

**FINANCIAL LITERACY AND SUSTAINABILITY OF SMALL AND MEDIUM  
ENTERPRISES (SMEs) IN BENIN METROPOLIS, EDO STATE**

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**BENIN CITY, NIGERIA**

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**BEING A PROJECT WORK SUBMITTED TO THE DEPARTMENT OF  
ENTREPRENEURSHIP, IN PARTIAL FULFILMENT OF THE  
REQUIREMENTS FOR THE AWARD OF DEGREE OF BACHELOR OF  
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**OCTOBER, 2025**

## **DECLARATION**

I, **ISOWAMHEN DESTINY JOY with MAT NO: MGS2104897**, do hereby declare that this project was based on a study undertaken by me in the Department of Entrepreneurship, Faculty of Management Sciences, University of Benin, Benin City, under the supervision of Mr. O. Osemwenkhae. This work had not be previously submitted for the award of Bachelor of Science Degree in Entrepreneurship, to the best of my knowledge. All ideas and views were a product of my personal research; and where the views of others been expressed, have been duly acknowledged.

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**ISOWAMHEN DESTINY JOY**  
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**DATE**

**CERTIFICATION**

We, the undersigned, certify that this project was carried out by **ISOWAMHEN DESTINY** with matriculation number **MGS2104897** of the Department of Entrepreneurship, Faculty of Management Sciences, University of Benin, Benin City, Edo State, Nigeria; the work has not be presented in part or full in any diploma or Degree awarding institution and the work is adequate in scope and quality in partial fulfilment of the requirements for the award of B.Sc. Degree in Entrepreneurship, Faculty of Management Sciences, University of Benin, Benin City, Nigeria.

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## **DEDICATION**

This work is dedicated to God Almighty the Beginning and the end. The work is also dedicated to my wonderful parents, Mr. and Mrs. Isowamhen.

## ACKNOWLEDGEMENTS

All thanks to my heavenly father and creator, for making this work a success, I am forever indebted to God for His faithfulness. I am profoundly indebted to my project supervisor, Mr. O. Osewenkhae whose valuable insight and timely correction contributed greatly and aided the success of this project work.

I wish to express my profound gratitude my parents Mr. And Mrs. Isowamhen for their unfailingly support materially. Mentally and spiritually. Thank you mum and dad for always being there for me. May God continue to bless you people and grant you good health and long life, Amen!

My sincere appreciation goes to my lovely siblings, Favour, Divine, Theophany, Victory, ThankGod for their care, support and prayers throughout my stay in this great institutions. I want to specially thank them for always being there for me.

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## **ABSTRACT**

The study investigated the financial literacy and sustainability of small and medium enterprises (SMEs) in Benin Metropolis, Edo State.

The research design adopted for this study is the descriptive survey research design. The population for this study was made up of all small scale business owners in Benin City, Edo State. According to the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN), there are 69,104 registered small scale businesses in Benin City, Edo State. The study's sample size consisted of 100 small-scale business owners which were selected from four communities in Benin City, Edo State: Uselu, Oluku, Isihor, and Egor. The data collected for this study was analyzed using frequency counts and simple percentages while the hypotheses for the study were tested using chi-square method.

Findings from the study revealed that SME owners in Benin Metropolis possess substantial financial literacy skills, particularly in budgeting, saving, financial planning, interpreting financial statements, and monitoring expenses. It was concluded that financial literacy significantly enhances SME sustainability by promoting financial stability, enabling informed planning, preventing bankruptcy, guiding investment choices, and fostering continuous growth. Based on the findings, it was recommended that entrepreneurship support initiatives in Edo State should incorporate structured financial education modules to ensure that SME operators acquire practical knowledge essential for sustainable business growth.

## **CHAPTER ONE**

### **INTRODUCTION**

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

Financial literacy has increasingly been recognised as a vital component for the survival and sustainability of Small and Medium Enterprises (SMEs) in today's complex economic landscape. Nuhu (2023) asserted that the ability of SME owners to make informed financial decisions is crucial to the longevity and stability of their businesses. In the Nigerian context, where access to formal financial education remains limited, many entrepreneurs struggle with budgeting, financial planning, and understanding credit facilities, often leading to business failure. Financial literacy entails the knowledge and ability to make appropriate judgments in managing personal and business finances. A lack of this impedes strategic thinking and inhibits access to funding, proper financial records, and management of resources. Given the substantial role that SMEs play in national economic development and job creation, it becomes imperative to explore how financial knowledge influences their performance and sustainability (Olaoye, 2020).

The SME sector in Nigeria serves as a cornerstone for economic empowerment, job creation, and poverty alleviation. However, many of these businesses are short-lived due to financial mismanagement and lack of operational skills. Bello (2021) observed that inadequate knowledge of financial principles such as cash flow, break-even analysis, working capital management, and tax planning often leads SME owners into unprofitable

ventures. In several cases, SMEs fold within their first five years due to poor business decisions arising from insufficient financial understanding. Without structured financial literacy, entrepreneurs are often unequipped to engage with accountants, banks, or investors productively. In regions with high rates of informal economic activity, the lack of structured financial training and tools poses a serious threat to long-term business growth and continuity (Agbaje, 2020).

Over the years, both governmental and non-governmental bodies have initiated various interventions to bridge the financial literacy gap. Musa (2022) noted that institutions such as the Central Bank of Nigeria, Bank of Industry, and Small and Medium Enterprise Development Agency of Nigeria (SMEDAN) have introduced entrepreneurship training and financial literacy programmes. These efforts aim to equip entrepreneurs with essential financial management skills. However, the impact of such initiatives remains limited due to poor implementation, low awareness, and minimal rural outreach. Often, such programmes lack a monitoring mechanism to ensure long-term impact. While access to finance has slightly improved, the knowledge required to manage such funds effectively remains low. This underlines the need for targeted, sustainable financial education initiatives tailored to local contexts and business realities (Umeh, 2021).

Furthermore, financial literacy enables SMEs to respond effectively to shifting market conditions and economic shocks. Ibrahim (2020) stated that financially literate

business owners are better positioned to analyse financial data, manage risk, and navigate challenges such as inflation, exchange rate volatility, and supply chain disruptions. They are more capable of adjusting business strategies to maintain viability during crises. During periods such as the COVID-19 pandemic, financially aware entrepreneurs adopted cost-cutting measures, digital platforms, and government grants more readily. Those lacking financial knowledge were unable to respond adequately and suffered greater losses. This suggests that improving the financial capabilities of SMEs can directly enhance their resilience and sustainability in uncertain economic environments (Eze, 2023).

The impact of financial literacy on improved business performance and economic sustainability cannot be overemphasized. Ibrahim (2021) emphasised that SME owners with sound financial understanding are more likely to adopt book keeping practices, conduct regular financial assessments, and invest profits wisely. These habits lead to business expansion, improved creditworthiness, and compliance with regulatory requirements. Such businesses are also better prepared for external audits, which improves their credibility with investors and banks. Financial literacy reduces business risks, increases returns on investment, and enhances internal control mechanisms. As a result, it serves as a vital component for business development and long-term survival, especially in volatile economic climates like Nigeria's. Sustainable SME growth is not solely dependent on access to capital but also on the ability to manage financial resources

prudently. A financially literate entrepreneur can navigate loans, manage business accounts, evaluate risk, and pursue growth opportunities confidently (Ogundele, 2020).

Despite their contributions, many SMEs in Nigeria operate within a framework of financial instability due to poor planning and lack of financial foresight. Adeyemi (2022) opined that without structured financial records, it becomes difficult for SMEs to evaluate profit margins, track expenses, and determine growth trajectories. This results in poor financial health and ineffective decision-making. In many cases, businesses cannot distinguish between personal and business funds, leading to disorganisation and cash-flow problems. This challenge is more acute in rural and semi-urban areas, where exposure to financial services is minimal. Introducing consistent and community-based financial literacy training could drastically enhance business accountability, profitability, and long-term survival (Onuoha, 2020).

## **1.2 Statement of the Problem**

In contemporary times, preliminary observations suggest that a significant number of Small and Medium Enterprises (SMEs) are struggling to attain sustainability, despite their critical role in economic development and employment generation. SMEs constitute over 80% of businesses in Nigeria and are recognised globally for their contributions to innovation, income generation, and poverty reduction (Abdulraheem, 2022). However, many of these enterprises either fail within the first five years of operation or operate well below their potential due to poor financial decision-making. A key factor responsible for

this trend appears to be the low level of financial literacy among SME owners and operators. Many entrepreneurs lack essential knowledge in budgeting, investment management, taxation, and credit assessment, resulting in poor cash flow control, mismanagement of loans, and inability to scale operations. This financial incompetence continues to limit business survival, profitability, and overall economic impact (Edewor, 2023).

While the relevance of financial literacy to business success has been widely acknowledged, scholarly discourse on its direct impact on SME sustainability remains inconclusive in the Nigerian context. Some researchers, such as Ogunleye and Adebayo (2021), argue that financial literacy significantly improves the decision-making capacity of entrepreneurs, thereby fostering business growth and stability. In contrast, others like Uchenna and Okafor (2022) suggest that structural challenges such as poor infrastructure, inflation, and access to finance play a more dominant role in SME failure than financial literacy itself. These contradictory views reveal a gap in empirical research concerning the specific influence of financial literacy on SME performance in Nigeria. This study, therefore, seeks to fill this gap by assessing financial literacy and sustainability of small and medium enterprises (SMEs) in Benin Metropolis, Edo State.

### **1.3 The Research Questions**

The following research questions was addressed in the study:

1. To what extent do SME owners in Benin Metropolis possess financial literacy skills such as budgeting, saving, and financial planning?
2. How does the level of financial literacy among SME operators influence the sustainability and long-term success of their businesses in Benin Metropolis?
3. What are the major financial literacy challenges faced by SME owners in Benin Metropolis, Edo State?
4. Is there a significant relationship between the financial literacy level of SME owners and the financial performance of their enterprises in Benin Metropolis?

#### **1.4 The Objectives of the Study**

The broad objectives of the study is to investigate financial literacy and sustainability of small and medium enterprises (SMEs) in Benin Metropolis, Edo State. The specific objectives of the study are to;

1. ascertain the extent SME owners in Benin Metropolis possess financial literacy skills such as budgeting, saving, and financial planning;
2. examine how the level of financial literacy among SME operators influence the sustainability and long-term success of their businesses in Benin Metropolis;
3. find out the major financial literacy challenges faced by SME owners in Benin Metropolis, Edo State;

4. investigate if there is a significant relationship between financial literacy level of SME owners and the financial performance of their enterprises in Benin Metropolis.

## **1.5 The Research Hypotheses**

In order to answer the research questions and achieve the objectives, the following hypotheses were hereby formulated and stated in the null form:

**HO<sub>1</sub>:** SME owners in Benin Metropolis do not possess financial literacy skills such as budgeting, saving, and financial planning to a significant extent.

**HO<sub>2</sub>:** The level of financial literacy among SME operators does not significantly influence the sustainability and long-term success of their businesses in Benin Metropolis.

