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Financial Literacy and Financial Performance of Micro, Small and Medium Enterprises in Lagos City, Nigeria

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Abstract:
Micro, small, and medium-sized enterprises' (MSMEs') financial literacy and performance are critical to their overall survival in a competitive business environment. The study addressed the following specific objectives:

- *To determine the level of financial literacy of MSME entrepreneurs;*
- *To determine the financial performance of MSMEs;*
- *To determine the relationship between financial literacy and financial performance, and*
- *To determine the problems encountered by MSMEs entrepreneurs in the management of their businesses*

The study was guided by the upper echelon theory and competency theory. The study adopted a descriptive-correlational research design in which a total sample of 100 MSMEs was conveniently selected inside Alaba International Market, Lagos City, Nigeria. Questionnaires were administered as the main data collection tool, which included estimates of the MSME financial statements such as profitability, liquidity, and leverage for the years of 2017, 2018, and 2019. An inferential statistical tool, such as correlation analysis, was applied to test the relationship between the two main variables.

The study found that the majority of the entrepreneurs had appropriate levels of knowledge, behavior, and attitude in managing their business finances but were inconsistent in putting these concepts into practice while making decisions that affected their business operations. The study also found that the MSMEs for the three-year periods assessed were not profitable due to low sales, insufficient support from stakeholders had low liquidity due to poor sales and lack of cash flow management, and incurred more debts that were diverted to other activities that did not add value to their business operations. The null hypothesis was rejected, implying that financial literacy had a significant and positive effect on the financial performance of MSMEs. Moreover, poor access to bank financing was found to be the major problem impeding the expansion and growth of MSMEs in the study area. As a result, the study concluded that the proposed recommendations would serve as the foundation for addressing the issues raised in the study, thereby assisting MSMEs in improving their financial literacy and business performance in the long run.

Keywords: *Financial literacy, financial performance, MSMEs*

1. The Problem

1.1. The Background of the Study

Globally, micro, small and medium enterprises (MSMEs) are recognized as critical drivers of the global economy. Countries, including developed and emerging economies, recognize that MSMEs are consistently perceived as the most important sector that stimulates the growth and development of an economy due to the role they play in reducing the vicious cycle of poverty through employment generation (Wu & Si, 2018; and Staelens et al., 2018). As a result, the growth and development of MSMEs in enhancing the economic growth of any country cannot be underestimated because they not only ensure the reduction of unemployment rates, especially among the people in rural and far-flung areas but also act as catalysts for the generation of new business ideas and innovation.

At the moment, micro, small, and medium-sized enterprises (MSMEs) account for approximately 90% of all businesses and account for 70% of all job employment globally (GAIN, 2021). Seven out of ten jobs are created by the MSME sector in most developing nations (World Bank, 2021). To demonstrate how important micro, small, and medium enterprises (MSMEs) are to an economy, recent reports by the World Bank (2021) show that MSMEs contribute roughly about 40% to the gross domestic product (GDP) of emerging economies. In the Association of South East Asian Nations (ASEAN), for example, between 88.8% and 99.9% of all enterprises are found in both the formal and informal MSME sectors, contributing between 51.7% and 97.2% of all employment in member countries. The contribution of these enterprises to the member country's GDP is between 30% and 53%, and the sector's contribution to exports is between 10% and 29.9% (ASEAN, 2020). In fact, it is estimated that around 600 million jobs will be required to accommodate the growing number of the world workforce, which makes the MSME sector's development a high priority for governments around the globe (World Bank, 2021). Therefore, it seems clear that bad things will happen if a country does not recognize and pay enough attention to the MSME sector as part of its overall economic policy and development efforts.

Despite the well-documented evidence and statistics showing the undoubted contributions and significance of micro, small and medium enterprises (MSMEs) to a nation's economy and society at large, a handful of past studies suggested that, unlike large corporations with huge financial resources, MSMEs confront several challenges that impede their growth, development, and performance in the long-term. However, this depends on the nature and type of business endeavor they are engaged in (Roy & Jain, 2018). Besides the widely reported issues of inadequate funding (Madan, 2020; Francisco & Canare, 2019), which impedes or slows the growth of MSMEs and business expansion, there are some of the most significant factors responsible for the high failure rates among MSMEs. They are:

- Lack of demand for products sold by MSMEs,
- Inadequate government support (Atkinson, 2017), and
- Lack of financial literacy

This is more evident in many MSMEs in new and emerging markets (Grohmann, 2018).

