviour. They are more likely to exaggerate how closely they adhere to their teacher's directions. Clients' self-evaluation should be treated as a measure of trust or overconfidence rather than literacy; they can help people learn more facts, but not their ability to make statistically relevant financial decisions (Hershey, Walsh, Brougham, Carter, & Farrell, 1988). Consumers, both consciously and unconsciously, overestimate their change, by the reason of FL, according to the self-assessment process.
- (c) Another strategy for measuring FL is to use questionnaires focused on quantitative information. This was founded in 1997 by the JumpStart Coalition for Personal FL in the US. Banking laws, investment guidelines, financial products, retirement savings, and indebtedness knowledge of respondents were included in the test instrument. A limited collection of questions may be asked to determine their ability to remember financial information and conduct financial calculations.

- (d) Tracking population-level patterns using surveys of financial attitudes and self-reported behaviours is another way to measure FL. These are national studies that can be used to monitor patterns over time or compare variations in one or more variables of interest between groups. In a realistic or experimental setting, this approach is unsuitable for evaluating individual FL. The survey instruments tend to take a long time to create and administer.

There is evidence that perceived information, or trust, can predict knowledge, or that confidence can predict knowledge without actually knowing it. As previously mentioned, this evidence is increasingly becoming visible. The majority of people are unaware of the extent of their own knowledge, which causes this phenomenon instead, they must select developments of action based on the level at which they think they know,” according to Lusardi and Mitchell (2007b). As a result, “accurate trust in knowledge is usually regarded as one decision-making competency” (Parker & Fischhoff, 2007; Bruim, Parker & Fischhoff, 2005)

Finally, numeracy has been included as a component of FL tests in some studies (Lusardi & Mitchell 2007a; ANZ Bank, 2008; NCCE, 1999). “Numeracy, or simple number skills, may be thought of as a separate construct that is linked to and promote FL” (Lipkus, Samsa & Rimer, 2001; Vastfjall, Slovic, Martz, Mazzocco & Dickert, 2006). In spite of the prominence of FL, scholarly research has focused on how it is calculated. “A construct developed to measure consumers' capability to make successful financial decision is required to evaluate current stages of FL and discover ways to enhance it.” This was as observed by Huston in a 2009 paper titled “Measuring FL.”

Financial knowledge, and financial education have all been used interchangeably in the literature and mass media, but few scholars have attempted to identify or differentiate them. Though Marcolin and Abraham (2006) attempted to acknowledge the need for research focusing on FL assessment, there are currently no standardised instruments for doing so. Three major roadblocks on developing a systematic approach to measuring FL were established by Huston (2009). The following are the details:

- (a) The description of FL is poorly conceptualized and defined. The elements of the concept of FL used as constructs are knowledge, capacity, and outcomes. It is difficult to perform comparative research or access FL rates and their effect on

financial well-being due to the lack of a detailed and reliable construct formation. Other stages of construction, such as a complete and well-defined build, are needed.

- (b) The use of interventions that are not adequately detailed: This has to do with the contents of the instrument.
- (c) Instrument elucidation: The guide for calculation interpretation is lacking in detail, as it is a general knowledge of the FL construct.

To resolve these barriers or obstacles, a method for measuring FL is created. This pertains to introducing the term and meaning, as well as exploring the differences between FL, knowledge, education, behaviours, and well-being constructs.

#### **2.1.4 Financial Education: A Global Perspective**

FL and education can be traced back to the 18th century or the beginning of the 1700s. It is also worth remembering that FL has advanced in phases throughout history. The stages are as follows:

- (a) **The 17th and 18th centuries:** During this time period, people were worried with budgeting and FL as early as the 1700s. David Davies, a clergyman, started gathering receipts and keeping track of how money collected was spent in 1795. Mr. Davies met six families of labourers in Bershire, England, who were struggling to make ends meet with the wages they were receiving. Mr. Davies gave an update on the finances of 135 families (Davies, 1795). By analyzing a family's income and expenditures, Fredrick Le Play, Pierre Guilliame (1806-1882), believed that a researcher could gain a complete understanding of that family. Zimmerman and Framption stated in 1935 that by living with families, a researcher could study the social and economic factors that affected the well-being of the families. As early as in the 1800s, the importance of finances could be determined by compiling and carefully analyzing data, and a researcher's observations could determine a family's overall well-being, demonstrating that financial concepts were important.
- (b) **The 1900s** – Around this time, the Cooperative Extension Service was created. Since the early 1900s, the public has supported the financial education movement through a number of associations and affiliations. Some instances, include Smith-Lever Act of 1914 which created the cooperative extension service with the primary

goal of providing people with learning opportunities to develop skills they required for domestic uses at home, commercial uses on the farm, and in their communities. People were looking for financial assistance and wanted to acquire skills that would help them develop experience in solving economic issues during this period.

- (c) **From the 1950s to the 1990s:** During the 1950s, half of all home economics research was focused on monetary administration, salary and spending, safety and retirement, employment, making financial arrangements, saving, and marital change. This is exactly what Israelson (1991) said. Since then, these problems have become increasingly relevant.

Organizations began to recognize in the 1990s that financial education was critical for today's youth to make informed consumer decisions in the future. Since 1997, FL surveys have been performed in the US. According to the surveys, 16% of high school students took a full personal finance course (Duguay, 2006). The results of the survey also revealed that students lack the adequate training and experience to make wise decisions regarding their economic future or financial well-being.

- (d) **From the year 2000 to the present:** During this time, the development of financial education began in earnest. The Financial Education Office was established in the United States in May 2002. This office's task is to support Americans in making improved financial decisions, particularly in areas such as saving, house ownership, retirement arrangement, and credit management. The Department of Treasury and the FL and Education Commission have been working tirelessly to boost FL for all Americans (United States Department of the Treasury, 2009). In reality, in October 2002, the US published a white paper titled "Integrating Financial Education into School Curricula." According to the report, financial education should be implemented in schools in five areas. These areas, which were referred to as access points, could come through textbooks, testing, financial education materials, state standard for education and teacher training. The report was to act as a roadmap for the growth of FL.

The first educational acts in United States that helped establish the importance of financial literacy was the Financial Literacy and Education improvement Act which was part of the Fair and Accurate Credit Transactions (FACT) Acts of 2003 aimed

at improving financial literacy and education in the United States.(United States Department of Treasury, 2002). President George W. Bush, the American President inaugurated a President's Advisory Council on Financial Literacy on January 22, 2008. The council saw the need to help Americans understand financial matters and it is still working on how skills and knowledge for our youth and also for adult in the workplace could be increased.

### **2.1.5 Financial Literacy Education in Nigeria**

In Nigeria, FL is a relatively recent trend. In the twenty-first century, it became more popular. In 2008, a survey carried out in Nigeria marked the beginning of FL. According to the study, about 80% of the country's citizen do not have account with any financial institution, leaving them financially excluded and unable to access finance. Building financial capacity is a critical step in assisting consumers in obtaining the services and information they need to be competent, confident, and self-reliant when financial decisions are to be made, as well as fostering FL and raising credit awareness among Nigerians. This also provides consumers with the essential knowledge and financial responsibility to make the decisions that will better their lives and consequently grow the economy. (Credit Awareness Nigeria.com, 2013)

A reform programme was established in 2009 by the Central Bank of Nigeria (CBN) to reposition the Nigerian financial sector in order to have a greater effect on the development of the Nation. 36% of Nigeria's adult population has formal financial services available to them, according to a 2010 investigation conducted by Enhancing Financial Innovation and Access (EFInA). That means, that formal financial institution provides services to only about 27 million of the 85 million Nigerians over the age of 18.

The main objective of financial inclusion is to reach the unbanked Nigerians of 58 million. To this end, the CBN and other stakeholders are planning to implement the National Financial Inclusion Strategy (NFIS) that would reduce the percentage of adult Nigerians that are excluded in financial services, from 46.3% in 2010 to 20% by 2020. Those excluded financially use no financial service or product for financial management. They are running in cash. The majority are women, rural dwellers, farmers and illiterates according to a 2012 study of EFInA. 52.3% of financially excluded adults are women.

The CBN launched in 2012 a FL framework to provide FL and education across all the sectors and segments of the economy. The National Financial Inclusion Strategy (NFIS), launched in Abuja in October 2012 by President Goodluck Jonathan, stipulates that all the stakeholders will have a roadmap to make financial decisions that improve the wellbeing of the stakeholders and provide financial services for economic growth and development." To achieve these aims, the apex Bank has held various Global Money Week programme in 2013, which included a range of activities designed to raise awareness and educate children and youth in FL" (Ebelo, 2013).

The programmes and policies are designed to create more employment opportunities and provide a favourable environment for investments that stimulates the development of private enterprises, thereby speeding up growth and economic development and making the nation one of the largest economies in the world by 2020.

In order to make our school children and young people more aware of FL, March 10-17 of every year was declared by CBN as the "Global Money Week" and children all over the world are made to learn about savings and investment concept during this period. In this context, the Bankers Committee and the CBN jointly organize a FL Day annual celebration. It has also an ongoing Mentorship and Academic Adoption Programme financial sub-committee.

In addition, some banks, including First Bank of Nigeria (FBN), WEMA and Skye, among others, work with the Federal Ministry of Education, the National Education Research Council (NERC), and other stakeholders in the capital market, insurance and pension industries to ensure FL is included in Nigeria's curriculum by 2015. FL is designed to instill in children the knowledge and skills they need to manage their finances as they get older (Dutse, 2015).

#### **2.1.6 The Importance of Financial Literacy**

The capability to handle money and monetary affairs effectively in the 21st century is gaining importance not only for investment and banking professionals, but also for those who manage their own financial affairs in their daily lives. As a result of several societal, economic and demographic trends, like increased life expectations, changes in retirement arrangements and salary, increasing participation in financial markets, and increased complexity and the number of financial products and services, FL is becoming ever more

relevant. Governments and employees have transferred a wide range of risks to employees and consumers in today's world. Persons are responsible for their financial security in terms of retirement and illness. The services of financial intermediaries or advisors should also be known to individuals. Electronic and on-line payments which require some money and finance related knowledge and skills have largely replaced face-to-face transactions worldwide, including Nigeria. As financial problems are so important to citizenship education today, it is important that young people are strengthened to perform a dynamic democratic part in the financial world. The focus is on young adults as younger generations face superior financial risks in the later life than their parents and are early consumers of financial services. They are more involved in the use of online payment and the use of mobile phones for financial transactions. The challenges of financial education cannot be addressed solely through family socialisation and daily experience. It can only be done by providing FL education; thus, the need for promoting FL comprising the development of properly planned learning and education process which will serve as a magic wand. Thus, this shows the relative importance of FL as demonstrated in our society.

"Studies have confirmed that those with a high level of financial literacy usually make good, knowledgeable choices and often end up financially or materially better, says Oduaza (2015). Oduaza further analysed that financially intelligent people make financially smart families, communities and countries which lead to a higher standard of living for all." Besides this, education in FL would help people become better financial managers.

Some research studies show a connection between level of financial education and financial management behaviours. The findings of Bernhaim, Garrot and Maki (2001), for example, found that consumers who graduated from states with authorized financial education are more likely to experience higher savings rate and higher net-worth compartments.

For many different kinds of people, FL is important. Among the categories are customers, microfinance institutions and regulators and the financial system. FL is important to the clients i.e. people, in the following areas:

- (a) As financial product customers, they can not only protect their personal finances but also their respective households and companies against any potential damages or dangers.
- (b) The risk of becoming a victim of fraud, predatory practices and unfair practices is decreasing with people becoming more aware of their consumer rights and protection.
- (c) Practical tools are being provided to help people budget, plan and monitor their personal and business resources.
- (d) In customers and people, the value of saving and investing is strengthened by working on the financial activity of the customer's paradigms (Jimenez, 2007). Examples include providing information on other ways of using their funds comprising savings, investments in financial products and enterprise forays which FL campaigns promote.
- (e) More credit training, including credit costs information and responsible use and management of credit, shall be provided to people.

The importance of FL as underlined in the CBN (2012) draft framework, also includes:

1. "Increasing personal knowledge and skills for good financial decisions by improving the understanding and appreciation of crucial investment risk/reward trade-off."
2. Awareness of the importance of having a private financial plan embodied in a budget, budget adhesion and prioritisation of their expenditure on the basis of their most pressing needs rather than wants.
3. To support, understand and get affordable financial products and services for financially excluded individuals
4. Support individuals and businesses to understand their rights and responsibilities when entering into loan contracts and other forms of financial transactions to reduce credit risk and protect the consumer in the financial system.
5. Enhance the capacity of individuals and businesses to generate and save revenue to enable them to take charge for their own future.
6. Improve financial knowledge and planning abilities by empowering individuals.

7. Create an engagement and interaction platform to raise awareness of financial education and its expected roles among the relevant stakeholders.
8. Enabling citizens to know the various types of financial products, services, their function, their benefit and risks, and how to access them, by facilitating their financial inclusion and financial stability, so that individuals and companies can make informed decisions and choices."

In adding to a list of the significance of FL in the draft CBN framework, FL has other areas where it is equally important. The following are some of the benefits or significance as they relate to various levels.

- (a) For individuals and families, FL is important because it enables them to handle their financial affairs wisely and to live within their own means. There is wisdom in making a sound financial planning from an early age which will help them achieve their financial goals. These goals commonly include buying a family home- usually by combining savings and a sensible amount of mortgage debt, putting enough money on one side for the education of children and importantly making suitable provision for old age in terms of saving for retirement.
- (b) For the financial system, FL is also essential. A stable financial system relies heavily on prudent risk organization, especially credit risk – the risk of financial loss due to clients' and counterparties' failure. Credit losses can never be totally removed but rather be controlled by means of FL. Borrowers are less likely to incur additional debt in a financially educated society, simply because loans are cheap and readily available. The financial system becomes more stable when financial institutions' bad debt is reduced by means of FL. As a result of financial system transparency, customers are knowledgeable and well informed, and they are going to direct their business away from riskier and poorly managed financial institutions to those that are better managed.
- (c) Finally, the economy is also concerned with FL. It encourages people and families to make wise use of their money by saving money that provides productive opportunities for investment which lead to economic development. FL also encourages a sensible and wise use of lending which is good for households and the wider economy if wisely used, credit availability can offer households with

various economic benefits, including the ability to buy goods and services, most notably a house, using their own income, self-financing, e.g. car purchases, labour mobility within the economy and students' loans to fund further study that can make a country's intellectual capital. For those seeking to set up a small business, which often is the key element of a growing and prosperous economy, access to credit is vital.

### **2.1.7 Expected Outcomes of FL in Nigeria**

The Central Bank of Nigeria (CBN) in its letter of June 28, 2012 to Banks, other financial institutions and other stakeholders on "Exposure draft of Financial Literacy framework in Nigeria" stated very many benefits that are expected to be derived from the implementation of this framework which cuts across individuals, households, the society, environment and the nation at large. These other benefits include the following:

1. Enhanced understanding and appreciation of the benefits of inclusive financial services. If people have detailed information about these services, they will have a thorough understanding of the benefits of various financial services.
2. The proportion of financially excluded persons decreased. Financial exclusion means reducing the number of Nigerians without access to financial services. The percentage is hoped to drop to 20% by 2020 in Nigeria from the present 46.3%.
3. Increase in Nigerians who use financial services in numbers and size. A greater number of users/customers will have greater access to financial services.
4. Financial literacy will support people to want to save more through improved financial discipline and culture of savings by promoting savings strategies by the government.
5. Increased enterprise, private enterprise and financial services connections. The business start-up process, typically a start-up company that offers a range of products, processes and services, is increasingly popular among young Nigerian entrepreneurs. This is possible once they know that financial services are accessible and can be utilised as a consequence of the increased exposure to FL.
6. Increased utilisation of financial services, leading to improved indicators of high profits and expansive sustainable operations of financial institutions. If people are

financially knowledgeable, they will use/utilise financial services more. This will increase the revenues generated in terms of interest/charges by financial institutions, and in terms of profit, this will improve their operational base.

7. Increased support for growth and well-being of Nigerians. The living standards of the country will improve greatly and the people of Nigeria will always be happy.
8. Reduce the prevalence of the financial system's illegal/fraudulent activities such as "Wonder banks" and "Ponzi schemes." If people understand much of the financial system through FL, the loss of the life savings of Nigerians from the activities of wonder banks will be reduced.
9. Keeping financial markets long-term trust. If people are knowledgeable about financial literacy the crises experienced in the capital market i.e lull in the stock market will be doused and more confidence will be placed in the market. The financial system will provide more public confidence.
10. Increase the chances of formal financial services being used. Traditional banking and other financial institutions such as commercial banks and micro-finance banks provide formal financial services. The various financial services provided by the institutions, such as payment services, savings services, cash transfers and mobile payments, will start to benefit people.
11. Prioritise economic growth as a whole.
12. Ability to make sound financial decisions in order to improve financial well-being
13. Increased competition and innovation, leading to a broader portfolio of products and services at lower prices in the market.
14. Reduce the gaps between consumers and financial service providers.
15. Create an environment that fosters industrial growth and development.

### **2.1.8 Target Audience of FL**

Financial literacy should be provided to all consumers and end users. Throughout a consumer or user's life, these specific needs for financial education will change. As a result, efforts to provide FL to certain populations are based on their unique needs. According to Government Accounting Office (GAO., 2004), financial education is regarded among all age groups and income levels but cautioned that consumers need

different kinds of financial information at different phases of their lives. Young people need to learn how to prepare for employment while working adults need to learn about credit management and pension schemes. On the other hand, pensioners will need information about how their pension fund is managed. Financial education must be provided at the correct time in which the information is relevant to events in a person's life, i.e. at teachable times.

Besides the above, special efforts must be made to reach specific groups as target audience. Some of the groups are:

- (i) Low and moderately earning individuals and families with less typical experience with complicated financial transactions like the purchase of a home and who can be more prone to fraud or deceit.
- (ii) Women with a low income, who do not usually have an employer providing any pension plan are often entitled to have relatively low social security incomes.
- (iii) Immigrant populations who may require information that might not be familiar to them on how to operate within the economic system of our country.
- (iv) Young people who need to learn how to make financially responsible decisions as adults.

Other FL target audiences include high school or college students, pupils, investors, employees, teachers and age-segmented subjects. FL should be learned early in the life of high school or college students so that they can grow into financially literate adults with the basic knowledge and skills to make wise decisions that will make them financially stable.

The skills will also instill the necessary habit in young students to improve their saving culture and increase their trust in money management. Another FL target audience are the investors. Investors can also be guided by FL in terms of how to access various financial products such as stocks, bonds, shares, and insurance products. Working adults/population, who make up the majority of employees in an organization, are also part of the FL target audience. Workers require critical information about investing for their retirement or managing their retirement funds. For example, workers in Nigeria should be taught the fundamentals of the various Pension Fund Administrators who can assist them in managing their retirement benefits and the various plans available to them, such as

annuities or programmed withdrawals. Many programmes for FL target home buyers for the first time. This is because ownership of homes is both a substantial investment and a major asset for families. Some of the programmes cover pre- and post-purchase issues as well as working with families over time to improve credit, find affordable housing and avoid crime and default.

### **2.1.9 Effects and Impacts of FL**

The effects or consequences of FL relate to what has happened and the different changes that have happened in individuals as a result of the financial training they have undergone or will undergo as the case may be. The effects of FL were reported by Boyce and Danes in their 1997-1998 report of a study sponsored by the National Endowment for Financial Education (NEFE) on evaluation of the NEFE High School Financial Planning Programme thus:

- (a) Almost 30% of students began to save after the training, while 15% increased their savings.
- (b) 37% of the students were better at monitoring their expenditure
- (c) 47% were more informed about loans and their costs
- (d) 38 per cent of the students were better-informed about investments and confident in their ability to manage their money, following participation in the programme.

According to Kolodinsky, Stewart, and Bullard (2004, 2006), some of the effects of financial education include helping them manage their money, getting their finances on course, debt payment, increasing their funding objectives, saving more, more assets, household incomes, getting better jobs, improvement of housing opportunities, increased self confidence, improvement of the quality of life, feeling more hopeful and becoming more involved in their neighbourhood and community.

### **2.1.10 Knowledge of Financial Literacy**

Knowledge is broadly defined as "a set of organized statements of facts or ideas which present a reasoned opinion or an experimental result that are conveyed systematically by some means of communication to others" (Bell, 1973 p. 175).

"Knowledge in this respect differs from information because it is information with added value. The communication channels can also be used, but there is a trade-off between the quantity and quality termed reach and wealth (Evans & Wurster 2000), or velocity and viscosity" (Davenport, & Prusak, 1998). Consequently, information serves as a key basis for knowledge. Many programmes were developed in order to improve information and knowledge in terms of practices and behaviour in financial management.

Knowledge and preferences for learning seem to be linked to more specific financial behaviours. "People who were better informed, are likely to participate in more cash flow management, saving money, and investment behaviours, " said Horgath, Beverly, and Hilgert (2003). The positive financial management conduct of cash flow management, saving and investing in this study was constantly associated with financial knowledge and financial learning experience only. It should be noted that consumers benefit from increased credit education, including credit cost information and the responsible use and management of credit.

Fundamental know-how and expertise are required to provide consumers with sound financial knowledge and skills needed to make responsible financial decisions. These are examples of basic financial knowledge needed in FL:

- (a) Budgeting
- (b) Saving
- (c) Money Management
- (d) Fundamental financial planning
- (e) Credit education, i.e. credit usage and credit management

The above, including borrowing, retirement planning, insurance and personal financing form the important variable of FL.

The Comptroller General of the US Government Accountability Office (GAO) clearly defined financial literacy as the ability to make informed judgments and to take effective actions regarding the current and future use and management of money. FL also enables one to understand financial choices, plan for the future, spend wisely, and manage the challenges that come with life events such as job loss and saving for retirement or a child's education. This definition captures all the essential areas of FL. Poor money management and financial decision-making lower a family's standard of living and interfere with goals

such as buying a home and financing retirement through investment in small and medium entrepreneurship.

"FL can generally be considered to have two dimensions: understanding (individual finance) and use (individual finance)" (Huston 2009). The dimension of knowledge refers to the stock of learning and/or experience acquired specifically in relation to the basic ideas and products of personal finance. FL also has a scope for application that implies that a person must have the ability and trust to make financial decisions using his or her financial knowledge.

### **2.1.11 Basic knowledge of financial information**

FL is defined as the capacity to manage basic financial information that can be used for informed personal financial decisions that include computerization, time value of money, compounding of interest, money illusion and inflation aspects of personal finance" (Cole & Fenando 2008). Financial decision makers may find it difficult to compare, saving or borrowing, investing or managing business ventures with different interest rates and term structure if they are not aware of financial know-how. Even skilled people can have to make informed decisions through using calculators or chart (Kondo & Toshio, 2008).

Aside from the fact that some people lack the cognitive ability to make sound financial decisions due to lack of financial knowledge or understanding, some have a phobia for figures. They become jittery and confused when they see anything with figures or numbers. In order to increase awareness or understanding of FL, they must improve their numerical knowledge and remove fear of numbers for informed decision making. Certain financial decisions could be taken, including where to work and how long to save and how to allocate investment, when to borrow, how to manage debt and how to manage assets for a potential period of time. As the international development community has not yet fully articulated and realized the importance of FL in developing countries, financial education and improvements initiatives are becoming more and more common; Shawn Cole and Fernando (2008) both saw this.

## 2.2 Sources and Methodology of Acquisition of FL

The methods used to enhance the knowledge and understanding of FL by individuals and their attitudes to it have a major impact on the personal knowledge and understanding. The methods to be used therefore need to be very sound and efficient. The following methods can be used to enhance consumer or individual FL efforts:

- (i) **Major media campaign:** a clear message underlining the importance of FL should accompany this. Television and the Internet are the two potentially effective means that can provide such a message.
- (ii) **Local newspapers and television stations:** can be used to collect financial information and disseminate ideas for maximizing available resources. Magazines can also help with this.
- (iii) **Seminars and workshops** are examples of other types of media that can be used to educate people about FL so that they are well-informed and understand it completely.
- (iv) **Personal financial experiences:** People who have a lot of financial experience can teach those who are younger and less experienced. Friends and family members may also be a valuable source of financial literacy to people (Braunstein, & Welch, 2002).
- (v) DVDs, online video, Newsletters, video and web casts, e-mails, phone, post card, new employee handbook, and orientation handout, according to Hung, Mihaly, and Yoong (2010), are examples of other media that may be useful.

FL is now available in Nigeria through the various initiatives of the government's agency such as the Small and Medium Enterprise Development Agency of Nigeria (SMEDAN). SMEDAN offers training and capacity building in fields such as bookkeeping and accounts management, business plan preparation, quality control, and computer or information technology (IT) applications, and so on. This is according to the SMEDAN pamphlet's answer to a question about what SMEDAN can do for people. They also provide people with access to finance (SMEDAN Handbill, 2011) The aspects of bookkeeping, accounts management, access to finance, and even the preparation of business plans all come under the category of FL, which can be accessed via SMEDAN.

### **2.3 Utilisation of FL Skills: Issues and Perspectives**

FL refers to how different skills such as money management, savings culture, budgeting, credit or loan accessibility, financial decision-making, and investment knowledge can be put to practical use in the management, growth and survival of small and medium-sized enterprises. The collection of skills and information that enables a person to make informed and successful decisions about their financial resources, such as earning, managing (paying expenses, saving, spending discretionary income), investing, and donating is a general meaning of FL. Vanpaten and Benati (2010) described a skill as the ability to perform a task rather than inherent competence or mental representation. From a psychological viewpoint, Conford (1996) highlighted nine (9) distinct distinguishing characteristics of skill and skilled performance that were argued to be the most valid in accounting for individuals' skill development and performance. According to him, these attributes include:

1. It is possible to learn a skill.
2. Motivation, purpose, and goals are all part of a skill.
3. Schemas are required for competent results.
4. Material and context awareness are needed for skills to be performed and transferred.
5. Skills are performed and transferred in the presence of particular stimuli.
6. Skills entail context-relevant problem solving. Skills entail relative judgments, with individual variations in skill output apparent.
7. It is important to maintain a high level of excellence.
8. Ability necessitates equal replication.
9. A significant amount of time is taken to achieve high levels of skills.

If all of the above qualities are well-understood and illustrated, they can significantly assist in the application of FL skills. Budgeting, credit management, and long-term investing are all useful life skills to possess, but they are not always simple to understand and implement. Bad money management, which can also lead to a downward spiral into poverty, poses serious challenges for adults and youth alike. As a result, teaching the basics of FL will help members of the community avoid falling into poverty.

People's expectations of FL skills vary significantly from what they actually do. To be effective in business or handle/manage one's finances which is a component of FL, a person or entrepreneur does not always need academic qualifications or a degree in accounting. To succeed in business, one must possess a comprehensive understanding of all FL skills as well as a natural aptitude for applying them. Although the typical "Ijesa guy" may lack formal education, he will succeed in business due to his natural endowment to be prudent and his understanding of basic FL skills such as money management.

A successful entrepreneurial growth strategy in Nigeria, according to Weihrich and Koontz (2005), is focused on three basic developable skills that remove the need for defining unique characteristics and provide a useful way of looking at and understanding the entrepreneurship process. Weihrich and Koontz (2005), describe a skill as “ability that can be created rather than inborn, and that is reflected in experience, not just in potential, so the primary criterion of skillfulness must be successful action under varying conditions”

For an entrepreneur's successful utilisation of FL skills, there are three types of skills that are fully adaptable or appropriate. The following are the details:

(a) Mental skill: This refers to the ability to see the enterprise as a whole. Conceptual competence is recognizing how the different roles of the organisation in Nigeria are interdependent and how changes in one part affect all the others. It entails visualizing a business relationship to its sector, culture, and the nation's political, social, and economic powers as a whole, as well as identifying these connections and perceiving the important elements in any situation.

(b) Human skills: This is mainly concerned with social interaction. Human skills can be seen in how an individual perceives and understands other people's perceptions. Individual ability is an integral aspect of the strategic management of an enterprise. Rather than depending on others' guidance, the entrepreneur must develop his own skill.

(c) Technical skill: Technical skill refers to a specific form of entrepreneurial operation that involves strategies, systems, procedures, or techniques. Almost all vocational and on-the-job training programs are structured to help people acquire these advanced technical skills. Technical skill is the most familiar skill for it is the most concrete and it is the skill required of the smallest number of entrepreneurs.

Every ability, including FL skills, must first be learned before it can be used in any context. The antidote to the country's unemployment problem is skill acquisition. The operations of the FGN's different agencies are used to develop skills. Among these organizations are the National Directorate of Employment (NDE), the SMEDAN, the BOI, and a slew of others. The Graduate Internship Scheme (GIS) of the Federal Government is included. Individuals are also interested in the execution of the skill training programme. The President's wife, Hajia Aisha Buhari, is an example of such individuals, as she runs a pet programme that emphasises skill acquisition. Several states and women organizations have benefited from this initiative. Following the programme, these individuals are given the opportunity to start one or more small businesses. This is in order to lower Nigeria's current unemployment rate. The Graduate Internship Scheme, for example, trains 50 graduates in Bauchi State. Graduates of the GIS programme undergo instruction in a number of fields, including entrepreneurship, business management, and financial control. The GIS aims at providing marketable and employable skills to unemployed graduates.

## **2.4 Small and Medium Scale Enterprises: Concept and Importance**

SMEs are essential to Nigeria's economic development and growth. The Nigerian government has made substantial efforts in this regard, but despite the governments' and other stakeholders' efforts, most small businesses are short-lived. According to statistics, 70-80 percent of companies fail in their second year of operation due to a lack of insight into the market. This view was supported by Nikki Summers, the Director of Sage One, East-West Africa.

### **2.4.1 Concept of SMEs**

There is no commonly accepted definition of SME. SME is described in a variety of ways by numerous writers. Ogechukwu (2011), described SME in terms of capital outlays, employee numbers, sales turnover, fixed capital expenditure, available plant and machinery, market share, level of production, and even nomenclature. There are no universal metrics to measure SMEs.” SMEs are often described differently from one country to the next, as well as from one industry to the next, from one school to the next, and from one author to the next. This is in line with Fatai (2010)’s values.

