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FINANCIAL LITERACY AND PERFORMANCE OF SMALL AND MEDIUM SCALE ENTERPRISES IN BENUE STATE, NIGERIA

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Abstract

This study the effect of financial knowledge on the performance of Small and Medium Scale Enterprises (SMEs) in Benue State, Nigeria. The study was anchored on theDual –Process Theory.The researcher used both primary and secondary sources from a sample of 154 respondents obtained by the use of a well structured questionnaire. The data collected were analyzed using descriptive statistics such as frequency, simple percentage and the relationship between the variables of the model was tested using multiple linear regression analysis. The result of the regression analysis indicates that the probability value of the regression analysis was used to test the first hypothesis at 5 % level of significance and the p-value (0.002) was lower than the significance level this means that the null hypothesis was rejected and the alternative accepted. This result can be statistically given as p-value $0.002 < \alpha = 0.05$. The second hypothesis was tested at 5 % level of significance and the p-value (0.328) was greater than the significance level, tis means that the second null hypothesis was accepted. This result can be statistically given as p-value $0.328 > \alpha = 0.05$. The probability value of the regression analysis was used to test the third hypothesis at 5 % level of significance and the p-value (0.000) was lower than the significance level meaning that the null hypothesis was rejected and the alternative accepted. This can be statistically given as p-value $0.000 < \alpha = 0.05$. It was concluded that financial knowledge and attitudes influences SMEs performance. It was recommended among others that there is a need for training programs on budgeting and planning, debt management, record keeping; saving and retirement plans in schools and other institutions that seek to promote financial literacy and practice.

Keywords: Financial, Knowledge, Performance, SMEs Benue, Nigeria

INTRODUCTION

Background to the Study

Developed and developing economies continue to rely on small businesses to play akey role in triggering and sustaining economic growth and equitable development. Small and Medium Scale Enterprises (SMEs) are facilitators for broad-based growth in competition, entrepreneurship and offer economy-wide benefits such as innovation and aggregate productivity growth (Tarfasa, Ferede, Kebede andBehailu, 2016). Small and Medium Scale Enterprises (SMEs) contribute largely to output, employment in both developed and developing countries and contribute greatly to the revitalization of the global economy and of individual national economies (Paul, 2009).

The need for financial literacy by SMEs has been emphasized by different scholars. Financial literacy is the mastery of a set of knowledge, attitudes and behaviors. It is defined by Nkundabanyanga andKasozi (2014), as the ability of an individual to make informed judgment and take effective decisions regarding the use and management of money. They added that such person also possesses a facilitating attitude to the effective and responsible management of financial affairs. That is the ability to read, analyses, manage and communicate personal financial conditions that affect well-being and the ability to distinguish financial choices, discuss money and financial issues without discomfort. It has assumed the role in allowing people to make responsible decisions as they strive to attain financial wellbeing (Ani, Kelmara and Wesley, 2016).

Financial literacy has become essential in the running of businesses and operations of organizations in the complex and dynamic environment today. Atkinson and Messy (2012), added that governments around the world are interested in finding effective approaches of improving financial literacy of their populations through developing strategies for financial education with the main aim of providing various learning opportunities. Many countries have developed strategies for the implementation of financial education to improve financial literacy of their population as it is perceived as a life skill necessary for intelligent financial conduct in modern life and an important basis for the economic and financial stability of society and the state (Tali, 2016).

Studies have been conducted on the importance of financial literacy on performance in terms of profitability and growth of SMEs and have shown that lack of financial literacy level among people around the world has cause business failures(Niwaha, Schmidt and Tumuramye, 2016).Many studies conducted on financial literacy focused on personal finance and fail to relate it to business management. They tend to look at factors like book keeping literacy, banking services literacy and ratio analysis on personal and household finance. These studies however focused on the numeracy skills of individuals and how these skills affected their financial decisions; no attempt was made to establish how the level of literacy of these individuals affected the performance of their businesses. Unlike the previous studies, this study focused on various components of financial knowledge, financial behavior and financial attitude and how they affect the performance of SMEs in Benue State, Nigeria. The general objective of the study was to investigate the effect of financial literacy on the performance of Small and Medium Scale Enterprises (SMEs) in Benue State, Nigeria.

The specific objectives of the study were to: examine the effect of financial knowledge on the performance of Small and Medium Scale Enterprises (SMEs) in Benue State, Nigeria, determine the effect of financial behavior on the performance of Small and Medium Scale Enterprises (SMEs) in Benue State, Nigeria, examine the effect of financial attitude on the performance of Small and Medium Scale Enterprises (SMEs) in Benue State, Nigeria.