According to Cucinelli et al. (2019), an enterprise's success or failure, to a large extent, depends on the financial literacy of entrepreneurs.

It is for this reason that governments in many developed and developing countries have created training opportunities for current and potential MSME entrepreneurs to acquire the right kind of knowledge, attitude, and behavior required for operating a successful enterprise that will assist them in reaching their desired level of growth and development (Ponio & Timog, 2017).

Within the organization, a significant number of micro, small and medium enterprises (MSMEs) do not have the right kind of knowledge, attitude, and behavior that they need to manage the funds of their enterprises effectively. Most MSMEs do not have the prerequisites for accessing loans and other credit facilities from established financial institutions such as banks, which leads them to depend on informal borrowing that is small and unsustainable for enhancing their growth and development. These issues also impede MSMEs from improving their business performance. Although several initiatives have been implemented by governments and other stakeholders around the world to improve and increase MSME entrepreneurs' financial literacy (knowledge, attitude, and behavior), it is unclear whether these initiatives actually lead to better financial management, financial performance, debt management, credit management, and improved access to loans from financial institutions (Cowling et al., 2018).

According to Durst & Bruns (2018), a lack of financial knowledge, attitude, and behavior also make it difficult for potential lenders to accurately assess the MSME entrepreneurs that approach them with their loan requests.

In line with this thought, Hussain et al. (2018) further reiterated that the complex and dynamic business environment MSMEs operate and financial illiteracy make it difficult for them to make effective financial decisions. This is a sad development, given that Agyei (2018) proposed that entrepreneurs' skills are guaranteed to be improved and raised to a higher level because they are financially literate, contributing to significant business financial performance. Entrepreneurs who desire to grow and expand need to have the right conviction about their money and be sufficiently literate. If MSME entrepreneurs are financially illiterate in managing their organizational finances, growth remains stagnant, and they become unable to access financing due to non-awareness. This attitude and behavior ensure that the businesses fail in the short-term (Durst & Bruns, 2018).

Entrepreneurs with a lack of financial literacy (financial knowledge, attitude, and behavior) limit their capacity to compete favorably, thereby undermining their business performance and success. Consequently, the lack of financial knowledge, behavior, and attitude represents a formidable challenge for MSME entrepreneurs. Moreover, researchers like Mutiso & Muigai (2018) opined that financial literacy should be taken as a crucial tool for MSME performance. This is based on the fact that financially literate entrepreneurs are capable of understanding financial products and services, which gives them the confidence to confront financial risks and opportunities by making more informed decisions (Quartey et al., 2017).

From the above discussion, it is evident that the importance of financial literacy in the micro, small and medium enterprise (MSME) sector cannot be overlooked by critical stakeholders. This is because financial literacy is crucial in assisting MSME entrepreneurs in ascertaining critical financial problems, behaviors, and attitudes they need to support the efficient management of their enterprise financial resources (Hsiao & Tsai, 2018). It is through financial literacy that MSME entrepreneurs develop the right kind of attitude and behavior as well as gain the right kind of knowledge for their business, such as concepts of types of business risks to take or avoid, how to diversify their investment portfolios, as well as how to determine their business profitability, liquidity, and leverage in line with the acceptable standards that have an impact on business performance.

Thus, financial literacy prepares MSME entrepreneurs to understand the crucial financial products their business needs, including various financing options from the government and banks, critical investment ideas, and financial management plans for the future. It improves how MSME entrepreneurs acquire and use the money for the overall benefit of their business. Understanding the components of financial literacy, such as knowledge, behavior, and attitude, helps in making the right decisions and choosing the correct strategy or policy to apply and follow in terms of bookkeeping, debt management, budgeting, and credit management (Rai et al., 2019). In addition, financial literacy not only gives entrepreneurs the confidence and conviction they need while making vital decisions but also helps them to effectively respond to the rapidly changing dynamics of the business environment that affect daily operations, including events that impact the overall economy, such as rising unemployment brought about by the current COVID-19 pandemic, threat of war, and change in government policies (Yogasnumurti et al., 2021).