Two meanings can be identified to mitigate disagreements in the conceptual clarification of SMEs' definitions. These are: Theoretical and Operational. “Theoretical concepts of SMEs consider qualitative criteria including autonomy, personal comprehensibility, financial and personal commitment of at least the owner,” (Henschell, 2009), “while operational criteria that are quantitative include annual turnover, number of staff, capital outlay, size, location, and technology.”

There are various meanings of SMEs in Nigeria. Over the years, numerous scholars, organisations, government departments, and policies have proposed different ways to describe SMEs according to Fatai (2012). These definitions take into account the various characteristics of SMEs as well as the country's current economic situation. It is worth noting that the meanings of SMEs in Nigeria have not always been clear. Changes in exchange rate and levels of inflation amplify the fluctuations in the meanings, but it has been reviewed on a regular basis. These numerous reviews have resulted in the structure required for the administration of policy measures based on the various concepts adopted by the various agencies as necessary framework. The framework led to the establishment of a National Policy on Micro, Small, and Medium Enterprises (MSMEs) designed by SMEDAN, a Federal Government agency.

SMEs can be categorized based on their size, industry, organisation, technology, and region, according to SMEDAN's national policy on MSMEs. Among these constant variables, size is the most realistic basis for classification. On the other side, the National Policy on MSMEs employs a classification scheme that is based on two factors: employment and assets. The definition of MSMEs as defined by the National policy is summarized in the table below:

**Table2.1: Classification adopted by National Policy on MSMEs**

	Size Category	Employment	Assets(N70 million) (excluding land and building)
1	Micro enterprises	Less than 10	Less - than 5
2	Small enterprises	10-49	5 - less than 50
3	Medium enterprises	50-199	50 - less than 500

**Source:** National policy on micro, small and medium enterprises (2013)

A micro enterprise/business employs less than ten people and has an asset base of less than N5 million, while a small business employs between 10 to 49 people and has an asset base of between N5 million and N50 million, according to the table above. The medium enterprises employ between 50 and 199 workers with its asset base standing between N50 million and less than N500 million. To be specific, the policy notes that if employment and asset requirements clash, the employment-based classification will take precedence. For example, if an enterprise has a total asset worth seven million naira (N7m) but employs seven persons, such an enterprise would be classified as Micro.

Other agencies, institutions, and organizations adopted other definitions apart from those stated by the National Policy on MSMEs. In Nigeria, for example, authors have introduced more realistic concepts of SMEs. This can be seen in Table 2.2 below:

**Table 2.2: SMEs Definition in Nigeria**

<b>Author</b>	<b>Year</b>	<b>No of Employees</b>	<b>Capital Employed/Asset</b>
The small Scale Industries Association of Nigeria	1973	Not more than 50	N60,000 (Pre-SAP release)
The third National Development Plan	1975-1980	Less than 10	N600,000
The Federal Government	1980	Nil	N150,000
The Centre for Management Development (CMD)	1982	50 full-time workers	Nil
The CBN (CBN)	1995	Nil	Less than N500,000
Ogundele	2000	5	N5000
The Federal Ministry of Commerce and Industry	2003	Not more than 50	N250,000

**Source:** Yusuf & Dansu, SMEs, Business Risks and Sustainability in Nigeria (2013)

#### **2.4.2 Importance of SMEs**

Nigeria faces a number of challenges, the most pressing of which are poverty, unemployment, and corruption. Poverty and unemployment are not limited to Nigeria; they can be found across the African continent. “Efforts to tackle poverty and unemployment in Africa and raise living standards will only succeed if SMEs build jobs at the national and regional levels, both in rural and urban areas” (Qureshi, 2012).

The Nigerian government appears to have recognized the strategic importance of SMEs as a result of Qureshi's (2012) argument. To help in the growth of the subsector, the government has developed a slew of policies and programmes. Industrial and technological development are dependent on the growth of SMEs (Crema & Nosella, 2014).

SMEs have made and continued to make important contributions to raising people's living standards around the world by creating jobs, relieving society of social shame, encouraging indigenous entrepreneurship, and maximizing the use of limited resources. Efforts are being made to minimize poverty rates in developing countries as part of the Millennium Development Goals (MDGs), as well as to reduce people's dependence on government and the so-called white collar employment. The expansion and advancement of SMEs will help to realize these goals (Eneh, 2007). Small and medium-sized enterprises (SMEs) that show sound business models and strategies, as well as the commitment needed to run a successful business in today's dynamic world, would benefit from entrepreneurship. SMEs are crucial in Nigeria, as they are in other countries around the world, such as Russia, where they have contributed significantly to the country's Gross Domestic Product (GDP). SMEs are estimated to have contributed 23% of Russia's GDP in 2013.

Nigeria had over 19.4 million Micro, Small, and Medium Enterprises (MSMEs) as of 2013. MSMEs employed over 43.6 million people in 2013, accounting for over 46.5% of Nigeria's GDP (SMEDAN, 2014). Small and medium-sized enterprises (SMEs) have played an important role in Nigeria's economic growth and development. “SMEs account for 97 percent of all businesses in Nigeria,” (Ario, 2008). In addition, they recruit half of Nigeria's population and generate half of the country's industrial output.

The following are some of the other important contributions of SMEs to Nigerian economic growth:

- (i) SMEs are sources of job growth because they generate more jobs per unit of venture capital and energy consumed globally. They provide employment opportunities to a significant number of Nigerians who are currently unemployed.
- (ii) SMEs serve as a breeding ground for the growth of local entrepreneurs in a variety of economic activities.
- (iii) SMEs, especially in rural areas, contribute to economic and social growth. SMEs are mainly found in rural areas because they can thrive on rudimentary industrial infrastructure. SMEs support the reduction in rural-urban migration.
- (iv) SMEs contribute to the development of rural infrastructure and people's living conditions when they are situated in rural areas.
- (v) The presence of SMEs decreased job seekers' dependence on government and large companies by job seekers for salaried jobs while they also create opportunities for the development of local skill growth and technological acquisitions.
- (vi) SMEs have effects on large businesses by providing them with raw materials and products. They also handle the distribution of finished products from major companies to end users who are the final consumers.
- (vii) SMEs contribute to the country's economic growth by generating foreign exchange that can be used for further development of the economy.

The Nigerian government has put in place a range of policies and programmes to help SMEs recognise their importance in promoting economic growth and development. Some of these measures include: commercial banks' and other financial institutions' mandatory minimum credit allocation to SMEs, the implementation of specialised schemes such as the World Bank's SME I and SME II loan programmes, and the Family Economic Advancement Programme (FEAP), the mandatory 10% profit before tax on bank profits, the consolidation of all poverty alleviation agencies, including the Nigerian Bank for Commerce and Industry (NBCI), the National Economic Reconstruction Fund (NERFUND), and the Nigerian Industrial Development Bank (NIDB), into a single agency to administer loan schemes to SMEs at lower-than-commercial rates, establishing the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) as the umbrella agency to coordinate the development of the sub-sector, establishing the National Credit

Scheme for SMEs to facilitate access to credit without difficult collateral requirements, developing new industrial estates across the country, and reviewing the Entrepreneurship Development Programme/Workshop for Yourself in government agencies and educational institutions (Sanusi, 2001; NIPC 2004; Oyelaran-Oyeyinka, Adelaja & Abiola 2007; Abubakar & Yahaya, 2013).

MSMEs are recognised as important growing and breeding grounds for local entrepreneurial capabilities, technical knowledge, technological innovation, and leadership effectiveness, all of which are essential for private sector development. Not only can they provide the bulk of the workforce with employment and wages, they are the main source of new jobs, but they may also serve as vital grounds for the breeding of entrepreneurial ability, technical expertise, technological innovation and management skills in the private sector. (SMEDAN, 2013)

Many workers both in the private and public sectors were laid off as a result of the banking consolidation of 2005 and the earlier economic downturn in Nigeria, but many of these displaced workers were absorbed into the SME sub-sector. Many of the displaced workers were able to find work in one artisan job or another that were available in the small scale business sector. The incorporation of these individuals into this sector elicits and confirms the critical importance of SMEs.

## **2.5 Historical Development and Role of Small Scale Industry in Nigeria**

Small, medium, and large businesses are the three areas into which the Nigeria business activity can be classified. Since SMEs help to foster economic development in Nigeria, all levels of government have policies in place to encourage the growth and sustenance of SMEs at different times. Project costs, capital, and employee turnover costs, among other factors, can be used to describe an industry category. The value of installed fixed capital, for example, has been adopted by the Federal and State Ministries of Industry and Commerce as a criterion for deciding what constitutes a small scale industry.

Five million naira (N5m) is the current value of a small scale industry. A small scale industry, for example, can be classified as a company or enterprise whose annual turnover exceeds that of a cottage industry currently put at N5,000 and below the upper limit of N250,000 per year.. The National Directorate of Employment (NDE) has described a small

scale industry as earning a maximum of N35,000 per year. A small and medium-sized company, according to CBN (2012), is one with a turnover of less than N500,000.

Women's involvement in Micro, Small, and Medium-sized Enterprises (MSMEs) is growing and they contribute 60% of the nation's GDP and 94% of total jobs and more than 97% of all enterprises (Udechukwu, 2003; Ndubusi, 2004). According to the Nigerian Vice President Prof. Yemi Osinbajo, "it is when people are able to do things for themselves that we can claim that we are developed." There is no country that can develop without powerful small and medium enterprises. Nigerians, predictably, have commercial interests. The problem here is lack of capability building. People are perceived to have ideas but are unable to bring them into fruition. Some people are even lacking in book-keeping. People with a greater understanding of bookkeeping and the ability to put their many positive ideas into action would benefit from FL.

In Nigeria, our great-grandparents were active in yam barns, iron smelting, farming, cottage industries, and other businesses. The key to people's success of a self-reliant plan is their attitude toward business and whether or not the right opportunity is sufficient to make the risk worth taking.

Almost all global multinational companies started as small businesses that grew in size as their industry grew, either replicating existing goods more cheaply or improving their ability by sheer ability, as demonstrated by economic history. Even on a global scale, conventional factories, cottage industries, and a large number of small scale companies dominated the early stages of Japan's economy, which derived their strength from an abundant supply of labor rather than from an abundance of capital. SMEs make up a greater percentage of all registered businesses in Nigeria, and they have been around for a long time. Cottage industries and small-scale enterprises gave way to medium and large-scale businesses.

The following categories can be used to outline the history of the development of small-scale industry in Nigeria:

### **1. Pre-independence period:**

United African Company (UAC), G.B.Ollivant, Unilever Plc, Patterson Zechonics (PZ), Leventis, Kingsway Store, and other colonial and other European multinational companies dominated the market environment during this period.

These firms specialized in bringing finished goods into Nigeria from their parent firms in other countries. The Nigerian Industrial Development Bank (NIDB) was established near the end of the 1950 to support aspiring entrepreneurs in agriculture, trade, and industrial production. Educated Nigerians were not especially involved in entrepreneurship at the time, since they were focusing on the seats being vacated by expatriate workers leaving the civil service to return home in preparation for Nigeria's independence in 1960. Even back then, Nigerians regarded civil service as more prestigious than business.

**2. The 1970-1976 Period:**

This time saw a tremendous breakthrough in small scale industry with the promulgation of the indigenization decree in 1972 and, later, the Nigeria Enterprises Promotion Act in 1977. This time, the Federal Government made a concerted effort to ensure that Nigerians play an active and meaningful role in the country's economic development. Small-scale industries, especially in rural areas, were given special attention in the 1970-74 National Development Plan. Small and medium-sized companies were highlighted as incubators and training grounds for entrepreneurs.

**3. The 1980-1989 Period:**

According to Ayozie (2008), during this time frame, government policy measures in Nigeria focused on the technological aspects of small-scale industrial development. This period witnessed the introduction of the third and fourth National Development Plans when the Federal government of Nigeria tried to increase its funding and commitment to the establishment of research and development firms, the Federal Institute of Industrial Research in Enugu, Industrial Development Centres, and the allocation of funds to carry out viable projects resulting from policy paper prepared by the Nigerian Councils for Science and Technology and others. The Structural Adjustment Programme (SAP) was initiated in 1986 under the reign of General Ibrahim Babangida and this made matters worse for labour employers thus creating a veritable conducive environment for self-employment.

#### **4. The Period 1990 and Beyond:**

The Federal and state governments both contributed to the creation of small-scale industries in Nigeria, particularly in rural areas. The Federal Government's plan for educating and encouraging unemployed graduates to pursue gainful jobs in out-of-school entrepreneurship development programmes is one of the most recent examples. With the help of the NDE, approved loans were disbursed via pre-selected commercial banks. The Peoples Bank of Nigeria (PBN) was also giving out soft loans to unemployed youths and artisans in order to divert their attention away from government-paid work and toward gainful self-employment.

Prior to this point, a strong focus was placed on white collar job for graduates of higher institutions. However, the emphasis changed far more recently, when self-employment was strategically emphasized and thus became the norm.

To top it off, educational agencies such as the National Board for Technical Education (NBTE), the National Universities Commission (NUC), and the National Youths Service Corps (NYSC) were guided to integrate the entrepreneurship development course into the various curricula of tertiary institutions and the NYSC programme, demonstrating the Federal Government's seriousness about the problem. Small-scale entrepreneurs are critical to a country's economic development. They employ a sizable portion of the labour force, mostly from the informal sector, depopulating an over-saturated labour market. Recognizing their role, the NDE supports them by organising entrepreneurship/business training programmes aimed at improving their basic entrepreneurial skills and constraints.

##### **2.5.1 Problems militating against small scale entrepreneurship**

This segment will concentrate on the financial difficulties that small-scale entrepreneurs face, which can either directly or indirectly impede or influence successful management and survival of SMEs, which is the subject of this study.

The most pressing issue that small-scale entrepreneurs face is finance. Short, medium, and long-term loans are also difficult to come by for most companies. Entrepreneurs lack or are unable to provide the collateral securities demanded by banks to

guarantee the types of loans needed to fund their businesses, preventing them from obtaining full access to credit.

Although the federal government of Nigeria instituted some credit schemes or institutions such as the National Economic Recovery Fund (NERFUND), Small Scale and Medium Industries Equity Investment Scheme (SMIESIS), Family Economic Advancement Programme (FEAP), Bank of Industry (BOI) and a host of others, to provide necessary financial assistance and incentives for the establishment of small and medium scale projects, they failed to realise their purposes.

Gockel & Akoena (2002), stated that the factors hindering SMEs' growth include the following among others: finance, lack of skills, equipment and technology, regulatory issues and access to international markets.

Udechukwu (2003), listed a number of other problems in Nigeria as a whole that impede small entrepreneurship and there is no exception to Osun State.

The following are the problems listed by Udechukwu:

- (i) The lack of an entrepreneurial estate plan, which leads banks to reject a loan application on account of high risk enterprises. This shows that nobody has a management role to play once an original owner of the business dies.
- (ii) Inadequate financial rule
- (iii) Feasibility studies poorly prepared
- (iv) Adequate collateral insufficiency
- (iv) In general, high costs of funds, loans interest paid are cut throat
- (v) Equity base insufficiency

All or some of these factors hinder the ability of businesses to acquire the required credit facilities that can help business growth and ultimately lead to management to their survival.

### **2.5.2 Government Agencies and their Contributions to SMEs**

The Small and Medium Enterprises Agency of Nigeria (SMEDAN) and the Bank of Industry Bank (BOI) are among the various government agencies which significantly contribute to SMEs which will be considered in this study.

**(a) Small and Medium Enterprises Development Agency of Nigeria (SMEDAN)**

The SMEDAN Act of 2003 established the Small and Medium-sized Enterprises Development Agency of Nigeria (SMEDAN), with the aim of promoting and facilitating the development of the SMEs. The Agency has created, revitalized and expanded MSMEs in the country as a one-stop-shop. Because they are the foundation for SMEs, micro enterprises are incorporated into the agency's customers. SMEDAN is responsible for the overall coordination of the implementation of the National MSME.

SMEDAN's vision is to develop and promote Nigeria's long-term economic development through structured and efficient micro-small and medium enterprises sector. SMEDAN's mission is to make it easier for MSMEs and investors to access all of the resources they need to grow and develop. The creation of SMEDAN as justified in the following statement was found in the policy statement establishing it:

*“A well- developed micro, small and medium enterprises (MSMEs) has proven to be one of the most veritable channels to combat poverty. The establishment of SMEDAN is therefore justified by the need to trigger the development in the Nigeria’s SMEs structure and efficient manner  
“(SMEDAN, 2002)*

Poverty is exacerbated by a lack of access to income-generating opportunities as well as a lack of capacity to capitalise on those opportunities, according to the above quotation. This may be a social ailment that jeopardises global prosperity, as well as national economic growth and development. The only way and the most veritable channel to combat poverty is a well- developed MSMEs sector which SMEAN is out to promote.

The major functions of SMEDAN which in effect elevate its contribution to SMEs include the following among others:

- “stimulating, monitoring and coordinating the development of the MSMEs subsector
- initiating and articulating policy ideas for SMEs growth and development
- promoting and facilitating development programmes, instruments and support services to accelerate the development and modernization of MSME operations
- serving as vanguard for rural industrialization, poverty reduction, job creation and enhanced livelihoods

- linking MSMEs to internal and external sources of finance, appropriate technology, technical skills as well as large enterprises
- promoting and providing access to industrial infrastructure such as layouts, incubators and industrial parks
- working in contact with other institutions in both private and public sectors to create a good enabling environment of business in general and MSME activities in a particular business embracing training, counseling and mentoring.”

SMEDAN has her head office located in Abuja and it also operates various Business Support Centres (BSC) in all the states of the federation.

**(b) The Bank of Industry (BOI)**

The Bank of Industry (BOI) is Nigeria’s oldest, largest and most successful development finance institution. The BOI emerged in 2001 from the reconstruction of the erstwhile Nigerian Industrial Development Bank (NIDB) which was established in 1964 under the operational guidance of the World Bank. The International Finance Corporation (IFC) initially owned 75% of the initial equity, while the Federal Government held the remaining 25%. The bank's approved share capital has been raised to N250 million in order to better address the country's growing economic profile and to fulfill its mission of providing long-term financing to Nigeria's industrial sector.

They currently oversee over twenty development initiatives in collaboration with the private and public sector organizations, as well as domestic and international agencies such as the UNDP, UNIDO, AfDP, MAN, SMEDAN, NASSI, and others. Between 2005 and 2013, their loan portfolio expanded from N9.8 billion to N314.01 billion.

BOI has as its vision to be: “a leading self- sustaining Development Finance Institution operating under sound management and banking principles that would promote the emergence and development of a viable competitive industrial sector in Nigeria”. The Bank has as its mission “to transform Nigeria’s industrial sector by providing financial and business support services to enterprises. The mandate of BOI is to provide financial assistance for the establishment of large, medium and small projects as well as expansion, diversification and modernisation of existing enterprises and rehabilitation of ailing ones (BOI, 2014).

BOI, 2014 further states that the bank operates an office in each of Nigeria's six geo-political zones i.e South East, South West, South-South, North East, North West and North Central and in the Federal Capital Territory (FCT), Abuja. The Bank of Industry assists projects to generate considerable multiplier effect such as industrialisation, job creation and poverty alleviation, all of which invariably enhance the socio-economic life of Nigerians. BOI has contributed to sustainable financing through its operational objectives.

The bank is committed to the accelerated production of SMEs in line with the Federal Government's industrial policy objectives as outlined in NEEDS. The Bank's strategic focus is on the country's organised industrial transformation, with the following priorities in mind:

- stimulating economic activities throughout the nation and mobilising local resources for programme and long-term financial system for the growth and development of the economy
- fostering local entrepreneurship and revitalising indigenous economic practices that can be harnessed from comparative advantages; and
- generating jobs, with a preference for businesses that can generate foreign exchange.

The above represents the operational goals of the bank, and in order to meet them, the bank has taken the following steps:

- "The new management of the Bank of Industry has dedicated 85% of the bank's capital to SMEs, leaving 15% for large businesses, which must also have ties with SMEs."
- Collaborating with Nigerian state governments to organise entrepreneurial development workshops known as Boot Campus for aspiring businesses.
- Developing markets by assisting businesses that can add value to local raw materials, generate employment, and have export potential by creating value chains.
- Paying particular attention to women and children who face considerable difficulties in accessing credit from financial institutions. Women's financial empowerment benefits their families, and this is why the BOI developed a women's desk to assist women" (Oputu, 2008).

## 2.6 Survival of Small and Medium Enterprises (SMEs)

"The condition of continuing to live or function, sometimes despite difficulties or risk," according to the Oxford Advanced Learner's Dictionary (2010) is called survival. It is also the condition or reality of living or existing in the face of hardship, ordeal, or difficult circumstances. Survival is usually a short-term target for small businesses that are only getting started, as a major competitor hits the industry, or during a recession.

Survival mode in industry involves reducing expenses, laying off workers, tightening project margins, and saving capital, as compared to increasing mode, which entails reinvesting earnings, expanding activities, and developing long-term development strategies. Businesses must determine how they can prepare for survival or progress, and as a result, they must conduct business planning to assist them in doing so. Business planning refers to the stages that a company must go through in order to grow. This will be made possible by putting all the FL skills into practice. FL skills could also be combined with the following survival strategies for SMEs, as explained by Malcom Johnston:

- Keep an eye on your cash flow by understanding what your finances are telling you. Purchase no more stock than you require. You must also issue invoices on time and maintain contact with your bank.
- Reduce your costs by looking for ways to save money in every aspect of your business.
- Run a credit check on new customers.
- Concentrate on customer retention- cash can be used to attract and retain new customers.
- Providing excellent customer service. This distinguishes you from your competitors.
- Increase your marketing efforts.
- Pay attention to what you sell.
- Train your staff.
- Simplify your operation.
- Log on to the internet.

During the survival point, the business grows in size and profits. In order to be competitive and stay in business, an organisation or business must have both profitability and growth. Profitability is critical for a company's sustainability, but long-term survival requires expansion.

The longevity of the company is determined by its results. The success of SMEs determines their level of survival. Performance is widely used as a metric for assessing a company's health over time. "Performance, according to Eniola and Entebang, (2015a), encompasses various definitions, such as growth, success, survival, and competition, and it can be defined as the firm's ability to produce suitable outcomes and actions," The health of a firm determines the survival of such a firm. The performance and survival of SMEs may be jeopardised by lack of FL.

Various studies revealed that, the majority of the SMEs struggle to outlive their owners. Ifekwen, Kuye, and Oghojafor of 2011 and Idemobi's study of 2012 are examples of these studies. The failure of SMEs owners to pay enough attention to business risks and their management has been attributed to the problem of owners not surviving SMEs (Terungwa, 2012). Some of them, on the other hand, are completely ignorant of the threats that their enterprises face from both internal and external sources, even those posed by entrepreneurial actions. For efficient and proper management of SMEs, a true understanding and practise of various FL techniques such as managing money, for example, is needed. Financial decision making, saving culture, budgeting ability, credit or loan accessibility, and investment knowledge should all be developed. Lack of management of these various skills, constitute a major challenge to the survival of SMEs in Nigeria. West and Wood (1972) state categorically that 90% of all business failures stem from lack of experience and competence. "Inadequacy of overall business management and inadequate record keeping are key characteristics of most SMEs, leading to misappropriation of funds and inaccurate and expensive decision making," Roger (2002). Various institutions, including Ministries, Departments, and Agencies (MDAs) such as SMEDAN, BOI, NACRDB, and Ministries of Finance at the federal and state levels, feature in series of activities that support the survival of SMEs in Nigeria, including Osun State. Assistance in the survival of SMEs could be provided through the provision of credits and loans to beneficiaries, as well as capacity building in the form of training for entrepreneurs. For example, the financial performance of BOI in terms of loan approvals to MSMEs improved dramatically in the first half of 2016. This could have resulted in the effective management of SMEs, which have created significant employment opportunities across the country and have also had a positive impact on the living standards of

communities where they are located. A comparison of the highlights of BOI's half-year performance in 2015 and 2016 reveals the following:

**Table2. 3: Highlights of half year performance of BOI**

Parameter	As at June 2016 N	As at June 2015 N	Improvements in 2016 over 2015
Loan approvals to MSMEs	10.64b	2.62b	306%
Loan disbursement to MSMEs	3.36b	1.46b	130%
Collections from MSMEs	2.97b	2.91b	2%

**Source:** BOI Impact, 2015

To ensure the survival of SMEs, one should begin by following the path that leads to financial freedom, which necessitates practice and discipline. Shipley (2013) suggests a few simple steps to help with the journey:

- (1) Begin saving for the future now: It is critical to begin saving for the future now.
- (2) Form a budgeting habit: Keep track of how much you earn and how much you spend. Monitoring expenses on a monthly basis and adjusting a budget as life shifts depending on deficits or surplus would help you to take control of your personal finances and start planning for the future.
- (3) Educate yourself on investing: Take the time to learn the fundamentals of investment. Have a basic understanding of asset portfolio management. They are useful in managing retirement investment accounts, navigating the volatile economy, and avoiding potential scams and fraudulent transactions.
- (4) Bank smart: Bank smarting entails taking into account tips such as;
  - (a) Visiting various banks to find the best interest rates.
  - (b) Being aware of the consequences of overdrawing your cheque account. Contact your bank to find out how you can avoid overdraft fees.
  - (c) Using ATM machines at banks instead of withdrawing cash in the banking halls, which attracts fee charges.
- (5) Avoid credit cards and debt accumulation: A poor credit rating can have an impact not only on a person's ability to get an apartment, but also on their ability to make an investment. A strategy for paying off unwanted debts should be devised, with the highest interest rate cards or loans being paid off first.
- (6) Set goals: It is critical to write down clear goals for the future and make plans to achieve them. Taking the time to write down one's goals and aspirations will pay dividends.

### **2.6.1 COVID-19 and survival of SMEs**

This segment will look at the effect of COVID-19 on the survival of SMEs. In most cases, the effect is perceived as being negative. It would also show how the Federal Government has taken proactive measures to minimise the negative effects of the COVID-19 pandemic on the survival of SMEs.

The COVID-19 pandemic corona virus disease was discovered in Wuhan, China in 2019. It spread to Nigeria in February 2020. As of March 2020, all states in the federation of Nigeria were completely shut down. All economic and business activities were completely paralysed, and the entire country was brought to a standstill. All sectors, including domestic and international flight operations were affected. Trading activities both at the local, national, and international levels were shutdown. Because there were no movements within and across state borders, SMEs were unable to engage in any activities, and their survival was thus jeopardised and thus negatively affected.

The COVID-19 pandemic created severe economic consequences for all countries worldwide, including Nigeria, and Osun State which were particularly hard hit. The lockdown froze all economic activities, resulting in massive job losses and supply disruptions. As a result of this, the FGN has begun a nationwide rollout of two MSMEs initiatives, namely: The MSME Survival Fund, with the payroll support track as the first scheme to roll out 60 billion naira, and the Guaranteed Off-take scheme (15 billion naira). The MSME Survival Fund, worth 75 billion naira, will help cushion the effect of the COVID-19 pandemic, with the goal of boosting the economy by preserving existing jobs and creating new ones.

The MSME survival fund is a type of conditional grant intended to help distressed micro and small enterprises fulfil their payroll commitments and keep jobs in the MSME sector. At least 1.3 million jobs are estimated to be saved across the country with over 35,000 individuals affected in each state. The MSME survival fund scheme will be implemented over a three-month period to provide immediate relief from the pandemic's economic impact. The scheme is aimed at two types of beneficiaries: employees of MSMEs and self-employed individuals. Both schemes call for a 45% female business participation rate and a 5% special needs participation rate. Companies that are to benefit are to meet the following criteria:

- (a) Employees' companies must be registered with the Corporate Affairs Commission (CAC).
- (b) The CEO of the company must have BVN.
- (c) Must have a staff of at least three people.
- (d) The company must be owned by a Nigerian.

The self-employed individuals should fall into one of the following categories:

(i) Transportation service providers, such as bus drivers, taxi drivers, ride-share drivers (Uber, Bolt Taxify), and mechanics

(ii) Artisans, electricians, plumbers, and so on

It is worth noting that the main goal of the Guarantee off-take stimulus scheme is to boost the production capabilities of small businesses in order to ensure their survival, i.e remain in business.

The features of the MSME survival fund include the following:

(1) Payroll Support – Provide support for 500,000 vulnerable MSMEs in fulfilling payroll obligations of between N30,000.00 and N50000.00 per employee over a period of three months.

(2) Formalization Support – Provide 25,000 new businesses with free CAC business name registration.

(3) General Grant – Support the survival of 100,000 businesses most affected by the COVID-19 pandemic with N5,000 each

(4) Artisan/Transport Support – Include a N30,000.00 operations grant to 333,000 artisans and business owners to help them reduce the effects of income loss

(5) Guarantee off-take Scheme – Large-scale purchase of products from 100,000 MSMEs to protect jobs and livelihoods.

The Federal Government's implementation of the N75 billion MSMEs survival fund is intended to ensure the survival of all SMEs across the country. This does not rule out Osun State.

### **2.6.2 Indices of Survival of SMEs**

Survival of SMEs refers to keeping the enterprises operating for a certain amount of time. It may also refer to the ability of an enterprise to realize and actualize its outcome and expectations in line with its mission, goals and objectives despite the prevailing environmental or economic conditions. Imoisili (1978) was of the opinion that SMEs' survival is the enterprise's ability to achieve sustainable growth and realization of its goals which leads to eventual performance. This has to do with the overall success of the enterprise. An enterprise can only survive when it is able to adapt to the environment and satisfy its customers.

Indices generally are things that are signs of something else especially because they increase or decrease in proportion to the signs. Other similar concepts/words that can be used as indices are indicators or measures. An indicator is a sign of something that shows the state of health of something else. Thus, indices of SMEs' survival show the state of health of an enterprise under which it will ultimately survive and realize its goals and as well perform eventually.

