



EFFECT OF FINANCIAL KNOWLEDGE ON PERFORMANCE OF SMALL AND MEDIUM SCALE ENTERPRISES IN NORTH CENTRAL NIGERIA

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Abstract

The main objective of the study is to examine the effect of financial knowledge on the performance of selected small and medium scale enterprises in North Central, Nigeria while the secondary objectives among others; to determine the effect of financial sources knowledge on the performance of selected Small and Medium scale enterprises in North Central, Nigeria and to evaluate the effect of inflationary knowledge on the performance of selected Small and Medium scale enterprises in North Central, Nigeria. The study covered 19 years period (1999-2018), and a survey research design study was adopted. The population of the study consists of 12468 SMEs in North Central Nigeria. The study used Taro Yamane's formula to determine the sample size of 388 owners of SMEs in North Central Nigeria a through a random sampling method to select 388 owners of SMEs in North Central Nigeria. The method of data collection used by this study was the questionnaire that was administered to the respondents. The statistical tools used in data analysis are multiple regression and correlation analysis. Findings from the study revealed that financial knowledge has positive and significant effect on performance of SMEs in North Central, Nigeria, secondly, that sources of finance have a positive and significant effect on performance of SMEs in North Central Nigeria in terms of effectiveness and lastly inflationary knowledge is significant on the performance of SMEs in terms of effectiveness. The study recommended that SMEs owners and managers in North Central, Nigeria should continue to be educated by government and various agencies on

financial knowledge which has to do with the sources of finance; such as retain earnings, borrowing from friends and relations as well as obtaining credit from micro finance banks for effective and efficient performance.

Keywords: *Financial Knowledge, sources of finance knowledge, inflationary knowledge, Performance, and Effectiveness*

Introduction

Small and Medium Enterprises (SMEs) are the main driving forces of economic growth and job creation that have a special importance, not only in developed countries but also in developing and emerging economies (Lockea, 2012). However, financial knowledge is a very critical aspect of any decision making regardless of the subject matter, as it is argued to result in a more effective decision (Robb, 2014). It impacts key outcomes including borrowing, savings, investment and even future plans in terms of retirement income (Lusardi and Mitchell, 2014). In 2006, Lusardi and Michell proposed that financial literacy is needed to create a measure of financial competence in terms of participation in financial market and ability to manage financial matters. The performance of small enterprises highly depends on the financial decisions that are made by the owners ranging from financing to working capital management and saving decisions.

Over the years, knowledge about sources of finance and inflation are identified and used by SMEs owners in Nigeria, particularly, in North Central Nigeria. SMEs owners identified the sources of their finance and monitor inflation. In spite of all these activities by the SMEs owners particularly in the North Central, Nigeria, their performance is very low and resulted to some of the SMEs dyeing.

Raph, 2008; Wisdom 2008 investigated financial knowledge and performance in Kirinyaga County, Kenya Ruiru sub county, Uasin Gishu County and Egerton University respectively, using SMEs and Universities. However, none of these studies used small and medium scale enterprises in North Central Nigeria to study financial knowledge and performance on selected small and medium scale enterprises in North Central Nigeria. However, none of the studied reviewed used performance measure of effectiveness.

However, this study examined the effect of financial knowledge on the performance of selected Small and Medium scale enterprises in North Central,

Nigeria. The specific objectives are to: determine the effect of knowledge of sources of finance as it affects the performance of selected Small and Medium scale enterprises in North Central, Nigeria and also to evaluate the effect of inflationary knowledge on the performance of selected Small and Medium scale enterprises in North Central Nigeria.

The scope of this study is restricted to examining the effect of financial knowledge on the performance of selected Small and Medium scale enterprises in North Central, Nigeria, covering the period of 1999-2018 (19 years). This period is being chosen so as to cover the current issues on financial knowledge of Small and Medium scale enterprises in North Central, Nigeria. This research work is only concerned with the officially registered Small and Medium scale enterprises by small and medium enterprise development agency of Nigeria (SMEDAN) report of 2013. Moreover, the period was chosen because it was the period when most of the activities of Small and Medium scale enterprises in Nigeria took serious effect (i.e. from President Obasanjo's administration to date).

The following null hypotheses were formulated for the study:

H₀₁: Knowledge of sources of finance has no significant effect on the performance of selected Small and Medium Firms in North Central, Nigeria.