It is inevitably true that increasing the opportunities for MSME entrepreneurs to become financially literate will have huge effects on the overall social and economic development of a country (Bongomin et al., 2017). As a result, understanding the elements that lead to the success or failure of MSMEs is significant. Although it is evident that even though MSMEs operate under similar conditions and business environments, some succeed while others fail to improve their business performance. This study focuses its attention on the concepts of financial literacy in terms of knowledge, behavior, and attitude to provide a practical means of resolving the problem. Recognizing this importance, the need for financial literacy among MSME entrepreneurs has taken a new dimension by becoming a subject of increased interest from stakeholders in both developed and emerging economies (Purnomo, 2019). Thus, more focus and attention should be devoted to enhancing the current level of financial literacy to the highest level possible, as this would directly assist in attaining several objectives of MSME entrepreneurs.

A significant number of previous studies have shown the relationship that exists between financial literacy and financial performance. However, the direction of the relationship still remains unclear (Brausch, 2018). According to Anshika et al. (2021), most micro, small, and medium enterprises (MSMEs) fail to progress or reach their expected level of growth due to:

- A lack of financial literacy,
- Insufficient management skills, and
- Financial illiteracy

All of them reduce the chances of increasing firm performance and business success. Most authors that researched the financial practices of small enterprises agreed that regardless of firm size, age, or the number of years in business, entrepreneurs constantly make decisions such as those in resource acquisition, sales, and utilization of funds. Surely, these activities have a huge impact on business performance and success. Hence, for these decisions to be efficient enough to achieve the desired objectives, entrepreneurs must equip themselves with sufficient financial literacy knowledge (Menike, 2019). Evidence also shows that financial literacy affects how well and how much MSMEs grow and succeed (Hanggraeni & Sinamo, 2021).

The major goal of financial performance is to show how well a business is doing in terms of wealth creation and acquiring resources (Verma, 2022). Yakob et al. (2021) attribute financial performance to the ability and capacity of the firm to transform resources into productive ventures that create wealth and help attain organizational objectives. Many variables, such as return on investment, liquidity, leverage, and efficiency, have been used by different researchers to evaluate the financial performance of firms. These measures affect the profitability and growth of firms both in the short and long term. Firm growth is the integration of quality and quantity. Since growth is closely associated with overall success and sustainability, growth can be used as a measure of performance (Degong et al., 2018).

Measuring the financial performance of micro, small and medium enterprises (MSMEs) is not an easy task because these organizations usually consider these details confidential and protect their disclosure from the public eye and scrutiny (Anwar, 2018). Moreover, since most are private and not public entities, they are not required by law to publicly disclose their financial details to members of the public. According to Engidaw (2022), collecting past historical data regarding the financial performance of MSMEs is often a herculean task because many do not keep formal records, and even in instances where it is obtained, it is fraught with many irregularities. Analyzing and interpreting the figures becomes difficult when past financial records are obtained because MSMEs often have small capital, poor record-keeping, and inconsistent growth rates (Fairlie, 2020). Additionally, the information contained in the financial statements may also be tampered with because small firms are prone to manipulating data to make it look good and favorable to the business outlook (Nwarogu & Iormbagah, 2017).

Lastly, unlike large corporations, MSMEs focus majorly on their daily operations, operate on a small scale, and usually do not have time or enough resources to carry out financial performance management records according to acceptable standards and principles (Ibrahim, 2017). Given the presence of these problems, scholars have no choice but to assess the financial performance of MSMEs using general subjective means as a way to achieve their study objectives (Hanggraeni & Sinamo, 2021). The use of subjective measures to assess the financial performance of MSMEs is permissible since it is closely associated with the formulated research objectives. Consequently, this approach can be used as it avoids directly asking businesses to provide their past financial records or figures but still indirectly evaluates financial performance through the responses of entrepreneurs using a survey.

Globally, there is a plethora of empirical literature on financial literacy and the financial performance of micro, small and medium enterprises (MSMEs). Although these studies were conducted in different contexts with diverse results, they nevertheless provide crucial insights that help in understanding the effects of financial literacy on the performance of MSMEs. In the Philippines, a recent study by Cammayo & Perez (2021) found that the financial performance of MSMEs is poor due to poor management of their account receivables. The authors further established that MSMEs had a very low rate of return and a low survival rate because of their low rating on stability.