According to Simpson (2007), there are two major indicators or indices of survival of SMEs. These are: financial and non-financial measures. These measures can further be broken down as follows:

- (a) The financial indicators or indices include the following:
  - (1) Profitability – To be successful and remain in business, profitability and growth are important and necessary for an enterprise to survive and remain attractive to investors and analysts. Profitability is of course critical to an enterprise's existence but growth is crucial to long term survival.
  - (2) Returns on capital
  - (3) Productivity of assets
  - (4) Sales margins
  - (5) Net operating margin
- (b) The non-financial indicators or indices include:
  - (i) Degree of employee's satisfaction
  - (ii) Ability to retain management talent
  - (iii) The degree of customer's satisfaction
  - (iv) Owner's satisfaction
  - (v) Superior products and services

Other criteria suggested by Cameron (1978), that could be used in the measurement of SMEs' survival are effectiveness and efficiency. Paige and Littrell (2002), also asserted that scholars include objective extrinsic factors such as increased profitability and wealth as the criteria for enterprise's survival.

## **2.7 FL Skills and Survival of SMEs**

The survival of SMEs is heavily dependent on mastery and application of various FL skills. SMEs will succeed and be highly profitable if their skills are fully and adequately utilised. As a result, learning to use FL skills is extremely beneficial. FL skills include, but are not limited to, the following:

- (a) Financial decision-making skill
- (b) Money management skill
- (c) Savings culture skill
- (d) Budgeting skill
- (e) Credit or loan accessibility skill
- (f) Investment knowledge and ability skill

### **2.7.1 Financial Decision Making Skill and Survival of SMEs**

In every organisation or endeavour, decision-making is important. Decision-making influences the success or failure of any organisation, including SMEs, to a significant degree. As a result, SMEs' willingness to make financial decisions has a significant effect on their life.

Akintayo (2013), defines decision-making as "the method of designing and choosing a course of action to address a particular problem." Decision-making is an important component of managerial abilities since it is needed at several stages in the planning process. According to Nwankwo (2014), decision making is the act of choosing between alternative courses of action, and in order to decide what action to take on any administrative matter, the administrator must understand not just the various alternative courses of action, but also the kind of decision to make, who should make the decision, how decisions should be made, and how they will be carried out. According to Nwankwo's concept of financial decision-making, a person has two options when it comes to his finances or income. He either consumes or saves his income, which he then invests in a small or medium-sized enterprise. If he plans to invest it, it would have a huge effect on the survival of the enterprise, and he will nurture it to profitability. The best decisions are those that are logical and consistent, resulting in value-maximizing decisions under specified constraints. The logical decision-making paradigm is predicated on some

assumptions, such as the decision maker getting all relevant facts, being able to identify all relevant options/alternatives in an unbiased manner, and choosing the alternative with the greatest utility. In this context, rationality is “the ability to make decisions that are logical within a given context” according to Sawady & Tescher, (2008). Rationality has to do with common sense and this is why Geertz (2000), defines it as “the process of making decisions including financial decisions that are sensible or logical, within a given reasoning system”. Sensible financial decision taken gives room for effective performance and survival of SMEs. The survival and success of SMEs are dependent on sound financial decisions. To make the right financial decision, one must be able to negotiate both formal and informal institutions, as well as compare competitive deals within and through providers.

### **2.7.2 Money Management Skill and Survival of SMEs**

Money can often lead to fulfillment and happiness but sometimes it is mismanaged. In this context it is not a business. Haynes (2009:159), opines that:

*It is important to understand that managing a family's or a person's finance is not the same as managing a business' financing. Businesses maximize profits, they have to or they will not stay in business. Families on the other hand maximize the individual member's utility. That is, families want their family members to be happy and they use money as a resource toward making their members happy. Most often this means that families do not even save or invest to the level that financial experts suggest. If the family was maximizing profits, they would live on as little as possible for health purposes and then save and invest the rest. Money, for families is a tool for living not an end.*

Nobody is born with money management skills. Money management is a necessary skill to master. As adults, we are supposed to be able to properly handle our finances. An individual who handles his finances responsibly will have peace of mind and will be able to do the following:

- pay his living expenses
- hold debts to a tolerable level
- save for the things that make life enjoyable
- avoid excessive financial anxiety

According to the Credit Counseling Society, proper money management does not involve finding more money, but rather making the most of what you have. The budget, which should be the plan for one's money, is the foundation of good money management. The plan is based on the decisions that are made and the priorities that are identified. As a result, the key to good money management is to distinguish between one's needs and one's desires.

According to Unodim (2013), many businesses fail to thrive due to a harsh operating environment or their owners' poor money management skills. A poor use of money, particularly when running a small business, frequently results in regret. Many people tried to start their own businesses, but the vast majority of them failed before they could fully mature. It is often frustrating and painful to put all of one's money into a business only for it to fail. Poor financial/money management may jeopardise the main reason you decided to start a business.

Money management is a difficult task, especially for small business owners. There are some money management guidelines for small businesses, such as categorising money into costs and income. On the cost side, do not buy things you can lease, do not lease things you can borrow, and do not borrow things you can manage to do without. If these simple guidelines are followed, SMEs will perform effectively, and the business will succeed and survive for a long time.

Some money management mistakes should be avoided if you want to succeed as a small business owner. These are some examples:

- Inadequate education – it may be beneficial to take basic accounting courses to understand how to keep accurate records and where to look to reduce operating expenses:
- Failing to set goals: Always ensure that your funds are used to meet previously established goals. If you abandon your original plan, you may end up with poor money management. Never use funds intended for the operation of your business to complete tasks that have not been designated as a business target.
- Not being dynamic: changing your work pattern in an attempt to manage resources. Sticking to the old ways of doing things can cost you money. It pays to be dynamic, especially when it benefits the business.

### **2.7.3 Budgeting Ability Skill and Survival of SMEs**

Budgeting ability skill is closely related to the issue of money management skill in the survival of SMEs. The Credit Counseling Society correctly observed in their money management basics that the budget is the foundation of sound money management. Budgeting has been identified as an effective method of short-term planning and control. A business will know exactly what it intends to do during an accounting period or a portion of it through the budget.

There are many ways to describe a budget. A budget, according to the Chartered Institute of Management Accountants, England is classified as “a financial and or quantitative statement prepared and accepted prior to a defined period of time, as well as the strategy to be followed throughout that period for the purpose of achieving a given goal”. Brown and Howard, who are Management Accountants, however defined a budget as "a predetermined declaration of managerial strategy for the specified duration that serves as a benchmark for comparison with actual performance."

In a layman's term, a budget is a statement of the amount of money available for a project and how it will be spent. It can also be referred to as an income and expenditure statement. Individuals and organizations can prepare budgets for smooth operation of their organizations in order to achieve their set goals, and this also applies to the management of SMEs. The budget is essentially a plan that provides information about the objectives, policies, and policy measures that an organization intends to pursue over a specified time period, the funding requirements of the chosen policy measures and projects, the funding sources, and the allocation of funds to projects such as small and medium enterprises/businesses (SMEs).

According to Kurfi (2003), a budget is a “plan quantified in monetary form, designed and endorsed prior to a fixed period of time, normally indicating expected revenue and or expense to be incurred within that period, as well as the capital to be employed to achieve a specified objective.”

Forecasting and budgeting are inextricably linked to each other. Forecasting, for example, is concerned with anticipating likely future events, while budgeting is the method of achieving an expected outcome that an organisation aspires to accomplish. The budgetary process is more of a test of a forecasting skill than anything. A budget serves as

both a profit-planning tool and a means of controlling operating costs. To establish a budget, different critical variables must be forecasted, including sales, selling prices, availability of materials, values of materials, wages, and so on. Budgeting is known as the act of preparing a budget, and since this act is a plan, budgeting is all about planning, or more specifically, the process of planning.

A budget is "a financial statement and programme, a plan of domestic or business expenditure, a limited spending allowance, the overall expenditure permitted for a given period or occasion," (Robinson and Davidson, 2004). A budget is more than just a financial statement that shows income and expenditure. It also includes integrated activities directed through financial administration, which must, of course, define the sources and areas of disbursement. It refers to a business' financial control system. To effectively manage SMEs, activities must be coordinated in order to cut, reduce, or control operating costs so as to generate a reasonable profit level as well as to keep the business operational.

Buell (2007) itemizes what a budget seeks to achieve, and this forms the basis for some basic questions that an individual must ask himself and answer objectively. Such questions include where you are now, where you are going, and where you want to go? All of these questions appear to be relevant and necessary for the survival of SMEs, particularly in terms of finance and how to budget for it. In accordance with this, a budget may compel one to consider the following:

- What is important to a person? Life is a balancing act. You decide whether to spend all your income or to spend part of it and invest the rest.
- How does one want to live?
- What will it take to accomplish one's goals?

### **Objectives of a Budget**

Kurfi (2003) provides a list of goals and objectives that a budget is designed to achieve. These are to:

- assist the directors/managers in planning for a business of what policy to pursue over a defined period of time for the organisations.

- co-ordinate all of an organisation's functions so that the various departments can be brought together and reconciled into a common course
- At the end of the budget period, performance and costs are evaluated by comparing actual to budgeted targets to determine any deviations and the corrective measures that can be implemented immediately.
- Act as a guide and a useful tool for influencing managerial behaviour and motivating managers to perform in accordance with organisational goals and objectives, by clearly defining the responsibilities and targets for each unit.
- Provide a mechanism for ensuring activity control by clearly defining target of output, income and expenditure for each department or unit of the organisation. This ensures that everything is going as planned.

### **Types of Budgets:**

Two types of perspectives can be used to classify the types of budgets. They are: the budget period and the budget activity (Omole, 1992)

- The budget period covers the period over which the budgets are to operate and this is established even before the budgets are compiled. The two types of budgets in this category are: the short term budgets and the long term budgets
- The budget activity is the overall master budget which is a comprehensive budget that indicates the focus, mission and vision of the firm as a whole. This can be divided into operative, programme or activity budget, with responsibilities and financial commitments attached to each activity. The types here are functional and master budgets.

### **Budgeting Process**

Budgeting process entails all that is done in setting financial goals, predicting future financial resources and needs, tracking and managing revenue and spending, and assessing progress towards attaining financial targets.

There are several steps that can be taken to create a workable budget. The steps are as follows:

- (a) Setting goals. Make lifestyle decisions and long-term goals.

- (b) Data collection, identification, and recording of income and expenditures
- (c) Projecting future requirements. Separate your wants from your needs.
- (d) Budget implementation. Put the strategy into action
- (e) Keeping one's spending under control. This entails being able to control where one's money goes and reducing one's impulse spending by managing seasonal expenses.
- (f) Assessing your performance (Buell, 2007).

According to Obadan, Oshiovebo, and Ugo (2002), Abdullahi (2011), and Olomola (2012), the standardised budget goes through four basic processes or stages. They are as follows:

- The stage of conception and preparation: Each government agency prepares and presents a budget proposal for consideration and approval.
- The authorisation or approval stage entails presenting the budget for review and approval by the appropriate authority.
- The execution or implementation stage - This is where funds are distributed to various agencies or departments.
- Stages of monitoring, control, evaluation, and auditing: This entails the presentation of the budget for scrutiny and is primarily intended to monitor the progress of project implementation and control for any deviation. The evaluation aspect deals with the project's output and impact on the organisation's mission and goals, whereas auditing helps to ensure that funds are used strictly in accordance with the budget approval.

According to the authors, the final stage of a standardised budget, which has to do with monitoring the progress of project implementation and control, focuses heavily on the survival of business enterprises, including SMEs.

### **Techniques of Budgeting**

Depending on the goals and objectives that an organisation wishes to pursue, different budgeting techniques are used. Among these techniques are:

- **Incremental budgeting:** This assumes that the previous level of activity or expenditure was appropriate. There is no need for long-term planning; all that is required is a decision

on which activities should be added, expended, dropped, or reduced based on available resources. By increasing or decreasing the level of activity or expenditure, the previous budget serves as the foundation for the current budget.

• **Zero Based Budget (ZBB):** This is based on the assumption that current operations begin at zero or from scratch, implying that different units of an organization must reconsider their activities or priorities afresh. The next step is to allocate resources based on a cost-benefit analysis of all activities. Zero-based budgeting has three main characteristics. These are:

(i) Individual departments' activities are divided into decision packages that provide information to management in order for the costs and benefits of each programme or activity to be compared.

(ii) Each decision package is first evaluated before being ranked in decreasing order of importance to the system. As a result, priorities for each programme and activity are established.

(iii) Resources are allocated based on the final rankings of the programmes by top management. In general, decisions to allocate resources for high-priority items will be made quickly, whereas low-priority programmes and activities will be scrutinised closely.

• **Planning, Programming, and Budgeting System (PPBS):** This is referred to as “a system that analyses and categorises expenditure based on the policy ends that the expenditure is intended to achieve” (Appleby, 1976). A planning, programming, and budgeting system can be used to provide an improved framework of information analysis thereby allowing decisions about resource allocation and establishing exactly what a department is attempting to achieve to be made. The concept and rationale of PPBS are nearly identical to those of ZBB.

• **Rolling plan or continuous Budget:** This is a short term budget where annual budget of a firm would be broken down into weekly, fortnightly, monthly, quarterly or semi- annually, depending on the objective of the budget and the resources available. It can also be defined as “the continuous updating of a short term budget by adding say a further month (or quarter) and deducting the earliest month (or quarter) so that the budget can reflect current conditions”. A rolling budget, is an attempt used to prepare target and plans which are more realistic and certain by shortening the period between annual. At the

end of a period, the actual result will be compared with the budgeted result and the outcome will serve as a basis for comparing and adjustment of subsequent periods.

The level of skill, intelligence, or opportunity required to apply budgeting to the survival of SMEs is referred to as budgeting ability. This skill is critical for small businesses to thrive and be able to not only exist for a long time but also profitably and generate the much needed employment opportunities that will lead to the economic development of the country and indeed Osun State.

#### **2.7.4 Credit / Loan Accessibility skill and Survival of SMEs**

SMEs have been widely recognised around the world as the engine of economic growth and a valuable development tool. SMEs are an important part of the Nigerian economy because they contribute significantly to GDP, job creation, and capacity building (Kadiri, 2012). They are the major economic drivers, but there has been a significant gap in performing this role, owing largely to financing as a result of the risk associated with them.

Many entrepreneurs are unaware of what it takes to raise capital for their business. They frequently underestimate the actual amount of investment required. According to the EY report, access to funding remains a critical issue, not because there is no enough funding, but because there are no enough bankable projects. “The major barriers to further expansion of micro enterprise business development are insufficient flow of funds (loans), lack of access to loans, and adequate working capital” (Ilori, 2014).

Loans and credit have a positive relationship with FL. With a solid foundation and knowledge of FL, one will be able to predict what the cost of credit will be and how credit will be used and managed responsibly. Entrepreneurs will be able to choose when to borrow and at what interest rate to borrow. Brown (2009) backs up this claim by observing a significant relationship between FL education and financial decision making in the areas of credit reports, credit scores, and overall financial decision making.

In Nigeria, most commercial banks do not often offer loans or credit to entrepreneurs. This may be attributed to their failure to fulfil the bank's usual collateral requirement. This is a typical occurrence when starting a Small or Medium Business (SMEs). Microfinance banks (MFBs) have been developed as a part of the FGN's efforts to reduce small-scale entrepreneurs' inability to access loans and credit.

Microfinance, according to Hubka and Ziadi (2005), is "a credit arrangement in which appropriate collateral replacements are used for short-term and working capital loans to micro entrepreneurs". Microcredit is "a credit for self-employment intended to provide the vulnerable with access to production capital," (Ekundayo, 2009). Until the borrower is promoted out of poverty, microcredit can result in investment income, reinvestment, and extra earnings. Microfinance institutions are required to offer loans to small businesses that are unable to meet commercial bank facility specifications. Microfinance is a concept used to describe a programme in which participants are taught how to save, invest, and handle investment resources in such a way that investment returns ensure the development of people's potential. As an illustration, "Credit and savings are generally understood to be a springboard (basis) for other types of individual and communal (microfinance) capacity building," (Rogerson, 1995). This further supports the viewpoint that credit and investment are only means to an end. This is because microfinance refers to when a group of people gets together to make a financial decision. This will aid the individual in creating a community management structure for themselves, and will pave the way for greater improvements in individual empowerment and poverty reduction within the group's participants.

The primary goal of establishing Microfinance Banks (MFBs) as outlined in the CBN's framework in December 2005, was to alleviate poverty and create wealth. MFB customers who obtain a loan will be able to influence their wealth creation and improve their quality of life. It is implied that wealth creation is more vested in the beneficiaries themselves, whereas adequate skill, training, marketing, and other capabilities of the borrowers also play significant roles in wealth creation.

SMEs can gain access to loans through Microfinance Banks via two main mechanisms. These are as follows:

- (a) Relationship-based banking for individual entrepreneurs and small businesses.
- (b) Group-based models, in which several entrepreneurs apply for loans and other services as a group (Ekundayo, 2009)

Apart from microfinance banks, other financial institutions through which loans can be obtained include the Bank of Industry (BOI), the former Nigerian Agricultural Cooperative and Rural Development Bank (NACRDB) now known as the Bank of Agriculture (BOA),

which is a merger of the defunct Nigerian Agricultural and Cooperative Bank (NACB), the People's Bank of Nigeria (PBN) and the Family Economic Advancement Programme (FEAP). The Nigerian Industrial Development Bank (NIDB), the Nigerian Bank for Commerce and Industry (NBCI), and the National Economic Reconstruction Fund (NERFUND) merged to form the BOI in October 2001.

The Federal Government of Nigeria (FGN) recently launched a ten billion Naira (N10b) Youth Entrepreneurship Support Programme with the goal of fostering a new generation of entrepreneurs in the country. FL will undoubtedly help greatly in obtaining funds from this programme, hence emphasising the importance of becoming well-versed in its acquisition.

Efforts to make loans and credit available to SMEs continue, as the CBN recently disbursed N3b to 111 projects under the Small and Medium Enterprises Credit Guarantee Scheme (SMECGS). This was reported in The Punch Newspaper on September 4, 2015. The SMECGS is a N200 billion intervention fund established by the apex bank to accelerate the development of the SME sector of the Nigerian economy. It is intended to improve access to credit for promoters of SMEs and manufacturers, as well as to increase output. The other goals of the fund include creating jobs and diversifying its revenue base, increasing foreign exchange earnings and supplying inputs to the industrial sector on a long-term basis. The Deposit Money Banks (DMBs) are expected to lend from their balance sheets up to N100 million per beneficiary at the market interest rate. If the loans become bad or non-performing, the CBN will step in and pay the affected DMBs 80 percent of the bad loan.

Credit, an important component of FL, greases the gears of modern commerce and, as a result, has a favourable effect on the level of economic activities (Anyanwu et al, 1997). Without proper financing, Small and Medium-sized Enterprises (SMEs) will fail to survive and perform. With a comprehensive understanding of FL, credit knowledge would be necessary. "Credit awareness in partnership with the CBN, the World Bank, and other stakeholders devised the consumer education on rural financial services programme as a medium that brings all stakeholders together to promote, educate, and exchange information on the issue that will enhance and intensify knowledge and appreciation on the rights and responsibilities of financial institutions." (Credit Awareness Nigeria.com, 2013).

### **2.7.5 Savings Culture Skill and Survival of SMEs**

Any enterprise, whether small or medium-sized, requires capital to get started. As a consequence, its life is important. Savings from one's own earnings will then be put to good use in the form of capital accumulation. As a result, Olusoji (2003) defines savings as "the fraction of net income not spent on current consumption but, when introduced to capital investment, increases output." Saving entails foregoing current consumption in order to provide accumulation of capital. The process of keeping income for future use is known as saving. The capital needed to start a business, according to Olusoji (2003), can be harnessed for the sustenance and survival of the business/enterprise.

"A percentage of one's profits that is not spent on goods and services for current consumption is known as savings according to (Lipsey, 1979). Income minus consumption equals savings. Individuals or families save money when they refuse to expend a part of their current income on consumption of goods and services. To save, one must be thrifty, because when one is thrifty, one looks into the future and as a result both saving and investment occur. As a result, saving and investment are intertwined. Investments are made from savings. People want to invest for a variety of reasons. Savings decisions made by individuals and families have an equal effect on national savings. Browning and Lusardi (1976) listed nine motives to save which include precautionary, life-cycle, intertemporal replacement with the aim of earning interest, improvement, independence, enterprise, bequest, avarice (a strong desire for wealth), and down payment.

Some economic theories that support these motives include Modigliani's 1988 life cycle hypothesis, Deaton (1997)'s precautionary motive theory, and Rutherford (2010)'s financial management theory. Despite all these admirable reasons for saving, many people refuse to or do not save. Many people do not save for a variety of reasons. They are as follows:

- Little leftovers after subsistence needs are met (Banerjee & Duflo, 2007)
- Poor or absence of saving culture (Garon, 2004)
- Low returns and great security risks (Wright & Mutesasira, 2001)
- Neighbour interference (Plateau, 2004)
- Spousal interference (Suvan & Baland, 2002)
- Translation interference (Gugerty, 2007)

Many people blame their failure to save on not having enough money to live on, let alone save for a rainy day, as well as being unemployed. Saving culture is defined as a group of people's customs or beliefs about how to save or keep money for future use. When a person learns to live within his/her means, he/she develops a saving culture. This implies that, it is not how much money a person earns, but how they spend it. When a person learns to save while earning peanuts, he or she is more likely to save when his or her income increases, and vice versa. As a result of a poor saving culture, the ability to invest suffers, and thus investment is stifled.

Saving is crucial to investment which in turn raises one's standard of living. Smiths (1776) recognised the importance of saving when he discovered that parsimony increases capital while prodigality and misconduct diminish it. Saving is important regardless of one's income level, so an individual must learn to save in order to invest. According to the Department for International Development (DFID) in 2012, some 34.9 million adults in Nigeria do not save. Lack of investment and savings culture among the adults is to blame for this (Zimbio, 2010)

### **Strategies for Savings**

You must reduce the current consumption on food items in order to save money. You do not need to have excess before you can save. A small proportion of one's salary should be put aside for savings. According to Yanto (2013), a person or household can save at least about 10-20% of their net income in order to be financially stable. The process of saving include:

- (i) Put all of your spare change in a purse or box every day, and deposit the money in your bank account on a regular basis. The money would increase in value over time.
- (ii) Every month, a portion of your earnings or salary should be set aside for savings. After bills have been paid, all left over is saved.
- (iii) You should first pay yourself. This is the most effective saving strategy. A portion of your income should be set aside as your pay, and you should pay that money to yourself before you pay your bills or anyone else. Direct your employer to always deduct the amount and deposit it into your savings account. This can be

accomplished by executing a "standing order," as is done in the banking industry (Yanto, 2013).

### **Schemes of Savings:**

The various methods of saving are referred to as savings schemes. These include the various approaches identified by Zimbo (2010) and Yio (2014).

- **Piggy:** This is a personal home saving scheme whereby people keep money in their cupboard, safe deposit boxes and under their pillows. Since money may be looted or damaged by fire, it is a high-risk way of saving money. Access to the money is not restricted by any means. Money kept in this way can be used for projects that it was not meant for.
- **Stokvel:** This scheme is known as Esusu in the Western part of Nigeria. It is yet another old-fashioned way to save money. Members are familiar with one another and make monthly contributions, which are disbursed to people one by one, with no interest charged on the savings. Since there is no formal arrangement or paperwork, it is run on trust. Rotational Savings and Credit Association (ROSCA) is the term for this method. This is a popular occurrence among artisans, tradespeople, and even salary earners who engage on monthly contributions.
- **Thrift collection:** This is a daily or weekly contribution of an amount of money placed in the hands of a trustworthy person or a group of individuals. Loans are granted to contributors depending on the amount of funds they have saved.
- **Credit Unions:** The credit unions, are forms of cooperative societies. They are not profit organisations but they exist to serve their members rather than to maximise profit. Cooperative societies, on the other hand, are governed by their members and run by a board of directors who are elected by members. The accumulation of deposits/contributions from members, the making of loans, and the provision of a host of other services are used to mobilise savings. Borrowing is done here at a fair rate. Unlike banks, credit unions distribute surplus income to members in the form of dividends declared at the Annual General Meeting (AGM) of the union. Dividends are paid out according to the sum of money in one's savings account.

- **Banking:** Another way to save money is to go to a bank or other financial institution, such as an insurance company. This approach involves a number of different types of bank accounts that can be opened. Accounts such as savings, current, and fixed deposit are examples of these. Deposits are made into these accounts, and at the end of each month, interest is paid on the deposits. The account holder is also eligible for soft loans such as overdraft and salary advance through the banking system. Except in the event of a bank collapse such as it happened to All States Trust Bank, Savannah Bank, Societe Generale Bank, National Bank, Trade Bank and others and which may result into loss of deposits, the bank is the safest place to save one's money. The method of opening a bank account may be cumbersome and time-consuming. Saving is influenced by a variety of factors, including household wealth, disposable income, inflation rates, and interest rates, among other variables. People must be encouraged to develop a saving culture.

The following strategies could be used to promote a saving culture:

- **Improving oversight in the financial sector.** This has to do with enforcing rules that will ensure financial stability, thereby reducing the likelihood of bank failure due to poor risk management and high levels of non-performing loans. Many people are afraid to save in banks because of the deposits that have become trapped in distressed banks. Financial sector regulators, such as the CBN, should impose harsher penalties on banks that misappropriate depositors' funds and violate prudential guidelines.
- **Increasing access to savings products:** Opportunities and options should be made available to make it easier for low-income people to access savings products. Customers should be relieved of the need to go through bureaucratic procedures in order to open a savings account. In keeping with this, according to Rutherford (2000), poor people can save, and there are still millions of poor people to reach. In Nigeria, for example, 46.3% of the population is financially excluded. These people do not have bank accounts and do not have access to financial products like savings, credit, insurance, payments, or pensions.

- **Savings interest rates that are appealing, as well as low administrative charges:** A low interest rate is a major impediment to developing a saving culture. Savings account interest rates in Nigeria are as low as 3%. Savings culture will be promoted if interest rates are raised above this level.
- **Savings Promotions and Rewards:** In order to foster a culture of saving, banking institutions should offer savings incentives. Many Nigerian banks reward customers who maintain a certain level of deposit in their accounts at the end of the month.
- **Financial Education:** Financial institutions should conduct awareness campaigns to educate their clients about savings products. They can provide the awareness campaign through the use of television, radio, and even daily newspapers. According to El-zogbhi and Glisovic (2010), financial education is an important factor influencing clients' attitudes toward saving. The concept of saving should be instilled in children from an early age. Every year from March 10th to 17th, Nigeria observes Global Money Week, during which schools engage in various activities to promote a savings culture among school children. As a result, FL is an important program that will increase and promote a culture of saving among various groups of people.

If people are encouraged to save, their level of savings will rise, and they will have a large amount of money/capital at their disposal. This capital will be used or expended on investment, and having enough capital will allow one to expand one's business, improving the survival level of the business/enterprise to a profitable level. Savings culture is an important skill that children should be taught in order to improve the survival of SMEs whenever they embark on any business venture.

### **2.7.6 Investment Knowledge and ability skill and Survival of SMEs**

Investment is the bedrock of any economy. This is to say that the economy of any country or state is determined by the amount of investment available in that country or state. Domestic investment, that is, investment sponsored by citizens of a specific country and located within the country's borders is one option. It could also be foreign, meaning those sponsored by citizens of other countries or nations but found within the country. The term "investment" has many different connotations. According to Lipsey (1979), investment is "the act of producing goods that are not for immediate consumption." Firms manufacture goods, which can be purchased by either firms or households. Investment and savings are inextricably linked to each other. This means that investment is contingent on savings. Economists believe that a thrifty society produces savings, which can then lead to investment and, eventually, economic growth. The gross domestic investment of a nation has a major influence on its long term growth rate (Irerri, 2011).

Investment, according to Yio (2014), is described as "the contribution of capital to the acquisition of an asset in order to generate productive returns." It is hoped that the purchase of the asset will generate income or appreciate in value in the future as a result of the transaction.

Despite the fact that savings and investment are said to be related and are sometimes used interchangeably, there are some significant differences between the two. As a result, these characteristics distinguish investment from savings. As an example:

- Investment can be used to create wealth, demonstrating that the motive for investment is financial gain, whereas the motive for saving is to secure and ensure the safety of one's money.
- Investment carries a high level of risk, which means there is no guarantee that you will get your money back, whereas saving carries a lower level of risk.
- Investment has the potential to earn you more money than saving (Modigliani, 1988).

The effects of investment include maintaining and expanding a given economy's output capacity, as well as providing customers for firms producing capital goods, which leads to an increase in income and employment for the economy's workers and other factors of production. Investment decisions are influenced by the type of social philosophy that

prevails in a country, which can be either socialism or capitalism. The government will initiate investment decisions in a socialist setting, whereas the government will play a minimal role in investment decisions in a capitalist setting.

### **Types of Investments**

There are various types of investments that one can make. The following are the most common types of investments identified by various authors in the literature:

- **Real Asset Investment:** This applies to investments in real estate, buildings, vehicles, machines, plant and equipment, and other tangible assets. This form of investment would necessitate a significant amount of money, but it also carries a low risk, so its profitability is often assessed without taking risk into account. To evaluate the profitability provided by real properties, a variety of methods may be used. Some examples of the methods include discounted payback, discounted accounting rate of returns, net present value (NPV), internal rate of return (IRR), and profitability index (Masa, Imegi & Akenbor, 2012).

- **Financial Asset Investment:** This deals with the commitment of funds for the acquisition of securities such as shares and bonds in the money or capital market. Investing in securities carries a high degree of risk due to the unpredictability of market forces. When stock markets collapsed in 2008, this pattern was seen all over the world, especially in Nigeria. Owing to a decline in the value of different companies' and organisations' stock, shareholders and investors in shares lost a considerable amount of money during this period. The incentive for investing in equity can be twofold, depending on the ownership status: capital appreciation and dividends. The number of units of the security sought determines the amount of capital required to invest in financial assets.

- **Foreign Exchange Market Investment:** Participants would be willing to purchase, sell, exchange, and speculate on awareness of this foreign market. Participants in this form of investment often speculate on the fluctuating value of currencies between two countries. Foreign exchange market investment can be lucrative, but it also comes with a high degree of risk, including the possibility of losing one's capital. It is usually done via the Internet.