H₀₂: Inflationary knowledge has no significant effect on the performance of selected Small and Medium Enterprises in North Central, Nigeria.

Concept of Financial Knowledge

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

answering questions related to concepts on simple and compound interest, risks, internal rate of return and inflation (OECD INFE, 2011).

Sources of Finance

Raising funds to finance activities of the firm is an important aspect of every business that cannot be ignored. According to (Charan & Kishinchand, 2016), pursuit that finance for small, and medium-sized enterprises (SMEs) has been a concern for all stakeholders including entrepreneurs, financial institutions, and government organizations. They highlighted the main sources of finance for SMEs as bank loans, loans from nonbanking institutions, venture capital, microfinance institutions, loans from family, relatives/friends, equity financing and own funds. The business enterprise owner must have knowledge of the sources of finance he/she want to obtain and the implication of obtaining such finances (Charan & Kishinchand, 2016).

Inflation

The knowledge of inflation is important to managers because it affects financial decisions of the business such as taking debts, opening savings account and bargaining over wage (Burke & Manz, 2014). According to Dutta, 2008, inflation arises when money supply is greater than available goods and services. He further argued that some businesses are affected by inflation positively considering that businessmen raise prices of products when there is a certain level of inflation and in turn it leads to greater profits. Also, Burke & Manz, 2014 in their empirical study, depict the relationship between financial literacy and inflation. They found that a measure of financial literacy is associated with heterogeneity in inflation expectations. Small businesses exercise less control over the markets and a rise in inflation and a small increase could affect their capital expenditure and increase their cost of production such that some SMEs may not even survive. It affects their demand and input costs and rates at which credits are made available to them among other factors. The knowledge of the effects of the risks of unanticipated changes in purchasing power of cash flows cannot be ignored by SMEs managers, Andonov, Bardong, & Lehnert, 2010, concluded.

Concept of Performance

Performance in organizations takes many forms depending on whom and what the measurement is meant for. Different stakeholders require different performance indicators to enable them make informed decisions (Manyuru,

2005). According to Richard et al. (2009) organizational performance encompasses three specific areas of firm outcomes: (a) financial performance (profits, return on assets, return on investment, etc.); (b) product market performance (sales, market share, etc.); and (c) shareholder return (total shareholder return, economic value added, etc.) Mahapatro, (2009) defines Organizational Performance as the ability of an organization to fulfill its mission through sound management, strong governance and a persistent rededication to achieving results. In effectiveness, nonprofits are mission-driven, adaptable, customer -focused, entrepreneurial, outcomes oriented and sustainable.

Mouzas (2006) emphasized two indicators to assess the performance: the efficiency and the effectiveness. For managers, suppliers and investors these two terms might be synonymous; yet, each of them is distinct in meaning.

Effectiveness

Companies oriented towards effectiveness are concerned with output, sales, quality, creation of value added, innovation and cost reduction (Zheng, 2010). It measures the degree to which a business achieves its goals or the way outputs interact with the economic and social environment. Usually effectiveness determines the policy objectives of the organization or the degree to which an organization realizes its own goals (Zheng, 2010). Meyer and Herscovitch (2001) analyzed organizational effectiveness through organizational commitment. Commitment Input Process Output Outcome Impact “Social Transformations in Contemporary Society”, (2013) in the workplace may take various forms, such as relationship between leader and staff, employee’s identification with the organization, involvement in the decision making process, psychological attachment felt by an individual. Shiva and Suar (2010) agree that superior performance is possible by transforming staff attitudes towards organization from lower to a higher plane of maturity, therefore human capital management should be closely binded with the concepts of effectiveness.

Concept of Small and Medium Scale Enterprises

It is not easy to define small businesses and this is because the definition presents conceptual problems. The problems arise because different people see small business from different binoculars. In the Nigerian situation, the

definition of small business varies between the various industries and also between different organizations.

The Manufacturers Association of Nigeria may see small business from a perception that is different from a chamber of commerce.

The Central Bank of Nigeria may also define a small business from a different outlook altogether. Because of the problems of harmonizing all the definitions of small business shall be presented in a simple and functional definition as one that is independently owned and operated and is not dominant in its field of operation.