In India, Gawali & Gadekar (2017) concluded that accounting and financial knowledge, competencies in interpreting financial statements, owner-managers attitudes, and their level of involvement in financial aspects of business are largely responsible for the success or failure of MSMEs. Furthermore, a study conducted in Indonesia, specifically in Pemakuan village, discovered that MSMEs entrepreneurs lacked knowledge in preparing financial statements due to a lack of education (Rizky, 2019). The entrepreneurs consider that recording and keeping financial statements such as credit and debit records is too difficult, and they do not have experience in preparing financial statements.

Other studies in Indonesia found that MSME managers had low financial literacy, but the study also discovered that:

- Financial literacy has a positive impact on access to finance and financial risk on MSME performance (Buchdadi et al., 2020),
- Financial literacy has a positive effect on access to finance and MSME growth (Susan, 2020),

- Financial literacy has a significant effect on growth but does not affect the sustainability of MSMEs in the handicraft sector (Yurniwa, 2010)

Studies on financial literacy and financial performance, along with other concepts, have also been carried out within the African continent. In Kenya, for instance, Hauwa (2017) reported that the financial knowledge of MSMEs entrepreneurs has no significant impact on profitability; financial behavior slightly affects profitability. Although the majority of the entrepreneurs had a positive attitude toward setting financial targets for the future, they did not have the attitude or intention of attempting to acquire more financial skills through training programs. Thus, the study concluded that financial knowledge, behavior, and attitude do not necessarily translate to increased firm performance and profit unless they are applied in decisions and other activities of the business.

Other studies in Kenya found that:

- Financial literacy, credit access, and tax are statistically significant financial factors affecting the performance of MSMEs (Benedict et al., 2021),
- Financial literacy moderates the relationship between behavioral factors and investment decisions among MSMEs and later recommends that financial training be provided to entrepreneurs to improve their literacy skills to achieve better investment decisions (Barno, 2021)

In Uganda, Zirabamuzale (2021) used the variables of investment, borrowing, and budgeting literacy to investigate the financial literacy and financial performance of MSMEs. The author found that financial literacy positively and significantly affects the financial performance of MSMEs. In Ghana, Amoah & Mungai's (2020) study revealed that both financial literacy training and micro-insurance had a positive and significant effect on the financial performance of MSMEs. Several studies using different variables on micro, small and medium enterprises (MSMEs) have also been carried out within the Nigerian context. Irikefe & Isaac (2021) investigated the effect of financial literacy on the growth of MSMEs in Murg shopping mall, located in the heart of the nation's capital, using debt, bookkeeping, and budgeting as variables. Their findings revealed a significant effect of financial literacy on the growth of MSMEs.

Similar results were also reported by Usama & Yussof (2019). However, the authors used financial awareness, debt management, bookkeeping, diversification, and risk management as variables to investigate the impact of financial literacy on business performance. Finally, Esiebugie et al. (2018), in their study of financial literacy and the performance of MSMEs, concluded that among the three variables of financial literacy, namely, financial knowledge, behavior, and attitude, only financial knowledge and financial attitude influence MSME performance and therefore called for future research in this area.

Overall, the reviewed empirical studies revealed several literature gaps. The most evident among them is the very limited use of the three financial literacy proxies—financial knowledge, attitude, and knowledge—to investigate financial literacy and financial performance. Except for the studies of Hauwa (2017) in Kenya and Esiebugie et al. (2018) in Nigeria, all the other studies used different financial literacy proxies. Most tend to correlate financial literacy to financial management practices like bookkeeping, debt management, and budgeting skills. No attempt was made to determine entrepreneurs' financial literacy level and how it affected the performance of their businesses. Moreover, most did not include the variables of liquidity, leverage, and profitability to determine the performance of MSMEs. Unlike the previous literature, this study focused on financial literacy components such as financial knowledge, financial behavior, and financial attitude to ascertain how they affect financial performance variables, such as profitability, liquidity, and leverage among MSMEs in Lagos State, Nigeria.