**HO<sub>3</sub>:** SME owners in Benin Metropolis do not face significant financial literacy challenges

**HO<sub>4</sub>:** There is no significant relationship between the financial literacy level of SME owners and the financial performance of their enterprises in Benin Metropolis.

## **1.6 Significance of the Study**

The study will be of immense significance to small and medium enterprise (SME) owners as it will help them understand the vital role of financial literacy in business sustainability. By gaining knowledge in budgeting, record-keeping, and financial planning, entrepreneurs can make informed financial decisions that reduce risks and enhance long-term business performance. It will also empower them to identify growth opportunities, improve credit management, and make better investment choices in an ever-evolving and competitive economic environment.

The study will be of great benefit to students, particularly those studying business, entrepreneurship, or economics, as it will serve as a practical learning resource. It will deepen their understanding of how financial literacy directly affects business outcomes and sustainability, bridging the gap between classroom theory and real-life business practice. Students will also be better equipped to engage in entrepreneurship ventures, internships, and academic projects related to financial education and SME development.

University lecturers and trainers in entrepreneurship and business education will find this study useful for teaching and curriculum development. It will provide data and insights that can be used in lectures, case studies, and training programmes focused on SME development and financial management. Additionally, it will assist lecturers in designing research assignments, simulations, and workshops that highlight the real-world implications of financial decision-making for small business owners in Nigeria and beyond.

For policy makers, the study will shed more light on the financial challenges faced by SMEs and emphasise the need for inclusive financial literacy programmes. It will provide evidence that can support the design of policies and interventions aimed at improving SME financial capability, enhancing access to credit, and promoting sustainable business practices. Furthermore, it will guide the implementation of national financial education strategies that target underserved business communities and support long-term economic inclusion.

Prospective researchers will benefit from this study as it will serve as a foundation for further investigations into the link between financial literacy and business success. It will identify gaps in existing literature and encourage deeper academic exploration into financial education strategies for improving SME resilience in Nigeria. In addition, it will offer suggestions for new methodological approaches and thematic areas for future studies across different regions and sectors within the Nigerian business environment.

## **1.7 Scope of the Study**

This study is limited to investigating the level of financial literacy and its influence on the sustainability of small and medium enterprises (SMEs) in Benin Metropolis, Edo State, Nigeria. It will focus on assessing the financial literacy skills of SME owners—such as budgeting, saving, and financial planning—and how these skills impact the long-term success and financial performance of their businesses. The study will also explore the major financial literacy challenges faced by these business operators

and examine the relationship between their financial knowledge and business sustainability. The research will be restricted to SMEs actively operating within Benin Metropolis across different sectors, including trade, manufacturing, and services

### **1.8 Limitations of the Study**

The study faces several limitations that may affect the breadth and generalisability of its findings. Firstly, the research will be confined to Benin Metropolis in Edo State, thereby limiting the applicability of the results to SMEs in other regions of Nigeria. Secondly, the study will depend on self-reported data from SME owners, which may be influenced by recall bias, exaggeration, or intentional withholding of information. Time and financial constraints may also limit the scale and depth of data collection, restricting the number of respondents and the comprehensiveness of analysis. Furthermore, some participants may be reluctant to disclose sensitive financial details, despite assurances of confidentiality, which could affect the quality of the data collected. Nonetheless, all reasonable measures will be taken to enhance the credibility and trustworthiness of the research outcomes.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter presents a comprehensive review of relevant literature pertaining to the subject matter of the study. It begins with a detailed exploration and critical analysis of key concepts such as financial literacy and business sustainability. Special emphasis is placed on defining financial literacy, its components, and its growing significance in the management of small and medium-sized enterprises (SMEs). Furthermore, the chapter examines how financial literacy contributes to the sustainability and long-term success of SMEs, highlighting the role of informed financial decision-making. It also investigates the major financial literacy challenges and limitations faced by SME owners in navigating their business environments. In addition, the chapter explores empirical

findings on the link between financial literacy and the financial performance of SMEs. The review concludes by identifying gaps in the literature that the present study seeks to address.

## **2.2 Review of Conceptual Literature**

### **2.2.1 Concept of Financial Literacy**

Financial literacy refers to the understanding and application of financial skills necessary to make sound financial decisions. Nariye (2023) asserted that it includes budgeting, saving, investing, borrowing wisely, and planning for retirement. It empowers individuals to manage their money effectively, make informed choices, and avoid financial pitfalls. In the Nigerian context, many individuals, especially youths and those in the informal sector, lack adequate financial education. This has led to poor financial decisions, debt accumulation, and susceptibility to fraudulent schemes. Understanding financial literacy is vital for personal development and national economic growth. It enables individuals to assess risks, plan for the future, and build sustainable wealth over time. Hence, promoting financial literacy is essential to improve the quality of life and economic security of Nigerians in a rapidly evolving financial landscape (Salau, 2022).

The concept of financial literacy extends to understanding one's financial rights and responsibilities when dealing with financial institutions. Bello (2021) pointed out that a financially literate person can interpret bank documents, understand interest rates, and evaluate the terms and conditions of financial agreements. In Nigeria, many people

remain unbanked due to fear and ignorance surrounding formal banking systems. Financial literacy bridges this gap, encouraging trust in banks and increasing access to financial services. Additionally, it promotes safe usage of digital banking platforms, which are becoming more prevalent in Nigeria. Individuals who are financially literate are better equipped to protect themselves from cyber fraud and navigate fintech innovations confidently. With the increasing digitisation of the financial sector, understanding digital finance tools is now a critical part of being financially literate (Eze, 2022).

Financial literacy also includes the ability to assess risks, identify opportunities, and make informed financial decisions. Okonkwo (2022) maintained that financially literate individuals can evaluate investment opportunities, understand insurance policies, and compare loan options effectively. In Nigeria, countless people fall victim to Ponzi schemes and fraudulent investments because they lack the capacity to analyse financial risks. Financial literacy helps people ask the right questions and recognise red flags in financial dealings. It equips them to differentiate between genuine and deceptive opportunities. As inflation and economic instability continue to affect household income in Nigeria, financially literate citizens are better able to safeguard their resources. By making well-informed decisions, they can mitigate risk, increase savings, and improve their overall financial health. This knowledge contributes to building a resilient and financially stable population (Lawal, 2021).

For entrepreneurs and small business owners, financial literacy is essential to manage finances and sustain business growth. Adeyemi (2020) observed that many Nigerian SMEs collapse due to poor book keeping, unstructured spending, and lack of financial planning. Financial literacy enables business owners to prepare budgets, track cash flow, forecast profits, and evaluate investment decisions. It also supports better tax compliance and engagement with formal lending institutions. Entrepreneurs with financial knowledge are more likely to succeed, expand, and contribute meaningfully to the economy. In Nigeria's rapidly evolving business environment, understanding digital payment systems and e-commerce platforms has become essential. Financially literate entrepreneurs are more adaptable and competitive. They can harness technology to boost efficiency and scale their businesses sustainably. Promoting financial literacy among SMEs therefore enhances innovation and economic development (Okolie, 2022).

At the household level, financial literacy fosters responsible money management, economic stability, and long-term planning. Musa (2022) emphasised that families with sound financial knowledge tend to budget more effectively, avoid unmanageable debt, and save regularly. In Nigeria, where informal financial practices are common, many households live from hand to mouth due to a lack of planning. Financial literacy introduces financial discipline, helping families allocate resources wisely and prepare for emergencies. It also promotes the culture of saving for major needs such as children's education, healthcare, or homeownership. Over time, financially educated households are more likely to break the cycle of poverty and build generational wealth. When families

are empowered with financial knowledge, their standard of living improves and they contribute more meaningfully to national development (Onyema, 2023).

Financial literacy is a key pillar of inclusive economic growth and national development. Ibrahim (2021) asserted that a financially literate population engages more actively in formal economic systems, including banking, insurance, investment, and taxation. In Nigeria, low financial literacy remains a barrier to economic inclusion, especially in rural areas. As more people understand financial concepts, they are better positioned to participate in the formal economy and make choices that foster stability and growth. Financial literacy helps reduce dependence on risky informal financial services and promotes greater trust in formal institutions. It also supports government policies aimed at improving financial inclusion. Educating citizens about money not only enhances their personal welfare but also strengthens national economic resilience. Thus, improving financial literacy is a long-term investment in human capital and economic prosperity (Fagbemi, 2020).

### **2.2.2 Concept of Sustainability**

Sustainability, in the context of small and medium enterprises (SMEs), refers to their ability to maintain and expand operations over the long term while strategically managing their internal and external environments. Nzeneri (2023) asserted that sustainability in this sense demands the prudent use of financial, human, and material resources to ensure business continuity and progressive growth. For SMEs, this involves

the development of resilient structures that can withstand market fluctuations, supply chain disruptions, and economic downturns. Effective resource management enables SMEs to cut costs, boost productivity, and maintain competitiveness over time. Moreover, sustainability entails operating in a way that aligns with long-term objectives, rather than pursuing short-term gains that may lead to instability. SMEs that focus on sustainable growth are better positioned to endure financial shocks, access funding, and expand their market presence sustainably (Madueke, 2022).

Incorporating sustainability means that SMEs must develop robust financial strategies that address liquidity, solvency, and profitability over extended periods. Ugbadi (2022) highlighted that SMEs often face difficulties accessing capital, yet those that integrate sustainable financial planning can avoid excessive debt and manage working capital efficiently. Sustainability in this regard is about balancing growth aspirations with the realistic assessment of financial risks and limitations. By instituting cost control mechanisms, budgeting frameworks, and investment prioritisation, SMEs can maintain steady operations and adapt to evolving market conditions. Financial literacy plays a crucial role in this process, enabling SME owners to interpret financial data, make informed decisions, and implement corrective actions when necessary. Hence, sustainability is not simply about survival but about building a financially intelligent and stable enterprise that can scale effectively over time (Faisasi, 2021).

Sustainability also requires SMEs to adapt to changes in the business environment by fostering innovation, technology adoption, and skill development. Yerima (2020) stated that only businesses that actively innovate and embrace change can remain sustainable in a competitive market. For SMEs, innovation might mean adopting digital tools for marketing, automating internal processes, or exploring new customer segments. These efforts contribute to long-term sustainability by increasing efficiency, reducing operational costs, and enhancing customer satisfaction. Additionally, investing in staff training and development ensures that the workforce remains capable and motivated to drive business growth. Sustainable SMEs are forward-looking and prepared to evolve in response to technological shifts, consumer demands, and regulatory changes. This adaptability helps safeguard continuity even in periods of disruption or uncertainty (Chukwuma, 2022).

From a resource management perspective, sustainability for SMEs involves deploying limited inputs such as time, capital, and manpower in ways that yield optimal results. Udo (2021) explained that many Nigerian SMEs struggle due to inefficient use of resources, which hampers their ability to grow and endure. Sustainable enterprises implement systems to track, measure, and optimise resource allocation, ensuring that every naira spent contributes to long-term goals. This includes adopting lean operational models, reducing waste, and investing in productivity-enhancing tools. Furthermore, sustainability encourages SMEs to minimise reliance on unsustainable funding models such as high-interest loans, instead seeking equity partnerships or government grants that

do not strain future cash flow. By managing their resources strategically, SMEs can reduce financial pressure and increase their chances of surviving and thriving in volatile markets (Ogunlade, 2020).