Akinyande (2004), purist the definitions of small and medium scale industries by different institutions in Nigeria as follows: The Federal Ministry of Industry defines medium enterprise as the one having asset value of not more than N200 million with not more than 300 workers, while it defines small-scale enterprise as having asset value of not more than N50 million, and with not more than 100 workers. Small and medium scale enterprises performance increase growth as a result of expanding the sales, operations, assets and usually it is a major strategic objective of business outfit. SMEs performance is common to improvements in firm performance with increased profitability, higher efficiency and increased output (Teruel, 2008). Extant research addressing SMEs performance has relied on accounting-based financial indicators (Vuong, 2008; Van, 2010), market-based indicators as well as combinations of both (Waweru, 2009).

SMEDAN (2007) define micro, small and medium enterprises as those companies whose headcount or turnover falls below certain limits. This is because what is consider small in developed country like USA may be considered big in a developing country like Nigeria. According to Etuk, Etuka and Baghebo (2014). "Small and Medium Scale Enterprises (SMEs) is defined based on certain criteria including, turnover, number of employees, profit, capital employed, available finance, market share and relative size within the industry". In the same vein, Onugu, (2005), opined that the National Council of Industries in Nigeria refers SMEs to business enterprises whose total costs excluding land, is not more than two hundred million naira (N200, 000,000.00) only. Stanleyngatia (2014); Animasaun, Rasheed, Babayanju and Abdul (2016)

Empirical Studies

Wisdom (2014) studied the effect of financial knowledge on the performance of manufacturing firms in Kenya. The study adopted survey research design

and employed the used of questionnaire which was administered to the population of 4780 manufacturers in Kenya. Taro Yammine formula was used to derive the sample size of 330 from the population value of 4780. Regression analysis tool was used to analyze the data and findings indicated that there exist a significant relationship between financial knowledge and performance of manufacturing sector in Kenya.

Raph (2008) also examined the effect of financial knowledge on performance of insurance companies in India using sources of finance and inflationary knowledge to measure financial knowledge as well as effectiveness to measured performance. The study adopted survey research design with use of questionnaire items to get responses from the respondents. Owners of insurance companies in India were 320 and this figure was used as the sample size. The study used regression analysis with the aid of SPSS 19 to analyze the data. Findings from this study indicated that financial knowledge has positive effect in relationship with performance of insurance companies.

Animasaun, Rasheed, Babayanju and Abdul (2016) examined the various sources of finance employed by the downstream petroleum firms in Nigeria. The study employed secondary source of data. The technique for data analysis was fixed-effect model through the panel data collected. The research design was quantitative in nature. The targeted population consisted of 25 downstream petroleum firms in Nigeria from which a sample size of 20 firms was selected using a purposive sampling technique. Data were sourced from information on profit after tax; short-term, medium-term and long-term sources of finance from the audited financial statements of downstream petroleum firms. The data collected from the audited financial statements of the 20 firms covered 5 years between the periods of 2011-2015. The results of the study revealed that sources of finance as a whole significantly affected organizational performance in the downstream petroleum industry in Nigeria as $F\text{-statistic} = 249.1042$ with $\text{Prob. value} = 0.0000$. Also, the study revealed that long-term financing significantly affected profitability as the $t\text{-value}$ of long-term financing was -5.644289 with its attendant $\text{Prob. value} = 0.0000$. Furthermore, it was found that short-term financing significantly impacted on profitability as the $t\text{-value}$ of short-term finance was 9.881206 with its attendant $\text{Prob. value} = 0.0000$. Moreover, the study revealed that there was direct relationship between the medium-term finance and profitability as the slope of coefficient was 0.178386 . This indicated that 1% increase in medium-

term finance would make the profitability to increase by 17.8%. The study concluded that sources of finance affect financial performance of downstream petroleum firms in Nigeria.