LITERATURE REVIEW

This section presents a review of existing literature on financial literacy and performance of small and medium scale enterprises. It introduces the theoretical framework of the study, displays theconceptual framework of the study and provides an empirical review focusing onfinancial literacy and the performance of SMEs as well as the chapter summary bringing tolight the research gaps identified.

Theoretical Framework

This study is anchored on the dual-process theory which is considered most relevant to the work.

Dual –Process Theory

The dual-process theory was propounded by Lusardi and Mitchell (2011). This theory posits that financial decisions can be driven by both intuitive and cognitive processes which mean that financial literacy may not always yield optimal financial decisions. The Dual Process Financial literacy theory argues that the behavior of people with a high level of financial literacy might depend on the prevalence of the two thinking styles: intuition (system 1) and cognition (system 2)(Lusardi and Mitchell, 2011; Glaser and Walther, 2013). Intuition is the ability to acquire knowledge without inference or the use of reason. Intuition provides views, understandings, judgments, or beliefs that cannot be empirically verified or rationally justified. Taylor (1981) as cited by Chan and Park (2013) asserts that individuals who rely on intuition prefer to use mental short cuts as they make decisions which tend to be largely influenced by their emotions. Glaser and Walther (2013) point out that the positive effect of financial literacy on reasonable investment decisions is diminished by a high prevalence of intuition. Therefore, increased use of intuition results to sub optimal investment decisions.

Cognition on the other hand is the process by which the sensory input is transformed, reduced, elaborated, stored, recovered and used. Cognition is the mental processing that includes the comprehending, calculating, reasoning, problem solving and decision making (Chan and Park 2013). High cognition individuals enjoy thinking, are analytical and are better at retaining information and more likely to search out new information. **Relevance of the theory to the work**

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

Conceptual Framework

Concept of financial literacy

Financial literacy is the education and understanding of various financial areas. This conceptfocuses on the ability to manage personal finance matters in an efficient manner, and it includes the knowledge of making appropriate decisions about personal finance such as investing, insurance, real estate, paying for college, budgeting, retirement and tax planning (Fatoki, 2014). Financial literacy also involves the proficiency of financial principles and concepts such as financial planning, compound interest, managing debt, profitable savings techniques and the time value of money. The lack of financial literacy or financial illiteracy may lead to making poor financial choices that can have negative consequences on the financial well-being of an individual. Consequently, the federal government created the Financial Literacy and Education Commission, which provides resources for people who want to learn more about financial literacy (Ageyi, 2014).

Dimensions of financial literacy

i. Financial Knowledge

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

ii. Financial Behaviour

Financial behavior as defined by Zeynep(2015)is the capability to capture of understanding overall impacts of financial decisions on one’s circumstances and to make the right decisions related to the cash management, precautions and opportunities for budget planning. Research has shown that financial literacy consistently predicts measures of financial behavior of individuals (Hung, Parker andYoong, 2009). Sucuahi (2013) highlighted that a good financial behavior involves the ability to make financial decisions that increase wealth and prevent uncertainties of businesses and individuals. These activities generate more financial assets, prevent over-indebtedness, finance retirement, and insure against major life contingencies.

iii. Financial Attitude

Financial attitude can be defined as the application of financial principles to create and maintain value through decision making and proper resource management (Latif, Razak, and Lumpur, 2011). Financial attitude is one of the factors that have significant impact on financial management practice. It is defined by Eagly and Chaiken(1993) as psychological tendency that is expressed by valuating a particular entity with some degree of favor or disfavor”. That is, it a psychological predisposition when it comes to agreeing or disagreeing with certain financial management practices. Latif *et al.*(2011) defined financial attitude as the creation of value in decision making and resource management through application of financial principles. Financial attitude is improved through procurement of adequate information (Abiodun, 2016).

Concept of small and medium scale enterprises performance

Generally speaking, there is no consensus on the definition or nature of SMEs worldwide. Different countries, institutions and individuals have put forwards various descriptions of a small business based on some parameters. Obitayo (1991) argued that; the main criteria used throughout the world to describe small-scale enterprise include: number of employees, sales volume, financial strength, relative size, initial capital outlay, and independent ownership.Furthermore, Akinyande (2004) highlighted the definitions of small and medium scale industries by different institutions in Nigeria as follows: The Federal Ministry of Industry defines medium enterprise as the one having asset value of not more than N200million with not more than 300 workers, while it defines small-scale enterprise as the one having asset value of not more than N50million, with not more than 100 workers.