Maintaining business continuity is another pillar of sustainability for SMEs, especially in the face of crises, competition, and regulatory pressures. Murike (2023) observed that sustainable businesses implement risk management strategies and contingency plans to protect their operations during adverse situations. For SMEs, this could mean diversifying income streams, building emergency reserves, or securing business insurance. These measures allow the business to keep running even when unexpected disruptions occur. Business continuity also involves strong governance, accountability systems, and compliance with industry standards. SMEs that consistently adhere to these principles are more likely to build investor confidence, retain customers, and maintain operational stability over time. Hence, sustainability is deeply linked to preparedness and the ability to manage uncertainty while continuing to serve stakeholders effectively (Ejiofor, 2021).

The sustainability of SMEs rests on their commitment to long-term visioning and strategic planning. Adeyemi (2022) argued that sustainable SMEs do not merely react to market changes but anticipate them and respond with clear, goal-oriented strategies. These businesses regularly conduct market analysis, review internal operations, and set measurable milestones for growth. Such forward-thinking behaviour ensures that growth

is not erratic or short-lived but cumulative and enduring. Moreover, sustainable SMEs foster transparency and accountability, which promote stakeholder trust and long-term partnerships. Business owners who embed sustainability in their core values are more likely to remain focused, resilient, and driven by purpose. Ultimately, sustainability serves as the backbone of any SME that seeks to achieve longevity and consistent expansion in today's competitive environment (Wamako, 2020).

### **2.2.3 Influence of Financial Literacy on the Sustainability and Long-Term Success of SMEs**

Financial literacy plays a pivotal role in ensuring the sustainability and long-term success of Small and Medium Enterprises (SMEs). Bosun (2023) asserted that when SME owners understand key financial concepts such as budgeting, cash flow, and profit analysis, they can make informed decisions that promote business stability. Financially literate entrepreneurs are more likely to manage costs effectively, control expenses, and reinvest profits strategically. This kind of financial discipline helps SMEs avoid unnecessary debt and bankruptcy, while positioning them for growth. Moreover, understanding financial records enhances transparency, which builds trust with stakeholders, including investors and creditors. Businesses that keep accurate books and interpret financial data accurately are more capable of weathering economic disruptions. Ultimately, financial literacy supports sound financial decision-making, which leads to longevity and increased profitability for SMEs (Hadiza, 2021).

The sustainability of SMEs significantly depends on their capacity to manage finances prudently and prepare for future uncertainties. Nwosu (2022) observed that SMEs that engage in regular financial planning and monitoring of cash flow are better positioned to survive in competitive markets. Financial literacy equips SME operators with the ability to project income, manage working capital, and evaluate investment opportunities. This foresight is particularly important in times of inflation, currency instability, or rising operational costs. SMEs that understand financial statements can identify problem areas early and take corrective action. Additionally, financially literate entrepreneurs tend to set clear business goals and align resources to achieve them efficiently. Strategic financial planning also helps SMEs expand their customer base while managing risks effectively. Hence, financial literacy empowers SMEs to operate sustainably and grow consistently, even in unstable economic environments (Ibrahim, 2023).

Access to funding and financial growth is largely influenced by the financial competence of SME owners. Uwakwe (2021) noted that lenders, investors, and financial institutions are more inclined to support SMEs that demonstrate a solid understanding of financial management. Business owners who are financially literate can prepare accurate income statements, balance sheets, and cash flow projections, which increases investor confidence. Such entrepreneurs are also better at evaluating loan terms, understanding interest rates, and ensuring repayment discipline. Financial literacy, therefore, acts as a gateway to securing the capital needed for business expansion and innovation.

Furthermore, SMEs that manage borrowed funds wisely often establish better credit histories, opening doors to future financial opportunities. The long-term success of SMEs, therefore, is closely linked to how well owners understand and apply financial knowledge in their decision-making (Emesi, 2020).

SMEs that possess strong financial literacy are more agile and resilient in the face of economic shocks and market changes. Tajudeen (2023) emphasised that financially knowledgeable business owners can adjust their pricing, diversify their revenue streams, and reduce unnecessary expenditures quickly. This adaptability enables them to stay competitive and profitable despite external challenges. Financial literacy also encourages contingency planning, allowing businesses to survive crises like the COVID-19 pandemic or economic recessions. With a sound understanding of financial principles, SME owners are less likely to make panic-driven decisions and more likely to implement strategic responses. These actions ultimately enhance operational efficiency and business continuity. By maintaining healthy financial habits and routinely reviewing their financial positions, SMEs are better prepared for long-term sustainability. In today's unpredictable business environment, financial literacy remains a core survival skill (Kiakite, 2021).

Financial literacy fosters strategic thinking, accountability, and disciplined financial behaviour, which are all critical to SME sustainability. Garba (2022) maintained that financially literate SME operators often set long-term goals, track financial performance, and take proactive steps to improve business outcomes. This forward-

thinking mindset leads to efficient allocation of resources and reduction in wasteful spending. Financially literate entrepreneurs are also more likely to assess the return on investments and prioritise cost-effective innovations. Moreover, they tend to invest in staff training, technology, and marketing—areas that enhance business growth. Good financial management practices encourage reinvestment of profits into core business areas, further driving expansion and customer satisfaction. Over time, such practices lead to competitive advantage and business resilience. Financial literacy, therefore, is not just a tool for survival but a catalyst for long-term business transformation (Wamitie, 2023).

#### **2.2.4 Major Financial Literacy Challenges Faced by SME Owners**

One of the major challenges SME owners face is the lack of basic financial education and training, which severely limits their capacity to manage business finances effectively. Tegbe (2023) asserted that many small business operators in Nigeria lack formal education in essential areas like budgeting, accounting, savings, and cash flow management. This deficiency often results in poor decision-making and financial mismanagement, which directly impacts business continuity and profitability. Without the right knowledge base, owners struggle to plan adequately for the short and long term, often depending on trial-and-error approaches. Additionally, most are unable to evaluate or benefit from financial advice or tools that could enhance their operations. Consequently, businesses are prone to collapse under the weight of financial misjudgements and poor planning, especially during economic instability (Babalakin, 2022).

Another prominent issue is the inadequate understanding of credit management and debt financing, which hampers SME owners' ability to access and utilise external funding effectively. Unyah (2021) noted that many Nigerian SME operators do not fully grasp how interest rates, loan tenures, collateral requirements, and repayment plans work. This knowledge gap leads to poor borrowing decisions, including overborrowing or misuse of credit facilities, which further deteriorates their financial standing. In many instances, loans are secured without a clear repayment plan or understanding of the terms, leading to defaults and damaged credit records. Consequently, these businesses are often disqualified from further funding opportunities by formal financial institutions. A poor credit culture not only discourages future lending but also increases dependence on informal lenders with higher risks and costs (Odibo, 2020).

Poor financial documentation and record-keeping practices among SME owners is another critical challenge to their sustainability. Salami (2022) observed that many SME operators in Nigeria do not keep structured financial records such as sales logs, expenditure statements, or profit analyses. This lack of record-keeping prevents them from accurately tracking their financial health or preparing for taxes, investments, or audits. Furthermore, many owners mix personal and business finances, which blurs financial boundaries and impairs performance evaluations. Inadequate documentation also makes it difficult to apply for loans or grants, as financial institutions often require verifiable data before approval. The absence of such data portrays the business as risky or unstructured in the eyes of investors and regulators. Hence, these SMEs are often locked

out of formal support systems due to their inability to present credible financial statements (Udoma, 2023).

Another major challenge is the limited access to financial literacy resources and advisory services, especially for SMEs in rural and underserved areas. Malami (2020) highlighted that most SME operators in Nigeria are not exposed to consistent training or financial education, especially those outside urban centres. In many cases, even when resources are available, they are either too generic, poorly communicated, or not tailored to the unique needs of small businesses. Furthermore, factors such as low digital literacy, language barriers, and poor internet access hinder owners from utilising online financial training platforms. The cost of consulting professionals like accountants or financial advisors is also a deterrent for micro-business owners with minimal capital. Without accessible, practical, and localised financial education, these entrepreneurs are left vulnerable to persistent mismanagement and missed growth opportunities (Erhivona, 2022).

SME owners often face the challenge of low awareness of regulatory and compliance obligations, which places their businesses at legal and financial risk. Yusuf (2021) explained that many SME operators are unaware of key requirements such as tax registration, remittances, insurance policies, and statutory filings. This lack of awareness results in non-compliance, which could attract penalties or even closure by government agencies. Some business owners deliberately avoid regulatory processes due to perceived

complexity, corruption, or the fear of additional costs, further exacerbating the informal nature of their operations. Regulatory bodies, on the other hand, often fail to simplify or disseminate vital information in an accessible format. As a result, most SME owners continue to operate in ignorance, missing out on opportunities like government grants, legal protections, and public tenders meant for compliant enterprises (Oboh, 2023).

### **2.2.5 Relationship Between Financial Literacy and Financial Performance of SMEs**

The relationship between financial literacy and financial performance among small and medium enterprises (SMEs) in Nigeria is a subject of growing relevance due to its implications for business success and economic development. Dawene (2023) asserted that entrepreneurs with strong financial literacy are more likely to understand cost structures, manage debt effectively, and plan long-term business strategies. These skills enable owners to monitor their cash flows, make accurate financial projections, and evaluate the financial viability of projects, thereby increasing profitability. Financially literate SMEs often perform better because their owners can assess market conditions and adjust operations to remain competitive. Such capabilities reduce the likelihood of insolvency, especially in volatile economies. The absence of these skills can result in poor financial decisions that limit growth and lead to business failure. Therefore, enhancing financial literacy is essential for improving SME financial performance in Nigeria (Weyinmi, 2022).

Financial literacy contributes significantly to transparency and record-keeping in SMEs, which in turn boosts their financial performance. Sowunmi (2022) highlighted that SME owners with financial knowledge are more inclined to maintain accurate and timely financial records, which enhances trust among stakeholders and improves access to credit. Banks and investors are more confident in dealing with businesses that present clear financial statements, reducing risks of default and mismanagement. Financial literacy also improves decision-making in areas such as pricing, inventory control, and business expansion. These factors contribute directly to a firm's ability to generate profit and ensure long-term stability. In contrast, poor record-keeping and weak financial management often hinder SME access to funding and deter potential investors. The use of simple tools such as profit and loss statements and balance sheets also helps track growth and identify problem areas early (Nwakor, 2021). Without financial literacy, SMEs may struggle to stay financially viable.

The capacity to analyse financial data and apply it to daily business operations is a hallmark of financially literate SME owners. Majemite (2021) noted that entrepreneurs who use financial indicators such as cash flow forecasts, break-even analysis, and financial ratios are better equipped to understand business strengths and weaknesses. This knowledge supports the identification of underperforming areas and the reallocation of resources to more productive activities. Financial literacy also enhances the ability to assess the financial consequences of business decisions, from capital investment to staff hiring. It empowers SME owners to create strategic financial plans and implement

budgets that reflect realistic projections. The ability to anticipate financial challenges and prepare solutions strengthens business resilience. Businesses that consistently analyse and react to their financial data tend to achieve higher efficiency and profitability over time. Hence, improving financial literacy among SMEs can significantly enhance overall business performance and sustainability (Haruna, 2022).