Stanleyngatia (2014) examined the effects of sources of finance on the performance of Top 100 mid-sized companies in Kenya. Descriptive cross sectional research design was adopted for this study. The target population for this study was the 100 SMEs (2013) in Kenya. Simple random sampling was used to select 30% of the top 100 companies. The sample size was therefore 30 SMEs. Primary data was collected through the use of questionnaires which were designed based on the study objective. Data was entered into SPSS and analyzed using inferential statistics and regression analysis. The descriptive results showed that 77% of the firms had used personal income as a source of financing, 60% used bank loans, 57% used venture capital, 40% used leasing, 43% used sale of shares, 17% used government loans, and 13% used microfinance. All these sources were used by most firms to a low extent as financing options. The regression results show that personal income, bank loans, microfinance, and government loans had weak positive effects while venture capital, leasing, and sale of shares had weak negative effects on the financial performance of Top 100 companies in Kenya at 5% level of significance. The study concludes that the sources of finance do not affect the financial performance of Top 100 companies in Kenya.

Jean (2017) studied the effect of debt financing on firm performance is of considerable importance to all bank business. The study is focused on establishing the effect of debt financing on firm performance, a comparative study between I&M Bank and Bank of Kigali within a period of six years from 2010. The study was descriptive and correlative in nature. The study found a strong positive relationship between debt level and profitability for both I&M bank and Bank of Kigali. This tends to be less expensive and increasing it with a relatively low interest rate which leads to the increase in profit levels and hence performance. The sustainability indicators shows that, Bank of Kigali was very stable in internal financial health with average SGR of 21% and IGR of 1.7% than its competitor I&M Bank with average SGR of 10% and IGR of 0.6%. However, the debt level is not influenced by the variation on both SGR and IGR. The study concludes that Bank of Kigali was the best financial performer than its competitor I&M Bank. These were shown by the fact that

during the period of last six years, the average ROE is 21% for BK against 26% for I&M Bank, average ROA is 4% for BK against 3% for I&M Bank, average LA is 51% for BK against 47% for I&M Bank, average LD is 74% for BK against 60% for I&M Bank, average SGR is 21% for BK against 10% for I&M Bank and finally average IGR is 3% for BK against 2% for I&M Bank.

Joshua (2010) established the relationship between inflation and financial performance of commercial banks in Kenya, while secondary data was used for the study. Data on inflation rates and financial performance (profits assets and cash flows) were collected from the banks' annual reports for all the 44 commercial banks for the 10 year period 2000-2009. Data analysis of the relationship between inflation and financial performance of commercial banks was done using correlation coefficient and coefficient of determination to establish the nature and the strength of relationship while the test of significance was undertaken to analyze the magnitude of the relationship. The analysis of quantitative data was carried out using SPSS version 17 (statistical package for social Science) and presented in form of tables, graphs and pie charts while contextual data was analyzed qualitatively. On the relationship between inflation and financial performance, profits indicate a negative relationship. As inflation decrease, profits increase. The relationship between inflation and total assets indicate no clear pattern therefore a weak relationship. The total cash flows do not indicate a clear pattern in relation to inflation indicating a weak relationship.

Waseem, Maria, Rafia, Waqasia, Nimra and Samnia (2014) examined the overall Inflationary trends that have great influence on the performance of the large banking segment of Pakistan. This study is directed to verify the impact of inflationary trends on the top rated banks in Pakistan and return on assets (ROA), return on equity (ROE) and net interest margin as key performance indicators of banking sectors are selected as variable. Researchers calculate the figures of these variables and then discuss these figures with bank representatives. The research sample consists of large banks in Bahawalpur district. Through discussion and calculated results, a strong positive relation has found among the variables, i.e. inflation over bank's performance.

Exchange theory

Exchange theory as proposed by Robson and Ladner (2006) holds that interpersonal, interactional, procedural and informational factors are linked

to literacy skills. Hence, the higher the interactions, the higher the level of literacy the individual will have. Lusardi and Mitchell (2008) also supported this theory by their findings which indicated that financial literacy is higher among those who are working, and in some countries those who are self-employed as compared to those who are not working. Therefore the difference in literacy levels among individuals as shown in this theory is as a result of exchange of information between the more literate and the less literate, financial education that may be offered in the workplace and the skills acquired on the job. As a result, in order for one to be more financially literate, they have to increase their level of interactions with other personnel. According to this theory, the financial literacy of the SME owners will be more if they operate their businesses more and also increase their interactions. This will not only inform them of financial systems but also the trends and changes in the systems. This theory's proposition to the study is that it tends to explain the difference in financial literacy among people and it also suggests on how to improve the literacy levels.