Small and medium scale enterprises performance involvesgrowth as a result of expanding the sales operations or assets and usually a major strategic objective of a business. SMEs performance is common to associate improvements in firm performance with increased profitability, higher efficiency and increased output (Teruel, 2008). Extant research addressing SMEs performance has relied on accounting-based financial indicators (Vuong, 2008; Van, 2010), market-based indicators as well as combinations of both (Waweru, 2009).

Measures of small and medium scale enterprises performance

The measures of small and medium scale enterprises performance used in this study are profitability and sales growth.

i. Profitability

Profitability is the ability for an organization to make profit from its activities. Agha (2014) defines profitability as the ability of a company to earn profit. Profit is determined by deducting expenses from the revenue incurred in generating that revenue. Profitability is therefore measured by incomes and expenses. Income is the revenues generated from activities of a business enterprise. The higher the profit figure the better it seen as the business is earning more money on capital invested. Profit margins are computed by dividing profits by total operating revenue and thus express profits as a percentage of total operating revenue while return on assets is the ratio of income to average total assets, both before tax and after tax, and measures managerial performance.

Sales Growth

Sales growth refers to the amount a company derives from sales compared to a previous corresponding period of time in which the later sales exceed the former. It is usually given as a percentage. Sales growth is considered positive for a company‘s survival and profitability. It is an important measure of performance. Sales growth targets play a major role in the perceptions of business managers. Kaplan and Norton (1996) argue that firms must use a wide variety of goals, including sales growth, to effectively reach their financial objectives. Factors that influence sales growth range from promotion to internal motivation and retaining of talented employees to the implicit opportunities for investments in new technologies and equipment in the production process.

Relationship between financial literacy and SMEs performance

i. Financial Knowledge and SMEs performance

Financial knowledge is a very critical aspect of any decision making regardless of the subject matter, as it is argued to result in a more effective decision (Robb, 2014). It impacts key outcomes including borrowing, savings, investment and even future plans in terms of retirement income (Lusardi and Mitchell, 2014). In 2006, Lusardi and Michell proposed that financial literacy is needed to create a measure of financial competence in terms of participation in financial market and ability to manage financial matters. A few researchers have attempted to show the relationship between financial knowledge and growth in terms of profitability and size of businesses.

Lusardi and Mitchell (2014) have conducted various surveys on financial literacy and have come up with set of questions that are commonly used to measure financial knowledge. They performed an examination on the impacts of financial literacy on economic decision making in the United States and elsewhere.

ii. Financialbehaviour and SMEs performance

The profitability of micro and small enterprises highly depends on the financial decisions that are made by the owners ranging from financing to working capital management and saving decisions. Given that Micro and small enterprises have significant impact on economic activity of most countries, a low financial skill or poor financial behavior might have an adverse effect in the future of the business (Sucuahi, 2013). Good financial behavior leads to competitiveness in a globalized economy and financial illiteracy would lead to shut down of the business. It has been argued that a good financial foundation of the business owners is a significant barometer of the success and growth of the enterprises in the competitive environment (Lusardi and Mitchell, 2007).

Financial attitude and SMEs performance

Financial attitude such as the risk averseness, time orientation, social environmental factors and training may add value to the profitability of a business. The willingness to learn more on how to manage finances is also of benefit to business owners because it will allow for the application of learnt financial concepts into practice. Financial attitude of business owners is improved through procurement of adequate information (Abiodun, 2016). Research has shown that financial literacy can be boosted through the attainment of the right financial attitude in terms of risk appetite, training and time orientation to mention a few.

Review of Related Empirical Studies

Chepkemoi (2007) examined the effects of financial literacy training on business profitability of SMEs in Coastal region Kenya using Kwale Country as a case study. The study used a sample of 74 SMEs drawn from the 3 sub-countries of Kwale which included Kinang, Matuga and Msanbweni. The research design used was descriptive survey methods which involve the use of questionnaires and interviews. The population of the study included SMEs who benefited from the training offered by World Bank through the Kenya Coastal Development Project in kwale country. Simple random sampling method was used to determine the sample size. The finding of the study established that financial literacy training positively influenced the performance of

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SMEs and profitability. The study concluded that financial literacy affected profitability or SMEs and it recommended that financial institutions should provide training to the SMEs to build their capacity on the available financial products and how to access them. The study used both questionnaire and interview as data collection instrument however this present study used questionnaire only to collect data from the respondents.