Access to external financing—a key factor in SME growth—is heavily influenced by the financial literacy levels of business owners. Enwemen (2020) explained that lenders are more willing to support entrepreneurs who understand loan terms, interest rates, and repayment schedules, as these individuals are perceived to manage resources prudently. Financial literacy also helps SME operators assess the risks and benefits of different funding options, ensuring that loans are used efficiently for productive purposes. When SMEs misuse credit or fail to understand financial obligations, the risk of default increases, ultimately affecting financial performance negatively. Entrepreneurs with sound financial education are more likely to separate business and personal finances, maintain capital structure discipline, and reinvest wisely. These practices promote profitability and long-term financial health. Therefore, strengthening financial literacy not only increases access to finance but also helps in using it responsibly for business expansion (Tanko, 2023).

Financial literacy serves as a critical enabler of overall business competence and economic contribution among SMEs. Zubair (2023) emphasised that many successful

SME owners attribute their financial performance to an in-depth understanding of financial principles, such as savings, investment strategies, and tax planning. SMEs that apply these principles are more likely to survive difficult economic conditions and remain competitive in local and global markets. Financial literacy encourages goal setting, financial monitoring, and responsible decision-making, all of which promote efficiency and profitability. It also reduces vulnerability to fraud, poor investments, and wasteful spending. As SMEs form the backbone of Nigeria's economy, enhancing their financial knowledge contributes to job creation and economic diversification. Policymakers and stakeholders must therefore prioritise financial literacy training as a tool for promoting the sustainability of SMEs and the national economy as a whole (Ebikeme, 2021).

### **2.3 Review of Empirical Literature**

Olowokere and Nwankwo (2021) conducted a study to examine the impact of financial literacy on the long-term sustainability of SMEs in South-West Nigeria. The research employed a survey design involving 500 SME owners selected from Lagos and Ondo States. Using regression analysis, the study found a strong positive correlation between financial literacy and SME sustainability indicators such as profitability, customer retention, and business longevity. Business owners with higher financial literacy levels managed debt effectively, kept accurate records, and adapted to economic changes. The study highlighted that inadequate financial education limits the strategic planning capacity of SME owners, thereby affecting their survival. It concluded that

policies aimed at strengthening financial literacy among small business owners are essential for Nigeria's economic development and long-term SME viability.

Eromosele and Ojo (2022) assessed how financial education contributes to sustainable business practices among SMEs in Abeokuta, Ogun State. A stratified random sampling technique was used to survey 350 SME operators across various sectors including retail, manufacturing, and agriculture. The analysis of responses through inferential statistics revealed that knowledge in areas such as budgeting, investment appraisal, and risk assessment enhanced financial performance and enterprise resilience. Financially literate SME owners demonstrated better capabilities in coping with economic shocks and seizing growth opportunities. The research stressed the importance of institutional financial education programmes tailored to the practical needs of SME operators. The authors recommended collaborations between government agencies and microfinance institutions to promote continuous financial learning for SMEs.

Musa and Ibrahim (2020) carried out a quasi-experimental study to measure the impact of financial literacy training on business outcomes of SMEs in Northern Nigeria. The study compared 200 SMEs that received structured financial training with another 200 that had no such intervention. Using paired t-tests and regression tools, the research found that trained SMEs recorded improved budgeting, credit control, and sales forecasting. These enterprises were also more successful in applying for funding and reducing overhead costs. The study concluded that financial training builds internal

capacity for effective resource management, a critical factor in ensuring business continuity and expansion. It advocated for the integration of financial management modules in national entrepreneurship development schemes.

Chukwu and Adebajo (2023) explored the constraints of poor financial literacy on SME sustainability in the South-East region of Nigeria. Using a qualitative design, the researchers conducted in-depth interviews with 50 SME owners and business development officers. The findings showed that most SMEs had difficulties interpreting financial records, managing cash flow, and understanding tax obligations. These gaps often led to irregular income tracking, unplanned borrowing, and business collapse. Participants also reported low engagement with financial institutions due to fear of mismanagement. The study concluded that without targeted and context-sensitive financial education, SMEs will continue to face operational setbacks. It recommended community-based training and access to simplified financial tools to aid comprehension among grassroots entrepreneurs.

Ogundele and Okonkwo (2022) investigated the link between financial decision-making competence and sustainability of SMEs in Abuja and Port Harcourt. Using survey data from 400 SMEs and applying regression models, they found that financial literacy, particularly in cash-flow planning, capital budgeting, and debt servicing, significantly influenced sustainability outcomes. Owners who had formal or informal financial education were better positioned to maintain profitability and business growth

even during market disruptions. The study concluded that enhanced decision-making skills reduce financial missteps, improve credit ratings, and ensure long-term business viability. It advised that business support organisations embed financial coaching in their SME development initiatives to foster resilient enterprises.

Ayeni and Eze (2021) conducted a study on the effect of bookkeeping knowledge on SME sustainability in Ogun and Oyo States. The study employed structured interviews and financial document reviews for 300 micro and small businesses. Logistic regression analysis showed that proper bookkeeping practices positively influenced business sustainability, especially in inventory management, budgeting, and profitability tracking. Entrepreneurs who adopted routine financial recording were more confident in making investment decisions and accessing loans. The study emphasised that many SME failures stem from the absence of organised financial documentation. It recommended widespread training on simple bookkeeping tools and templates suited for small enterprises. The authors concluded that institutionalising bookkeeping education among Nigerian SMEs would improve transparency, accountability, and long-term business.

## **2.4 Research Gap**

Although several studies have examined the role of financial literacy in enhancing SME sustainability in Nigeria, including works by Olowokere and Nwankwo (2021), Musa and Ibrahim (2020), Eromosele and Ojo (2022), and Chukwu and Adebajo (2023), there remains a significant gap in the understanding of how financial literacy specifically

affects the sustainability of SMEs in Benin Metropolis, Edo State. Most of the existing research has been conducted in broader national contexts or in more commercially prominent cities such as Lagos, Abuja, and Port Harcourt, with little focus on the unique socio-economic dynamics, financial behaviours, and institutional support systems available in Benin Metropolis. This lack of location-specific studies limits the applicability of findings to local SME operators in Edo State. Therefore, this study seeks to bridge this gap by investigating the relationship between financial literacy and SME sustainability within the context of Benin Metropolis.

## **2.5 Theoretical Framework**

The study is hinged on the Financial Literacy Theory propounded by Lusardi and Mitchell in 2007.

### **2.5.1 Financial Literacy Theory**

The Financial Literacy Theory propounded by Lusardi and Mitchell in 2007 is a crucial conceptual framework that explains how financial knowledge influences behaviour and decision-making. It posits that individuals and business owners who possess adequate financial skills—such as budgeting, saving, investing, and managing credit—are more likely to make sound and rational financial decisions. This theory is built on the understanding that financial literacy is not just about having knowledge but also about applying it effectively in real-life situations. For small and medium enterprises (SMEs), this application becomes even more significant, as financial mismanagement can

lead to business failure. Financial Literacy Theory thus suggests that improving financial capabilities contributes to enhanced personal financial health and business success. It emphasises the value of ongoing financial education and skill-building to adapt to changing economic circumstances and complex financial products. Its relevance has grown with increased global attention on entrepreneurship and business sustainability.

Financial Literacy Theory rests on key principles and assumptions that highlight the importance of knowledge, attitudes, and behaviours in financial decision-making. It assumes that financial literacy directly contributes to positive financial behaviours such as regular saving, responsible borrowing, and long-term financial planning. The theory also posits that informed individuals are less susceptible to financial fraud and more likely to achieve economic stability. For SME owners, these principles imply better money management, effective cost control, and stronger investment decisions. It further assumes that financial education can improve decision-making by enhancing both competence and confidence in managing money. However, financial knowledge alone is not sufficient; the theory recognises that individuals must also be willing and able to act on this knowledge. Therefore, motivation, access to financial services, and appropriate tools are equally critical in translating financial literacy into meaningful financial behaviour and long-term business sustainability.

The application of Financial Literacy Theory in the context of SMEs is both practical and necessary, particularly in developing economies like Nigeria. Financial

literacy allows SME owners to interpret basic financial statements, assess cash flow, monitor expenses, and create viable business plans. These capabilities are essential for long-term survival and competitiveness. Research indicates that SMEs with financially literate managers or owners often perform better in terms of profitability and access to formal credit. Such firms are also better positioned to make strategic decisions during economic uncertainty. The theory thus supports efforts to improve financial knowledge among entrepreneurs as a way of strengthening business resilience. Financially literate SMEs are more likely to set realistic goals, reduce financial risks, and sustain growth over time. Consequently, integrating financial literacy into entrepreneurship training and policy frameworks is seen as a sustainable pathway to SME development and broader economic growth.

Despite its value, Financial Literacy Theory has been criticised for its perceived narrowness in addressing financial challenges, especially in complex economic settings. One notable limitation is that it often assumes that financial knowledge will automatically lead to sound financial practices, overlooking external factors that can hinder implementation. For example, systemic issues like poverty, limited access to financial institutions, inflation, or unstable markets may prevent financially literate individuals from making optimal decisions. In the SME context, a lack of infrastructure or policy support may reduce the practical benefits of financial education. Additionally, critics argue that the theory tends to place too much responsibility on individuals while ignoring structural barriers such as regulatory constraints or inequality. Therefore, while financial

literacy is important, it should be supported by inclusive financial systems and enabling environments to make the knowledge actionable and relevant in real-world business scenarios.

The theory is relevant to the study as it help provides a valuable framework for understanding the role of financial knowledge in promoting sound economic behaviour and sustainable business practices. It highlights the importance of financial competence in decision-making, especially among SMEs, where resource management is key to longevity and growth. While the theory has its limitations, particularly in accounting for structural barriers, its core message remains vital: enhancing financial literacy is a powerful tool for improving both personal financial health and business sustainability. Therefore, integrating financial education into SME development programmes is not just beneficial but necessary for fostering economic resilience.

## **CHAPTER THREE**

### **METHODOLOGY**

#### **3.1 Introduction**

This chapter outlined the methodological framework adopted for conducting the research, providing a detailed discussion under various sub-headings. The research design presents the blueprint guiding the study, ensuring a systematic approach to achieve the research objectives. The population of study defines the target group from which the data will be drawn, while the sample and sampling method explains the criteria and techniques used to select a representative subset of the population. Furthermore, the sources and methods of data collection describe the tools and procedures employed to gather relevant information, ensuring reliability and validity. The definition and measurement of variables clarify the operationalization of key concepts to ensure consistency in interpretation. Lastly, the method of data analysis provides insight into the techniques and software utilized to interpret the data, thereby facilitating meaningful conclusions. These components collectively form the foundation of the research process.