Methodology

The study adopted survey research design and this is because the data needed in this study shall requires the use of structured questionnaire that shall be administered to the respondents who are the Small and Medium scale owners managers or managers. Also, the reason for using survey research design is that, it is useful in describing the characteristics of a large population, provides broad capability, which ensures a more accurate sample to gather target results in which to draw conclusions and make important decisions. The population consists of all registered Small and medium scale enterprises in the North Central, Nigeria. According to small and medium enterprise development agency of Nigeria (SMEDAN) report of 2013, where there are 12468 SMEs in North Central Nigeria, and that forms the population of the study listed in table 1 below.

Table 1: Population of the Study

State	Medium	Small	Total
Benue	1146	22	1168
Niger	2712	170	2882

Kogi	827	17	844
Kwara	164	62	226
Nasarawa	1098	22	1120
Plateau	2070	110	2180
FCT	2244	446	2690
Total	11519	949	12468

Source: SMEDAN report of 2019

Thus, the population of small and medium enterprises in this study is 10288 SMEs in North Central Nigeria and this was reduced using Taro Yamane (1967) formula as stated below:

$$n = N / (1 + N(e)^2)$$

Where N is the population size

e, is the margin error (assume 5%)

1= constant=

$$e = 0.05$$

$$n = 12468 / (1 + 12468(0.05)^2)$$

$$n = 12468 / (1 + 12468(0.0025))$$

$$n = 12468 / (1 + 31.17)$$

$$n = 12468 / 32.17$$

$$n = 388$$

Therefore, the sample size of the study is 388 small and medium scale enterprises in North Central, Nigeria. The study made use of purposive sampling technique in selecting 388 from 12468 SMEs in North Central, Nigeria. The researcher considered a purposive sampling method by using proportional method in selecting sample in each state including Abuja as stated below:

Table 2 Proportion of SMEs in North Central, Nigeria

State	Population	Proportion	Sample
Benue	1168	$1168 \times 388 / 12468$	36
Kogi	844	$844 \times 388 / 12468$	26
Kwara	226	$226 \times 388 / 12468$	7
Nasarawa	1120	$1120 \times 388 / 12468$	54

Niger	1358	1358x388/12468	77
Plateau	2180	2180x388/12468	98
FCT	2690	2690x388/12468	90
Total	12468	-	388

Source: Researcher's Computation, 2019

However, the reasons for selecting 388 SMEs in North Central, Nigeria, are based on availability of data on their operations, their proximity to the researcher and research assistants in the zone (North Central) and their perceived long term operation in the industry. The selected SMEs firms shall stayed for a period of 10years before it can be selected and those SMEs that are not up to 10 years shall not be selected in this research.

The method of data collection used in this study is questionnaire administered to the respondents which involves the use of primary source of data. A designed questionnaire is used in the cause of this research work to obtain all the vital data of financial literacy and performance of selected Small and Medium scale enterprises in North Central. The questionnaire shall be designed in a five (5) point Likert type scale to collect data from the respondents regarding financial literacy and performance. A total of 388 copies of questionnaires were administered to 388 owners of SMEs in North Central. 20% was added to the total of 388 given a total of 466 copies of questionnaire to ensure successful return of the 388 copies of questionnaire. Research assistants were employed and educated on how to administer the questionnaire items and after one week the researcher visited some states to ascertain how the research assistants effectively administered the questionnaire and thereafter given three weeks to return the completed questionnaire through various transport services.

The questionnaire was tested to ascertain that the questionnaires were answered properly and reliably, noting that the instrument used is unique and reliable. The reliability and viability of the questionnaire is not less than the Alpha value of 0.6. The variables used in this study scored above Apha value of 0.6. Therefore, the Alpha values are reliable.

Table 3: Reliability test

Variables	Number of items	Cronbach's Alpha
Sources of finance	3	0.83
Inflation	3	0.78
Effectiveness	3	0.88

Source: researcher computation (2019)

The statistical tools adopted in this study are multiple regression, Spearman correlation and simple percentages. The multiple regressions was used to determine whether there is effect in the relationship between financial knowledge and performance of small and medium scale enterprises in North Central, Nigeria, while the correlation was used to establish the strength and degree of the relationship that existed between the variables. The software statistical package of SPSS 21 was used in analyzing data in this study.