Njoroge (2013) assessed the relationship between financial literacy and entrepreneurial success in Nairobi County Kenya. The objective of the objective of the study was to find out whether there is a relationship between entrepreneurial success and SMEs success by interviewing a sample of seventy-nine entrepreneurs who are registered and operates in Nairobi County. The samples were randomly picked from a population of 27,485 SMEs where questions in both financial literacy and SMEs success were asked. The data collected was then analyzed to establish relationship between financial literacy and SMEs success. The findings of the study indicated that, all the SMEs interviewed were found to have some level of financial literacy and on average most entrepreneurs scored well above average in financial literacy. Highly successful entrepreneurs scored highly in financial literacy and demonstrated high understanding of finance. In contrast, less successful entrepreneurs exhibited stagnant growth, and low level of financial literacy majority of who were found to be in informal sector. The study concluded that there was a positive relationship between financial literacy and entrepreneurial success in Nairobi County. It also concluded that financial literacy plays a key role in SMEs success both in formal and informal sectors. The study recommended that business owners and entrepreneurs need to be literate in order to succeed in their businesses. The measures of financial literacy used in the study are replicated in this present study. The study unlike this study used interviews which creates the gap for this present study.

Cherugong (2013) examined the effect of financial literacy on performance of small and medium enterprises in Trans Nzoia County, Kenya. The study was carried out to examine the aspect of the present day financial literacy of small and medium scale enterprises in Trans Nzoia County on business performance. More specifically, the study addressed the effect of financial literacy on performance of small and medium enterprises in Trans Nzoia County. The researcher used a descriptive research design. A sample of 85 SMEs was selected using stratified random sampling technique. The study population was stratified as hardware businessmen, clothes dealers, general retail traders and others. The study employed questionnaires to collect data from the field. Data collected were analyzed with the aid of Statistical Package for Social Sciences (SPSS 20). Data was then tabulated and presented using descriptive statistics. The results of the study indicate that more performing SMEs employ more than three permanent employees, have been in business for more than five years, has an annual revenue growth of more than 10% and are basically financial literate. Secondly the researcher established that there was a positive strong effect of financial literacy on SMEs performance. The study recommended the providers of various financial literacy programs to consider implementing a program which fits the culture and traditions of the context targeted and avoid one size fits all because different SMEs have different experiences.

Tuyisenge,Mugambi and Kemirembe(2015) investigatedthe role of financial literacy on loan repayment amongsmall and medium entrepreneurs in Rwanda using Urwego Opportunity Bank as the case study. The research focused on 109 small and mediumentrepreneurs in Urwego Opportunity Bank. A descriptive survey design was adopted in the study and questionnaire was sued as the instrument of data collection. Regression analysis was used for test of hypotheses and findings of the study revealed that the quality of financial informationavailable for financing institutions is rather poor. It also indicated that credits decisions become difficult andcollateral requirements as well as interest rates are high, substantially aggravating access tocredit and controlling the loan Book was equally difficult. It concluded that the combinations of smaller enterprises without access tocash to grow their business and banks, which are increasingly reluctant to lend to smallerclients, hamper much needed economic and social development.

METHODOLOGY

Research Design

The study adopted a cross sectional survey design. This design was deemed appropriate because in surveys the researcher is an outsider which increases reliability and eliminates subjectivity. The study area covered by this research is Makurdi metropolis. The metropolitan area is made up of different types of SMEssuch as agro-allied businesses, services, arts and crafts etc. The target population consists of 250 registered SMEs in four sub-sectors in Makurdi metropolis according to Benue Chamber of Commerce, Industry, Mines and Agriculture (BECIMA, 2017). The researcher adopted a stratified proportionate sampling technique. SMEs were first stratified into sectors; Service, Retail/Wholesale, Manufacturing and Agribusiness. Proportionate sampling was then used to determine the number of respondents from each strata to ensure equal representation hence reduce sampling errors. The sample size was calculated using Yamane's formula (1967) on the basis of which a sample of 154 SMEs was selected.

Table 1: Individual Sample Size Distribution

S/No	Strata	Population	Proportion	Sample size
1	Retail/Wholesale	64	154x64/250	39
2	Service	101	154x101/250	62
3	Agribusiness	50	154x50/250	31
4	Manufacturing	35	154x35/250	22
Total		**250**		**154**

Source: Researcher Computation, 2017.