According to Bodie (2001:447), to succeed in investing, one must select the investment opportunity that is more advantageous in terms of the benefits accruing from such investment. Bodie's statement demonstrates that individuals must be aware of the type of investment opportunity in which he is capable. This will be determined by the amount of capital available to the individual as well as his business skills. The investment knowledge and ability will go a long way in helping one to manage one's business properly.

## **2.8 Review of Empirical Findings/Results**

Many researches on the influence and effect of FL skills on the survival of SMEs have been undertaken by worthy authors.

"Every day, people make unreasonable financial decisions," (Rooij, 2009:530). They panicked and sold on temporary dips after buying the hot stock of the day, forewent additional earnings by declining to take reasonable risks, or took risks that were entirely unacceptable for their overall financial position. Rooij's conclusion showed that bad decisions were noticeable in all areas of financial resource management and not just only in the securities markets.

In developing countries, research on FL and people's attitudes against savings and investment decisions is limited, while developed countries have a wide body of research. Attending employer-sponsored retirement planning seminars, according to data from the Health and Retirement Study, is related to an increase in both financial and total net worth, particularly for families at the bottom of the wealth distribution (Lusardi, 2007). For those who have had a bad college experience, the benefits may be as high as 20%. Individuals' financial decisions regarding savings, investment, borrowing, and expenditure on consumption are all influenced by their level of literacy.

According to credit Awareness Nigeria.com (2013) , 79% of Nigerians are not included in formal financial services, 85% of the population that are unbanked are female, 86% of the rural populace were unbanked and most of those in these categories lack relevant information about banks and are illiterate hence their preference to deal with cash. 55% use banks for saving purposes while 19% use it to prevent their money being stolen.

Previous studies have discovered a positive connection between financial education also known as FL, and achieving particular objectives. The results of the surveys on the acquisition of more general and more detailed FL are less evident. The effect of FL on a person would be influenced by financial education. Danes (2004)'s report, in which he analysed 483 teachers and 5,329 students from the United States of America, is a case in point. Danes (2004) found that after completing the course, participants' financial knowledge and skills improved over a three-month span, and that increased knowledge and sound financial conduct resulted in increased interest in money management. According to the report, 59% of participants were aware of the costs of buying on credit, and over half (53%) were aware of investment. If changed behaviour is related to expanded knowledge, then, after completing the survey, more than half of the teens (53%) developed their skills for monitoring spending, 60% showed an improvement in their saving patterns, and nearly 78% said they felt more positive about managing their money. Based on the results, we may infer that education is an effective method for promoting personal savings.

The cognitive theory as supported by the prospect theory assists investors in maximising their investment returns. Elan (2010) also corroborated this, and the assertion is also consistent with modern portfolio theory, which states that if given two portfolios with the same expected returns, investors would prefer the less risky investment (Markowitz, 1952).

According to Nnodim (2013), many businesses fail to thrive due to the owners' lack of money management skills. Money management is one of the FL skills, and lack of these skills may result in the premature collapse of these businesses on the part of their owners, resulting in their failure. In the view of Nnodim, for any business to succeed and thrive well, the owners must be well versed in financial literacy skills, and this will definitely predict the survival of the business. Budgeting is also critical to the survival of SMEs. Obadan, Oshiovebo Ugo (2012), Abdullahi (2011), and Olomola (2012) emphasize the significance of this by stating that "a standardized budget passes through four basic processes." The final process involves monitoring the progress of project implementation, which is concerned with the survival of business enterprises.

The various skills required for the survival of SMEs must be acquired, and this can be done through various media such as watching elders and following their examples, thereby

gaining experiences on the use of business tools and techniques from their parents, as done in Nigeria (Imoisi, 2013). According to Imoisi (2013), “the various skills could be acquired through various other avenues such as education and attending various training and seminar sessions where FL skills could be learnt and later put into practice with the aim of promoting the survival of small and medium enterprises.” FL skills gained through education can be used to improve a variety of things, including the survival of "small and medium businesses/enterprises". This method of improving the performance and survival of SMEs was well captured in Bassel (2008a)'s statement which said that "Educated people are more mindful of how to avoid health hazards and live longer, have smaller families, have better consumption/savings patterns, and live more comfortable lives.

## **2.9 Theoretical Framework**

It is necessary to conceptualize the relationships and distinctions between variables. This study was founded on some theories pertinent to a proper understanding of the subject of FL and its relevance to the survival of Small and Medium Enterprises, particularly in Osun State.

The theories on which this study was based include:

- (i) The Prospect Theory
- (ii) The Modern Portfolio Theory
- (iii) The Dual-Process Theory

### **2.9.1 The Prospect Theory**

The Prospect theory, which was an important cognitive psychology theory, was coined by Ulric Neisser in 1967. In 1979, Kahneman and Tversky further developed the prospect theory. The aim of the theory was to understand the many variations in economic decision-making that set it apart from classical finance theory. Prospect theory was extended to behavioural finance by Banertzi and Thaler in 1995. In the study of personal finance and FL, the prospect theory has proven to be highly useful. The human brain was regarded as an information processing device by cognitive psychologists. This was clarified by Ward in 1997. They incorporated risk and uncertainty principles into cognitive decision-making

models and applied them to economic models of rational behaviour (Luce, 2000). Prospect theory, according to Elan (2010), is an integral aspect of behavioural finance. It investigates how people maximize value in choosing among alternatives that involve risks. Excessive risk tolerance, he continues, would cause investors to place a greater emphasis on minimising losses than on achieving gains. Investors' apprehension to invest in the stock market, according to Elan, stems from lack of financial literacy. This is due to a lack of understanding of the benefits of investing in stocks. As a result, by integrating prospect theory and FL classes, investors would be able to maximise their investment returns.

Behavioural finance explains why market participants make systematic mistakes that have the potential to affect prices and returns and create market inefficiencies. Market inefficiencies include under or overreactions to information, which can lead to market bubbles and crashes. These reactions are typically attributed to investors being overconfident, overly optimistic, imitating other investors, and contributing to noise trading.” (Kirkpatrick and Dahlquist , 2007)

Prospect theory deals with risk taking and it says that investors value gains and losses differently, placing more weight on perceived gains versus perceived losses. An investor presented with a choice both equal will choose the one presented in terms of potential gains. Prospect theory shows how people react differently based on risk and uncertainty.

So many authors propounded theories on prospect theory but Daniel Kahneman proposed a change to the way we think about decisions when facing risk especially financial. He argues that when people think of the failure they think of the near future far more than the distant future.

### **Relevance to the Study**

The Prospect theory is extremely relevant to this study. If one examines the in-depth areas touched by this theory, one will notice that the theory is directly related to the subject matter of the study, namely FL. Those specifically mentioned and relevant areas include financial or economic decision making, personal finance, risk and uncertainty principles as applicable to the functions of the entrepreneur.

The Prospect theory is extremely relevant in this case, as explained by Elan, who investigated how people maximize value when choosing between risky alternatives. This is similar to what happened in the Nigerian stock market in 2008, when the prices of almost all companies' shares plummeted. Others who did not understand the market suffered significant losses. The successful application of this theory necessitates proper cognitive information processing. This would necessitate the effective use of one's brain. Stock trading entails risk, and this will determine whether one will succeed or not i.e. fail.

Another aspect of the prospect theory that is relevant to the study is the fact that some investors are hesitant to invest in the stock market. Some investors refuse to participate in the stock market due to lack of FL. There is no amount of explanation you can give such people about the benefits of the stock market that will persuade them. This is simply due to lack of FL knowledge and skills. A person who is well-versed and highly competent in FL will be able to maximize his investment returns in the stock market.

### **2.9.2 The Modern Portfolio Theory**

The Modern Portfolio Theory (MPT) was introduced by Henry Markowitz in 1952. The optimum portfolio in terms of cost and return is the subject of this theory. Modern portfolio theory suggests that investors are risk averse, and this implies that if two portfolios with the same estimated return are presented to them, they will select the less risky option (Markowitz, 1952). Investors may reduce their exposure to individual asset risk by diversifying their portfolio of assets. With portfolio diversification, the same predicted return can be achieved with less risk. Modern portfolio theory states that if an investor specifies a desired level of risk, a portfolio would be designed to optimise the potential return for that level of risk.

The MPT is an investment theory based on the idea that risk-averse investors can construct portfolios to optimise or maximise expected return based on a given level of market risk, emphasizing that risk is an inherent part of higher reward. It is one of the most important and influential economic theories dealing with finance and investment. In the context of this study, the MPT has to do with the financial skill component of investment knowledge in that entrepreneurs have to choose the investment with the highest return and is less risky.

### **Relevance to the Study**

The modern portfolio theory is thought to be relevant to the study in the sense that all of the theories discussed here have to do with consumption and income. Both variables, namely consumption and income, determine the level of one's savings, which in turn influences investment. It would be realised that an individual has two options regarding his income. He either consumes or saves his income. As a result, income is the sum of one's consumption and one's savings. This is represented as  $Y = C + S$ , where Y represents income, C represents consumption, and S represents savings. Saving, as seen in the life cycle hypothesis, can be regarded as future consumption. Savings can be spent on investments that are expected to yield returns that can be used for future consumption.

Another area of interest is the impact of attitude and behavior on FL through consumption. As postulated by James Duesenbery (1949), consumer behaviour is influenced by the behavior of those with whom he associates. If a consumer associates with people who are in the habit of consuming everything they earn without saving anything, he will undoubtedly behave similarly, and there will be nothing to fall back on in the future, and thus no investment. However, if he associates with people who consume and save some, he will do the same. A portion of the money saved by deferring consumption can be invested in SMEs such as hairdressing, fashion designing, bead making, barbing, catering services, and so on.

### **2.9.3 The Dual-Process Theory**

Lusardi and Mitchell proposed the dual-process hypothesis in 2011. The dual-process theory is a cognitive psychology concept that describes how people process information at various stages. William James, a philosopher and psychologist, suggested the early dual-process theory, which has since been developed and expanded upon, with the modern formulation of the theory being formalised in the 1990s.

According to the theory, both intuitive and cognitive mechanisms may affect financial decisions, meaning that FL cannot necessarily result in optimal financial decisions.

Information retrieval is divided into two paths according to the dual-process principle. The first is system 1, which incredibly is a fast, automatic, spontaneous, emotional, and subconscious processing. It is an uncontrollable unconscious mechanism on which we have little influence. This method of processing removes specific details and context from the information processed. On the other hand, System 2 processing is slow, deliberate, voluntary, and consciously working through different considerations.

The prevalence of the two thinking styles: intuition and cognition, can affect the behaviour of people with a high degree of FL, according to the dual-process FL theory. People who rely on intuition tend to make decisions using mental shortcuts because their opinions, beliefs, and conclusions cannot be empirically tested or rationally explained. Calculation, logic, problem solving, and decision making are also examples of cognitive processes. People who want to search for new information and are more likely to be analytical are better at retaining new information. A decision-making theory stating that judgment and reasoning involve two separate processes: intuitive decision making and rational decision making..

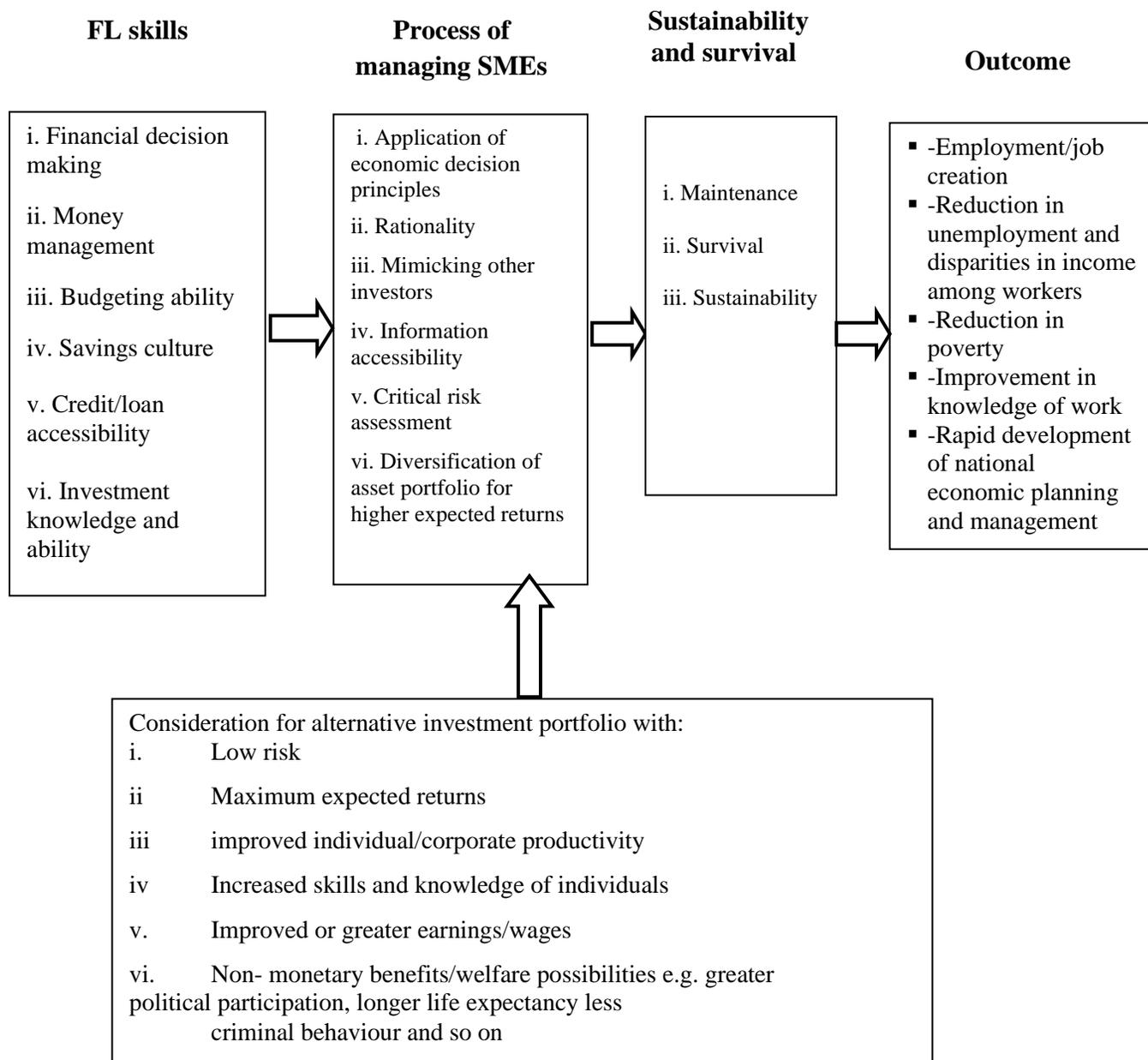
The dual-process theory is mainly concerned with issues of reasoning, judgment and decision-making. Entrepreneurs are at one point or the other involved in decision-making activities concerning resource acquisition, allocation and utilization. Dual process has relevant application in economic decision-making through the multiple-selves model in which the person's self concept is composed of multiple selves depending on the context. Decision-making involves the use of both automatic and controlled processes, but also depends on the person and situation and given a person's experiences and current situation the decision process may differ.

### **Relevance to the Study**

The dual-process theory is important to this study because it demonstrates that people that are high in cognition seek out for information and hence are more likely to be motivated by a relevant message. FL skills are likely to be the information that may be sought after, and these are more likely to influence the performance and survival of SMEs. FL skill can improve decision-making skills while decreasing the use of intuition through the provision

of relevant information to support decision-making through financial education. Decision-making skills and other FL skills can be used to improve the performance of SMEs and, in the long run, lead to their survival in the State of Osun.

The theoretical framework designed and used for this study is as shown in figure 2.10 below. The framework shows the financial literacy skills, process of managing SMEs and sustainability and survival of SMEs on one hand and finally the outcomes of the enterprises on the other hand.



**Fig. 2.10 Skills Theoretical Framework**

Source: Researcher's design

A better understanding of fig. 2. 10 could be explained as follows:

This study's independent variables are FL skills, while the dependent variable is the survival of SMEs.

The framework is based on the premise that a better understanding and acquisition of the various FL skills will lead to the process of survival of Small and Medium Enterprises, and the survival of these small and medium enterprises will in turn generate many of the outcomes listed in the framework. Financial decision making, money management, budgeting ability, saving culture, credit/loan accessibility, and investment knowledge and ability are all involved in FL. The outcomes of these enterprises' survival will include employment and job creation, unemployment, and even poverty reduction, as well as rapid development of national economic planning and management.

Acquisition of the FL skills will eventually lead to consideration for alternative investments in businesses that will involve low risk of failure and maximum expected returns in terms of profit, which is the ultimate reason why people go into business. Profit maximization results from increased productivity, which improves earnings or wages received or paid workers. This will also have an impact on the survival process, as it will lead to the application of economic decision principles to maximise value after selecting among alternative decisions that involve risks, resulting in higher expected portfolio returns. Once the SMEs have been properly maintained or overseen, the businesses will be able to survive so that none of them dies prematurely, and they will eventually be well sustained so that the enterprises will be profitable to the entrepreneurs. As a result, the proper maintenance of Small and Medium Enterprises will determine the achievement of these listed objectives.

These considerations can be found in the main thrusts of the theories examined in the theoretical framework of this study. The theories examined, greatly assisted entrepreneurs in acquiring FL skills, the adoption of which will improve business maintenance and their survival.

## **CHAPTER THREE**

### **METHODOLOGY**

This chapter examined the methodology adopted in carrying out this study in terms of the research design, population of the study, sample and sampling procedure, research instrument, validity and reliability of the instrument, administration and procedure of data analysis.

#### **3.1 Research Design**

The research design adopted for this study was the descriptive survey design of the *ex-post facto* type. The *ex-post facto* research design was deemed appropriate because it describes systematically the facts, qualities and characteristics of the given population, event or areas of interest as factually and accurately as possible. Besides, the researcher cannot manipulate the independent and dependent variables as they have already occurred or because they are inherently not manipulatable.

#### **3.2 Population of the Study**

The population for this study was made up of all registered and functional Small and Medium Enterprises with the Ministry of Commerce, Industry, Cooperatives and Empowerment in Osun State. These are made up of 980 enterprises: 729 (Micro), 200 (small) and 51 (medium) enterprise as gathered or collected from Osun State Ministry of Commerce, Industry, Cooperatives and Empowerment.

#### **3.3 Sample and Sampling Procedure**

The sample size used for this study was 250 SMEs which made up of all the three classifications of SMEs i.e micro, small and medium.

The multi-stage sampling procedure was adopted using a combination of the stratified and proportionate to size techniques to select the actual respondents for the study.

- Stage I:** The State was stratified along the three senatorial districts into which the state is divided thus: Osun 1 (West), Osun II (Central) and Osun III (East). All the three senatorial districts were used.
- Stage II:** The SMEs in each senatorial district were stratified along the three classifications of SMEs i.e micro, small and medium.
- Stage III:** The proportionate to size sampling technique was used to allocate 25% of the population of the SMEs in each stratum.
- Stage IV:** The entrepreneurs of the selected SMEs across the three strata or their representatives were therefore selected for the study, thereby making a total of 245. (See table 3.1 for the distribution of the sample size).

**Table 3.1: Population sampling projection for the study**

SMEs Type	Senatorial Districts					
	Osun West		Osun East		Osun Central	
	Population	Sample size chosen (25%)	Population	Sample size chosen (25%)	Population	Sample size chosen (25%)
Micro	252	64	243	62	234	59
Small	110	29	47	12	43	12
Medium	10	2	16	4	25	6
Total	372	95	306	78	302	77

**Source:** Researcher's computation, 2017

### **3.4. Instrumentation**

The instrument used for the data collection for this study was both quantitative and qualitative. The quantitative method consisted of a set of self-developed questionnaire to obtain information from the respondents for this study. The instrument was made up of FL Skills Scale Questionnaire and Small and Medium Enterprises Management Questionnaire.

#### **3.4.1 FL Skills Scale Questionnaire**

The FL Skills Scale is a self-structured questionnaire that measures the general knowledge, acquisition and utilization of FL skills. It also consists of six sub scales dealing with the various FL skills. The six sub-scales are financial decision making scale, Money management scale, Budgeting ability scale, Saving culture scale, Loan/Credit accessibility scale and Investment knowledge and ability scale.

The financial decision making skill sub-scale contained 5 different items. This was used to find out the application of financial decision making to the survival of Small and Medium Enterprises (SMEs).

Money management skill sub-scale also contained 5 various items measuring its relevance to the survival of Small and Medium Enterprises (SMEs).

The budgeting ability skill sub-scale equally is made up of 5 items. It was used to measure the applicability of budgeting ability skill to the survival of Small and Medium Enterprises (SMEs) in Osun State.

Savings culture skill sub-scale has 6 items under it as it relates to the survival of Small and Medium Enterprises.

Finally, the credit or loan accessibility skill and Investment knowledge and ability skill sub-scales both contained 6 items each and they both have to do with their effects on the survival of Small and Medium Enterprises (SMEs) in Osun State.

The questionnaire in each sub-scale was designed on a combination of the 4- point Likert scale format of Strongly Agree (4), Agree (3), Strongly Disagree (2) and Disagree (1) and the two- point scale of Yes (2) and No (1). The questionnaire was subjected to face, construct and content validity.

The results obtained from the test-retests were subjected to cronbach alpha which yielded co-efficient for general knowledge, acquisition and utilization of FL skills of 0.77, 0.48 and 0.73 respectively. The reliability (r) value for FL skills scale was 0.73.

### **3.4.2 Small and Medium Enterprises Survival Questionnaire**

The small and medium enterprises Survival Questionnaire is a self- structured questionnaire designed to measure some of the problems that may hinder the proper survival of Small and Medium Enterprises. The questionnaire contained 12 items designed on the four-point scale format of strongly agree (4), agree (3), Strongly disagree (2) and disagree (1) while it was subjected to face, construct and content validity.

The cronbach alpha co-efficient was used to obtain the reliability co-efficient rate of the instrument. The reliability co-efficient rate for this scale is 0.83.

The qualitative method used the In-depth Interview (IDI) and Key Informant Interview (KII) to complement the quantitative method.

### **3.4.3 In-Depth Interview**

There was In-depth Interview session held with selected entrepreneurs in each of the three Senatorial Districts Osun State. The various LGs that were covered are Ejigbo and Irewole LGs from Osun West; Irepodun and Ila LGs from Osun Central and Ife Central and Ilesa West from Osun East Senatorial Districts. The interview sessions were held with the entrepreneurs/small enterprises owners that have so far benefited from loans granted by BOI/Ministry of Industry, Commerce, Cooperatives and Empowerment in the state.

The IDI interview was also conducted with the executives and State officers of the Nigerian Association of Small and Medium Enterprises (NASME) and those of the Nigerian Association of Small Scale Industrialists (NASSI)

**Table 3.2: Schedule of IDI Session Conducted for the Study**

<b>Senetorial District</b>	<b>LGS</b>	<b>Location of IDI</b>	<b>No of Sessions</b>	<b>No of Entrepreneurs</b>	<b>Date</b>
Osun West	Ejigbo	Ejigbo	1	2	10/5/2018
	Irewole	Ikire	1	2	4/4/2018
Osun Central	Irepodun	Ilobu	1	2	5/4/2018
	Ila	Ila Orangun	1	2	7/5/2018
Osun East	Ife Central	Ile-Ife	1	2	23/3/2018
	Ilesa West	Ilesa	1	2	9/5/2018

### **In-Depth Interview Guide**

The interviews conducted were guided by the following points:

- (a) Various training schedules/modules already undergone by the entrepreneurs.
- (b) Impacts these various courses/trainings have had on their handling the businesses and contributions to the survival of their businesses.
- (c) Adequacy and timeliness of the courses and benefits derived.
- (d) Problems they are faced with and how they are solved.
- (e) How they were selected for the various programmes.

#### **3.4.4 Key Informant-Interview**

The KII comprised of questions responded to orally by the Desk Officers in the various agencies including the BOI, the SMEDAN and the Ministry of Industries, Commerce, Cooperatives and Empowerment in Osun State. These comprised of the Directors of the two agencies and the Ministry of Commerce, Industry, Cooperatives and Empowerment. The interview was with a view to eliciting more facts/details that were not captured by the questionnaire and which were very useful for the study. The three desk officers covered in the Ministry of Commerce, Industry, Cooperative and Empowerment are the Directors in-charge of Industry, Trade and Commerce.

All the instruments were later subjected to validity and reliability tests before they were administered.

The time allotted to each session was as indicated in the schedule below:

**Table 3.3 Schedule of KII sessions conducted for the study:**

<b>Oganisations</b>	<b>Location of KII</b>	<b>No of Sessions</b>	<b>No of persons/ SMEs per session</b>	<b>Date</b>
BOI	Igbona, Osogbo	1	1	23/3/2018
SMEDAN	Oke-Fia, Osogbo	1	1	24/3/2018
State Directors of Industries, Commerce, Cooperative and Empowerment	Abere, Osogbo	3	1	3/5/2018 4/5/2018 5/5/2018

## **KII Guide**

- (1) Basic course or training given the trainers/entrepreneurs on acquisition of financial education/literacy skills and the impact the skills acquired have on the management of their enterprises and how their activities/operations are monitored.
- (2) Process/method of selecting beneficiaries/trainees and their spread in the state.
- (3) Financial assistance given to the entrepreneurs and method of acquiring and utilising the facilities.
- (4) Relationship between each of the FL skills and the survival of small and medium enterprises (SMEs)
- (5) Challenges/difficulties SME businesses encounter in the state and method of solving them.
- (6) Various sources or methods of acquiring FL skills by the entrepreneurs

### **3.5 Validity and Reliability of the Instrument**

The instruments, especially the structured questionnaire and the IDI and KII interviews were subjected to experts' advice particularly the researcher's supervisor and others in the behavioral sciences discipline. Their input were incorporated in the production of the final draft in order to ensure that the items correlate with the expected and accurate information. Effort was made to ensure that the content and the construct validity of the items are adequate.

The instrument was subjected to trial testing. Reliability of the instrument was conducted using the test-retest method at two weeks interval in Oyo State being a neighboring state to Osun State and with the same characteristics. The reliability ( $r$ ) values for each of the FL Skills scale were financial decision-making (0.66), money management (0.71), savings culture (0.63), budgeting ability (0.68), credit or loan accessibility (0.57) and investment knowledge (0.66) and SMEs survival Questionnaire was 0.83.

### **3.6 Administration of the Instruments**

The researcher administered the questionnaire personally with the assistance of six trained research assistants, one from each of the six zones. The assistants helped to facilitate the explanation of some aspects of the questionnaire and foster accurate response

to the items contained in the questionnaire by the respondents to the questionnaire. 250 questionnaires were distributed out of which 235 representing 94% was retrieved and properly completed.

### **3.7 Method for Data Analysis**

All the collected data through the instruments were analysed. Descriptive statistics of frequency counts, percentages as well as tables were used to present the demographic information of the respondents. Inferential statistics of Pearson product moment correlation analysis, t-test, one way ANOVA and Multiple regression analysis were adopted to test the hypotheses, at 0.05 level of significance.

Pearson product moment correlation (PPMC) analysis was adopted to indicate the relationship between the FL skills and the survival of small and medium enterprises (SMEs). The t-test statistics was used to determine the extent of the difference in gender on acquisition of FL skills. The one-way ANOVA was used to show the effect of number of employees and age on the acquisition and utilization of FL skills. In summary, PPMC, t-test and one-way ANOVA were adopted to test the hypotheses while the multiple regression analysis was adopted to answer research question 1 which has to do with the composite influence and relative contribution of all the FL skills on survival of small and medium enterprises (SMEs) in Osun State, Nigeria. Qualitative data from IDI and KII were content analysed.

The method used for data analysis for this study is hereby shown in the table below at a glance.

**Table 3.4: Data Analysis Matrix**

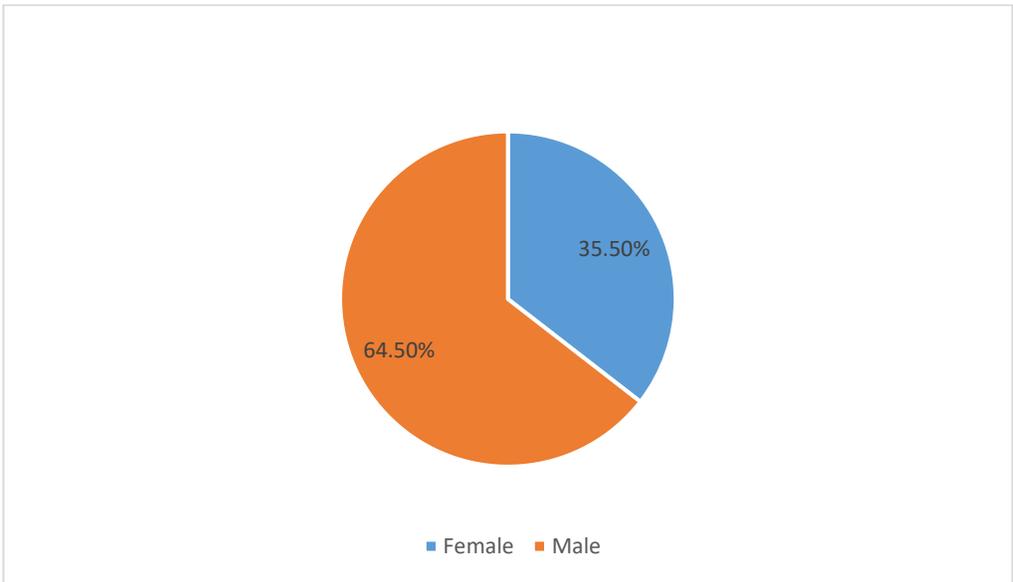
<b>Types</b>		<b>Instrument for Data Collection</b>	<b>Nature of Data Collected</b>	<b>Data Analyses</b>
Objectives:	i.	Acquisition scale	Quantitative	Percentaages
	ii.	Acquisiton scale	Quantitativ	Percentages
	iii.	Utilization Scale	Quantitative	Percentages
	iv.	FL skills sub scales	Quantitative	Pearson product moment correlation and content analyses
	v.	Questionnaire	Quantitative	ANOVA and t-test
Research Questions	1	Questionnaire	Quantitative	Multiple regression
	2-5	Questionnaire	Quantitative	Respdents' perception analysis using percentages
Hypotheses	1-6	Questionnaire	Quantitative	Pearson Product Moment Correlation Analysis (PPMC)
	7	Questionnaire	Quantitative	One-way ANOVA and t-test
	8	Questionnaire	Quantitative	One-way ANOVA

Qualitative data from KII and IDI conducted were used to complement the quantitative data used above.