Multiple models were employed to estimate the effect of financial knowledge of performance of Small and medium scale enterprises in North Central, Nigeria. This was expressed in this study as thus: $Y = \alpha + \beta_1x$

Where y = dependent variable, α = intercept, β_1 is coefficient and x is the independent variable. However, the above model is expressed as:

$$SME_{SPF} = \alpha + \beta_1SFF + \beta_2INK + \mu \dots\dots\text{equation 1}$$

Where:

SME_{SPF} = Performance (effectiveness) of selected Small and Medium scale enterprises in North Central, Nigeria.

β = Coefficient

α = Intercept

μ = Error terms

SFF = sources of finance

INK= Inflation

Correlation Models

$$r = \frac{\sum(x)(y)}{(\sum x^2)(\sum y^2)} \dots\dots\dots 2$$

r = correlation coefficient

\sum = Summation

x = dependent variable

y = independent variables

Analysis and Discussion

Table 4: Assessment of Sources of Finance

Items	5	4	3	2	1
The SMEs owners/managers in North Central have adequate knowledge of retain earning as one of the sources of finance	122(31.44)	109(28.09)	56(14.43)	85(21.91)	16(4.12)
SME owners/managers in North Central Nigeria usually obtained micro credit from micro finance banks	120(30.92)	112(28.87)	34(8.78)	89(22.93)	33(8.51)

The SME owners/managers have knowledge of borrowing of money from friends to finance their business as one of the sources of finance	119(30.67)	102(26.29)	44(11.34)	56(14.43)	67(17.27)
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Source: Survey, 2019

Table 4 indicates that 31.44% of the respondents strongly agreed that SMEs owners and managers in North Central have adequate knowledge of retain earning as one of the sources of finance while 28.09% of the respondents agreed that SMEs in North Central have adequate knowledge of retain earning as one of the sources of finance and 14.43% of the respondents were undecided. 21.91% of the respondents strongly disagreed that SMEs In North Central have adequate knowledge of retain earning as one of the sources of finance and 4.12% of the respondents disagreed that SMEs In North Central have adequate knowledge of retain earning as one of the sources of finance. The implication of this is that majority of the respondents have adequate knowledge of retain earning as a source finance in their businesses.

Table 4 indicates that 30.92% of the respondents strongly agreed that SMEs in North Central Nigeria usually obtained micro credit from micro finance banks. 28.89% of the respondents agreed that SMEs in North Central Nigeria usually obtained micro credit from micro finance banks and 8.78% of the respondents were undecided. 22.93% of the respondents strongly disagreed that SMEs in North Central Nigeria do not usually obtained micro credit from micro finance banks and 8.51% of the respondents disagreed that SMEs in North Central Nigeria do not usually obtained micro credit from micro finance banks. The implication of this is that majority of the respondents believed that they have adequate knowledge to obtain micro credit from micro finance banks.

Table 4 indicates that 30.67% of the respondents strongly agreed that SMEs have knowledge of borrowing of money from friends to finance their business as one of the sources of finance. 26.29% of the respondents agreed that SMEs have knowledge of borrowing of money from friends to finance their business as one of the sources of finance and 11.34% of the respondents were undecided. 14.43% of the respondents strongly disagreed that SMEs have knowledge of borrowing of money from friends to finance their business as one of the sources of finance and 17.27% of the respondents disagreed that SMEs have knowledge of borrowing of money from friends to finance their business as one of the sources of finance. The implication of this is that

majority of the respondents believed that they have knowledge of borrowing of money from friends to finance their business as one of the sources of finance.

Table 5: Assessment of Inflation Knowledge

Items	5	4	3	2	1
The SMEs in North Central Nigeria always have knowledge of inflation that it will affect the value of money	117(30.15)	110(28.35)	52(13.40)	67(17.27)	42(10.82)
SMEs in North Central Nigeria monitor inflationary trend in order to invest their money	123(31.71)	118(30.41)	44(11.34)	60(15.46)	43(11.08)
The SMEs in North Central Nigeria have adequate on the effect of inflation on their business	132(34.02)	101(29.88)	22(5.76)	59(15.21)	74(19.07)

Source: Survey, 2019

Table 5 indicates that 30.15% of the respondents strongly agreed that SMEs in North Central Nigeria always have knowledge of inflation that it will affect the value of money. 28.35% of the respondents agreed that SMEs in North Central Nigeria always have knowledge of inflation that it will affect the value of money and 13.40% of the respondents were undecided. 17.27% of the respondents strongly disagreed that SMEs in North Central Nigeria always have knowledge of inflation that it will affect the value of money and 10.82% of the respondents disagreed that SMEs in North Central Nigeria always have knowledge of inflation that it will affect the value of money. The implication of this is that majority of the respondents always have knowledge of inflation that it will affect the value of money.