#### **3.2 The Research Design**

The research design adopted for this study was the descriptive survey research design. Descriptive survey was a quantitative research approach that allowed researchers to thoroughly investigate the background of a research problem. This method was

considered the most appropriate for the research as it had the advantage of wide scope or coverage because a great deal of information was obtained from a segment of the population which was generalized to the entire population.

**3.3 Population of the Study**

The population for this study was made up of all small-scale business owners in Benin City, Edo State. According to the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN), there were 69,104 registered small-scale businesses in Benin City, Edo State (Source: SMEDAN, 2025).

**3.4 Sample and Sampling Methods**

The study’s sample size consisted of 100 small-scale business owners who were selected from four communities in Benin City, Edo State: Uselu, Oluku, Isihor, and Egor. Twenty-five respondents were chosen from each community. The sample size was determined using Taro Yamane's formula as follows:

$$\frac{N}{1+N(e)^2} \quad n =$$

Where:

- N = Population size (69,104)
- e = margin of error (usually 0.1 for a 90% confidence level)
- 1 = Constant.

Substituting the values into the formula:

$$69,104$$

$$n = \frac{1}{1 + 69,104 (0.1)^2}$$

$$n = \frac{69,104}{1 + 69,104 (0.01)}$$

$$n = \frac{69,104}{1 + 691.04}$$

$$n = \frac{69,104}{692.04}$$

$$n = 100$$

Thus, the calculated sample size is 100 respondents.

### **3.5 Sources and Method of Data Collection**

The researcher made use of primary data. The primary source of data for this study was the questionnaire, which was designed to collect relevant information from the participants. The questionnaire was used to gather information from the respondents on financial literacy and sustainability of small and medium enterprises (SMEs) in Benin Metropolis, Edo State. The researcher administered the questionnaire in person, ensuring clarity and addressing any questions the participants had during the process. This method was chosen for its efficiency and effectiveness in gathering first-hand information directly from the respondents.

### **3.6 Research Instrument**

The primary research instrument employed in this study was the questionnaire. The questionnaires were distributed to respondents, who completed them anonymously. The questionnaire was designed to collect sufficient and relevant information from the

respondents. It was structured into four sections: A, B, C, and D. Section A focused on the extent SME owners in Benin Metropolis possessed financial literacy skills such as budgeting, saving, and financial planning. Section B gathered information on how the level of financial literacy among SME operators influenced the sustainability and long-term success of their businesses in Benin Metropolis. Section C identified the major financial literacy challenges faced by SME owners in Benin Metropolis, Edo State, while Section D explored the relationship between the financial literacy level of SME owners and the financial performance of their enterprises in Benin Metropolis.

### **3.7 Validity of the Instrument**

The developed questionnaire was submitted to the project supervisor for evaluation to ensure content validity. Corrections suggested by the supervisor were incorporated into the final version of the questionnaire before it was administered to the respondents.

### **3.8 Reliability of Instrument**

To ensure the reliability of the questionnaire, a pilot study was conducted with a small sample of respondents similar to the target population. The results from the pilot study was analyzed using the Cronbach's alpha reliability test to determine the internal consistency of the instrument. A reliability coefficient of 0.83 was obtained, indicating that the instrument is reliable for the study.

### **3.9 Method of Data Analysis**

The data collected for this study were analyzed using frequency counts, simple percentages, and the chi-square method. Frequency counts were used to summarize the number of responses for each questionnaire item, providing a clear picture of the distribution of responses across the sample. Simple percentages were calculated to represent the proportion of responses for each category, making it easier to interpret the data and identify trends. Chi-square analysis was used to determine whether there was a significant relationship between categorical variables in the study. It was particularly useful for testing the independence or association between two variables, such as respondents' demographic characteristics and their opinions on key research questions. The chi-square test compared the observed frequencies in each category with the expected frequencies to assess whether any differences were statistically significant. The results were interpreted in relation to the research objectives to draw meaningful conclusions.

## CHAPTER FOUR

### DATA PRESENTATION AND ANALYSES OF RESULTS

#### 4.1 Introduction

This chapter presents and analyzes the responses gathered from the administered questionnaires. The data are organized using frequency distribution tables and simple percentages, followed by a comprehensive analysis using frequency counts, simple percentages and chi-square method. The primary data source is the completed questionnaires. A total of 100 questionnaires were distributed to 100 respondents, all of which were fully completed and returned. The analysis is based on these 100 retrieved questionnaires.

#### 4.1.2 Presentation of the Bio-Data of the Respondents

The section starts with the demographic data of respondents such as gender, age, educational qualification and years of business experience which are all aimed to give a concise understanding on financial literacy and sustainability of small and medium enterprises (SMEs) in Benin Metropolis, Edo State.

**Table 1: Distribution of Respondents by Gender**

Gender	Frequency	Percentage
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Male	37	37%
Female	63	63%
<b>Total</b>	<b>100</b>	<b>100%</b>

**Researcher’s Field Work, 2025**

Table 1 shows the distribution of respondents according to gender. As shown in the table above, male respondents constituted 37% while female respondents accounts for 63%. This indicates that majority of the respondents were females.

**Table 2: Distribution of Respondents by Age**

Age Range	Respondents	Percentages
15-20	14	14%
21-25	47	47%
26-30	28	28%
30 years and above	11	11%
<b>Total</b>	<b>100</b>	<b>100%</b>

**Researcher’s Field Work, 2025**

Table 2 presents the distribution of respondents by age. The age range of 15–20 accounts for 14% of respondents, while the largest group, aged 21–25, makes up 47%. Those aged 26–30 represent 28%, and respondents aged 30 years and above form the smallest category at 11%. This indicates that majority of the respondents are those within the age range of 21-25 years.

**Table 3: Distribution of Respondents by Qualifications**

Qualifications	Respondents	Percentages
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SSCE	8	8%
OND	22	22%
HND/B.Sc.	59	59%
M.Sc. and above	11	11%
<b>Total</b>	<b>100</b>	<b>100%</b>

**Researcher’s Field Work, 2025**

Table 3 shows that 8% of the respondents hold an SSCE qualification, representing the least educational attainment in the study. The majority, 59%, possess an HND/B.Sc., indicating that most respondents have a higher education degree. Those with an OND qualification make up 22%, while the smallest group, 11%, have an M.Sc. or higher educational qualifications. This distribution highlights a well-educated sample, with the largest concentration at the HND/B.Sc. level.

**Table 4: Distribution of Respondents by Years of Business Experience**

<b>Years</b>	<b>Respondents</b>	<b>Percentages</b>
0-5yrs	34	34%
6-10yrs	57	57%
10 years and above	9	9%
<b>Total</b>	<b>100</b>	<b>100%</b>

**Researcher’s Field Work, 2025**

Table 4 shows that 34% of the respondents have 0-5 years of business experience. The majority, 57%, have 6-10 years of experience, while the smallest group, 9%, have 10 years and above of business experience. This indicates that majority of the respondents are those with 5-10 years of business experience.

## 4.2 DATA PRESENTATION

**Research Question 1:** To what extent do SME owners in Benin Metropolis possess financial literacy skills such as budgeting, saving, and financial planning?

**Table 5: Distribution of Responses on Extent SME owners in Benin Metropolis Possess Financial Literacy Skills Such as Budgeting, Saving, and Financial Planning**

S/N	Items	Total No of respondents	Strongly Agree	Agree	Disagree	Strongly Disagree
1.	I always prepare and follow a detailed budget for my business income and expenses	100	63 (63%)	31 (31%)	4 (4%)	2 (2%)
2.	I consistently set aside a portion of my profits as business savings or reserves	100	59 (59%)	34 (34%)	4 (4%)	3 (3%)
3.	I have a clear financial plan that guides the short and long-term goals of my business	100	61 (61%)	33 (33%)	4 (4%)	2 (2%)
4.	I can confidently interpret basic financial statements like income statements and balance sheets	100	57 (57%)	38 (38%)	3 (3%)	2 (2%)
5.	I track and monitor my business expenses to avoid overspending or cash flow problems	100	64 (64%)	28 (28%)	5 (5%)	3 (3%)

**Researcher's Field Work, 2025**

Table 5 presents the distribution of responses on the extent to which SME owners in Benin Metropolis possess financial literacy skills such as budgeting, saving, and financial planning. For item 1, preparing and following a detailed budget was widely

acknowledged, with 63% of respondents strongly agreeing and 31% agreeing, while only 4% disagreed and 2% strongly disagreed, showing that 94% of SME owners actively practice budgeting. In item 2, setting aside profits as savings or reserves was affirmed, with 59% strongly agreeing and 34% agreeing, compared to 4% who disagreed and 3% who strongly disagreed, indicating that 93% consistently save for sustainability. Item 3 highlights the importance of financial planning, as 61% strongly agreed and 33% agreed, while just 4% disagreed and 2% strongly disagreed, suggesting that 94% of respondents have clear financial plans guiding their business goals. Similarly, in item 4, the ability to interpret basic financial statements was recognised, with 57% strongly agreeing and 38% agreeing, while only 3% disagreed and 2% strongly disagreed, showing that 95% are confident in handling key financial documents. Finally, item 5 shows strong emphasis on tracking and monitoring expenses, with 64% strongly agreeing and 28% agreeing, while 5% disagreed and 3% strongly disagreed, meaning that 92% actively control spending to prevent cash flow problems. Overall, the findings indicate that SME owners in Benin Metropolis possess substantial financial literacy skills, particularly in budgeting, saving, financial planning, interpreting financial statements, and monitoring expenses, which are crucial for effective business management.

## Results of Research Question 2

**Research Question 2:** How does the level of financial literacy among SME operators influence the sustainability and long-term success of their businesses in Benin Metropolis?

**Table 6: Distribution of Responses on How the Level of Financial Literacy among SME Operators Influence the Sustainability and Long-Term Success of their businesses**

S/N	Items	Total No of respondents	Strongly Agree	Agree	Disagree	Strongly Disagree
1.	My knowledge of budgeting has helped my business remain financially stable and sustainable	100	67 (67%)	26 (26%)	4 (4%)	3 (3%)
2.	Financial planning enables me to make long-term decisions that sustain my business operations	100	62 (62%)	34 (34%)	2 (2%)	2 (2%)
3.	Understanding financial principles has helped me avoid debts and bankruptcy in my business	100	53 (53%)	39 (39%)	5 (5%)	3 (3%)
4.	Financial literacy helps me evaluate growth opportunities and make informed investment decisions	100	66 (66%)	29 (29%)	3 (3%)	2 (2%)
5.	My business growth and continuity are positively influenced by my financial management practices	100	63 (63%)	32 (32%)	2 (2%)	3 (3%)

**Researcher's Field Work, 2025**

Table 6 presents the distribution of responses on how the level of financial literacy among SME operators influences the sustainability and long-term success of their businesses in Benin Metropolis. For item 1, knowledge of budgeting was acknowledged as a strong contributor to financial stability, with 67% of respondents strongly agreeing and 26% agreeing, while only 4% disagreed and 3% strongly disagreed, indicating that 93% of the operators perceive budgeting skills as essential for sustainability. In item 2, financial planning was seen as vital for long-term decision-making, as 62% strongly agreed and 34% agreed, compared to just 2% who disagreed and 2% who strongly disagreed, showing that 96% recognise its role in sustaining operations. Item 3 highlights the importance of understanding financial principles in preventing debts and bankruptcy, with 53% strongly agreeing and 39% agreeing, while only 5% disagreed and 3% strongly disagreed, suggesting that 92% view it as crucial for continuity. Similarly, in item 4, the ability of financial literacy to guide investment decisions was confirmed by 66% strongly agreeing and 29% agreeing, while only 3% disagreed and 2% strongly disagreed, showing that 95% of respondents consider it a key factor in evaluating growth opportunities. Finally, item 5 demonstrates that sound financial management practices promote business growth and continuity, with 63% strongly agreeing and 32% agreeing, and just 2% and 3% disagreeing and strongly disagreeing respectively, meaning that 95% of respondents believe good financial practices ensure long-term survival. Overall, the findings reveal that financial literacy significantly enhances SME sustainability by

promoting financial stability, enabling informed planning, preventing bankruptcy, guiding investment choices, and fostering continuous growth.