The data for this study were collected through primary source with the use of questionnaire. The questionnaire comprised of two sections. The first section contained questions regarding the demographic data of the respondents, while in the second section, the respondents were asked to express their perceptions regarding the study variables.

In this study, the validity of the instrument was established by a panel of experts through an assessment of selected items that ensure that the instrument is measuring to the expectations. Factor analysis was also used in this study to maintain the independence of each variable.Bartlett's test of Sphericity was employed to test the hypothesis that the original correlation matrix is an identity matrix. At 1% level of significance,the results show that the data is highly significant ($p<0.001$), and therefore Factor Analysis isappropriate.According to the results from the KMO and Bartlett's Test, the Kaiser- Meyer- Olkin (KMO) which measures the sample adequacy was .684 while the Bartlett's Test of Sphericity was significant (App. chi-square= 232.557, sig. is .000) which indicates the sufficientinter correlations of the factor analysis.The result of the Cronbach's Alpha for each of the constructs was greater than 0.70. This implies that all the variables were reliable and can be used in this study.

Table 2: Reliability Test Result

Variable	Items	Cronbach Alpha
Financial Knowledge	4	0.821
Financial Behaviour	4	0.712
Financial Attitude	4	0.854
SMEs Performance	5	0.876
Overall Reliability		**0.816**

Source: SPSS Output, 2017.

The study is anchored on two variables; the independent variable (financial literacy) and the dependent variable (SMEs performance). The independent variable is measured using three dimensions of financial literacy; financial knowledge, financial behavior and financial attitude while the dependent variable was measured by profitability and sales growth of the SMEs.

In this study performance of SMEs is regarded as a function of financial literacy. The implicit form of the regression model is expressed thus:

SMEsP = f (FL)

Where;

SMEsP = Small and medium scale enterprises performance (dependent variable)

FL = Financial literacy (independent variable)

The explicit form of the model can be stated thus:

$FL= Bo + B_1 (FK) + B_2 (FB) + B_3 (FA) + e$

Where,

FK= Financial Knowledge

FB= Financial Behaviour

FA= Financial Attitude

B_o =constant of the model.

B_{1-4} = coefficients of the model.

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e = disturbance terms or error term. It is assumed to be normally distributed with a mean of zero. After collecting the questionnaires from the respondents, they were first scrutinized to ensure completeness and consistency. Only correctly filled questionnaires were used in the final analysis. The data was then coded and entered into the computer using SPSS (Version 21). Quantitative data were analyzed and summarized using means, standard deviation, frequencies and percentages. The analyzed data were then presented in tables, from which statistical inferences as well as necessary recommendations were made. Regression analysis was used in testing the hypotheses based on t-statistics. It measures the extent to which the variation in dependent variable is explained by two or more independent variables.

Decision Rule

Standard error test was used in testing the hypotheses and acceptance or rejection of a hypothesis based on the decision rule which holds that:If the standard error of b_i [S (b_i) >$^1/_2 b_i$] accept the null hypothesis; that is, accept that the estimated b_i is not statistically significant at the 5% level of significance.If the standard error of b_i [S (b_i) <$^1/_2 b_i$] reject the null hypothesis, in other words, accept that the estimated b_i is statistically significant at the 5% level of significance.

RESULTS AND DISCUSSION

Data presentation and Analysis

The data is presented based on demographic characteristics of respondents and research objectives.

Multiple Regression Analysis

Table 3: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.595[a]	.354	.337	.694	1.443

a. Predictors: (Constant), Financial Attitude, Financial Behaviour, Financial Knowledge.

b. Dependent Variable: SMEs Performance.

Table 4: Analysis of Variance (ANOVA)

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	30.587	3	10.196	21.152	.000[b]
Residual	55.913	116	0.482		

Total	86.500	119	

a,.Dependent Variable: SMEs Performance
b. Predictors: (Constant), Financial Attitude, Financial Behaviour, Financial Knowledge

The study assessed the contribution of the independent variables on the dependent variable. The findings of the study in Table 9 illustrates that the multiple regression model had a coefficient of determination (R^2) of about 0.898. This means that 89.8 % variation of SMEs performance is explained by joint contribution of cash management, account receivables, inventory management and account payables. The findings were supported by ANOVA (F test) results that the model was fit or none of the parameters was equal to zero hence significant (F = 362.186, ρ<0.05). In addition, Durbin Watson test had value less than two indicating minimal autocorrelation with no effect on the study output (Watson value = 1.966).