Table 5 indicates that 31.71% of the respondents strongly agreed that SMEs in North Central Nigeria monitor inflationary trend in order to invest their money. 30.41% of the respondents agreed that SMEs in North Central Nigeria monitor inflationary trend in order to invest their money and 11.34% of the respondents were undecided. 15.46% of the respondents strongly disagreed that SMEs in North Central Nigeria monitor inflationary trend in order to invest their money and 11.08% of the respondents disagreed that SMEs in

North Central Nigeria monitor inflationary trend in order to invest their money. The implication of this is that majority of the respondents always monitor inflationary trend in order to invest their money.

Table 5 indicates that 34.02% of the respondents strongly agreed that SMEs in North Central Nigeria have adequate knowledge on the effect of inflation on their business. 29.88% of the respondents agreed that SMEs in North Central Nigeria have adequate knowledge on the effect of inflation on their business and 5.76% of the respondents were undecided. 15.21% of the respondents strongly disagreed that SMEs in North Central Nigeria have adequate knowledge on the effect of inflation on their business and 19.07% of the respondents disagreed that SMEs in North Central Nigeria have adequate knowledge on the effect of inflation on their business. The implication of this is that majority of the respondents always have adequate knowledge on the effect of inflation on their business.

Table 6: Assessment of Effectiveness of SMEs in North Central Nigeria

Items	5	4	3	2	1
There is an increase in sales of SMEs in North Central, Nigeria	56(14.43)	67(19.82)	57(16.86)	119(35.21)	89(26.33)
SMEs produced goods and service at a reduced price	48(14.20)	55(16.27)	78(23.08)	123(36.39)	34(10.06)
The output of SMEs product has increase over the period with increasing demand.	50(14.79)	65(19.23)	44(13.02)	133(34.28)	106(27.32)

Source: Survey, 2019

Table 6 indicates that 14.43% of the respondents strongly agreed that there is an increase in sales of SMEs in North Central, Nigeria. 19.82% of the respondents agreed that there is an increase in sales of SMEs in North Central, Nigeria and 16.86% of the respondents were undecided. 35.21% of the respondents strongly disagreed that there is no increase in sales of SMEs in North Central, Nigeria and 26.33% of the respondents disagreed that there is no increase in sales of SMEs in North Central, Nigeria. The implication of this is that majority of the respondents disagreed that there is no increase in sales of SMEs in North Central, Nigeria.

Table 6 indicates that 14.20% of the respondents strongly agreed that SMEs produced goods and service at a reduced price. 16.27% of the respondents agreed that SMEs produced goods and service at a reduced price and 23.08% of the respondents were undecided. 36.39% of the respondents strongly disagreed that SMEs do not produced goods and service at a reduced price and 10.06% of the respondents disagreed that SMEs do not produced goods and service at a reduced price. The implication of this is that majority of the respondents disagreed that SMEs do not produced goods and service at a reduced price.

Table 6 indicates that 14.79% of the respondents strongly agreed that output of SMEs product has increase over the period with increasing demand. 19.23% of the respondents agreed that output of SMEs product has increase over the period with increasing demand and 13.02% of the respondents were undecided. 34.28% of the respondents strongly disagreed that output of SMEs product have not increase over the period with increasing demand and 27.32% of the respondents disagreed that output of SMEs product have not increase over the period with increasing demand. The implication of this is that majority of the respondents disagreed that output of SMEs product have not increase over the period with increasing demand.

Table 7: Descriptive statistics of the Variables

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
SMEspf	388	1.00	5.00	2.9356	1.45331
SFF	388	1.00	5.00	3.4381	1.35973
INK	388	1.00	5.00	3.2010	1.48925
Valid N (listwise)	388				

Source: SPSS, version 21.00

The mean value of SMEs pf is 2.94 and the standard deviation is 1.44. This shows the presence of an outlier as can be confirmed the difference between minimum value and maximum value. The mean value of SFF is 3.44 and the standard deviation is 1.35. This shows the presence of an outlier as can be confirmed the difference between minimum value and maximum value. The mean value of INK is 3.20 and the standard deviation is 1.49. This shows the

presence of an outlier as can be confirmed the difference between minimum value and maximum value.