Furthermore, the two studies that used the same financial literacy proxies but did not use the three proxies of financial performance, such as profitability, liquidity, and leverage, and were conducted in less turbulent business environments than now that the business environment is negatively impacted by the COVID-19 pandemic. This suggests that the challenges businesses faced between 2017 and 2018 are not the same as the current challenges confronting MSMEs in the current business environment, another justification for the conduct of this study. The present study, which studied MSMEs specifically in the wholesale/retail trade sector, the reviewed literature studied the MSME sector as a whole, which makes it difficult to apply their study findings since the issues that affect micro, small, or medium enterprises are similar but still not the same because each enterprise is unique and different from one another.

Mixed results were equally reported by these studies, which is an indication that financial literacy and financial performance are complex phenomena. For example, Caronge et al. (2020) found that financial attitude has a negative effect on financial literacy and satisfaction because individuals with better financial attitudes do not necessarily produce better financial decisions. However, other factors, such as financial knowledge and behavior, can create greater financial decisions. Furthermore, Winarno and Wijijayanti (2018) found no correlation between financial literacy and MSMEs' financial performance, whereas others found different results, leaving an empirical gap that this study sought to fill. Moreover, previous researchers called for the conduct of another study in another context to either confirm or contradict their results, which adds new data and information to the growing body of literature, especially in business management.

Defining micro, small, and medium enterprises (MSMEs) is difficult because it is context-based; that is, the definition is dependent on the country or location where businesses are found. The majority of definitions are based on the number of employees, start-up capital, and assets. It, therefore, means that there is no universally acceptable definition of MSMEs. However, in the context of this study, MSMEs in Nigeria must achieve an average yearly turnover of less than or equal to N20 million (approximately $48,105), have less than equal to N5 million (approximately $12,026) in assets, and employ between 5 to 10 employees. A small business must have an annual turnover of less than or equal to N100 million (approximately $240,530), total assets of less than N5 million (approximately $12,026-$240,530), and employ between 11 and 50 people. Finally, a medium-sized enterprise must have an annual turnover of less than or equal to N500 million (approximately $1,202,645), total assets of N100-N500 million ($240,530-$1,202,645), and 51-200 employees.

Just like in other economies, in Nigeria, micro, small and medium enterprises (MSMEs) dominate both the formal and informal sectors of the economy. In fact, 96.7 percent of all business organizations in Nigeria belong to the MSME sector, which consists of approximately

39.65 million MSMEs, employing over 80 percent of the country's total workforce and contributing 46.31 percent to the country's GDP (Otaru, 2022). Recognizing the significant role of MSMEs, several regimes and governments in the country have come up with different policies and programs to help the sector grow and develop. One such program was the small and medium enterprise development agency of Nigeria (SMEDAN), established in 2003. The justification for the establishment of this institution was due to rising population growth, along with an increase in poverty and a lack of job opportunities for the teeming young population in the country. SMEDAN's main goal was to help MSME entrepreneurs and investors gain access to the resources they need to accelerate their growth and development, resulting in a continuous reduction in poverty.

Despite SMEDAN's intervention, the effort does not appear to have provided the much-needed support as most MSMEs in Nigeria fail to succeed beyond one year of establishment despite the unsophisticated consumer market (Obaje, 2020). Hence, MSMEs in the country are experiencing a decline in profitability (Shafi et al., 2020). Although the government effort was supposed to assist MSMEs in overcoming some of the challenges, they deal with, such as access to finance and providing an enabling environment for them to thrive, the owners/managers of these businesses lack financial literacy that could help improve their business performance and remain sustainable with the help of these interventions. Yusufu (2021) opined that the Nigerian MSME sector has been revolving around financial shortages, poor financial practices, being unable to contend with large businesses and corporations, perpetual losses, and unstable economic conditions, which increasingly have an adverse effect on the sector's financial performance.

Furthermore, even though MSMEs are vital to economic diversification, only 4% of the 40 million MSMEs in Nigeria have access to credit (Adekoya, 2021). Several factors can be attributed to MSMEs' inability to readily access finance from the country's financial institutions (commercial banks and microfinance banks). Ali et al. (2020) attributed these factors to a lack of adequate bookkeeping, high default in loan payment, high-interest rates, poor business plans, poor business outlook, lack of acceptable collateral, and the bank's reluctance to provide access to credit due to their small nature and perceived high risk of business failure, which prevents them from paying their obligations as due. In situations where some of the MSMEs can provide acceptable collateral, the amount loaned to them ends up being inadequate, which supports the views of Ibrahim et al. (2018). Despite providing guarantees, banks are usually unwilling to lend to the MSME sector because of the perceived high-risk nature and expectation of low profitability.