### Results of Research Question 3

**Research Question 3:** What are the major financial literacy challenges faced by SME owners in Benin Metropolis, Edo State?

**Table 7: Distribution of Responses on Major Financial Literacy Challenges Faced by SME Owners in Benin Metropolis, Edo State**

S/N	Items	Total No of respondents	Strongly Agree	Agree	Disagree	Strongly Disagree
1.	I struggle with understanding complex financial terms and concepts relevant to my business	100	52 (52%)	41 (41%)	5 (5%)	2 (2%)
2.	I lack access to quality training or workshops on financial literacy and management	100	69 (69%)	22 (22%)	3 (3%)	6 (6%)
3.	Inadequate formal education hinders my ability to apply financial knowledge in business operations	100	49 (49%)	42 (42%)	5 (5%)	4 (4%)
4.	I find it difficult to keep proper financial records due to time and	100	71 (71%)	21 (21%)	5 (5%)	3 (3%)

	resource constraints					
5.	Financial consultants or advisors are too expensive for me to afford for my business	100	55 (55%)	39 (39%)	4 (4%)	2 (2%)

**Researcher’s Field Work, 2025**

Table 7 presents the distribution of responses on the major financial literacy challenges faced by SME owners in Benin Metropolis, Edo State. For item 1, difficulties in understanding complex financial terms and concepts were identified as a significant barrier, with 52% of respondents strongly agreeing and 41% agreeing, while only 5% disagreed and 2% strongly disagreed, indicating that 93% of SME owners struggle with financial complexity. In item 2, lack of access to quality training or workshops on financial literacy emerged as a major challenge, as 69% strongly agreed and 22% agreed, compared to 3% who disagreed and 6% who strongly disagreed, showing that 91% of respondents face limited training opportunities. Item 3 highlights the role of inadequate formal education in applying financial knowledge, with 49% strongly agreeing and 42% agreeing, while 5% disagreed and 4% strongly disagreed, suggesting that 91% perceive educational gaps as a barrier. Similarly, in item 4, challenges with keeping proper financial records due to time and resource constraints were strongly expressed, as 71% strongly agreed and 21% agreed, while only 5% disagreed and 3% strongly disagreed, showing that 92% of respondents encounter record-keeping difficulties. Lastly, item 5

shows that the high cost of financial consultants poses a limitation, with 55% strongly agreeing and 39% agreeing, while 4% disagreed and 2% strongly disagreed, meaning that 94% of respondents find professional financial advice unaffordable. Overall, the results indicate that SME owners face considerable financial literacy challenges, particularly in understanding financial concepts, accessing training, overcoming educational limitations, maintaining records, and affording professional advice, all of which constrain effective business management and sustainability.

#### Results of Research Question 4

**Research Question 4:** Is there a significant relationship between the financial literacy level of SME owners and the financial performance of their enterprises in Benin Metropolis?

**Table 8: Distribution of Responses on Relationship between Financial Literacy Level of SME Owners and the Financial Performance of their Enterprises**

S/N	Items	Total No of respondents	Strongly Agree	Agree	Disagree	Strongly Disagree
1.	Financial literacy has helped improve my ability to manage business revenues and expenditures	100	72 (72%)	23 (23%)	2 (2%)	3 (3%)
2.	My understanding of financial tools and principles has led to	100	63 (63%)	29 (29%)	6 (6%)	2 (2%)

	increased business profitability					
3.	Better financial decision-making skills have positively impacted my business's competitive position	100	71 (71%)	22 (22%)	4 (4%)	3 (3%)
4.	I believe a financially literate entrepreneur performs better than one with poor financial knowledge	100	59 (59%)	36 (36%)	3 (3%)	2 (2%)
5.	There is a direct link between my financial literacy and the financial success of my business	100	64 (64%)	27 (27%)	4 (4%)	5 (5%)

**Researcher's Field Work, 2025**

Table 8 presents the distribution of responses on the relationship between the financial literacy level of SME owners and the financial performance of their enterprises in Benin Metropolis. For item 1, financial literacy was recognised as crucial for managing revenues and expenditures, with 72% of respondents strongly agreeing and 23% agreeing, while only 2% disagreed and 3% strongly disagreed, showing that 95% view it as key to financial management. In item 2, understanding financial tools and principles was linked to profitability, with 63% strongly agreeing and 29% agreeing, compared to 6% and 2% who disagreed and strongly disagreed, indicating that 92% believe it enhances profitability. Item 3 highlights the role of financial decision-making in competitiveness, with 71% strongly agreeing and 22% agreeing, while 4% disagreed and 3% strongly disagreed, revealing that 93% attribute improved competitiveness to financial literacy. Similarly, item 4 affirms that financially literate entrepreneurs outperform those with

poor financial knowledge, as 59% strongly agreed and 36% agreed, while only 3% disagreed and 2% strongly disagreed, suggesting that 95% see literacy as a driver of superior performance. Finally, item 5 shows a direct link between financial literacy and business success, with 64% strongly agreeing and 27% agreeing, compared to 4% who disagreed and 5% who strongly disagreed, meaning that 91% recognise its importance for financial success. Overall, the findings strongly suggest that financial literacy significantly influences business performance by improving revenue management, boosting profitability, enhancing competitiveness, driving superior outcomes, and ensuring financial success.

### 4.3 TEST OF HYPOTHESES

#### Test of Hypothesis One

**Hypothesis 1:** SME owners in Benin Metropolis do not possess financial literacy skills such as budgeting, saving, and financial planning to a significant extent

**Table 9: Testing of Hypothesis 1**

Response	Item 1	Item 2	Item 3	Item 4	Item 5	Total
Strongly Agree	63	59	61	57	64	<b>304</b>
Agree	31	34	33	38	28	<b>164</b>
Disagree	4	4	4	3	5	<b>20</b>

Strongly Disagree	2	3	2	2	3	<b>12</b>
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>500</b>

**Researcher's Field Work, 2025**

$$X^2 = (F^o - F^e) / F^e$$

To calculate for Expected Frequency ( $F^e$ );

$$F^e = \text{Row} \times \text{Colum} / \text{Grand Total}$$

1<sup>st</sup> Response;

$$F^e = \frac{304 \times 100}{500} = 60.8$$

2<sup>nd</sup> Response;

$$F^e = \frac{164 \times 100}{500} = 32.8$$

3<sup>rd</sup> Response;

$$F^e = \frac{20 \times 100}{500} = 4.0$$

4<sup>th</sup> Response;

$$F^e = \frac{12 \times 100}{500} = 2.4$$

**Contingency Table;**

Table 10; Contingency table on Hypothesis 1;

<b>Fo</b>	<b>Fe</b>	<b>Fo - Fe</b>	<b>(Fo - Fe)<sup>2</sup></b>	<b>(Fo - Fe)<sup>2</sup> / Fe</b>
63	60.8	2.2	4.84	0.0796
31	32.8	-1.8	3.24	0.0988
4	4.0	0.0	0.00	0.0000
2	2.4	-0.4	0.16	0.0667
59	60.8	-1.8	3.24	0.0533
34	32.8	1.2	1.44	0.0439

4	4.0	0.0	0.00	0.0000
3	2.4	0.6	0.36	0.1500
61	60.8	0.2	0.04	0.0007
33	32.8	0.2	0.04	0.0012
4	4.0	0.0	0.00	0.0000
2	2.4	-0.4	0.16	0.0667
57	60.8	-3.8	14.44	0.2375
38	32.8	5.2	27.04	0.8244
3	4.0	-1.0	1.00	0.2500
2	2.4	-0.4	0.16	0.0667
64	60.8	3.2	10.24	0.1684
28	32.8	-4.8	23.04	0.7024
5	4.0	1.0	1.00	0.2500
3	2.4	0.6	0.36	0.1500

$$X^2 = 3.2504$$

Degree of freedom [Df] = (R - 1) (C - 1)

$$Df = (4-1) (5- 1) = 3 \times 4 = 12$$

$$Df = 12$$

**DECISION:** From the computation above, it can be observed that the table value of  $X^2$  (3.2504) is greater than 0.05 significance level with 12 degrees of freedom. Therefore, we reject the null hypothesis and accept the alternate hypothesis. Thus, we concluded that SME owners in Benin Metropolis possess financial literacy skills such as budgeting, saving, and financial planning to a significant extent.

### Test of Hypothesis Two

**Hypothesis 2:** The level of financial literacy among SME operators does not significantly influence the sustainability and long-term success of their businesses in Benin Metropolis.

**Table 11: Testing of Hypothesis 2**

Response	Item 1	Item 2	Item 3	Item 4	Item 5	Total
Strongly Agree	67	62	53	66	63	<b>311</b>
Agree	26	34	39	29	32	<b>160</b>
Disagree	4	2	5	3	2	<b>16</b>
Strongly Disagree	3	2	3	2	3	<b>13</b>
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>500</b>

**Researcher's Field Work, 2025**

$$X^2 = (F^o - F^e) / F^e$$

To calculate for Expected Frequency ( $F^e$ );

$$F^e = \text{Row} \times \text{Column} / \text{Grand Total}$$

1<sup>st</sup> Response;

$$F^e = \frac{311 \times 100}{500} = 62.2$$

2<sup>nd</sup> Response;

$$F^e = \frac{160 \times 100}{500} = 32.0$$

3<sup>rd</sup> Response;

$$F^e = \frac{16 \times 100}{500} = 3.2$$

4<sup>th</sup> Response;

$$F^e = \frac{13 \times 100}{500} = 2.6$$

**Contingency Table;**

Table 12; Contingency table on Hypothesis 2;

<b>F<sub>o</sub></b>	<b>F<sub>e</sub></b>	<b>F<sub>o</sub> - F<sub>e</sub></b>	<b>(F<sub>o</sub> - F<sub>e</sub>)<sup>2</sup></b>	<b>(F<sub>o</sub> - F<sub>e</sub>)<sup>2</sup> / F<sub>e</sub></b>
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67	62.2	4.8	23.04	0.3704
26	32.0	-6.0	36.00	1.1250
4	3.2	0.8	0.64	0.2000
3	2.6	0.4	0.16	0.0615
62	62.2	-0.2	0.04	0.0006
34	32.0	2.0	4.00	0.1250
2	3.2	-1.2	1.44	0.4500
2	2.6	-0.6	0.36	0.1385
53	62.2	-9.2	84.64	1.3608
39	32.0	7.0	49.00	1.5313
5	3.2	1.8	3.24	1.0125
3	2.6	0.4	0.16	0.0615
66	62.2	3.8	14.44	0.2322
29	32.0	-3.0	9.00	0.2813
3	3.2	-0.2	0.04	0.0125
2	2.6	-0.6	0.36	0.1385
63	62.2	0.8	0.64	0.0103
32	32.0	0.0	0.00	0.0000
2	3.2	-1.2	1.44	0.4500
3	2.6	0.4	0.16	0.0615

$$X^2 = 7.5220$$

$$\text{Degree of freedom [Df]} = (R - 1) (C - 1)$$

$$Df = (4-1) (5- 1) = 3 \times 4 = 12$$

$$Df = 12$$

**DECISION:** From the computation above, it can be observed that the table value of  $X^2$  (7.5220) is greater than 0.05 significance level with 12 degrees of freedom. Therefore, we reject the null hypothesis and accept the alternate hypothesis. Thus, we concluded that the level of financial literacy among SME operators significantly influence the sustainability and long-term success of their businesses in Benin Metropolis.