## **CHAPTER FOUR**

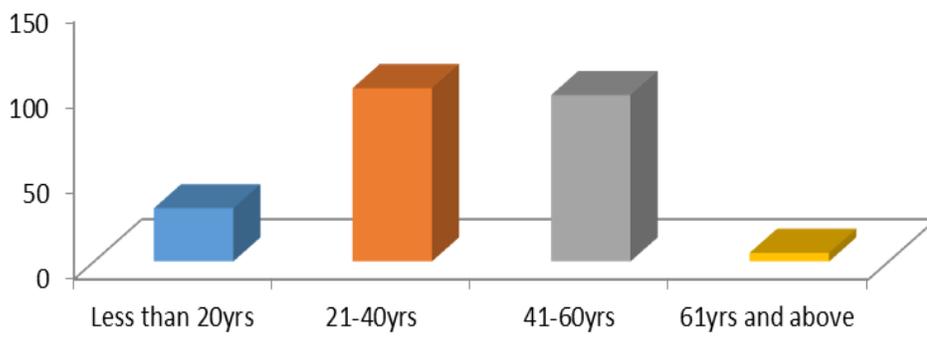
### **RESULTS AND DISCUSSION OF FINDINGS**

This Chapter contains quantitative and qualitative data analysis results from the research instruments, as well as discussions of those results. The data collected from the field was presented in the form of tables, bar charts, and pie charts. The research questions were analysed using multiple regression analysis and percentages. Pearson product moment correlation analysis, t-tests, and one-way ANOVA were used to test the hypotheses.



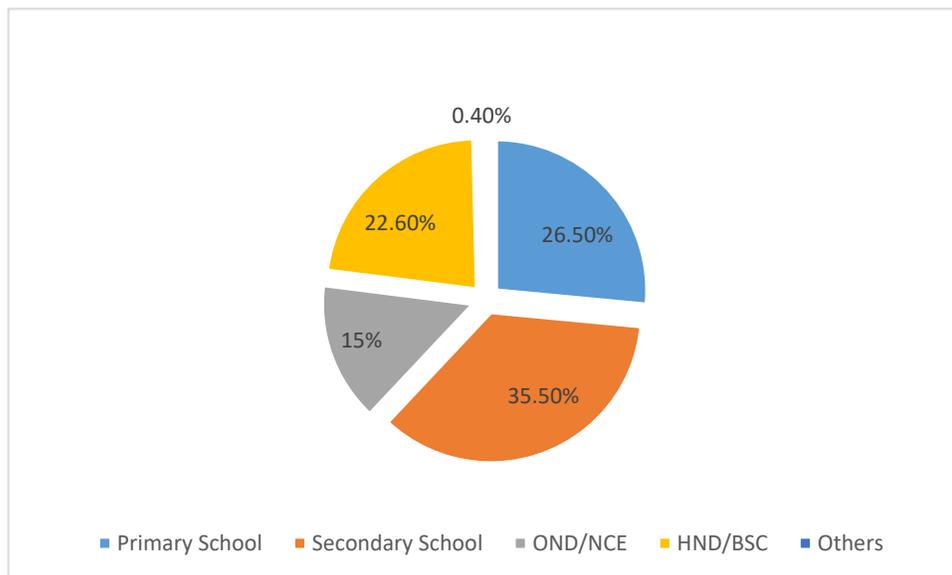
**Fig. 4.1.1 Gender Distribution of respondents**

The pie chart in fig 4.1.1 shows that males made up a larger proportion of the respondents (64.5%), while females made up 35.5%. This indicates that males dominate SMEs in Osun State. This implies that males outnumber females in the state's SMEs. Although the percentage of males in SMEs in Osun State is higher than that of females, this does not mean that females are completely excluded.



**Fig.4.1. 2: Age Distribution of Respondents**

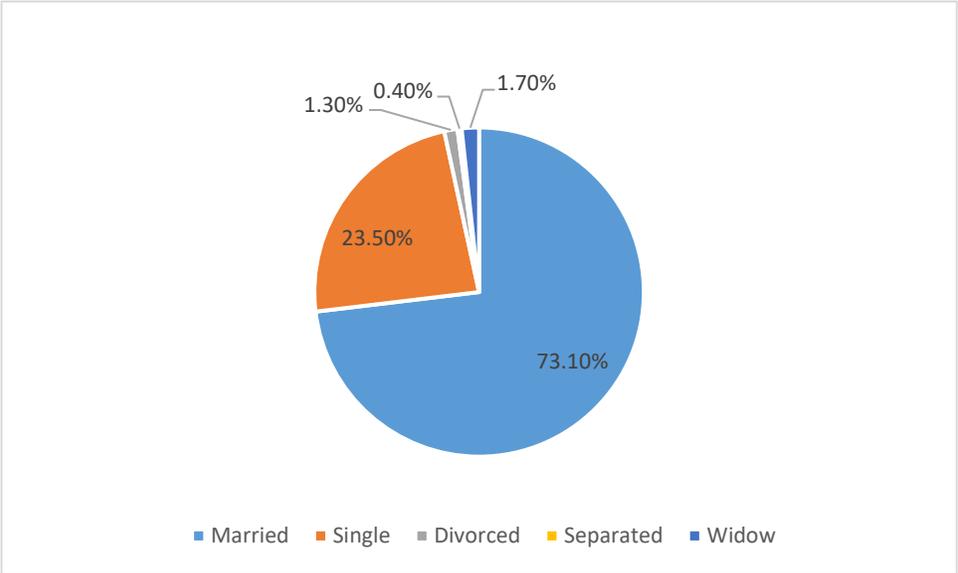
The bar chart in fig. 4.1.2: shows that 13.2% of all respondents were under the age of 20, 43.2% were between the ages of 21 and 40, 41.5% were between the ages of 41 and 60, and 2.1% were over the age of 61. According to the data presented above, 84.7% of the population is between the ages of 21 and 60. This age group is considered to be the active age of the economy, which will be very productive.



**Fig. 4.1.3 Educational Qualification of Respondents**

The pie chart in fig.4.1.3 shows that 26.5% of the total respondents had primary school leaving certificate, 35.5% had secondary school leaving certificate, 15.0% had OND/NCE certificate, 22.6% had a university/HND degree while 0.4% had other qualifications.

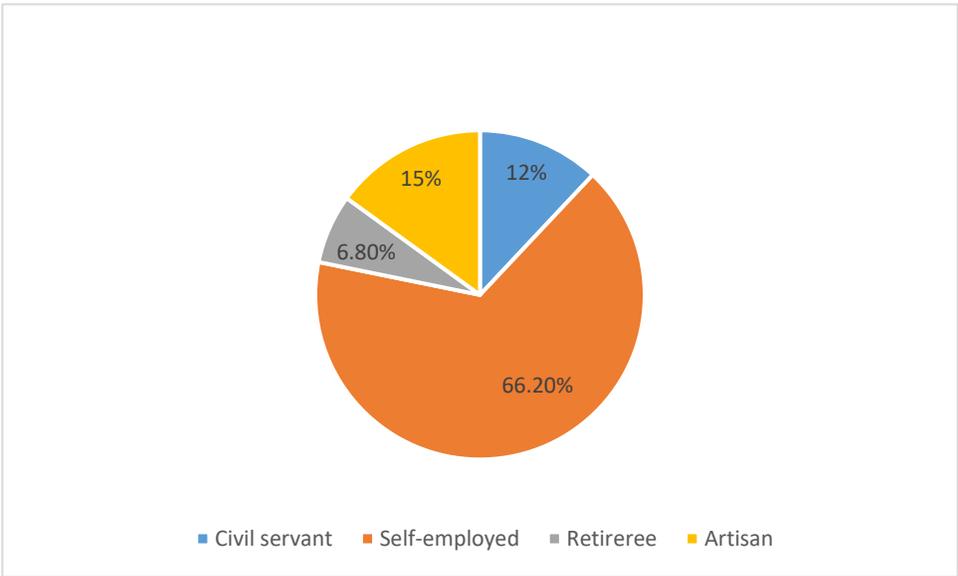
From the above pie chart, 73.5% of all the respondents have secondary school leaving certificate and above as qualification. This implies that they are literate as they can read and write and as well perform numeracy.



**Fig. 4.1.4 Marital Status of Respondents**

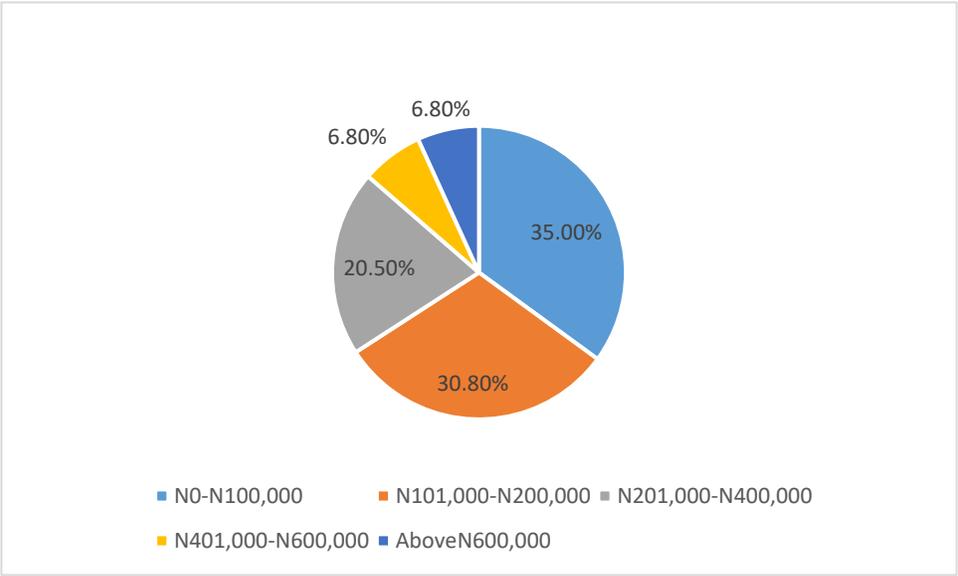
The pie chart in Fig. 4.1.4: shows that 73.1% of the respondent were married, 23.5% were single, 1.3% were divorced, 0.4% were separated while 1.7% were widowed.

The figure above shows that 73.1% are married implying that, that percentage was involved or engaged in one form of small and medium enterprises or another. This means that, because they have some marital responsibilities, they must look for some type of business to provide for their families.



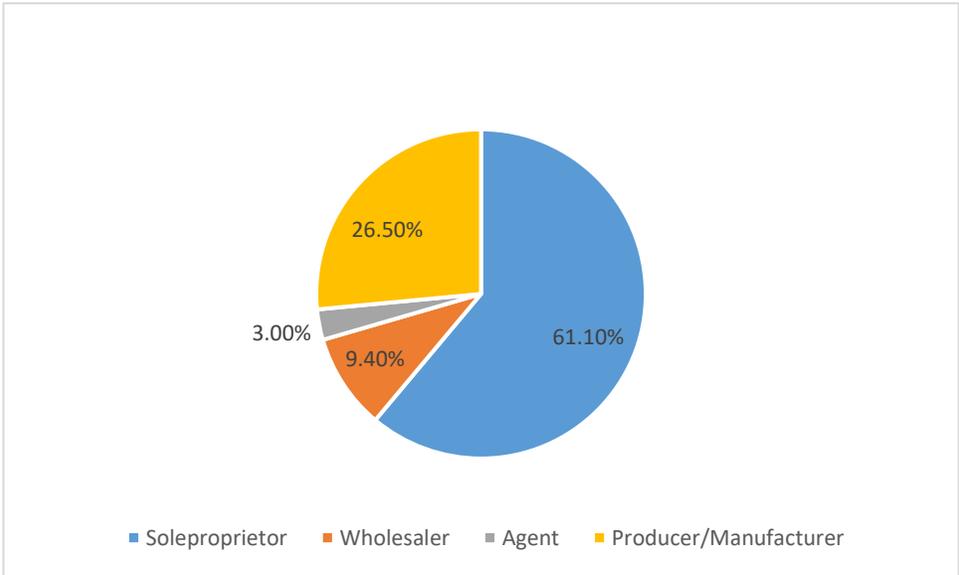
**Fig. 4.1.5 Working Status of Respondents**

Table 4.1.5 shows that 12.0% of the respondents were civil servants, 66.2% were self-employed, 6.8% were retirees, 1.3% were unemployed while 15.0% were artisans. This result shows that a low percentage of people who engage themselves in Small and Medium Enterprises (SMEs) in Osun State are civil servants. Civil servants could be seen to have a reasonable source of income from which savings could be made to invest on small businesses but these set of people are relatively small in Osun State.



**Fig. 4.1.6 Distribution of Respondents by annual income**

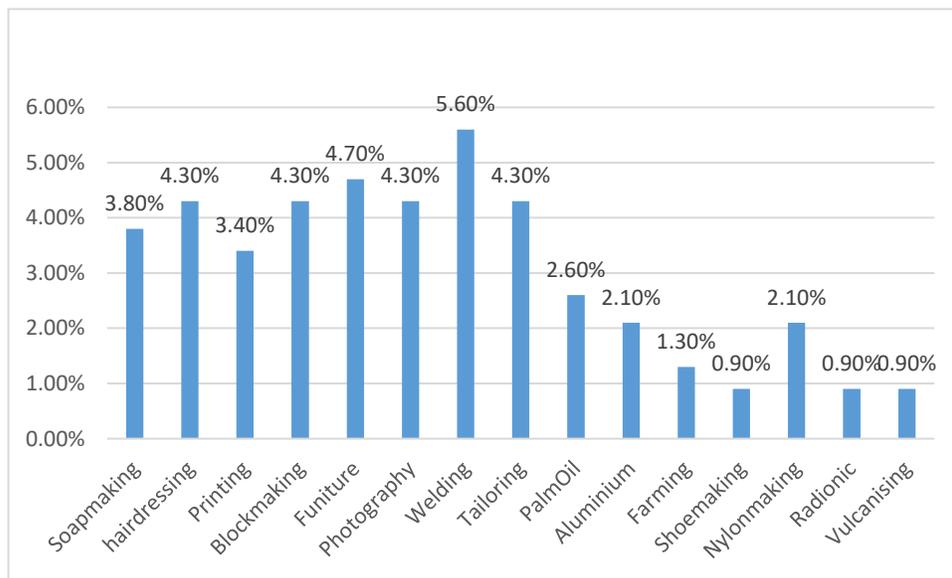
Fig 4.1.6, reveals that 35.0% of the respondents earn N0-N100000 annually, 30.8% earn N101,000-N200,000 annually, 20.5% earn N201,000-N400,000, 6.8% earn N401,000-N600,000 annually while 6.8% earn above N600,000 annually. The result presented here reveals, that a larger percentage of the respondents are in the low income bracket with the maximum upper limit of N200,000 per annum. The figure here represents over 65% of the respondents used. The maximum annual income of N200,000 translates to less than N20,000 per month, which is significantly less than the standard United Nations per-capital income of one dollar per day, or N360 per day based on the current exchange rate in Nigeria. Based on the current cost of living in Nigeria, this income cannot even support one person, let alone save for investment in any business.



**Fig. 4.1.7 Distribution of Respondents by nature of business**

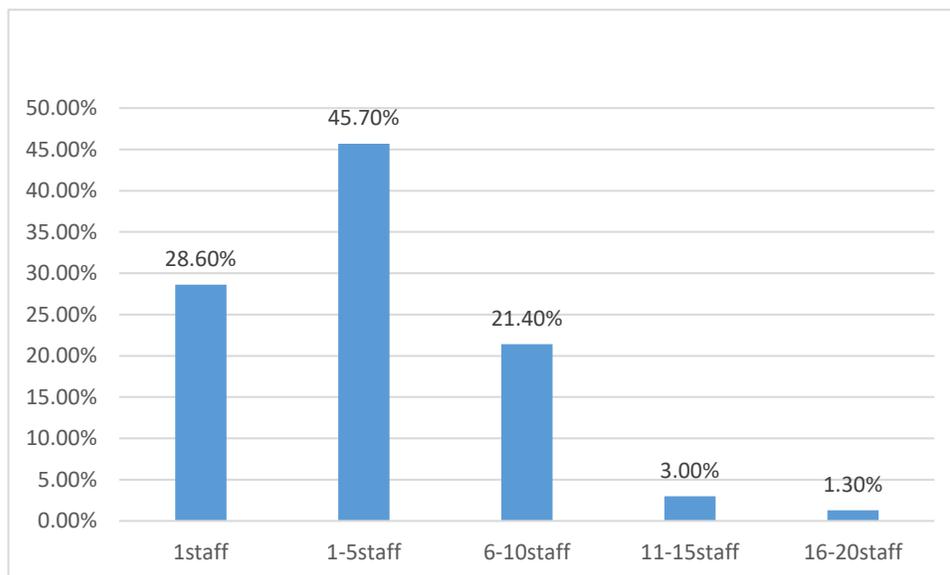
Fig. 4.1.7 chart shows that 61.1% of the respondents were sole proprietor, 9.4% were wholesaler, 3.0% were agent while 26.5% were producer/manufacturer.

According to Figure 4.1.7, the majority of entrepreneurs in Osun State are sole proprietors. This indicates that they own their businesses solely, with a few of them employing between one and ten people. The masters are the owners of these businesses, who operate as sole proprietors.



**Fig. 4.1.8 Distribution of Respondents based on the type of product manufactured**

Fig. 4.1.8 shows that 3.8% of the respondents make soap, 4.3% were hair dressers, 3.4% prints documents, 4.3% moulds blocks, 4.7% are into furniture making, 4.3% were photographers, 5.6% were welders, 4.3% were tailors/fashion designers, 2.6% processes palm oil, 2.1% makes aluminum, 1.3% were farmers, 0.9% were shoe makers, 2.1% cuts nylon, 0.9% repairs radio, 0.9% were vulcanizers, 0.4% produces pure water, 1.7% smelts iron pot, 0.9% are into steel fabrication, 1.7% sells electrical parts, 1.3% bakes bread, 8.5% were traders, 1.3% makes art work, 0.9% were agents while 0.4% were computer artists.



**Fig. 4.1.9 Distribution of Respondents based on the number of employees**

Fig 4.1.9 shows that 45.7% of the respondents had 1-5 employees, 21.4% had 6-10 employees, 3.0% had 11-15 employees, 1.3% had 16-20 employees while 28.6% of the respondents had only one employee. The figure 4.1.9 above reveals the number of employees in the Small and Medium Enterprises in Osun State. All these enterprises in Osun State can be categorized under micro enterprises as a total of 95.7% of the enterprises have between 1 and 10 employees.

#### **4.2 Analysis of Research Questions and Hypotheses**

The research questions in this study were analyzed using a summary of multiple regression statistics, while the research hypotheses were analyzed using a combination of Pearson product moment correlation and one way ANOVA.

**Research Question 1**

To what extent do the FL skills (financial decision making, money management, savings culture, budgeting ability, credit or loan accessibility and investment knowledge) predict the survival of `small and medium enterprises in Osun State?

This research question was answered by using multiple regression and content analyses while the results were presented in tables 4.2.1 and 4.2.2

**Table 4.2.1: Summary of Multiple Regression table showing the composite prediction of FL skills on survival of Small and Medium Enterprises**

	Sum of Squares	Df	Mean Square	F	Sig.
Regression	7656.638	6	1276.106	54.178	.000 <sup>b</sup>
Residual	5346.768	227	23.554		
Total	13003.406	232			
R=0. 77, R <sup>2</sup> =0. 59, Adj. R <sup>2</sup> = 0.58 SEM = 4.85					

Source: Computed and compiled by the author (2018)

**Table 4.2.2: Summary of Multiple Regression table showing the relative contribution of financial decision making, money management, budgeting ability, saving culture, credit/loan accessibility, investment knowledge and ability on survival of Small and Medium Enterprises**

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	-6.279	2.716		-2.312	.022
Financial decision making	-.196	.385	-.065	-.508	.612
Money management	1.694	.283	.557	5.990	.000
Budgeting ability	1.515	.353	.417	4.290	.000
Saving culture	-.338	.552	-.126	-.611	.542
Credit/loan accessibility	-.584	.227	-.221	-2.570	.011
Investment knowledge and ability	.649	.550	.235	1.179	.240

**Source:** Computed and compiled by the author (2018)

## **Interpretation and Discussion**

From Table 4.2.1, the results indicated that there was significant joint prediction of financial decision making, money management, budgeting ability, saving culture, credit/loan accessibility, investment knowledge and ability on survival of Small and Medium Enterprises. [ $F(6,227) = 0.77$ ,  $R^2 = 0.59$ ;  $p < 0.05$ ] with the variables accounting for 59% of the variance on the survival of Small and Medium Enterprises. This finding supports the findings of Bosma and Harding (2006), who demonstrated the importance of FL skills in the performance of SMEs. They contended that many SMEs fail due to lack of FL, insufficient business acuity, and poor FL, all of which undermine their entrepreneurial activity. Similarly, the findings support the findings of Spinelli, Timmons, and Adams (2011), who demonstrated that “management of financing was a major significant determinant of managerial competencies in the development of SME firms.” The results are also in line with those of Oseifuah (2010) and Kotze & Smit (2008), who found that FL has a huge impact on their entrepreneurship abilities. Entrepreneurs who wish to expand must have financial confidence and be well-informed. According to the results of this study, there is a significant connection between FL skills and the survival of SMEs. As a result, FL skills have a huge effect on the performance of Small and Medium Enterprises (SMEs). “FL is expected to establish a measure of financial competence, i.e. to stay informed about financial matters,” (Lusardi and Mitchell, 2006). The performance of Small and Medium Enterprise would certainly benefit from FL skills that result in improved SMEs maintenance. “A financially literate SME owner/manager is someone who knows what the most appropriate financing decisions on the company results at different stages of the business are, who knows where to procure the most relevant goods and services, and who deals with the suppliers of these products and services with confidence,” (USAID, 2009).

To support the extent to which FL skills predict the survival of SMEs in Osun State, an indepth interview conducted with one respondent revealed that:

FL of the owner or manager in the small business has effects on SME performance in terms of business growth, growth in asset, increase in business profitability and better access to credit (IDI, Ilesa, 23/3/2018)

In collaboration with the above and the need for FL to predict the survival of SMEs, another respondent tipped in this advice:

Because most businesses fail due to lack of competent financial and managerial skills on the part of promoters, institutions and government agencies should focus on developing business knowledge, financial and managerial capacity among SMEs. (KII, Osogbo, 24/3/ 2018)

According to the respondents' comments, a proper implementation and knowledge of FL skills will go a long way toward enhancing the survival of SMEs and, as a result, the performance of the entrepreneurs in their various businesses will increase. A secondary analysis was conducted to determine the relative contribution of each of the FL skills (financial decision making, money management, savings culture, budgeting ability, credit or loan accessibility and investment knowledge). The outcome is shown in Table 4.2.2 above.

From Table 4.2.2, the results indicate that money management ( $\beta=.56$ ;  $t= 5.99$ ,  $p<.05$ ), budgeting ability ( $\beta=.42$ ;  $t= 4.29$ ;  $p<.05$ ) and credit/loan accessibility ( $\beta=-.22$ ;  $t= -2.57$ ,  $p<.05$ ), significantly predict survival of SMEs. However, financial decision making ( $\beta=-.07$ ;  $p>.05$ ), saving culture ( $\beta=-.13$ ;  $p>.05$ ) and investment knowledge and ability ( $\beta=.24$ ;  $p>.05$ ) did not significantly predict survival of small and medium enterprises. The negative signs in the Beta values of financial decision-making (-0.065), savings culture (-0.126) and credit/loan accessibility (-0.221) indicated that all these variables are inversely correlated I,e they have inverse relationship/contribution to the survival of SMEs. This implies that financial decision making, savings culture and credit/loan accessibility move in the negative direction to the survival of SMEs. Zimbio (2010), observed that Nigerians lack savings culture and hence low investment which on the other hand affects the survival of SMEs. The lack of savings culture practically lead to the negative effect on the survival of SMEs. The implication of the negative value of of credit/loan accessibility on the survival of SMEs, according to Afolabi and Oni (2014), is that entrepreneurs may divert the money granted to other private purposes such as marrying another wife, buying a new car or performing the burial ceremonies of their parents who died many years back. As a result of all these, they may not be able to have access to another credit facility which in the long run may have a negative effect/ impact on the survival of SMEs. To this end, creditors need to be more meticulous in giving out

loans and they should set machinery in motion to monitor and make sure that loans are actually spent for the purposes for which they were obtained/granted. The research question is also supported.

The level of poverty has significantly eroded Nigerians' saving culture. About 94 million Nigerians live in extreme poverty, which means they do not have enough money to live on, let alone save for a rainy day, and many do not save because they are unemployed. Today, unemployment in Nigeria is a serious issue, with the rate currently standing at 23%. People are no longer interested in saving for a variety of reasons, including low income levels, lack of various types of attractive savings plans, and low interest rates on savings. The incentive to save is now insufficient. At the moment, the interest rate paid on savings in all Nigerian banks is not higher than 3%. As a result, people no longer save, thereby reducing people's saving culture. People's propensity to consume is much higher than their propensity to save, which affects their level of investment, which is found to be very low. The country's current income level is ridiculously low and cannot cover the current cost of living. Even the much-debated National Minimum Wage of N30,000, which is yet to be implemented at the Federal Government level, is insufficient to sustain a family of four comfortably, let alone leave room for saving or investing in a business.

This finding agrees with Bond and Meghir (1994), who discovered that access to credit appears to be positive and people are encouraged to borrow, which leads to an expansion of the capital base and increased business activity taking place. The finding is also consistent with the findings of Sabri and MacDonald (2010), who demonstrated that people with high FL are more successful in their businesses and their personal lives than those with low FL. This increases their financial concerns and causes them to have longer-term savings and investments, resulting in a better future with a long-term vision. FL and financial constraints will have a negative relationship. This means that a firm's inability to borrow causes it to bypass attractive investment opportunities, as well as imposes constraints on business firms. A broad understanding of FL will enable investors to have enough money to invest in their business firms in order for these businesses to survive. As a result of this discovery, FL skills have a relative contribution to the survival of SMEs.

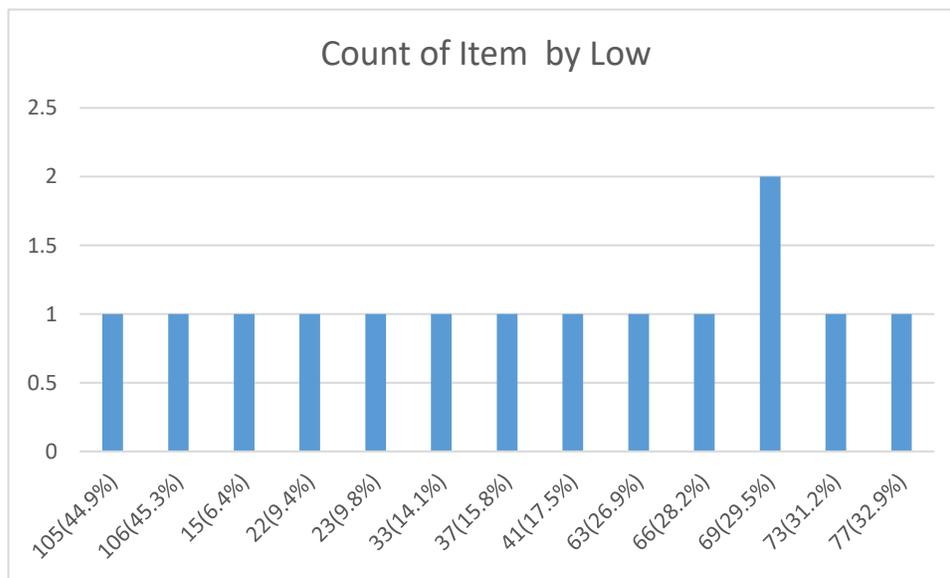
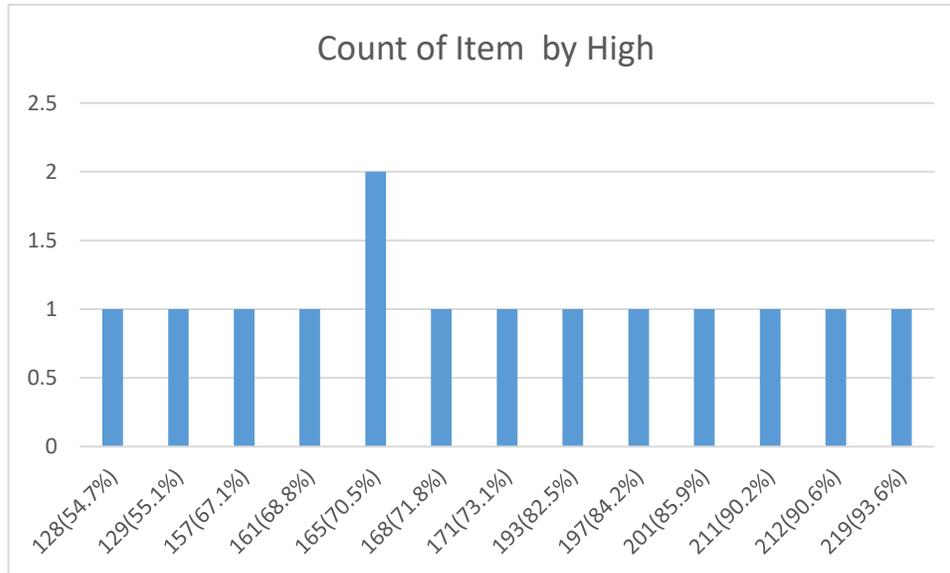
According to the results of the multiple-regression analysis in table 4.2.2 above, money management, budgeting ability, and credit/loan accessibility have the greatest relative contribution to the survival of SMEs.