Table 8: Correlation Matrix of the Variables
Correlations

		SMEs pf	SFF	INK	
Spearman's rho	SMEs pf	Correlation Coefficient	1.000	.956**	.965**
		Sig. (2-tailed)	.	.000	.000
		N	388	388	388
	SFF	Correlation Coefficient	.956**	1.000	.965**
		Sig. (2-tailed)	.000	.	.000
		N	388	388	388
	INK	Correlation Coefficient	.965**	.965**	1.000
		Sig. (2-tailed)	.000	.000	.
		N	388	388	388

**** Correlation is significant at the 0.01 level (2-tailed).**

Source: SPSS, version 21.00

Table 8 indicates that there is a positive association between the dependent variable and independent variables in the study. This implies that there is strong positive association between source of finance and performance of SMEs in North Central Nigeria in terms of effectiveness. Also, there is strong positive association between inflation knowledge and performance of SMEs in North Central Nigeria in terms of effectiveness.

Table 9: Panel Regression result

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.958 ^a	.919	.918	.41564

a. Predictors: (Constant), INK, SFF

ANOVA ^a						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	750.878	2	375.439	2173.218	.000 ^b
	Residual	66.511	385	.173		

Total		817.389	387			
a. Dependent Variable: SMEspf						
b. Predictors: (Constant), INK, SFF						
Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.239	.061		-3.922	.000
	SFF	.302	.055	.282	5.479	.000
	INK	.668	.050	.684	13.282	.000
a. Dependent Variable: SMEs pf						

Decision rule: 5%

The regression result indicates the fitness of the model since the f-statistics is significant at 5% level of significance. The finding showed that sources of finance have positive effect on performance of SMEs in North Central Nigeria in terms of effectiveness. Also, inflation knowledge has positive effect on performance of SMEs in North Central Nigeria in terms of effectiveness. These effects are significant since the P-value are less than 5%. Thus, we can reject the null hypotheses and concluded that sources of finance have a positive and significant effect on performance of SMEs in North Central Nigeria in terms of effectiveness. The findings also revealed that inflationary knowledge have a positive and significant effect on performance of SMEs in North Central Nigeria in terms of effectiveness.

The $R^2 = 0.91$ indicates that only 91% of variation on performance of SMEs in North Central Nigeria in terms of effectiveness can be used to explain by financial knowledge (sources of finance and inflation knowledge) but 9% can be explained by other factors not noted in the regression model which is referred to as error term.

Discussion of Findings

The study found out that financial knowledge has positive and significant effect on performance of SMEs in North Central, Nigeria. Other findings indicated that sources of finance have a positive and significant effect on performance of SMEs in North Central Nigeria in terms of effectiveness and inflation knowledge has a positive and significant effect on performance of SMEs in North Central Nigeria in terms of effectiveness. The study is in line

with the findings of Raph (2008) and Wisdom (2014) who found that there is positive and significant effect of the variables. The study did not disagree with the findings in that study. The study is also in line with exchange theory which holds that the differences in literacy levels among individuals is as a result of exchange of information between the more literate and the less literate, financial education that may be offered in the workplace and the skills acquired on the job.

Conclusion

The study concluded that financial knowledge has positive and significant effect on performance of SMEs in North Central, Nigeria. Other findings were that sources of finance have a positive and significant effect on performance of SMEs in North Central Nigeria in terms of effectiveness and inflation knowledge has a positive and significant effect on performance of SMEs in North Central Nigeria in terms of effectiveness.

Recommendations

SMEs owners and or managers in North Central should continue to educate their counterpart about the need to have financial knowledge on the sources of finance such as retaining earning, borrowing from friends and relations as well as obtaining micro credit from micro finance banks. They should understand if they are properly educates on how to obtain their financial sources, their performance will improve.

SMEs owners and managers in North Central Nigeria should be properly educated on inflationary knowledge which affect positively finance and investment. They should understand that inflation in the system determine the financial strength they will have and invest. They should continue to be educated on the inflation.

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