### Test of Hypothesis Three

**Hypothesis 3:** SME owners in Benin Metropolis do not face significant financial literacy challenges

**Table 13: Testing of Hypothesis 3**

Response	Item 1	Item 2	Item 3	Item 4	Item 5	Total
Strongly Agree	52	69	49	71	55	296
Agree	41	22	42	21	39	165
Disagree	5	3	5	5	4	22
Strongly Disagree	2	6	4	3	2	17
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>500</b>

**Researcher's Field Work, 2025**

$$X^2 = (F^o - F^e) / F^e$$

To calculate for Expected Frequency ( $F^e$ );

$$F^e = \text{Row} \times \text{Column} / \text{Grand Total}$$

1<sup>st</sup> Response;

$$F^e = \frac{296 \times 100}{500} = 59.2$$

2<sup>nd</sup> Response;

$$F^e = \frac{165 \times 100}{500} = 33.0$$

3<sup>rd</sup> Response;

$$F^e = \frac{22 \times 100}{500} = 4.4$$

4<sup>th</sup> Response;

$$F^e = \frac{17 \times 100}{500} = 3.4$$

**Contingency Table;**

Table 14; Contingency table on Hypothesis 3;

F <sub>o</sub>	F <sub>e</sub>	F <sub>o</sub> - F <sub>e</sub>	(F <sub>o</sub> - F <sub>e</sub> ) <sup>2</sup>	(F <sub>o</sub> - F <sub>e</sub> ) <sup>2</sup> / F <sub>e</sub>
52	59.2	-7.2	51.84	0.876
41	33.0	8.0	64.00	1.939

5	4.4	0.6	0.36	0.082
2	3.4	-1.4	1.96	0.576
69	59.2	9.8	96.04	1.622
22	33.0	-11.0	121.00	3.667
3	4.4	-1.4	1.96	0.445
6	3.4	2.6	6.76	1.988
49	59.2	-10.2	104.04	1.757
42	33.0	9.0	81.00	2.455
5	4.4	0.6	0.36	0.082
4	3.4	0.6	0.36	0.106
71	59.2	11.8	139.24	2.352
21	33.0	-12.0	144.00	4.364
5	4.4	0.6	0.36	0.082
3	3.4	-0.4	0.16	0.047
55	59.2	-4.2	17.64	0.298
39	33.0	6.0	36.00	1.091
4	4.4	-0.4	0.16	0.036
2	3.4	-1.4	1.96	0.576

$$X^2 = 25.352$$

$$\text{Degree of freedom [Df]} = (R - 1) (C - 1)$$

$$\text{Df} = (4-1) (5- 1) = 3 \times 4 = 12$$

$$\text{Df} = 12$$

**DECISION:** From the computation above, it can be observed that the table value of  $X^2$  (25.352) is greater than 0.05 significance level with 12 degrees of freedom. Therefore, we reject the null hypothesis and accept the alternate hypothesis. Thus, we concluded that SME owners in Benin Metropolis do face significant financial literacy challenges.

#### **Test of Hypothesis Four**

**Hypothesis 4:** There is no significant relationship between the financial literacy level of SME owners and the financial performance of their enterprises in Benin Metropolis.

**Table 15: Testing of Hypothesis 4**

Response	Item 1	Item 2	Item 3	Item 4	Item 5	Total
Strongly Agree	72	63	71	59	64	329
Agree	23	29	22	36	27	137
Disagree	2	6	4	3	4	19
Strongly Disagree	3	2	3	2	5	15
Total	100	100	100	100	100	500

**Researcher's Field Work, 2025**

$$X^2 = (F^o - F^e) / F^e$$

To calculate for Expected Frequency ( $F^e$ );

$$F^e = \text{Row} \times \text{Column} / \text{Grand Total}$$

1<sup>st</sup> Response;

$$F^e = \frac{329 \times 100}{500} = 65.8$$

2<sup>nd</sup> Response;

$$F^e = \frac{137 \times 100}{500} = 27.4$$

3<sup>rd</sup> Response;

$$F^e = \frac{19 \times 100}{500} = 3.8$$

4<sup>th</sup> Response;

$$F^e = \frac{15 \times 100}{500} = 3.0$$

**Contingency Table;**

Table 16; Contingency table on Hypothesis 4;

<b>F<sub>o</sub></b>	<b>F<sub>e</sub></b>	<b>F<sub>o</sub> - F<sub>e</sub></b>	<b>(F<sub>o</sub> - F<sub>e</sub>)<sup>2</sup></b>	<b>(F<sub>o</sub> - F<sub>e</sub>)<sup>2</sup> / F<sub>e</sub></b>
72	65.8	6.2	38.44	0.584

23	27.4	-4.4	19.36	0.707
2	3.8	-1.8	3.24	0.853
3	3.0	0.0	0.00	0.000
63	65.8	-2.8	7.84	0.119
29	27.4	1.6	2.56	0.093
6	3.8	2.2	4.84	1.274
2	3.0	-1.0	1.00	0.333
71	65.8	5.2	27.04	0.411
22	27.4	-5.4	29.16	1.064
4	3.8	0.2	0.04	0.011
3	3.0	0.0	0.00	0.000
59	65.8	-6.8	46.24	0.703
36	27.4	8.6	73.96	2.699
3	3.8	-0.8	0.64	0.168
2	3.0	-1.0	1.00	0.333
64	65.8	-1.8	3.24	0.049
27	27.4	-0.4	0.16	0.006
4	3.8	0.2	0.04	0.011
5	3.0	2.0	4.00	1.333

$$X^2 = 11.761$$

$$\text{Degree of freedom [Df]} = (R - 1) (C - 1)$$

$$Df = (4-1) (5- 1) = 3 \times 4 = 12$$

$$Df = 12$$

**DECISION:** From the computation above, it can be observed that the table value of  $X^2$  (11.761) is greater than 0.05 significance level with 12 degrees of freedom. Therefore, we reject the null hypothesis and accept the alternate hypothesis. Thus, we concluded that there is a significant relationship between the financial literacy level of SME owners and the financial performance of their enterprises in Benin Metropolis.

#### 4.4 Discussion of Findings

Findings from the study revealed that SME owners in Benin Metropolis possess substantial financial literacy skills, particularly in budgeting, saving, financial planning, interpreting financial statements, and monitoring expenses, which are crucial for effective business management. This finding can be attributed to the increasing awareness among SME owners in Benin Metropolis of the importance of financial literacy for sustaining business growth and competitiveness. Many entrepreneurs have been exposed to financial education through workshops, training programmes, and capacity-building initiatives organised by government agencies, microfinance institutions, and business associations, which emphasise core skills such as budgeting, saving, and financial planning. In addition, the highly competitive business environment in the metropolis compels SME owners to monitor expenses and interpret financial statements in order to minimise risks and maximise profits. Access to financial information through digital platforms and peer learning within business clusters has also contributed to strengthening their financial management capabilities. This findings is in line with Okonkwo (2022) who found out that there is high extent to which SME owners possess financial literacy skills such as budgeting, saving, and financial planning in contemporary times in Nigeria.

Findings from the study also revealed that financial literacy significantly enhances SME sustainability by promoting financial stability, enabling informed planning, preventing bankruptcy, guiding investment choices, and fostering continuous growth. This finding can be explained by the fact that financial literacy equips SME owners with the knowledge and skills to effectively manage resources, reduce risks, and make sound

financial decisions. By understanding budgeting, saving, and investment principles, entrepreneurs are better positioned to ensure stability and long-term survival. Financial literacy also helps them avoid bankruptcy through prudent debt management and accurate financial forecasting. Furthermore, it empowers them to evaluate investment opportunities critically, thereby promoting growth and competitiveness. Ultimately, these capabilities not only safeguard business continuity but also enhance resilience, making financial literacy a critical driver of SME sustainability in Benin Metropolis. In line with the findings, Bosun (2023) asserted that when SME owners understand key financial concepts such as budgeting, cash flow, and profit analysis, they can make informed decisions that promote business stability.

Findings from the study showed that SME owners in Benin Metropolis face considerable financial literacy challenges, particularly in understanding financial concepts, accessing training, overcoming educational limitations, maintaining records, and affording professional advice, all of which constrain effective business management and sustainability. This finding can be explained by the fact that many SME owners in Benin Metropolis operate with limited formal education and inadequate exposure to advanced financial concepts, which hinders their ability to fully grasp essential financial practices. Access to structured financial literacy training remains insufficient, while the cost of hiring professional advisors often exceeds their financial capacity. In addition, poor record-keeping habits and reliance on informal methods of managing finances limit transparency and accountability in business operations. These challenges collectively

weaken decision-making, restrict growth opportunities, and reduce the long-term sustainability of SMEs, despite their crucial role in the local economy. In support of the findings, Tegbe (2023) opined that one of the major challenges SME owners face is the lack of basic financial education and training, which severely limits their capacity to manage business finances effectively.

Findings from the study indicated that financial literacy significantly influences business performance by improving revenue management, boosting profitability, enhancing competitiveness, driving superior outcomes, and ensuring financial success. This finding can be attributed to the fact that financial literacy provides SME owners with the ability to manage revenues effectively, allocate resources wisely, and minimise wastage, which directly improves profitability. By understanding key financial principles, they are better positioned to track cash flows, set realistic financial goals, and implement strategies that strengthen competitiveness in a dynamic business environment. Financial literacy also supports informed decision-making, enabling SMEs to identify profitable opportunities while mitigating risks. These practices collectively enhance overall business outcomes and long-term financial success, underscoring the critical role of financial knowledge in driving sustainable performance. This findings corroborate the views of Dawene (2023) who asserted that entrepreneurs with strong financial literacy are more likely to understand cost structures, manage debt effectively, and plan long-term business strategies. In same vein, Sowunmi (2022) highlighted that SME owners with

financial knowledge are more inclined to maintain accurate and timely financial records, which enhances trust among stakeholders and improves access to credit.