RQ<sub>2</sub>: What is the level of acquisition of the FL skills (financial decision making, money management, savings culture, budgeting ability, credit/loan accessibility and investment knowledge) among the entrepreneurs?

This research question also addresses objective (ii) which is concerned with determining the level of acquisition of various FL skills.

According to the Oxford Advanced Learners Dictionary, International Students Edition, acquisition refers to the act of obtaining something, particularly knowledge, a skill, and so on. As a result, to acquire is to have a thorough understanding of something. It then follows that acquiring FL skills entails having a thorough understanding of all of the items that comprise FL skills. The degree to which entrepreneurs have acquired FL skills is determined by their knowledge of all of the items listed. This is consistent with Moore (2003)'s assertion that knowledge is gained through practical experience and active integration of knowledge.

The perceived level of acquisition of FL skills among entrepreneurs based on the degree of knowledge of all the items that comprise FL skills as perceived by all the respondents is as shown in table 4.2.3 below:



**Fig. 4.1.10: Perceived level of respondents' knowledge of FL skills' concepts**

Figure 4.1.10 shows that 90.2% of the respondent knows about money management, 68.8% knows about cheque book balancing, 70.5% knows about stock market information, 93.6% knows about interest rates, 84.2% knows about stocks and bonds, 70.5% knows about credit facilities, 82.5% knows about savings/current account, 85.9% knows about personal budgeting, 90.6% knows about credit and debit management, 67.1% knows about spending plan, 73.1% knows about statement of account, 71.8% knows about commission on turnover, 54.7% knows about collateral security while 55.1% knows about dividend/dividend warrant. From the table, findings showed that respondents/entrepreneurs have or possess very high knowledge of most of the items/concepts as indicated by the percentage scores. The two items in which respondents have low knowledge are collateral security and dividends/dividend warrants.

According to the findings, respondents have a high level of knowledge of the items that comprise FL skills. There are indications that, while respondents have knowledge of collateral security and dividend/dividend warrant, their level of knowledge in the two is so low, with percentages of 54.7 and 55.1 respectively.

The respondents' high level of knowledge of FL skills support Lusardi (2008)'s contention that in order to fully make decisions on saving and investment, individuals will need knowledge beyond the fundamental financial concepts, which includes understanding other concepts such as those mentioned in table 4.2.3 above more importantly collateral security and dividends, which have to do with harnessing capital that can be used to expand one's business or even establish new ones, as well as improve business performance. As with reading and writing, the policy goal for promoting FL should be basic knowledge.

The level of FL acquired will primarily affect the survival of SMEs. Entrepreneurs must have a high level of knowledge about the concepts that comprise FL skills in order for SMEs to survive. Entrepreneurs can obtain FL skills from a variety of sources, including training/seminars provided by SMEDAN, BOI, and other government agencies, television, radio, newspapers, handbills, posters, and a variety of others.

According to the findings in table 4.2.5, many entrepreneurs never use newspapers, agency newsletters, or even handbills as sources of acquiring FL skills. This could be attributed to the high level of illiteracy among entrepreneurs. Most entrepreneurs

were illiterate and thus unable to comprehend or benefit from what these various sources were saying or depicting. The level of illiteracy also affects the level of understanding of various FL concepts such as stock market information, credit facilities, collateral security, dividend/dividend warrant, interest rates, and others, all of which could be of enormous benefit in accessing external finance, which could be very important in building sustainable businesses that will survive. The FATE foundation in association with the Association of Chartered Certified Accountants (ACCA) in their report support this claim when they said that “not less than 73% of MSMEs are financial illiterates. The foundation also observed that there is an urgent need for improved FL skills, which contribute significantly to the low level of successful access to external finance. To ensure the survival of SMEs in Osun State, Nigeria, a high level of FL should therefore be acquired.

**Table 4.2.3: Perception of respondents based on knowledge of FL skill**

	<b>Strongly disagree</b>	<b>Disagree</b>	<b>Strongly agree</b>	<b>Agree</b>
FL skills are meant only for the active workers, civil servants and the educated ones	7(3.0%)	-	87(37.2%)	140(59.8%)
FL skills make it possible to maintain one's business for better performance	-	-	69(29.5%)	165(70.5%)
With FL skills, small and medium enterprises can grow and develop	49(20.9%)	14(6.0%)	13(5.6%)	158(67.5%)
Most Nigerians lack information about banks due to financial illiteracy	98(41.9%)	-	48(20.5%)	88(37.6%)
The less financially literates are more likely to commit financial mistakes	20(8.5%)	-	86(36.8%)	128(54.7%)
FL creates awareness on saving and thus improves the Nigerian economy	-	35(15.0%)	55(23.5%)	144(61.5%)
With a proper knowledge of financial knowledge, I can now manage my money to make wise decision and avoid fraud	-	-	62(26.5%)	172(73.5%)
The proper understanding of FL skills makes it easy to access startup capital/finance for one's business	21(9.0%)	28(12.0%)	49(20.9%)	136(58.1%)

Table 4.2.3 reveals that 97.0% of all the respondents reported that FL skills are meant only for the active workers, civil servants and the educated ones, 100.0% reported that FL skills make it possible to maintain one's business for better performance, 73.1% reported that with FL skills, small and medium enterprises can grow and develop, 58.1% reported that most Nigerians lack information about banks due to financial illiteracy, 91.5% reported that, the less financial literates are likely to commit more financial mistakes, 85.0% reported that FL creates awareness on saving and thus improves the Nigerian economy, 100.0% reported that with a proper knowledge of financial knowledge, they can now manage their money to make wise decision and avoid fraud while 79.0% reported that the proper understanding of FL skills makes it easy to access startup capital/finance for one's business. According to the respondents' perceptions, the result which was reported in table 4.2.3 reveals what good knowledge of FL skills can bring about for the entrepreneur, business, and even the economy. They all agreed, for example, that FL skills will enable them to successfully maintain their businesses for improved performance, manage their money to make wise decisions and avoid fraud, and make it easier to access start-up capital/finance for their businesses. This is consistent with Hall (2008)'s observation that FL is primarily concerned with encouraging savings that result in productive investment opportunities that lead to economic development. This also supports Eniola and Entebang (2015)'s contention that "FL is now globally recognized as a major factor of economic and financial stability and development of SMEs for performance."

RQ<sub>3</sub>:           What are the various sources of the acquisition of the FL skills (financial decision making, money management, savings culture, budgeting ability, credit or loan accessibility and investment knowledge) among the entrepreneurs?

Objective (iii) of the study was also captured under the research question 3 above as it deals with the assessment of various sources of the acquisition of FL skills.

**Table 4.2.4: Perception of respondents based on sources of acquisition of the skills**

	Always	Sometimes	Rarely	Never
Training sources/seminars through SMEDAN, BOI and others	161(68.8%)	45(19.2%)	7(3.0%)	21(9.0%)
Television	145(62.0%)	89(38.0%)	-	-
Radio	206(88.0%)	21(9.0%)	7(3.0%)	
Newspaper	150(64.1%)	21(9.0%)	7(3.0%)	56(23.9%)
Handbill	149(63.7%)	64(27.4%)	14(6.0%)	7(3.0%)
Poster	142(60.7%)	78(33.3%)	14(6.0%)	-
Internet/feedback	174(74.4%)	53(22.6%)	7(3.0%)	-
Personal financial experiences	192(82.1%)	14(6.0%)	21(9.0%)	7(3.0%)
Friends and family	198(84.6%)	29(12.4%)	7(3.0%)	-
Newsletters of agencies	65(27.8%)	70(29.9%)	22(9.4%)	77(32.9%)

Table 4.2.4 reveals that 68.8% of the total respondents reported that they always train through SMEDAN, BOI and others, 62.0% acquire the skills from the television, 88.0% acquire the skill from the radio, 64.1% acquire the skills from the newspaper, 63.7% acquire the skill from handbills, 60.7% acquire the skills from the poster, 74.7% acquire the skills from the Internet, 82.1% acquire the skills from personal financial experiences, 84.6% acquire the skills from friends and family while 29.9% reported that they sometimes acquire the skills from the newsletters of agencies.

Table 4.2.4 also elicits the various sources of acquiring FL skills. Training/seminars by government agencies such as SMEDAN, BoI, and others, television, radio, newspaper, poster, handbill, Internet/feedback, agency newsletters, and so on are examples. These various sources foster financial knowledge and skills while they also assist entrepreneurs in making sound financial decisions.

According to the above results, radio, personal financial experiences, and friends and family are the sources with the highest percentage. This is due to respondents' increased access to these sources. For example, there is no family or household that does not have a radio set, whether small or big, and this allows people to listen to various programmes that are educative in the area of acquiring FL skills. The only source with a low percentage is agency newsletters. Government agencies that can serve as sources of acquisition are few and only found in state capitals, where there are only a few entrepreneurs in SMEs. People will not be able to easily access the newsletters.

On the various sources of acquisition of financial literacy skills, one of the entrepreneurs observed as follows:

Accessibility to information on financial literacy skills is massively made possible by programmes on radio. These help one as an entrepreneur to know how to invest, make profit and make one's business to efficiently perform. An example of such programme is "money and economy on radio" usually transmitted on Premier FM 93.5 on Fridays between 5.30 and 6.00 pm. The programme has benefited so many entrepreneurs to grow their businesses and is widely being listened to. (IDI, Ilesa, 9/5/2018)

The findings support what has been found in the literature on the various sources of acquiring FL skills. According to Hilgert, Hogarth, and Beverly (2008), "media and video presentations were rated highest in terms of a variety of learning opportunities and

successful methods for acquiring personal financial management skills, while informational seminars and formal courses were rated lowest.” Other sources of knowledge included personal experience, friends, and family, whereas formal education such as high school education and others obtained on the job or outside of the school environment were rated across all financial practices and skill levels.

During one of the KII sessions, a desk officer at SMEDAN confirmed that one of the sources of acquiring FL skills is through SMEDAN, BoI, and others, as he stated thus:

SMEDAN is thought to provide training and capacity building in areas such as bookkeeping and accounts management, business plan preparation, quality control, computer or information technology (IT) appreciation, and so on. SMEDAN recently held a Train-the-Trainer workshop in Osogbo on CBN-organized FL training for MSMEs and farmers on March 2 and 3, 2018. We also held a SMEDAN-supported capacity-building workshop on Entrepreneurship Development for the Federation of Informal Workers Organizations of Nigeria (FIWON) in Osogbo on March 20-21, 2018.

Aside from government agencies such as SMEDAN, BoI, and others, there are other institutions that serve as sources for entrepreneurs to acquire FL skills. Among these institutions are those in the banking industry. For example, First Bank, WEMA, Sterling Bank, and others have organized capacity building sessions at various times to provide women entrepreneurs with competencies such as business and financial management skills needed to run better businesses. They teach them how to increase profitability through effective cash flow and working capital management.

On the types and efficiency of the training given, one of the entrepreneurs in the interview conducted commented as follows:

On September 4th, 2017, some of us entrepreneurs were exposed to various forms of entrepreneurial trainings in collaboration with SMEDAN and other official partners such as Credivemind Studio, Deko Computer Service Ltd, Fnx Global Services Ltd, Treasure Jars Youth Centre on creating awareness and visibility for start-up entrepreneurs, SMEs, and industries in various sectors. Long Image Global Ventures also organized a 4-week training program on Batik Adire, Tie and Dye, and shirt sewing workshops in Osogbo in July 2017 and was attended by entrepreneurs. In March 2018, FIWON also organized a training program to assist entrepreneurs in forming Credit and Savings

Cooperatives through which friendly credits could be provided to boost their productivity and income. In addition, FIWON has organized accessible vocational skills training for people working in the informal sectors. All of these training programmes have been found to be wonderful and very useful for us, and we hope that many more of them can be organized in the future to cover entrepreneurs throughout Osun state. (IDI, Ejigbo, October 5, 2018)

RQ4: To what extent are FL skills (financial decision making, money management, savings culture, budgeting ability, credit or loan accessibility and investment knowledge) utilized among the entrepreneurs?

Objective (iv) of the study which has to do with determining the extent to which FL skills are utilized among the entrepreneurs is also being covered by the research question.

Tables 4.2.5 and 4.2.6 below showed respondents' perception of FL concepts and services based on their utilization or how they made use of the concepts/services. The tables focused on objective (iv) which later translated into research question (4) and findings found here were used to provide answers to hypothesis (8) of the study.

Respondents' use of the concepts and services were analysed to be high, medium or low depending on the percentage range. High level of utilisation could be seen as found to have a score of 60% and above while a score of between 48% and 59% exhibits a medium level and finally a percentage score of below 47% will be a low usage or utilisation of the financial concepts and services.

The tables show a combination of the utilisation of the concepts by both gender i.e male and female.

**Table 4.2.5: Perception of respondents' utilisation of FL skills**

	High	Low
Cheque book balancing	141(60.3%)	93(39.7%)
Money management	234(100.0%)	-
Stock market information	207(88.5%)	27(11.5%)
Esusu and cooperative societies	120(51.3%)	114(48.7%)
Credit facilities	214(91.5%)	20(8.5%)
Savings/current account	227(97.0%)	7(3.0%)
Fixed deposit account	207(88.5%)	27(11.5%)
Investment	183(78.2%)	51(21.8%)
Spending plan/ budgeting	183(78.2%)	51(21.8%)
Collateral security	28(12.0%)	206(88.0%)

The items or variables in the above table represent the concepts that are attached to FL skills when put into practice.

Table 4.2.5 reveals that 60.3% of the total respondents have utilised the cheque book balancing, 100.0% have utilized the money management, 88.5% have utilised the stock market information, 51.3% have utilized the Esusu/cooperative societies, 91.5% have utilized the credit facilities, 97.0% have utilised the savings/current account, 88.5% have utilized the fixed deposit account, 78.2% have put into investment, 78.2% have utilized budgeting skill while 88.0% have not utilised collateral security. The result above indicates the utilization level of financial concepts, financial services and skills under FL skills. The above reveals that the least utilised concept or service is collateral security i.e 12% and followed by Esusu and cooperative societies 51.3% and cheque book balancing 60.3%.

Many entrepreneurs lack assets that can be accepted as collateral security by banks or lending institutions, which is why the majority of them are unable to obtain loans or capital from banks to help their businesses grow and become large. A sizeable proportion of these business owners do not know how to balance their cheque book accounts. Some of them even refuse to keep current accounts because they believe that they are decreasing in nature as a result of bank charges being deducted most of the time, rather than increasing with interest payments on savings accounts. These account holders/entrepreneurs frequently overlook the fact that it is only with a current account that one has the right to use any facility, including overdraft facilities or loan from the banks. And there is no loan that will be given which will not pass through the banks or any financial institutions. Ownership of a savings account, insurance policy, and whether the firm has previously applied for microcredit/loan were among the factors used to assess financial service utilisation.

Table 4.2.5 shows that entrepreneurs displayed a high level of utilisation of nearly all the FL skills. This is indicated by the high percentage level of 60% and above scored in such skills as cheque book balancing (60.36%), money management (100%), savings/current account (97%), fixed deposit account (88.5%) among others. The only skills not being fully utilised are Esusu and cooperative societies and collateral securities.

These two skills show a low level of utilisation with percentages of 51.3 and 12, respectively.

This finding implies that a high level of poverty is to blame for entrepreneurs not participating or belonging to any Esusu or cooperative societies where finance can be marshaled to startup, expand, or even keep their businesses afloat above the survival level. Poverty is also to blame for entrepreneurs' lack of tangible or fixed assets that can be used to secure/guarantee loans from financial institutions to increase capital/finance for the survival of their businesses.

As stated above, the table shows the utilisation of the concepts by both gender i.e male and female. The demographic data indicate that males have higher percentage of participation in SMEs than females. The percentages from the finding are 64.5 and 34.5 respectively. The higher percentage of males reflects in their use of FL skills than females. Gordon (2000) backs up this claim by reporting that "the key issues facing new and growing women-owned enterprises in the United States include access to capital, access to information, and access to networks, and that women business owners face financing and the effort to balance work and family as their most difficult tasks".

Martell (1996) also asserted that most organisations, particularly SMEs, are dominated by men, lending credence to the study's findings. Tamimi and Kalli (2009) demonstrated that "male gender possesses higher level of FL" in another dimension.

**Table 4.2.6: Perception of respondents' practice of FL skills**

	High	Low
Take calculated risks while investing	126(53.8%)	108(46.2%)
Apply for loans/overdraft from your bank	74(31.6%)	160(68.4%)
Save part of the income you earn	213(91.0%)	21(9.0%)
Read and interpret statement of account	227(97.0%)	7(3.0%)
Avoid unnecessary purchases	213(91.0%)	21(9.0%)
Invest in shares, stocks and bonds	100(42.7%)	134(57.3%)
Belong to cooperative societies or have a bank account	134(57.3%)	100(42.7%)
Enjoy any credit facility in your bank	83(35.5%)	151(64.5%)

Table 4.2.6 reveals that 53.8% of all the respondents reported that they take calculated risks while investing, 68.4% reported that they apply for loans/overdraft from their bank, 91.0% reported that they save part of the income they earn, 97.0% reported that they can read and interpret statement of account, 91.0% reported that they try to avoid unnecessary purchases, 57.3% reported that they invest in shares, stock and bonds, 57.3% reported that they belong to a cooperative society or have a bank account while 64.5% reported that they enjoy credit facility in their bank.

According to the results, respondents have not used or practiced the skills of applying for loans or overdrafts from their banks, investing in shares, stocks, and bonds, or taking advantage of any credit facility offered by their banks. This implies that the majority of respondents are financial illiterate.

RQ5: Are there differences in the acquisition and utilization of FL skills by the entrepreneurs based on their demographic characteristics and classification of SMEs?

This research question covered objective (v) which deals with determining if there are differences in the acquisition and utilisation of financial literacy skills by the entrepreneurs based on their demographic characteristics and classification of SMEs.

The findings arrived at, from objective (v) and research question (5) were used to provide answers to hypotheses 7 and 8 that were postulated for this study.

The demographic characteristics considered here were limited only to age, gender whether male or female and number of employees engaged in the business by the SME owners.

The two hypotheses referred to above i.e 7 and 8 were critically and statistically tested and the results were tabulated in tables 4.2.21a to 4.2.24.

The results of the findings showed that age has no significant effect on FL skills, hence no difference. Many renowned authors are in support of this claim. The result also showed that gender i.e male or female has no significant influence on acquisition and utilization of FL skills. This claim is supported by Cooper (1998), but Thibault (2002) contradicts this claim when he concluded that gender played a significant role in the knowledge of business performance as small scale business operators. Finally, number of employees engaged does not matter but what is important is for the employees to acquire the skills and put them into

use i.e utilize them. Financial literacy skills are independent of organizational size. Therefore, there are no differences in the acquisition and utilization of FL skills by the entrepreneurs based on their demographic characteristics.

**Table 4.2.7: Perception of respondents based on acquisition skill practice rate**

	Regularly	Rarely	Sparingly	Never
Take calculated risks while investing	101(43.2%)	133(56.8%)		
Apply for loans/overdraft from your bank	145(62.0%)	7(3.0%)	68(29.1%)	14(6.0%)
Save part of the income you earn	7(3.0%)		14(6.0%)	213(91.0%)
Read and interpret statement of account		28(12.0%)	72(30.8%)	134(57.3%)
Avoid unnecessary purchases	14(6.0%)		51(21.8%)	169(72.2%)
Invest in shares, stocks and bonds	113(48.3%)	7(3.0%)	62(26.5%)	52(22.2%)
Belong to cooperative societies or have a bank account	100(42.7%)	7(3.0%)	13(5.6%)	114(48.7%)
Enjoy any credit facility in your bank	130(55.8%)	21(9.0%)	41(14.5%)	42(17.9%)

Table 4.2.7 reveals that 43.2% of the total respondents reported that they regularly take calculated risks while investing, 62.0% regularly apply for loans/overdraft from their bank, 91.0% reported that they never saved part of the income they earn, 57.3% reported that they cannot read and interpret statement of account, 72.2% reported that they never tried to avoid unnecessary purchase, 48.3% reported that they regularly invest in shares, stock and bonds, 48.7% reported that they never belong to a cooperative society or have a bank account while 55.8% reported that they regularly enjoy credit facility in their bank.

The table shows the rate at which each component skill of FL is being practised by the respondents. Each of these components has to do with having access to capital through various media. Some respondents never saved a portion of their income, did not belong to any cooperative society, and did not open a bank account. Savings and investment in shares, stocks, and bonds should have a positive correlation, and to support this, The European Communities Commission (2007) stated that “citizens who deposit with confidence can guarantee additional liquidity for the capital markets where small businesses can provide capital that is critical in supporting growth and creating new jobs.” The goal of increasing FL level creates numerous business opportunities and, as a result, benefits a large number of the society.

These responses indicate how frequently respondents, i.e. entrepreneurs, use or put into practice FL concepts. They also demonstrate mastery of FL skills, which reflects in the survival of their businesses. A high display of FL skills will almost certainly lead to the survival of the businesses and will almost certainly yield a very high net-worth result.

Tables 4.2.8 to 4.2.13 show how each component of FL skills, namely financial decision making, money management, budgeting ability, savings culture, credit or loan accessibility, and investment knowledge and ability, has significant impacts on the survival of Small and Medium Enterprises (SMEs) in general and in Osun State in particular.

The various interviews conducted, which represented the qualitative data collected, also revealed the opinions of SMEs' stakeholders, such as entrepreneurs and

various desk officers of the government agencies in Osun State, on the relationship between FL skills and the survival of SMEs in Osun State.

**Table 4.2.8: Perception of respondents based on financial decision making**

	Strongly agree	Agree	Strongly disagree	Disagree
Decision making is very vital in any organization	157(67.1%)	77(32.9%)	-	-
Sensible financial decision taken gives room for effective and efficient performance of SMEs	151(64.5%)	76(32.5%)	7(3.0%)	-
The best decision making should be rational and be made consistent, value maximising choices	109(46.6%)	111(47.4%)	7(3.0%)	7(3.0%)
Decision making generally determines the success or failure of any organisation including the SMEs	105(44.9%)	115(49.1%)	14(6.0%)	-
An individual can decide to consume or save his income and invest it on an SME	150(64.1%)	70(29.9%)	-	14(6.0%)

Table 4.2.8 reveals that 100% of the total respondents reported that decision making is very vital in any organisation, 97.0% reported that a sensible financial decision taken gives room for effective and efficient performance of SMEs, 94.0% reported that the best decision making should be rational and be made consistent, value maximizing choices, 94.0% reported that decision making generally determines the success or failure of any organisation including the SMEs while 94.0% reported that an individual can decide to consume or save his income and invest it on an SME.

Decision making in any organisation including a business is vital and it needs to be rational while it also needs to be based on available information. The implication of this is that, managers of businesses and individuals must have a reasonable degree of knowledge related to business to be able to make good decisions. Any good decision made gives room for effective and efficient performance of SME. Being financially literate allows you to make sound decisions. According to Remund (2010), “FL is the degree to which one understands important financial concepts and possesses the capability and confidence to handle personal funds of appropriate and brief period of decision making.” There is a negative consequence to failing to make sound financial decisions. This is in relation to influencing the performance level of SMEs.” As a result, Joo and Grable (2000) concluded that, "a low level of FL prevents SMEs from performing well." Many decisions can be influenced, including an individual's decision to consume or save his income and invest it in an SME. 94% of respondents agreed with this statement.

A good decision-making process will go a long way toward determining the survival of SMEs (businesses). The various resources, such as financial, human, physical, and material resources, should be well combined, and this will be accomplished through sound decision-making. According to an entrepreneur interviewed in Ilobu, resources can have an impact on a business’ survival:

For the business to survive, one will have to tailor his resources with his belief systems. This may be the most difficult thing one will ever have to do in terms of decision making. Further more, the economic situation in the country may affect the entrepreneurs’ ability to make good financial decisions and even inhibit their saving culture (IDI, 5/4/2018)

**Table 4.2.9: Perception of respondents based on money management**

	Strongly agree	Agree	Strongly disagree	Disagree
No man is born with money management skills, it has to be learnt	144(61.5%)	69(29.5%)	14(6.0%)	7(3.0%)
If you manage your finances responsibly, you have peace of mind and know how to avoid constant money anxiety	136(58.1%)	98(41.9%)	-	-
Money management does not involve finding more money, but getting the most from the money you have	130(55.6%)	97(41.5%)	-	7(3.0%)
Budget is the foundation of sound money management and separating needs from wants is the key to good money management	144(61.5%)	76(32.5%)	7(3.0%)	7(3.0%)
Categorization of money management into costs and income is one of the guidelines on money management for small businesses	90(38.5%)	144(61.5%)	-	-

Table 4.2.9 reveals that 90.0% of all the respondents reported that there is no one born with money management skills, it has to be learnt, 100% reported that there is peace of mind and you know how to avoid constant money anxiety if you manage your resources responsibly, 97.0% reported that money management is getting the most from the money you have, 94.0% reported that budget is the foundation of sound money management and separating needs from wants is the key to good money management while 100% reported that the categorisation of money management into costs and income is one of the guidelines on money management for small businesses.

Table 4.2.9 also enumerates the responses on the various benefits of money management which is a component of FL. The result in the table indicates that 100% of the respondents are in support that money management gives peace of mind and avoiding constant money anxiety and getting the most from ones' money. Money management could equally be seen to have relationship with budgeting which assists in separating needs from wants.

There is every need to effectively manage money by developing plans and electing financial instruments appropriate to maintain positive cash flow (Iowa Core K-12 21<sup>st</sup> century skills, 2010).

As shown in table 4.2.9, respondents completely agreed that money management should be divided into costs and income as a guideline for small businesses. This is well supported by step 2 of the money management basics which is, "identify income and expenses." People should learn money management habits because some positive habits can lead to rewards later on, whereas negative ones can lead to trouble. Entrepreneurs should begin by compiling a list of all their income sources and amounts, as well as a record of their spending. This is a good money management skill that can aid in the successful management of one's business and the realisation of how much profit one is making. The profit generated can be reinvested back into the business, which will help it to survive difficult times and continue to exist.

**Table 4.2.10: Perception of respondents based on budgeting ability**

	Strongly agree	Agree	Strongly disagree	Disagree
Budgeting is the method efficient to make short term planning and control	119(50.9%)	115(49.1%)	-	-
The budget gives information about the objectives, policies and policy measures and projects, the funding sources and the allocation	85(36.3%)	149(63.7%)	-	-
Budgeting is imperative for small businesses to thrive and to be able to exist for long profitability	134(57.3%)	93(39.7%)	7(3.0%)	-
Monitoring the progress of project implementation and control as a stage of standardised budget dwells heavily with the performance of business enterprises	109(46.6%)	111(47.4%)	14(6.0%)	-
To maintain SMEs effectively, activities must be put together to cut, reduce or control operating cost so as to generate a reasonable profit level and keep the business actively running	83(35.5%)	123(52.6%)	-	28(12.0%)

Table 4.2.10 reveals that 100.0% of the total respondents agreed that budgeting is the method efficient to make short term planning and control, 100% reported that budget gives information about the objectives, policies and policy measures and projects, the funding sources and the allocation, 97.0% reported that budgeting is imperative for small businesses to thrive and to be able to exist for long profitability, 94.0% reported that monitoring the progress of project implementation and control as a stage of standardized budget dwells heavily with the performance of business enterprises while 88.0% reported that to maintain SMEs effectively, activities must be put together to cut, reduce or control operating cost so as to generate a reasonable profit level and keep the business actively running.

Table 4.2.10 illustrates the importance of budgeting ability to the effective performance of SMEs. A larger proportion of respondents agreed that budgeting is critical to any business enterprise. Hermes, Smid, and Yao (2006), all back up these claims when they asserted that "a budget is a process of determining which real investment project should be accepted given the organisation's limited resources and its contribution to the achievement of the institution's goal." Budgeting allows for the dissemination of information about objectives and policy measures, demonstrating that small businesses thrive and can exist for long periods of profitability. According to Yuen (2004), entrepreneurs are more consistently optimistic and attribute the achievement of investment goals to the budgeting system. More than 90% of the respondents agreed with the positions stated in the table.

**Table 4.2.11: Perception of respondents based on savings culture**

	Strongly agree	Agree	Strongly disagree	Disagree
Savings generate investments which enhance the standard of living	151(64.5%)	83(35.5%)	-	-
Saving is seen as a sacrifice of current consumption that provides for accumulation of capital through which the capital needed to start a business can be harnessed	122(52.1%)	112(47.9%)	-	-
An individual must save between 10-20% of his net income	108(46.2%)	98(41.9%)	7(3.0%)	21(9.0%)
The safest place to save one's money is in the bank	157(67.1%)	63(26.9%)	7(3.0%)	7(3.0%)
Household wealth, disposable income, inflation rates and interest rates are the factors that affect saving	137(58.5%)	83(35.5%)	14(6.0%)	-
Saving culture could be promoted through attractive interest rates on savings, promotion and rewards, strengthening oversight in the financial sector and widening access to savings products	69(29.5%)	137(58.5%)	-	28(12.0%)

Table 4.2.11 reveals that 100.0% of all the respondents reported that savings generate investment which enhance the standard of living, 100% reported that saving is seen as a sacrifice of current consumption, 88.1% reported that an individual must save between 10-20% of his net income, 94.0% reported that the safest place to save one's money is in a bank, 94.0% reported that household wealth, disposable income, inflation rates and interest rates are the factors that affect saving while 88.1% reported that saving culture could be promoted through attractive interest rates on savings, promotion and rewards, strengthening oversight in the financial sector and widening access to savings products.

Savings have a direct relationship with investment; therefore, a poor saving culture stifles investment, which may also have an impact on the proper performance of SMEs. Citizens are thus expected to live within their means and save on a regular basis. When this is done, they are imbibing a good saving culture, which directly or indirectly leads to economic growth through direct investment on small enterprises.

According to the data presented in table 4.2.11, 94% of total respondents agreed that the safest place to save one's money is a bank, and 88.1% agreed that at least 10-20% of their net income should be saved, instilling a good saving culture in them. According to the CBN, the country had 24 Deposit Money Banks (DMBs) with 5,789 branches and a total of 816 microfinance banks as of December 2011. This will go a long way towards serving the unbanked and the under-banked population, thereby reducing the 46.3% of the nation's population classified as being financially excluded to 20% by the year 2020.