Discussion of Findings

The findings of the study were discussed based on the objectives of the study as follows:

a) Effects of financial knowledge on performance of SMEs

Table 5: Multiple Regression Model Coefficients

Model un-standardized coefficients			**standardized Coefficients**	**T**	**Sig**
	B	**Std. Error**	**Beta**		
(Constant)		0.307	0.520	0.590	0.556
Financial Knowledge	0.431	0.135	0.312	3.203	0.002
Financial Behaviour	0.118	0.120	0.091	0.983	0.328
Financial Attitude	0.350	0.095	0.316	3.683	0.000

a. Dependent Variable: SMEs Performance

The findings from the study uncover that majority of the respondents have adequate financial knowledge as the higher percentage could answer the basic financial knowledge questions that were drawn from the financial literacy questionnaire correctly. Regression was used to test the hypothesis at 5 % level of significance and the p-value (0.002) was lower than the significance level. This can be statistically given as P-value 0.002< α = 0.05. The findings agree with empirical evidence by Robb (2014) who found that financial knowledge influences positive financial behavior. Robb (2014) added that for effective decision makings, financial knowledge is very critical. The findings of Burke and Manz (2014) suggested that knowledge of inflation is an important determinant of financial behavior such as taking debts, opening savings account to mention a few. Also, Lusardi and Mitchell (2014) concluded from their study on economic importance of financial literacy that financial knowledge is an investment in human capital that is important for wealth accumulation.

Effects of financial behaviour on performance of SMEs

The results on the second objective revealed that although the majority of the respondents had good scores on financial knowledge, there are lots of uncertainties in putting the knowledge into practice with mean response of (3.0 – 3.9) on most of the financial behavior questions. Regression was used to test the hypothesis at 5 % level of significance and the p-value (0.328) was greater than the significance level. This can be statistically given as P-value $0.328 > \alpha = 0.05$. The findings therefore, contradict the findings of Potrich*et al.* (2016), which concluded that financial behaviuor has significant effect on the performance of SMEs. In this case, majority of the respondents scored high in financial knowledge however, their financial behavior opinions are neutral. The findings of this research show that most small business entrepreneurs are uncertain about debt management literacy. That is, they are not able to access various sources of finance, not knowledgeable on effects of inflation and interest rate and not very conversant with making accurate calculations. These findings agree with the findings of Plakalovi (2015) who found that most SMEs managers are not able to perform accurate calculations and lack numeracy skills especially elderly, female and less educated population.

Effects of financial attitudes on performance of SMEs

The findings of the study revealed that financial attitude has significant effect on the performance of SMEs in Makurdi Metropolis, Benue State. Regression was used to test the hypothesis at 5 % level of significance and the p-value (0.000) was lower than the significance level. This can be statistically given as P-value $0.000 < \alpha = 0.05$. According to the findings of Abiodun (2016), successful people are financially literate such that their investments are future oriented. The findings of this research can therefore be translated as most of the SMEs are successful because they are future oriented, that is they establish financial targets that are future oriented. Also, findings suggest that orientation towards the future promotes decision making and performance of the business. The attitude of individuals towards financial training is an important determinant of financial literacy because it shows how willing the individual is to go extra miles to acquire financial knowledge and skills. Carlin and Robinson (2010) found that people that went through training were somewhat better at making current-cost and current-benefit tradeoff decisions as compared to those that did not.

Conclusion

The study concludes that most SMEs owners are knowledgeable about the basic financial concepts because a greater percentage of the respondents answered the financial knowledge questions correctly. However, the question of sources of finance was not a strong area for the respondents. That is, most of them would rather use own funds to finance their businesses than seek loans from formal finance providers for their assorted reasons. The study also concludes that financial behavior is a significant predictor of performance for micro and small enterprises. Most SMEs owners however apply little or no budgeting and planning, debt management,

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saving, record keeping and retirement planning in their business activities. Finally, the study notes that financial attitudes influences SMEs performance. However, most MSE managers and owners have poor attitudes towards their financial activities. This was evident by the low future orientations, inability to takes risks and lack of participation in training programs that can promote their financial skills despite the knowledge on the importance of directing short-term activities towards long-term goals of the firm.

Recommendations

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

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

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

iii. From the results, it is evident that the financial attitude of SMEs owners and managers is significant in their performance. Therefore, it is important for the government and relevant agencies to put efforts in influencing the attitudes of SMEs managers and owners positively. Positive attitudes lead to positive behaviors and hence benefit both the SMEs and their stakeholders.

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