## **CHAPTER FIVE**

### **SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1 Introduction**

The study investigated the financial literacy and sustainability of small and medium enterprises (SMEs) in Benin Metropolis, Edo State. The population for this study was made up of all small scale business owners in Benin City, Edo State. According to the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN), there are 69,104 registered small scale businesses in Benin City, Edo State. The study's sample size consisted of 100 small-scale business owners which were selected from four

communities in Benin City, Edo State: Uselu, Oluku, Isihor, and Egor. Twenty-five respondents were chosen from each community. The primary source of data for this study is the questionnaire which was designed to collect relevant information from the participants. The data collected for this study was analyzed using frequency counts and simple percentages while the hypotheses for the study were tested using chi-square method.

## **5.2 Summary of Findings**

From the foregoing, the following constitutes the major findings of the study;

1. The findings of the study in research question one revealed that SME owners in Benin Metropolis possess substantial financial literacy skills, particularly in budgeting, saving, financial planning, interpreting financial statements, and monitoring expenses, which are crucial for effective business management. This finding can be attributed to the increasing awareness among SME owners in Benin Metropolis of the importance of financial literacy for sustaining business growth and competitiveness. Many entrepreneurs have been exposed to financial education through workshops, training programmes, and capacity-building initiatives organised by government agencies, microfinance institutions, and business associations, which emphasise core skills such as budgeting, saving, and financial planning. In addition, the highly competitive business environment in the metropolis compels SME owners to monitor expenses and interpret financial

statements in order to minimise risks and maximise profits. Access to financial information through digital platforms and peer learning within business clusters has also contributed to strengthening their financial management capabilities. This findings is in line with Okonkwo (2022) who found out that there is high extent to which SME owners possess financial literacy skills such as budgeting, saving, and financial planning in contemporary times in Nigeria.

2. The findings of the study in research question two revealed that financial literacy significantly enhances SME sustainability by promoting financial stability, enabling informed planning, preventing bankruptcy, guiding investment choices, and fostering continuous growth. This finding can be explained by the fact that financial literacy equips SME owners with the knowledge and skills to effectively manage resources, reduce risks, and make sound financial decisions. By understanding budgeting, saving, and investment principles, entrepreneurs are better positioned to ensure stability and long-term survival. Financial literacy also helps them avoid bankruptcy through prudent debt management and accurate financial forecasting. Furthermore, it empowers them to evaluate investment opportunities critically, thereby promoting growth and competitiveness. Ultimately, these capabilities not only safeguard business continuity but also enhance resilience, making financial literacy a critical driver of SME sustainability in Benin Metropolis. In line with the findings, Bosun (2023) asserted that when SME owners understand key financial concepts such as

budgeting, cash flow, and profit analysis, they can make informed decisions that promote business stability.

3. The findings of the study in research question three revealed that SME owners in Benin Metropolis face considerable financial literacy challenges, particularly in understanding financial concepts, accessing training, overcoming educational limitations, maintaining records, and affording professional advice, all of which constrain effective business management and sustainability. This finding can be explained by the fact that many SME owners in Benin Metropolis operate with limited formal education and inadequate exposure to advanced financial concepts, which hinders their ability to fully grasp essential financial practices. Access to structured financial literacy training remains insufficient, while the cost of hiring professional advisors often exceeds their financial capacity. In addition, poor record-keeping habits and reliance on informal methods of managing finances limit transparency and accountability in business operations. These challenges collectively weaken decision-making, restrict growth opportunities, and reduce the long-term sustainability of SMEs, despite their crucial role in the local economy. In support of the findings, Tegbe (2023) opined that one of the major challenges SME owners face is the lack of basic financial education and training, which severely limits their capacity to manage business finances effectively.
4. The findings of the study in research question four revealed financial literacy significantly influences business performance by improving revenue management,

boosting profitability, enhancing competitiveness, driving superior outcomes, and ensuring financial success. This finding can be attributed to the fact that financial literacy provides SME owners with the ability to manage revenues effectively, allocate resources wisely, and minimise wastage, which directly improves profitability. By understanding key financial principles, they are better positioned to track cash flows, set realistic financial goals, and implement strategies that strengthen competitiveness in a dynamic business environment. Financial literacy also supports informed decision-making, enabling SMEs to identify profitable opportunities while mitigating risks. These practices collectively enhance overall business outcomes and long-term financial success, underscoring the critical role of financial knowledge in driving sustainable performance. This findings corroborate the views of Dawene (2023) who asserted that entrepreneurs with strong financial literacy are more likely to understand cost structures, manage debt effectively, and plan long-term business strategies.

### **5.3 Conclusion**

The study investigated financial literacy and sustainability of small and medium enterprises (SMEs) in Benin Metropolis, Edo State. Based on the results that emanated from the study, it was therefore concluded that financial literacy significantly enhances SME sustainability by promoting financial stability, enabling informed planning, preventing bankruptcy, guiding investment choices, and fostering continuous growth. This finding can be explained by the fact that financial literacy equips SME owners with

the knowledge and skills to effectively manage resources, reduce risks, and make sound financial decisions. It was also concluded that financial literacy significantly influences business performance by improving revenue management, boosting profitability, enhancing competitiveness, driving superior outcomes, and ensuring financial success. This finding can be attributed to the fact that financial literacy provides SME owners with the ability to manage revenues effectively, allocate resources wisely, and minimise wastage, which directly improves profitability.

#### **5.4 Policy Implications and Recommendations**

In the light of the findings above, the following policy recommendations were proffered:

1. Government agencies, financial institutions, and business development organisations should design and implement regular financial literacy workshops focusing on budgeting, record-keeping, taxation, and investment strategies to strengthen SME owners' financial management skills.
2. Entrepreneurship support initiatives in Edo State should incorporate structured financial education modules to ensure that SME operators acquire practical knowledge essential for sustainable business growth.
3. Policymakers and financial institutions should create subsidised or low-cost financial advisory schemes that allow SMEs to access expert guidance on cash flow management, cost reduction, and long-term sustainability planning.

4. SME owners should be encouraged to adopt simple, digital, and low-cost record-keeping systems to improve transparency, monitor business performance, and enhance their eligibility for credit facilities.
5. The Edo State government should develop supportive policies that reward SMEs demonstrating strong financial literacy practices—such as tax incentives or easier access to funding—to motivate wider adoption of sustainable financial management.

## **5.5 Contribution to Knowledge**

The study made significant contributions to knowledge in the following areas:

1. The study provides empirical insights into how financial literacy directly influences the sustainability of SMEs within Benin Metropolis, filling a gap in Nigerian-specific and Edo State–focused literature.
2. The study establishes a clear connection between financial planning, record-keeping, and access to financial knowledge with long-term SME survival, extending existing theories on entrepreneurial sustainability.
3. The research highlights context-specific obstacles such as limited access to training, affordability of advisory services, and poor bookkeeping practices, which deepen the understanding of barriers faced by SMEs in developing economies.

4. The study contribute to policy discourse by showing how targeted financial literacy initiatives can strengthen SME competitiveness, profitability, and resilience in an emerging market setting.

## **5.6 Suggestions for Further Studies**

To build upon the findings of this study, the following areas are recommended for further research:

1. Future studies could compare the impact of financial literacy on SMEs in Edo State with other states or regions in Nigeria to identify similarities and regional variations.
2. Further studies could adopt a longitudinal approach to track SMEs over several years, examining how financial literacy interventions affect growth, survival, and competitiveness over time.
3. Future research could investigate how digital financial tools, fintech solutions, and mobile banking influence the financial literacy and sustainability of SMEs in Nigeria.

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**DEPARTMENT OF ENTREPRENEURSHIP**  
**FACULTY OF MANAGEMENT SCIENCES**  
**UNIVERSITY OF BENIN, BENIN CITY**

## QUESTIONNAIRE

Dear Respondent,

I am an undergraduate student in the above named department and institution. I am conducting a research on “**Financial Literacy and Sustainability of Small and Medium Enterprises (SMEs) in Benin Metropolis, Edo State**”. This study is purely for academic purpose and you have been selected as one of the respondents for this study. Your participation will contribute to knowledge base in the research theme.

I will be very grateful if you assist by providing honest information on the subject matter of this study. Rest assured that any information you provide will be treated with utmost confidentiality and shall be used strictly for the purpose of the academic research.

To guarantee this, your name, address and phone number are not required. It will be much appreciated if you could spare some minutes to complete this questionnaire.

Thank you.

**ISOWAMHEN DESTINY JOY**

### DEMOGRAPHIC DATA

Please tick the option you consider appropriate and fill in blank spaces

Gender: Male ( ) Female ( )

Age: 15-20yrs ( ) 21-25yrs ( ) 26-30yrs ( ) 30 years and above ( )

Educational Qualification: SSCE ( ) OND ( ) HND ( ) B.Sc. ( ) MSc. ( ) PhD. ( )

Years of Business Experience: 0-5 ( ) 6-10 ( ) 10 years and above ( )

Please indicate the extent to which you agree or disagree with the following statements.

Key: Strongly Agree (SA), Agree (A), Disagree (D), Strongly Disagree (SD)

S/N	ITEMS	SA	A	D	SD
	<b>Extent to Which SME Owners Possess Financial Literacy Skills</b>				
1.	I always prepare and follow a detailed budget for my business income and expenses				
2.	I consistently set aside a portion of my profits as business savings or reserves				
3.	I have a clear financial plan that guides the short and long-term goals of my business				
4.	I can confidently interpret basic financial statements like income statements and balance sheets				
5.	I track and monitor my business expenses to avoid overspending or cash flow problems				
	<b>Influence of Financial Literacy on Sustainability and Success of SMEs</b>				
6.	My knowledge of budgeting has helped my business remain financially stable and sustainable				
7.	Financial planning enables me to make long-term decisions that sustain my business operations				
8.	Understanding financial principles has helped me avoid debts and bankruptcy in my business				
9.	Financial literacy helps me evaluate growth opportunities and make informed investment decisions				
10.	My business growth and continuity are positively influenced by my financial management practices				
	<b>Financial Literacy Challenges Faced by SME Owners</b>				
11.	I struggle with understanding complex financial terms and concepts relevant to my business				
12.	I lack access to quality training or workshops on financial literacy and management				
13.	Inadequate formal education hinders my ability to apply financial knowledge in business operations				
14.	I find it difficult to keep proper financial records due to time and resource constraints				
15.	Financial consultants or advisors are too expensive for me to afford for my				

	business				
	<b>Relationship Between Financial Literacy and Financial Performance of SMEs</b>				
16.	Financial literacy has helped improve my ability to manage business revenues and expenditures				
17.	My understanding of financial tools and principles has led to increased business profitability				
18.	Better financial decision-making skills have positively impacted my business's competitive position				
19.	I believe a financially literate entrepreneur performs better than one with poor financial knowledge				
20.	There is a direct link between my financial literacy and the financial success of my business				