**Table 4.2.12: Perception of respondents based on credit/Loan accessibility**

	Strongly agree	Agree	Strongly disagree	Disagree
Finance is a strong requirement for a successful performance and expansion of a business	43(61.1%)	4(35.9%)		(3.0%)
A lot of people do not have bank accounts that can qualify them to enjoy any credit facility	64(70.1%)	0(29.9%)		
Inability to fulfil the collateral requirements demanded by the banks do not make entrepreneurs to have access to loans or credit facilities	8(29.1%)	66(70.9%)		
Accessibility to loans by the SMEs can be reached through the Microfinance banks	6(32.5%)	30(55.6%)	8(12.0%)	
Small scale entrepreneurs can access various loans through some agencies including BOI, SMEDAN, NACRDB	9(42.3%)	21(51.7%)		4(6.0%)
Without adequate fund, it will be difficult to achieve successful performance of the SMEs	36(58.1%)	0(29.9%)	4(6.0%)	4(6.0%)

Table 4.2.12 reveals that finance is a strong requirement for a successful performance and expansion of a business as responded by 97% of the total population, 100% reported that a lot of people do not have bank accounts that can qualify them to enjoy any credit facility, 100% reported that the inability to fulfil the collateral requirements demanded by the banks do not make entrepreneurs to have access to loans or credit facilities, 88.1% reported that accessibility to loans by the SMEs can be reached through the microfinance banks, 94.0% reported that small scale entrepreneurs can access various loans through some agencies including BOI, SMEDAN, NACRDB while 88.0% reported that without adequate fund, it will be difficult to achieve successful performance of SMEs.

Access to credit/loans increases the amount of money available to entrepreneurs to improve, expand, and sustain their businesses. Many of the requirements imposed by banks prevent them from obtaining loans or credit facilities. According to Adepoju (2003), difficult conditions imposed by financial institutions are factors impeding fund accessibility, and this also include insufficient collateral and credit information, as well as the cost of accessing the funds. Binks and Ennew (1996) also expressed their opinion, stating that the funding or accessibility problem is primarily caused by the bank's imperfect behaviour in the capital markets. Access to finance will help all businesses grow and prosper. In developing countries, SMEs face disproportionate barriers to finance, particularly where microfinance loans are typically insufficient to meet SMEs' capital needs. Commercial finance frequently perceives the costs and risks of serving SMEs to be excessively high.

As a result, SMEs can gain access to loans through microfinance banks/institutions and other government agencies such as the BOI, SMEDAN, the Bank of Agriculture (BoA), and other similar institutions. This point is strongly supported by respondents, as evidenced by the table above. A report in the Sun Newspaper of June 5, 2018, stated that the SMEDAN disbursed N48 million to 100 Small and Medium Enterprises (SMEs) in Osun East and Osun Central senatorial districts, to help their businesses grow. According to the report, the fund is also intended to assist Young Business Owners (Y-BON) in becoming entrepreneurs and to empower SMEs in creating more jobs for the unemployed. In support of this, the OECD (2004) states that in developing countries such

as Nigeria and Osun State, “there are a large number of microfinance schemes targeting the self-employed and micro enterprises that typically provide small amounts of working capital and the majority caters for trades and very small agriculturists.” These institutions do not require many collateral securities to obtain their loans, making them more accessible, and they can be found or located in all nooks and crannies of every state in Nigeria including Osun State. At the moment, the Federal Government has just instituted/launched a new scheme called “Trader Money” for small traders who are eligible for loans ranging from N10,000 to N50,000. On Thursday, September 6, 2018, the Vice President launched this scheme in Iwo, Osun State. As a result, small and medium-sized entrepreneurs in Osun State now have greater access to credit/loans to invest in their businesses than they did previously.

The Desk Officer of the Osun State Ministry of Commerce, Industries, Cooperatives, and Empowerment spoke about the availability and accessibility of finance/capital to SMEs in the state. His formal words:

The major problem in the state is funding but both BoI and Ministry of Commerce have partnered together to give a matching fund of 250 million naira to assist the entrepreneurs. At present, a total number of 60 groups and 7 companies have been granted loans to create direct jobs for the people of the state. A group is made up of 10 people. Beneficiaries of the loans are selected from among the interested ones who come to the office to submit their proposals which are later forwarded to BoI for appraisal and approval. Monitoring of the loans/funds is done by the monitoring desk officer who leads the team in the disbursement and utilisation of the fund (KII, 3/5/2018)

**Table 4.2.13: Perception of respondents based on investment knowledge and ability**

	Strongly agree	Agree	Strongly disagree	Disagree
Investment is the pillar of any economy	151(64.5%)	83(35.5%)	-	-
Investment depends on savings which thrift produce and which lead to economic growth	115(49.1%)	119(50.9%)	-	-
Financial asset such as investment in shares and bonds is a type of investment an individual can embark upon	83(35.5%)	123(52.6%)	7(3.0%)	21(9.0%)
Investment has a high level of risk	92(39.3%)	135(57.7%)	7(3.0%)	-
Investment brings about expansion in income and generate employment	98(41.9%)	101(43.2%)	14(6.0%)	21(9.0%)
The effect of investment include maintaining and expanding the output capacity of a given economy	116(49.6%)	97(41.5%)	14(6.0%)	7(3.0%)

Table 4.2.13 reveals that 100% of the total respondents reported that investment is the pillar of any economy, 100% reported that investment depends on savings which thrift produce and which lead to economic growth, 88.0% reported that financial asset such as investment in shares and bonds is a type of investment an individual can embark upon, 97.0% reported that investment has a high level of risk, 85.0% reported that investment brings about expansion in income and generate employment while 91.0% reported that the advantage of investment include maintaining and expanding the output capacity of a given economy.

Entrepreneurs should be able to make sound decisions in managing their finances. As a result, entrepreneurs with sufficient FL are empowered to make informed decisions. For society's financial and economic growth, FL should be a top priority. There continues to be a disconnection between people's FL needs and their realities. FL should be a prerequisite for small and medium-sized business owners (SMEs). Entrepreneurs must be able to make informed decisions on how to use and manage their funds. FL has major implications for the well-being and the ability of individual's entrepreneurial activity (Bosma & Harding, 2006; Taylor & Wagland, 2011). People with a high FL can make smarter financial decisions, such as budgeting, expenditure, savings, investment, and managing financial risk.

Greenspan (2002) claims that "FL helps to instil individuals with the financial knowledge required to build household budgets, initiate savings plans, and make strategic investment decisions in his bid to endorse the effect of FL on investment knowledge and capacity". If the knowledge is implemented properly, it will help households fulfil their financial commitments by allowing them to plan ahead and allocate resources wisely in order to optimise utility.

**Table 4.2.14: Challenges confronting SME business survival**

	Strongly agree	Agree	Strongly disagree	Disagree
Problem of finance or capital	143(61.1%)	77(32.9%)	7(3.0%)	7(3.0%)
Restricted access to short, medium and long term loans	129(55.1%)	84(35.9%)	7(3.0%)	14(6.0%)
Inability to provide collateral securities needed by banks to guarantee the loans needed to finance their businesses	85(36.3%)	114(48.7%)	7(3.0%)	28(12.0%)
Failure of credit schemes instituted by the Federal Government such as FEAP, NERFUND etc to realize their purposes	92(39.3%)	79(33.8%)	-	63(26.9%)
Limitation to loans due to high interest rate paid on such loans	75(32.1%)	131(56.0%)	14(6.0%)	14(6.0%)
Entrepreneurs do not know how to write and present credible feasibility studies report	41(17.5%)	59(25.2%)	41(17.5%)	93(39.7%)
Lack of knowledge of the investment business venture into which resources can be put	79(33.8%)	112(47.9%)	-	43(18.4%)
Inability to prepare simple account statement to determine the profitability level of one's business	110(47.0%)	94(40.2%)	-	30(12.8%)
Lack of adequate training or education in FL skills to assist the performance and survival of the SMEs	72(30.8%)	62(26.5%)	37(15.8%)	63(26.9%)
Improper understanding and utilisation of FL skills to assist in achieving the survival of SMEs	107(45.7%)	120(51.3%)	-	7(3.0%)
Lack of succession plan by the entrepreneurs affecting the survival of small and medium enterprises	113(48.3%)	44(18.8%)	7(3.0%)	70(29.9%)
Finance is a strong requirement for the survival and expansion of a business outfit	157(67.1%)	70(29.9%)	7(3.0%)	-

According to Table 4.2.14, 94.0% of total respondents reported that the major problem confronting small scale businesses is finance or capital, 91.0% reported that most entrepreneurs have limited access to short, medium, and long term loans, and 85.0% reported that entrepreneurs cannot provide the collateral securities required by banks to guarantee the loans needed to finance the business, 73.1% reported that Federal Government credit schemes such as FEAP, NERFUND, and others failed to achieve their objectives. 88.0% reported that loan interest rates are high, thus, limiting access to such loans; 57.2% disagreed that most entrepreneurs do not know how to write and present credible feasibility studies reports, 81.7% reported that many people are unaware of the investment business into which they can venture, 87.2% reported that most entrepreneurs are unable to prepare simple account statements that will assist them in determining the profitability level of their business, and 57.3% said there is inadequate training or education in FL skills that will help their business survive. 97.0% reported that proper understanding and utilisation of FL skills aided the survival of SMEs, while 67.1% reported that entrepreneurs lacked a succession plan, which harmed the future survival of Small and Medium-sized Enterprises. Finance was cited as a critical requirement for the survival and expansion of a business as reported by 97.0% of the respondents.

The table highlights the main issues impeding the survival of SMEs in the country as a whole, and particularly in Osun State. The majority of the issues revolve around finance or capital. This has to do with obtaining the necessary capital and what is required to gain access to the capital/finance. According to the findings, 94 percent of all respondents agreed that the main issue confronting small scale enterprises is finance. This demonstrates that business success is determined by a variety of factors, one of which is finance. Bates (1997) strongly supports the assertion, by stating that "a key component of successful start-ups is adequate financing." Osoba (1987) acknowledges the numerous problems that SMEs face, one of which is financial constraints. He went on to say that many commercial institutions are wary of small-scale ventures because of their perceived "risk attributes." They also sought extremely high collateral security to compensate for their lack of knowledge of SME operations. According to Ariyo (2003), "inadequate collateral is a major impediment militating against SMEs' expansion and rapid adaptation

to technological changes.” Lack of funds will result in poor business management and, eventually, business failure. According to Peacock (1995), "there is substantial evidence that small business owners' inability to understand the importance of the finance function and to competently handle it has resulted in difficulties and failure of small businesses."

Whether a business is starting or expanding, adequate working capital is critical. It is not enough to simply have enough funds; it is also necessary to have sound financial intelligence and effective planning in order to manage the business effectively. This is consistent with the viewpoint of Jones, McEvoy and Barret (1994). Contrary to this, it is discovered that most entrepreneurs have limited access to short, medium, and long term loans, as evidenced by the responses to the questionnaire. Access to various types of loans may be limited because entrepreneurs lack or are unable to provide the collateral securities required by banks to guarantee the loans needed to finance their businesses. It may also be due to entrepreneurs' inability to write and present credible feasibility study reports that banks will accept in order to grant loans. Inang (1993) in Atanda (2010) opined that, there may also be insufficient information about the availability of the various sources of finance open to the entrepreneurs. Apart from banks, government loan agencies such as the Small Scale Industries Scheme, the Agricultural Credit Guarantee Scheme, the Small and Medium Industries Equity Scheme, and so on are available sources of finance.

Many entrepreneurs are unaware that these organisations exist, let alone that their services can be accessed. Other credit schemes established by the Federal Government, such as FEAP, NERFUND, and others, can also assist entrepreneurs in obtaining needed capital. These schemes were discovered to have failed to achieve their goals. They failed due to the excessive amount of bureaucracy involved in the operational processes, which the entrepreneurs were not prepared to go through. Many of these loans are given on paper to entrepreneurs and farmers who will have nothing to show for it at the end of the day.

The high interest rates paid on loans usually prevent people from getting them. Etuk, Etuk and Baghebo (2014), noted that “loans to SMEs, when they are eligible to access them, appear to bear higher interest rates, and the time given to them to repay is normally shorter”. This conclusion added to the challenge that entrepreneurs face when it comes to ensuring the survival of SMEs. “The barrage of challenges that lack of easy

access to funding/credits facilities can be linked to, as summarized by Fabunmi (2004), include banks' reluctance to lend money to entrepreneurs owing among other things, to poor and inadequate documentation of business proposals, lack of appropriate collateral security, high cost of management and administration of small loans, and high interest rates. Interest rates should not be too high to the point that they threaten the survival of any business, even SMEs.

In support of the major problems which SMEs are contending with, for their survival, one of the entrepreneurs interviewed has this to say:

As a matter of fact, SMEs in developing countries such as Nigeria are struggling to survive under intensive competitive environment both domestic and international. Some of the competitive environments which create problems to the entrepreneurs include limited resources, dependence on bank lending, paying high interest rates and dependence on fewer customer and suppliers. These problems are affecting the performance of firms and indeed their survival (IDI, Ila, 9/5/2018)

The findings also revealed that there is insufficient training or education in FL skills to help SMEs improve their performance and survival. According to the results, 57.3% of respondents agreed with this claim. When asked if proper understanding and utilisation of training and education are important, 97% of the respondents agreed to the utilisation of FL skills in achieving the survival of SMEs. This is consistent with the findings of Atkinson, Mckay, Kempson, and Collard (2006), Kempson, Collard, and Moore (2006), Robson (2012), and Schwartz (2010), who all agreed that “researches in numerous countries revealed insufficient financial practice of consumers and an average low FL and education of consumers, regardless of income and social status.”

The KII session also confirmed the claim that there is insufficient training and education. The inadequacy of training is caused by the government's failure to adequately fund the agencies responsible for it, such as SMEDAN. SMEDAN's desk officer observed that:

There is funding problem on the part of the government. No fund is earmarked for training and there is lack of facilities for the training programme. Since the beginning of the year and indeed in the past two years, no training programme has been organized for the small and medium entrepreneurs. This is really affecting their performances. (KII, Osogbo, 23/3/2018)

Aside from the problems already mentioned that are affecting the performance of SMEs in Osun State, other issues include the entrepreneurs' lack of succession plans. When the original owner of the business dies, there may be no one to carry on with the proper operation of the business. His children, who are the survivors, may be uninterested in the business. The next step for the company will be to close its doors and go out of business. According to the findings, 67.1% of respondents agreed to this, thus, confirming the claim.

SME owners must ensure that their offspring are interested in the running of the businesses by showing them how things are done in order for businesses to continue to survive. One of the entrepreneurs interviewed confirmed this by saying that:

SMEs should have long time survival plans and be aware of innovations in products and services to build viable companies that will be able to stand the test of time for their long term survival. (IDI, Ikire, 4/4/2018)

The problems of establishing and managing SMEs generally will include: lack of capital, lack of managerial skills, lack of business ideas, high cost of operational facilities, scarcity of accommodation, lack of efficient preservation system and poor environmental sanitation.

Another challenge not addressed in the preceding table, but critical to the survival of SMEs in Nigeria and, indeed, in Osun State, is that of multiple-taxation. Multiple-taxation refers to the practice of charging taxes on the same income. This means that various taxes are paid to various authorities in a country. Local, state, and federal authorities are among the authorities to which taxes are paid in Nigeria and Osun State. Land use tax, consumption tax, Value Added Tax (VAT), company tax, and a variety of other taxes include various taxes payable by SMEs.

Multiple-taxation is a problem for SMEs because it reduces returns on investment, erodes capital base, and causes business failure. Multiple-taxation, in general, stifles the business environment and serves as a disincentive to investment. Osagie (2016), is of the opinion that “multiple-taxation raises the cost of doing business, thereby reducing competition among existing businesses and their ultimate survival.” Multiple-taxation has resulted in the closure of some businesses in Nigeria due to the prohibitively high cost of doing business, while others have relocated to other countries or areas that are more conducive to investment. Michelin and Dunlop tyres, Berc Batteries, Cadbury Industries, and other businesses in Nigeria have particularly relocated to South Africa and Ghana from Nigeria.

Another significant barrier for SMEs is the high cost of business registration or product registration. Before a business or product can begin operations or enter the market, it must be registered with the National Agency for Food and Drug Administration and Control (NAFDAC). It has been discovered that registering a business or obtaining a NAFDAC number costs approximately N600,000. Before the products could be sold in shopping malls and department stores, NAFDAC numbers should be written on them. The amount is so huge that it can determine or affect the survival of SMEs. The practice of registering businesses/products is practiced in all states of the federation, including Osun State.

Insecurity is another emerging challenge confronting the survival of SMEs in recent times. Insecurity manifests itself in the form of illegal touting by hoodlums, armed robbery, kidnapping, the Boko Haram insurgency in the North-East, and armed banditry in the North-Western region of Nigeria, among other things. Some of these insecurity issues are also manifesting in Osun State and they greatly affect the survival of SMEs. To ensure that SMEs survive, it is necessary to ensure that peace reigns supreme and becomes the order of the day. It is therefore critical for the government to create a favourable environment for SMEs because the sub-sector is the foundation for economic emancipation anywhere in the world, including Osun State.

The challenges listed above are as seen or observed by entrepreneurs, who are the true owners of SMEs and are deeply involved in their day-to-day operations. The difficulties

are also seen by government officials in charge of monitoring the effectiveness of the businesses. When the challenges perceived by the owners of SMEs and government officials are combined, they have the potential to positively or negatively affect the survival of the SMEs. If the challenges are handled properly, they will lead to the positive survival of the SMEs; however, if they are not handled properly, they will definitely hinder the survival of the SMEs.

## Hypotheses Testing

**Table 4.2.15: Correlation showing the relationship between FL skills and survival of small and medium enterprises**

	Mean	S.D	Pearson r	Sig.	Remark
Survival of small and medium enterprises	39.88	7.47			
Financial decision making	17.57	2.48	.66**	<.05	Significant
Money management	17.51	2.46	.71**	<.05	Significant
Budgeting ability	16.94	2.06	.68**	<.05	Significant
Saving culture	20.58	2.80	.63**	<.05	Significant
Credit/loan accessibility	20.46	2.82	.57**	<.05	Significant
Investment knowledge and ability	20.20	2.70	.66**	<.05	Significant

Hypotheses 1-V1 were tested by making use of the Pearson product moment correlation (PPMC) analysis. The PPMC in table 4.2.15, shows the relationship between all the FL skills and survival of small and medium enterprises (SMEs).

Tables 4.2.16 to 4.2.21 are drawn from the above table to show the relationship between each of the FL skills and survival of SMEs.

**Hypothesis I**

There is no significant relationship between financial decision making skill and survival of Small and Medium Enterprises in Osun State.

This hypothesis was tested by using the Pearson product moment correlation and the result is presented in table 4.2.17

**Table 4.2.16: Correlation showing relationship between financial decision making and survival of Small and Medium Enterprises**

	Mean	S.D	Pearson r	Sig.	Remark
Survival of Small and Medium Enterprises	39.88	7.47			
Financial decision making	17.57	2.48	<b>.66**</b>	<b>&lt;.05</b>	<b>Significant</b>

## **Interpretation and Discussion**

The result reveals that there was a significant positive relationship between financial decision making and survival of Small and Medium Enterprises ( $r = 0.664$ ,  $p < 0.05$ ). This demonstrates that increasing financial decision making will encourage the survival of Small and Medium Enterprises. As a result, the null hypothesis is rejected, whereas the alternative hypothesis is accepted. Review of literature indicates that, "FL is a vital instrument essential to make important financial decisions in their own best interests, which influences the survival of Small and Medium Enterprises" (Oseifuah, 2010; Perry, 2008). The results further support the idea that "FL tends to be closely linked to self-beneficial financial behaviour" (Hilgert et al., 2003). Taylor and Wagland (2011) also agree with this perspective, by stating that "financial stability can only be achieved if individuals are financially literate." Furthermore, Oseifuah (2010)'s result shows that "FL contributes substantially to entrepreneurial abilities" and this is consistent with the finding. An entrepreneur must be financially literate in this respect in order to make sound decisions about debt, savings, and investment. It should be stressed that making reasonable, adequate, and effective financial decisions would have a positive impact on the survival of SMEs. Joo and Grable (2000), observed that because of lack of personal financial knowledge, lack of time to learn about personal financial management, the nuances of financial transactions, and the vast variety of financial products/services available, "people make insufficient, incorrect, and inefficient financial decisions"

Financial decisions should not be made without consulting with anyone in order for SMEs to survive. To make sound financial decisions, financial experts, associates, family members, and even one-self should be consulted so as to get a better result. According to Bartlett and Chandler (1997), "stockholders/entrepreneurs should be fond of reading financial statements/reports to guide them in making decisions based on the analysis of time to get back the money invested, which is the simplest but most unreliable method of estimating profitability of the investment and further determining the level of management of their businesses."

Financial education/literacy has a big effect on one's ability to make good financial choices. Campbell (2006) argues that "bad financial decisions are likely to be reconciled through economic theory which financial education provided given that households have

been shown to make sub-optimal decisions that deviate from what economic theory implies." He goes on to say that households with "higher education levels will likely be more active in capital markets than households with lower education due to reduced asymmetric information."

According to the indepth interview (IDI) conducted during the course of this study, it was discovered that information obtained by entrepreneurs from listening to radio programmes goes a long way toward making very sound financial decisions. The decisions made assist entrepreneurs in growing their businesses while also assisting businesses in surviving difficult times. Examples of information received on radio programmes concern where they can obtain loans at low interest rates to finance and expand their businesses to the point of profitability and continued existence.

Simultaneously, the various training and capacity building programmes offered to entrepreneurs in areas such as book-keeping and accounts management, among others, assist them in making sound financial decisions. These training programmes are provided at various times by various government agencies such as SMEDAN, BOI, Bank of Agriculture, CBN, and a host of others as discovered during the interview sessions. These sound financial decisions may be seen as helping businesses, including SMEs, to survive.

## **Hypothesis II**

There is no significant relationship between money management and survival of Small and Medium Enterprises in Osun State.

This hypothesis was tested by using the Pearson Product Moment Correlation and the result is presented in Table 4.2.17.

From the result, hypothesis two revealed that there is a significant positive relationship between money management and survival of Small and Medium Enterprises.

**Table 4.2.17 Correlation showing the relationship between money management and survival of Small and Medium Enterprises**

	Mean	S.D	Pearson r	Sig.	Remark
Survival of Small and Medium Enterprises	39.88	7.47			
Money management	17.51	2.46	<b>.71**</b>	<b>&lt;.05</b>	<b>Significant</b>

## **Interpretation and Discussion**

The result in table 4.2.17 shows that there was significant positive relationship between money management and survival of Small and Medium Enterprises ( $r = 71, p < 05$ ). This demonstrates how better money management improves the performance and survival of SMEs. The finding supports Volpe and Chen's (2006) discovery that "money management was the most important knowledge for adults investing in business." They discovered that adults who work were actually the least knowledgeable about the topics they thought were the least important. Working adults' level of knowledge, according to benefit administrators, was relatively low. "If owners/managers lack financial literacy about their organisational finances, the financial knowledge of their firms will be lacking as well, resulting in a decline in creativity that can convert into competitive capability, inability to reach multiple sources of finance provision due to non-awareness, and this mindset can contribute to future SMEs' failures" (Kotzè & Smit, 2008a). All of these viewpoints seem to accept that entrepreneurs lack FL, which limits their odds of securing different types of funding, which can result in the firm's competitive capability and superior performance.

Money management is inextricably linked to one's habits. By closely examining one's habits, one will be able to make more informed decisions about where one wants his money to go. This will assist you in better understanding your daily spending habits. You will have more money to invest and will be able to help your business/venture become profitable if you reduce your spending, particularly on unnecessary items. This is consistent with ASIC's (2012) teachings.

Money management is critical for the survival of SMEs, and its application is appropriate. By monitoring the loans/funds approved for them, officers from the Ministry of Commerce, Industries, Cooperatives, and Empowerment compel entrepreneurs to learn and practice money management skills. They make certain that the funds are spent on the businesses and not on any projects other than those specified in their request/application forms. The various trainings provided by worksops and seminars change the habits of entrepreneurs. They are taught to be frugal with their spending in order to have enough money to invest in their businesses, which leads to their survival. This is consistent with ASIC (2012)'s position.

### **Hypothesis III**

There is no significant relationship between savings culture skill and survival of Small and Medium Enterprises in Osun State.

This hypothesis was tested by using Pearson Product Moment Correlation and the result is presented in table 4.2.18

**Table 4.2.18: Correlation showing the relationship between saving culture skill and survival of Small and Medium Enterprises**

	Mean	S.D	Pearson r	Sig.	Remark
Survival of small and medium enterprises	39.88	7.47			
Saving culture skill	20.58	2.80	<b>.63**</b>	<b>&lt;.05</b>	<b>Significant</b>

## **Interpretation and Discussion**

The result in table 4.2.18 shows that there was significant positive relationship between saving culture skill and survival of Small and Medium Enterprises ( $r = .63, p < .05$ ). This demonstrates that improving saving culture skills will improve small and medium-sized business performance and survival. The hypothesis was proven correct. FL activities include money, financial competence, and financial responsibility, while knowledge is an understanding of finance options. In this situation, it is clear that FL priorities cannot be ignored, since anyone with financial illiteracy might be unable to budget properly to cover one's spending, as well as recognise financial products or services that meet one's needs, leaving them vulnerable to fraud and exploitation practices (ASIC, 2003). As a result, business owners who lack financial knowledge and skills appear to perform poorly.

A high savings culture, which will help SMEs survive, implies that consumption should be reduced. This is consistent with fundamental economic principles, which state that excessive consumption leads to low savings, low investment, and low capital formation. This means that when people have a strong desire to consume, they have a weak desire to save, and vice versa. "The less a society spends on food, the more developed the society becomes" (Olusoji, 2003). This is because money not spent on consumption would be saved in order to have the capital needed to finance investment. As a result, you must learn to save, regardless of how small your income is, in order to mobilise funds for investment in order to increase the performance of your business. Savings and investments will guarantee the survival of your business and also your own future.

A poor saving culture, in turn, stifles investment and, as a result, leads to the demise of enterprises that are supposed to boost the economic growth of a country and even states, such as Osun State. According to the IDI conducted for this study, poor saving culture is one of the challenges that SMEs face, along with funding problems.

The conclusion is that people should live within their means, not bite off more than they can chew, and save on a regular basis. This means that a strong saving culture will ensure the survival of SMEs. Savings secure one's future, so no matter how small one's income is, one must learn to save in order to mobilize capital towards financing one's business to survive.

#### **Hypothesis IV**

There is no significant relationship between budgeting ability skill and survival of Small and Medium Enterprises in Osun State.

This hypothesis was tested using Pearson Product Moment Correlation and the result presented in table 4.2.19

**Table 4.2.19: Correlation showing the relationship between budgeting ability skill and survival of Small and Medium Enterprises**

	Mean	S.D	Pearson r	Sig.	Remark
Survival of Small and Medium Enterprises	39.88	7.47			
Budgeting ability skill	16.94	2.06	<b>.68**</b>	<b>&lt;.05</b>	<b>Significant</b>

## **Interpretation and Discussion**

The result in table 4.2.19 shows that there was significant positive relationship between budgeting ability skill and survival of Small and Medium Enterprises ( $r = .68, p < .05$ ).

While the null hypothesis is rejected, the alternative hypothesis is accepted. This demonstrates that improving budgeting ability skills will improve the performance and survival of Small and Medium Enterprises. This hypothesis was accepted. In this instance, “FL has two dimensions: knowledge and action” (Media Research Consultants Pte Ltd., 2005). Budgeting can be used to allocate resources in an efficient and effective manner. It will be possible to manage SMEs effectively if resources are allocated efficiently. Budgeting will make planning and control more important, making it easier to realise the enterprise's vision. According to Ilori and Osotimehin (2018), “for SMEs to achieve their goals and be successful in a dwindling economic environment, they must embrace planning in order to produce goods at the lowest possible costs and are expected to render services at the lowest possible costs in order to remain in business and achieve the corporate objectives of continuity, stability, and profitability.” When a business maintains its continuity, stability, and profitability, it indicates that it is well managed. Budgeting has a positive impact on the performance of a small business. Akande and Yinus (2014) strongly support this. In his attempt to investigate the impact of budgeting on business performance in Nigeria, Siyanbola (2013) concludes that “budgeting is a useful tool that guides firms to evaluate whether their goals and objectives are actualised.” The goal and objective of any business, large or small, especially if it is a profit-making business, is to make a substantial profit, which can only happen if it is well managed and this has to do with every situation. As a result, according to Ashford (1989), “budgeting virtually can be applied to every situation, including financial performance of SMEs, involving sales revenue, profit, return on asset, growth in capital employed, and even profit margin.” Every aspect or situation of the business must grow through the use of budgeting processes, which will have a positive effect on the survival of the business. Developing a budget is an important phase in planning all economic activity, including businesses, government agencies, and individuals. It is necessary to remember that all businesses and government units at all levels must make financial arrangements in order to carry out regular activities, prepare for planned investments, and assist in financial decision-making.

The result of the study was in agreement with the work of Olagunju, Imoekparia and Afolabi (2014), Evans (2013) and Akande and Yinus (2014), who concluded that “there was a positive and significant effect of budgets on financial performance/survival of organizations including SMEs in Nigeria”. Finally, budgeting, according to Shin (1994), “plays a significant role in providing an organisation's strategic direction.”

Despite the fact that the importance and utility of budgeting cannot be overstated, it has been discovered that there are very low budgeting practices in small businesses. This is consistent with Grablowsky and Burn's (1980) observation that "the level of understanding and application of more advanced capital budgeting policies and techniques was low." As a result, in order to improve the level of understanding and application of policies and techniques, FL should be emphasised more strongly in order to improve the performance and, ultimately, the survival of SMEs.

Budgeting entails allocating one's resources to achieve one's objective or goal, which in this case is the survival of the business. According to the results of the IDI, the resources available are limited, and SMEs are struggling to survive in a highly competitive environment. To do so successfully, budgeting skills must be implemented in order for the businesses to survive. FL can help you improve your budgeting skills. Greenspan (2002) supports this argument by stating that FL helps to instill individuals with the financial knowledge required to create household budgets, initiate savings plans, and make strategic investment decisions. SMEs with a healthy and adequate budget will undoubtedly weather the economic storm and survive recession

### **Hypothesis V**

There is no significant relationship between credit or loan accessibility skill and survival of Small and Medium Enterprises in Osun State.

This hypothesis was tested using Pearson Product Moment Correlation and the result is presented in table 4.2.20

**Table 4.2.20: Correlation showing the relationship between credit or loan accessibility skill and survival of Small and Medium Enterprises**

Variables	Mean	S.D	Pearson r	Sig.	Remark
Survival of Small and Medium Enterprises	39.88	7.47	<b>.57**</b>	<b>&lt;.05</b>	<b>Significant</b>
Credit or loan accessibility skill	20.38	2.82			

## **Interpretation and Discussion**

Table 4.2.20 shows that there was a significant positive relationship between credit or loan accessibility skill and survival of Small and Medium Enterprises ( $r = .57, p.05$ ). This demonstrates that increasing credit or loan accessibility skills will increase the survival of SMEs. The hypothesis was confirmed. The results of the finding support Aghion and Morduch's study of year 2000, which found out that "providing micro-credit to micro and small-scale entrepreneurs" is beneficial. The results back up Chua et al., (2000), who showed how microfinance services affect capital utilisation and the viability of the sector in which they invest. "The poor make good use of credit facilities and are not only able to pay the high interest rate on the loan, but they also make ample returns in no time to run a savings account with the MFI" (Akanji, 2002). It is also worth noting that "the transformation of the vulnerable, who were formerly economic liabilities, into profit-making micro-entrepreneurs has a positive effect on the financial system and, as a result, starts the process of economic development by putting all of the country's human and physical capital into productive use" (Kamath, 2008).

Entrepreneurs' ability to obtain credit or a loan is critical to the survival and expansion of SMEs. The majority of entrepreneurs, particularly in Osun State, lack access to credit or loans, especially in the banking sector. According to data collected, approximately 86.3% of the population of Osun State earns less than N400,000.00 per year. There is nothing that can be set aside with this income, for investment use, to ensure the survival of any business. Aside from that, no tangible collateral security acceptable to banks can be put in place or secured in order for the business to have access to credit or loan with which it can survive. Furthermore, as evidenced by the data collected on credit/loan accessibility, the vast majority of respondents stated that they do not have bank accounts that would even qualify them to enjoy credit facilities. So, how will they get a loan to help their businesses grow and survive? FL can assist in empowering and educating consumers so that they are knowledgeable about finance in a way that is relevant to their lives and will help their businesses/enterprises survive. Greater survival knowledge would help in overcoming recent challenges in advanced credit markets (Miller et al, 2009).

## **Hypothesi VI**

There is no significant relationship between investment knowledge skill and survival of Small and Medium Enterprises in Osun State.

This hypothesis was tested by using Pearson Product Moment Correlation and the result is presented in table 4.2.21

**Table 4.2.21: Correlation showing the relationship between investment knowledge skill and survival of Small and Medium Enterprises**

	Mean	S.D	Pearson r	Sig.	Remark
Survival of Small and Medium Enterprises	39.88	7.47			
Investment knowledge skill	20.20	2.70	<b>.66**</b>	<b>&lt;.05</b>	<b>Significant</b>

## **Interpretation and Discussion**

Table 4.2.21 demonstrates a significant positive relationship between investment knowledge skill and the survival of Small and Medium Enterprises ( $r = .66$ ). This demonstrates that increasing investment knowledge skill will increase the survival of Small and Medium Enterprises. These findings support the hypothesis that FL has a positive impact on the performance of new product development. Entrepreneurs who have high-performance entrepreneurial skills must also be financially literate. Entrepreneurial abilities do not always influence the performance of new product development. Furthermore, the study's findings show that risk-taking and proactiveness have an impact on the performance of new product development. These findings are also consistent with previous research demonstrating that “entrepreneurial capability affects the performance of new product development” (Frishammar & Horte, 2007).

The findings indicate a positive relationship between investment knowledge skill and SMEs' survival, so the null hypothesis is rejected while the alternative hypothesis is accepted. FL can help you gain extensive investment knowledge, which can help you invest in a variety of ventures, including stocks. In a study of Dutch adults, Van Rooij, Lusardi, and Alessie (2007) found that “households with low levels of FL are more likely to base their behaviour on financial advice from friends than others and are less likely to invest in stocks. Financial advice from friends can sometimes be detrimental to their businesses, causing them to be misled and ultimately ruin their chances of survival.

The goal of investment, which can take many forms, is to create wealth and to make money. Thus, investment generates a higher return than cash, but people are hesitant to invest due to uncertainty or low returns (DellAmore, 1983; Modigliani, 1988). A large proportion of entrepreneurs in Osun State lack adequate knowledge of share, stock, and bond investments. This is revealed by the responses on FL practice, where only 42.7% and 57.3% are in the high and low levels, respectively. This is because they believe that investments in securities, such as shares, stocks, and bonds, carry a high level of risk.

According to the study's findings, having investment knowledge and ability has a significant impact on the survival of one's business.

### **Hypothesis VII**

There is no significant difference in the acquisition of FL skills among the entrepreneurs based on their demographic characteristics and classification.

The hypothesis was analyzed at two levels and the result is presented in tables 4.2.21a – 4.2.22

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The summary of the result is presented in table 4.2.21a

**Table 4.2.21a: One-way ANOVA showing the differences between age and acquisition of FL skill**

<b>Source</b>	<b>SS</b>	<b>Df</b>	<b>MS</b>	<b>F</b>	<b>Sig.</b>
Between Groups	41.805	3	13.935	.838	<b>&gt;.05</b>
Within Groups	3824.810	230	16.630		
Total	3866.615	233			

### **Interpretation and discussion**

Table 4.2.21a demonstrates that age has no significant effect on FL skill.  $F(3,230) = .84, p > .05$ ). The findings also show that there is no significant age difference in FL skills. The findings back up Salthouse (2010)'s conclusion that "the standard deviation of cognitive ability does not increase with age. Finke, Howe, and Huston (2012) discovered that "FL does not have related cohort effects or differences in gender or educational attainment." They also discovered a significant difference in FL skills when it comes to investment choices between older and younger respondents. The finding of this study is in agreement with these discoveries.

**Table 4.2.21b: t-test Summary of gender difference on acquisition of FL skills**

	<b>Gender</b>	<b>N</b>	<b>Mean</b>	<b>Std</b>	<b>Df</b>	<b>T</b>	<b>P</b>
<b>FL skill</b>	Male	151	27.03	4.23	232	-1.13	>0.05
	Female	83	27.66	3.77			

### **Interpretation and discussion**

Table 4.2.21b shows that male respondents ( $M=27.03$ ,  $S.D=4.23$ ) did not differ significantly from female respondents ( $M=27.66$ ,  $S.D =3.77$ ) in terms of FL skills acquisition. The results show that there is no significant difference in FL skills between male respondents ( $x=27.03$ ) and female respondents ( $x=27.66$ ) ( $t(232) = -1.13$ ,  $p>.05$ ). The implication is that gender had no significant influence on FL skills. The finding is in contrast to Cooper (1998) discovery that gender has a significant influence on FL skills among micro-entrepreneurs. This finding contradicts Thibault (2002)'s claim that "gender played a significant role in knowledge of business performance as small scale business operators." As a result, hypothesis number seven is accepted.

**Table 4.2.22: One-way ANOVA showing the difference between number of employees on the acquisition FL skills**

<b>Source</b>	<b>SS</b>	<b>Df</b>	<b>MS</b>	<b>F</b>	<b>Sig.</b>
Between Groups	8.568	4	2.142	.127	<b>&gt;.05</b>
Within Groups	3858.048	229	16.847		
Total	3866.615	233			

### **Interpretation and discussion**

According to Table 4.2.22, the number of employees has no significant effect on the acquisition of FL skills.  $F(4,229) = 1.3, p > .05$ . The findings also show that there is no statistically significant difference in the number of employees who have acquired FL skills. In contrast, Njoroge (2013) discovered that “more medium and small business entrepreneurs in Nairobi had some FL than micro entrepreneurs, and that in some cases those in formal SMEs were highly financially literate.” The findings show that FL skills are not affected by organizational size. This finding contradicts the findings of Wachira and Kihiu (2012), who found that “the probability of being financially illiterate is higher in larger households.”

### **Hypothesis VIII**

There is no significant difference in the utilisation of FL skills among the entrepreneurs based on the demographic characteristics and classification.

The hypothesis was tested on two levels, with the results shown in 4.2.23a–4.2.23b.

**Table 4.2.23a: One-way ANOVA showing the effect of age on knowledge of utilization of FL skills.**

<b>Source</b>	<b>SS</b>	<b>Df</b>	<b>MS</b>	<b>F</b>	<b>Sig.</b>
Between Groups	.276	3	.092	.092	<b>&gt;.05</b>
Within Groups	229.707	230	.999		
Total	229.983	233			

According to Table 4.2.23a, there is no significant effect of age on the use of FL skills.  $F(3,230) = .09, p > .05$ . The findings also show that there is no significant age difference in utilisation skill. Despite this, the findings show that there is no significant difference in age when it comes to knowledge and utilisation of FL skills. There is a large body of literature that contradicts this conclusion. Rooiji (2007), for example, stated that “age has a significant association with FL.” He goes on to say that “literacy levels are low among the young, highest among middle-aged respondents (particularly those aged 40-60), and slightly decline at an advanced age of 61 or over.”

ANZ (2008) also supported this claim by concluding that “middle-aged adults report higher scores than their younger and older counterparts.” The two claims could be related to gaining more experience. This demonstrates that experience gained as one grows older has a significant impact on how FL skills are utilised in the survival of their businesses, whether they are small or medium.

**Table 4.2.23b: t-test summary between gender difference on utilization of FL skills.**

	<b>Gender</b>	<b>N</b>	<b>Mean</b>	<b>Std</b>	<b>Df</b>	<b>T</b>	<b>P</b>
<b>Utilization skill</b>	Male	151	17.42	0.99	232	-.61	>0.05
	Female	83	17.51	0.99			

Table 4.2.23b shows that male respondents ( $M=17.42$ ,  $S.D=0.99$ ) did not use their FL skills significantly differently than female respondents ( $M=17.51$ ,  $S.D=0.99$ ). The results show that there is no significant difference between male respondents ( $x=17.42$ ) and female respondents ( $x=17.51$ ) on utilisation of FL skills ( $t(232) = -.61$ ,  $p>.05$ ). The implication is that gender had no significant influence on skill utilisation. Cude (2010) investigated effective factors influencing people's FL. He observed that “more work experience, higher levels of education, risk appetite, parental occupation, higher age, family income, and attendance at training classes all increased FL.”

According to the findings, females have higher FL skills than males. This suggests that females utilise these skills more than males. Although the difference is minor, females have a higher mean score of 17.51 than males, who have a mean score of 17.42. The outcome contradicts Lusardi and Mitchell's (2008) claim about FL and gender. They confirmed that “sharp gender differences in FL exist, with women displaying a lower level of knowledge than men, particularly when it comes to risk diversification.” They also looked into the issue of gender differences in greater depth, warning that women have a difficult time making financial decisions, especially after the death of a spouse. When it comes to financial decisions, women are found to be more risk averse and less confident than men.

**Table 4.2.24: One-way ANOVA showing the differences between number of employees and the utilization of FL skills**

<b>Source</b>	<b>SS</b>	<b>Df</b>	<b>MS</b>	<b>F</b>	<b>Sig.</b>
Between Groups	3.881	4	.970	.983	<b>&gt;.05</b>
Within Groups	226.102	229	.987		
Total	229.983	233			

According to Table 4.2.24, there is no significant effect on the number of employees on the utilization of FL skills.  $F(4,229) = .98, p > .05$ ). The findings also show that there is no statistically significant difference in the number of employees who utilise FL skills.

Regardless of the number of employees engaged, what is important is for the employees to acquire FL skills, and once this is accomplished, they will be able to put the acquired skills into practice, i.e. will be effectively utilised. When employees, regardless of their number, utilise their FL skills effectively, the survival of SMEs will be positively affected.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSION AND RECOMMENDATIONS**

The chapter includes a summary, conclusion, recommendations, and contributions to knowledge, as well as limitations to the study and recommendations for future studies.

#### **5.1 Summary**

This study looked at the FL skills and survival of SMEs in Osun State, Nigeria. It also looked at how well FL skills predicted the survival of SMEs in Osun state.

SMEs are viewed as the pivot of economic growth, and they play an important role in job creation. In Osun State, there are quite a few of these SMEs that had died prematurely. Despite the fact that the state, through the Ministry of Commerce, Industries, Cooperative, and Empowerment, did a lot to prevent this by providing a matching fund of N250 million with the Bank of Industry (BOI) every year, the phenomenon did not stop. To survive, SMEs, particularly in Osun State, require FL skills.

The study looked into the activities of all SMEs in Osun State that were affiliated to the State Ministry of Industries, Commerce, Cooperatives, and Empowerment, the Bank of Industry (BoI), and the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN).

The research study was presented in five chapters, each focusing on a different aspect of the general introduction, the background to the study, statement of the problem, the objectives of the study, the research questions, the research hypotheses, the significance of the study, the scope of the study, and finally the operational definition of concepts as used in the study. Five research questions were raised to serve as study guides, while eight hypotheses were formulated for the study.

A comprehensive review and appraisal of past literature found to be relevant to the study's dependent and independent variables was conducted. This review revealed what previous authors had done on this study and clearly demonstrated the gap that the study filled. Previous studies revealed that little empirical study had been conducted on the

correlation between FL skills and the survival of SMEs in Nigeria, let alone Osun State. Rather, previous studies have concentrated on the significance or role of SMEs. As a result, the gap filled by this study was evident. This chapter also reviewed the components of FL that comprised the skills required to be acquired and utilised to the performance of SMEs in order for them to survive. These skills included financial decision-making, money management, savings culture, budgeting ability, access to credit or loans, and investment knowledge ability. The activities of various government agencies, such as the Bank of Industry (BOI) and the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN), that are relevant to the performance and survival of SMEs, were also examined. The theoretical framework was formed by three theories that were found to be relevant to the study. These theories are: the prospect theory, modern portfolio theory, and dual-process theory.

This study's methodology included research design, study population, sample and sampling procedure, instrumentation, validity and reliability, as well as administration of the instruments and methods of data analysis. The demographic data were analyzed using frequency counts, simple percentages, bar and pie charts, while inferential statistics such as the t-test, multiple regression, Pearson Product Moment Correlation, and ANOVA at the 0.05 level of significance were employed to test the hypotheses. The key informant interview (KII) and in-depth interview (IDI) were content analysed.

The result of the findings of this study include, among other things, the following:

1. There was significant joint prediction of financial decision making, money management, budgeting ability, saving culture, credit/loan accessibility, investment knowledge and ability on survival of small and medium enterprises.
2. There was no significant difference in the acquisition of financial literacy skills among the entrepreneurs based on number of employees, age and gender.
3. There was no statistically significant difference in the utilisation of FL skills among the entrepreneurs based on number of employees, age and gender.
4. Saving is critical because it generates investment; therefore, regardless of one's income level, one must learn how to save in order to mobilise funds for investment.

- 5 Money management, budgeting ability, and credit/loan accessibility skills significantly predicted the survival of Small and Medium Enterprises, whereas financial decision-making, savings culture, and investment knowledge and ability skills played negligible role in predicting the survival of Small and Medium Enterprises.
6. Various agencies of government such as BoI, SMEDAN, BOA and others play vital roles in the provision and access to finance and even the training programmes for the entrepreneurs that are very necessary and essential to the survival of the SMEs.
7. To effectively and efficiently manage SMEs, decisions must be rational and logical, particularly in the area of finance.
8. Microfinance bank loans are frequently found to be insufficient to meet the capital needs of SMEs.

## **5.2 Conclusion**

According to the findings, FL includes budgeting and expenditure tracking abilities, improved financial knowledge, financial management, financial planning, savings, credit or loan, and financial reporting. The result of the findings revealed that FL positively predicted the survival of Small and Medium Enterprises, implying that appropriate FL skills are critical for the performance and survival of any business, big or small. According to the findings of this study, organizational size, age, and gender, whether male or female, have no bearing on the acquisition and utilisation of FL skills. Furthermore, various government agencies such as BoI, SMEDAN, BOA, and others play critical roles in the provision of and access to finance for the entrepreneurs, both of which are critical to the survival of SMEs. The loan providers should be meticulous in providing credit facilities to the entrepreneurs/beneficiaries.

### **5.3 Recommendations**

Based on the study's findings, the following recommendations were made:

1. The government must establish a national FL framework to strengthen and raise awareness and perceptions of financial products and services in order to increase people's level of financial inclusion.
2. The policy on collateral for the accessibility of finance should be relaxed by the federal government. This can be accomplished by establishing more microfinance institutions and directing them to give priority to SMEs.
3. Osun State should establish a financial education office tasked with promoting financial knowledge and skills in order to assist SMEs' owners in making sound financial decisions. This should take the form of a centre for entrepreneurship development.
4. Entrepreneurs should be encouraged to form or join cooperative societies or credit unions in order to have more access to finance outside of commercial banks, which charge exorbitant interest rates.
5. Training programmes and entrepreneurship education in the form of seminars, workshops, and conferences should be organised on a regular basis for SME owners in order to build the capacity of beneficiaries/entrepreneurs on the best way to achieve the performance and survival of their businesses. Record keeping, bookkeeping, and account management, as well as managerial and financial management skills, could all be covered. These will assist them in making quick and effective decisions, as well as sensitise SMEs' owners on the importance of FL skills to the survival of SMEs.
6. Osun State should facilitate the establishment of another micro enterprise bank to assist the BOI in providing loans to small business owners. BoI cannot do everything, and they do not provide small/micro loans to petty traders or small business owners.
7. Every year, the state government should be holding MSMEs clinic. This will require enterprises to communicate with all SMEs' agencies and regulatory authorities, including the BoI, SMEDAN, SON, NAFDAC, CPC, CAC, and others.

8. Development and implementation of policies that will fundamentally alter the way the state does business. The state government should exempt SMEs from the imposition of heavy taxes in form of multiple taxation.

#### **5.4 Contributions to knowledge**

The study was able to add to and improve existing knowledge in the following areas:

1. FL skills such as money management, budgeting ability, and access to credit or loans improved SMEs' survival.
2. A high level of financial knowledge significantly prevented the failure and winding-up of SMEs and made profitable companies to become more profitable.
3. Adoption of financial decision skills, good money management, and a good saving culture created a favorable environment for investment, promoting the development of private businesses and accelerating the pace of economic growth and development in Osun State, Nigeria.

#### **5.5 Limitations for the study**

This study examined FL skills and survival of Small and Medium Enterprises in Osun State, Nigeria. This study therefore has some limitations. Because of limited time and resources, the researcher selected few local government areas that were covered. Another limitation was that, some of them were unwilling to complete the questionnaire for free because they wanted to be paid first before they would oblige. They claimed that the research was conducted for a specific purpose and what would be their own gain or benefit. Hence, it was hard before they could be convinced to complete the questionnaire.

#### **5.6 Suggestions for further studies**

As a follow-up to this study, it is necessary to identify additional areas of this subject matter that can be further studied. It should be noted that no research can be all-encompassing, necessitating an ongoing search for knowledge and truth.

The following areas are recommended for further research:

1. Other factors that will determine the survival of Small and Medium Enterprises can be further investigated.

2. A replication of this study may be carried out in other states of Nigeria particularly in the South-west for comparative analysis.
3. Further research can be conducted to determine whether financial intelligence and knowledge will significantly reduce the failure and expansion of SMEs or whether profitable companies will become more profitable.

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**UNIVERSITY OF IBADAN, IBADAN**  
**DEPARTMENT OF ADULT EDUCATION**  
**RESEARCH QUESTIONNAIRE**

**Dear Respondents,**

This questionnaire is designed to investigate “FL Skills and Survival of Small and Medium Enterprises in Osun State, Nigeria” All information given will be treated with confidentiality and for the purpose of research only.

Thank you for your anticipated cooperation.

Elisha Olufemi ADETUNJI  
(Matric No: 60043)

**SECTION A**

Instruction: Please make a tick in the boxes provided and write where necessary

1. Senatorial District  
(a) Osun 1 (West (  ), (b)Osun II (Central) (  ), (c) Osun III (East) (  )
2. Sex: Male (  ) Female (  )
3. Age: Less than 20yrs (  ), 21-40yrs (  ), 41-60yrs (  ) 61yrs and above (  )
4. Educational Qualification  
(a) Pry School Cert. (  ), (b)Secondary School Cert/Trs’ Grd II/Technical College, (c) OND/NCE Cert (  ), (d) HND/First Degree (  )  
(e) Others (Pls specify.....)
5. Average Annual Income:-N0-N100,000 (  ), N101,000-N200,000 (  ) N201,000-N400,000 (  ) N401,000-N600,000 (  ) above N600,000 (  )
6. Nature of Business: (a)Sole proprietor(  ), (b)Wholesaler (  ), (c) Agent(  ),  
(d) Producer/Manufacturer (  )
7. Number of employees in your company.....
8. Type of SME: Micro (  ), Small (  ), Medium (  )

## SECTION B

### FL SKILLS QUESTIONNAIRE

#### 1. Knowledge Scale

9. Do you know about the following financial concepts? Please tick ( ) as appropriate

	Yes	No
(i) Money Management	<input type="checkbox"/>	<input type="checkbox"/>
(ii) Cheque book balancing	<input type="checkbox"/>	<input type="checkbox"/>
(iii) Stock market information	<input type="checkbox"/>	<input type="checkbox"/>
(iv) Interest rates	<input type="checkbox"/>	<input type="checkbox"/>
(v) Stocks and bonds	<input type="checkbox"/>	<input type="checkbox"/>
(vi) Credit facilities	<input type="checkbox"/>	<input type="checkbox"/>
(vii) Savings/current accounts	<input type="checkbox"/>	<input type="checkbox"/>
(viii) Personal budgeting	<input type="checkbox"/>	<input type="checkbox"/>
(ix) Credit and debit management	<input type="checkbox"/>	<input type="checkbox"/>
(x) Spending plan	<input type="checkbox"/>	<input type="checkbox"/>
(xi) Statement of account	<input type="checkbox"/>	<input type="checkbox"/>
(xii) Commission on Turnover (COT)	<input type="checkbox"/>	<input type="checkbox"/>
(xiii) Investment	<input type="checkbox"/>	<input type="checkbox"/>
(xiv) Collateral security	<input type="checkbox"/>	<input type="checkbox"/>
(xv) Dividend/Dividend warrant	<input type="checkbox"/>	<input type="checkbox"/>

- (10) Please indicate the extent to which you agree or disagree with the following statements on your knowledge of FL skills. The rating keys are SA= Strongly Agree, A=Agree, SD= Strongly Disagree, and D=Disagree

S/N	Statements about knowledge	SA	A	SD	D
A	FL skills are meant only for the active workers, civil servants and the educated ones				
B	FL skills make it possible to maintain one's business for better performance				
C	With FL skills, small and medium enterprises can grow and develop				
D	Most Nigerians lack information about banks due to financial illiteracy				
E	The less financially literates are more likely to commit financial mistakes				
F	FL creates awareness on saving and thus improves the Nigerian economy				
G	With a proper knowledge of financial knowledge, I can now manage my money to make wise decision and avoid fraud				
H	The proper understanding of FL skills makes it easy to access startup capital/finance for one's business				

ii. **Acquisition Scale**

Please indicate how often you make use of the following sources to acquire FL skills. Rate as follows: A= Always, S= Sometimes, R= Rarely and N= Never

4	Sources of Acquisition	A	S	R	N
	Sources				
A	Training sources/seminars through SMEDAN, BOI and others				
B	Television				
C	Radio				
D	Newspaper				
E	Handbill				
F	Poster				
G	Internet/facebook				
H	Personal financial experiences				
I	Friends and family				
J	Newsletters of agencies				

(iii) **Utilization Scale**

11. Have you utilized or put into use the following financial concepts, services and skills. Please tick as appropriate

	YES	NO
(a) Cheque book balancing	<input type="checkbox"/>	<input type="checkbox"/>
(b) Money management	<input type="checkbox"/>	<input type="checkbox"/>
(c) Stock market information	<input type="checkbox"/>	<input type="checkbox"/>
(d) Esusu and cooperative societies	<input type="checkbox"/>	<input type="checkbox"/>
(e) Credit facilities	<input type="checkbox"/>	<input type="checkbox"/>
(f) Savings/current account	<input type="checkbox"/>	<input type="checkbox"/>
(g) Fixed deposit account	<input type="checkbox"/>	<input type="checkbox"/>
(h) Investment	<input type="checkbox"/>	<input type="checkbox"/>
(i) Spending plan /budgeting	<input type="checkbox"/>	<input type="checkbox"/>
(j) Collateral security	<input type="checkbox"/>	<input type="checkbox"/>

12. Do you put the following into practice and how often do you practice them?

	UTILIZATION		Regularly	RATE OF PRACTICE		
	Yes	No		Rarely	Sparingly	Never
(i) Take calculated risks while investing						
(ii) Apply for loans/overdraft from your bank						
(iii) Save part of the income you earn						
(iv) Read and interpret statement of account						
(v) Avoid unnecessary purchases						
(vi) Invest in shares, stocks and bonds						
(vii)Belong to cooperative societies or have a bank account						
(viii)Enjoy any credit facility in your bank						

## SECTION C

### SME BUSINESS SURVIVAL QUESTIONNAIRE

13. Please state the extent to which you agree or disagree with the following statements on the problems militating against small and medium enterprises (SMEs) survival

	SMEs SURVIVAL PROBLEMS	SA	A	SD	D
A	A major problem facing small scale businesses is finance or capital				
B	Most entrepreneurs have restricted access to short, medium and long term loans				
C	Entrepreneurs do not have or cannot provide the collateral securities needed by banks to guarantee the loans needed to finance their businesses				
D	The credit schemes instituted by the Federal Government such as FEAP, NERFUND etc failed to realize their purposes				
E	The interest rates paid on loans are high hence limit accessibility to such loans				
F	Many entrepreneurs do not know how to write and present credible feasibility studies report				
G	Many people do not know the investment business ventures into which they can put their resources				
H	Most entrepreneurs cannot prepare simple account statement to determine the level of profitability of their business				
I	There is no adequate training or education in FL skills to assist in the performance and survival of the SMEs				
J	Proper understanding and utilization of FL skills will assist in achieving the survival of SMEs				
K	Lack of succession plan among entrepreneurs is a major problem affecting the survival of small and medium enterprises (SMEs)				
J	Sustainable finance is a strong requirement for the survival and expansion of a business outfit				

14	FINANCIAL DECISION MAKING SCALE	SA	A	SD	D
A	Decision making is very vital in any organization				
B	Sensible financial decision taken gives room for effective and efficient performance of SMEs				
C	The best decision-making should be rational and be made consistent, value maximizing choices				
D	Decision making generally determines the success or failure of any organization including the SMEs				
E	An individual can decide to consume or save his income and invest it on an SME				

15	Money Management Scale	SA	A	SD	D
A	No man is born with money management skills, it has to be learnt				
	If you manage your finances responsibly, you have peace of mind and know how to avoid constant money anxiety				
C	Money management does not involve finding more money, but getting the most from the money you have				
D	Budget is the foundation of sound money management and separating needs from wants is the key to good money management				
E	Categorization of money management into costs and income is one of the guidelines on money management for small businesses				

16	Budgeting Ability Scale	SA	A	SD	D
A	Budgeting is the efficient method of short term planning and control				
B	The budget gives information about the objectives, policies and policy measures and projects, the funding sources and the allocation of funds to projects including SMEs				
C	Budgeting is imperative for small businesses to thrive and to be able to exist for long profitably				
D	Monitoring the progress of project implementation and control as a stage of standardized budget dwells heavily with the performance of business enterprises				
E	To maintain SMEs effectively activities must be put together to cut, reduce or control operating cost so as to generate a reasonable profit level and keep the business actively running				

17	Savings Culture Scale	SA	A	SD	D
A	Savings generate investment which enhance the standard of living				
B	Saving is a sacrifice of current consumption that provides for accumulation of capital through which the capital needed to start a business can be harnessed.				
C	An individual should save at least 10-20% of net income				
D	The bank is the safest place to save one's money				
E	The factors that affect saving include household wealth, disposable income, inflation rates and interest rates				
F	Saving culture could be promoted through attractive interest rates on savings, promotion and rewards,, strengthening oversight in the financial sector and widening access to savings products				

18	<b>Credit/Loan Accessibility Scale</b>	<b>SA</b>	<b>A</b>	<b>SD</b>	<b>D</b>
A	Finance is a strong requirement for a successful performance and expansion of a business				
B	A lot of people do not have bank accounts that can qualify them to enjoy any credit facility				
C	Inability to fulfil the collateral requirements demanded by the banks do not make entrepreneurs to have access to loans or credit facilities				
D	Accessibility to loans by the SMEs can be reached through the Microfinance Banks				
E	Small scale entrepreneurs can access various loans through some agencies including BOI, SMEDAN, NACRDB and so on				
F	Without adequate fund, it will be difficult to achieve a successful performance of the SMEs				

19	<b>Investment Knowledge and Ability Scale</b>	<b>SA</b>	<b>A</b>	<b>SD</b>	<b>D</b>
A	Investment is the pillar of any economy				
B	Investment depends on savings which thrift produce and which lead to economic growth				
C	Financial asset such as investment in shares and bonds is a type of investment an individual can embark upon				
D	Investment has a high level of risk				
E	Investment brings about expansion in income and generate employment				
F	The effect of investment include maintaining and expanding the output capacity of a given economic				

20. List other problems you feel can affect the performance and survival of SMEs

- (i)
- (ii)
- (iii)
- (iv)

21. What suggestions do you have for the improvement of the performance and survival of SMEs

- (i)
- (ii)
- (iii).