Additionally, the Nigerian micro, small and medium enterprise (MSME) sector operates in an unstable business and challenging economic environment due to several problems such as erratic power supply, poor road network, difficulty accessing funds due to lack of collateral, and political and civil unrest in many parts of the country (Obaje, 2020). Martin (2020) also pointed out that MSME entrepreneurs were less likely to get into the habit of saving because of things like family problems and a lack of knowledge about money.

This affirms the position of Esiebugie et al. (2018) that the behavior of a typical Nigerian entrepreneur is increasingly consumptive and is slowly starting to leave their habit of saving, as evidenced by a decrease in the marginal propensity to save and a tendency to increase marginal propensity to consume. As Olubiyi (2022) noted, financial constraints remain one of the key challenges impeding the growth and development of MSMEs in Nigeria. The author added that a lack of a saving culture is as much a problem as a lack of finance because, without adequate savings, entrepreneurs will not be able to meet up with most of their obligations and continue with their business operations as opportunities strike. Hence, they lose out on them.

As a result, there have been a significant number of studies on the components attributed to the success and failures, including poor financial performance, poor access to finance, poor financial management practices, inadequate government assistance, and deficit infrastructure, among others, with few focusing on the financial literacy aspect of MSME entrepreneurs (Ahmed et al., 2020). This suggests that despite the huge market and rising population growth with a huge appetite for consumption, most of these MSMEs cannot take advantage of these opportunities to improve business performance and develop their businesses.

According to Anastesia et al. (2018), although these challenges pose a great risk for some of the majority of MSME business success and survival, the few that attempt to improve their business performance are often frustrated by these problems. By making it easier for MSMEs to do business, they will need less help from the government and will not have any trouble competing with smaller, less organized businesses (Mukherjee, 2018).

Also, in the event of an emergency such as a fire outbreak, for instance, the majority of the MSMEs do not have insurance coverage due to their small nature, paucity of funds, and lack of understanding of how the insurance sector operates. This supports the position taken by Fofie (2016) that lack of knowledge of insurance policies, inadequate transparency of insurance policies, and difficulty obtaining insurance claims prevented customers from subscribing to an insurance policy. Hence, Owuor (2016) affirms that negative perceptions about the insurance service sector held by many customers were some of the critical reasons behind the low penetration rate of the insurance service sector. Consequently, there is a general lack of awareness and understanding regarding the main factors predicting service quality, customer uptake, and satisfaction of insurance relating to insurance products and services and why it is still not widely accepted by the public, especially in developing nations (Gachau, 2016).

The majority of owners/managers of MSMEs in Nigeria do not prepare well for financial management because they are financially illiterate, which often leads to business failure in the first year of business (Obazee, 2019). Approximately 62 percent of MSME entrepreneurs face financial literacy challenges, and 20% do not recognize the need for financial literacy (Kolawole, 2021). Due to insufficient preparation of entrepreneurs for financial literacy and management, 80 percent of MSMEs failed to succeed and remain operational within five years (Ajibola, 2020). The overall challenge is that financial literacy concepts such as financial knowledge, behavior, and attitude that can be used to improve business performance are not explicitly taught to MSME entrepreneurs before they take the leadership role of their businesses. The main issue is that many MSME entrepreneurs are financially illiterate, and this negatively impacts their business performance and sustainability in the long term (Itunu et al., 2020).

Unarguably, most large corporations in developed economies started as MSMEs. For example, Amazon Company began in 1994 as a small business out of the founder's garage. Today, the company is one of the largest employers of labor, employing about 1.6 million full and part-time employees worldwide. Usually, the growth of such corporations is due to the financial literacy and long-term strategy of the owners/managers. Although a significant number of businesses started on a small scale before developing into larger corporations in many developed countries, such examples are uncommon in Nigeria (Obaje, 2020).

Interestingly, in Nigeria, micro, small and medium enterprises (MSMEs) involvement is not limited to one sector of the economy but rather operates in all sectors of the economy because it constitutes the largest source of livelihood for most citizens in the country. Nonetheless, very little is known about the financial literacy, performance, problems, and other obstacles that MSMEs in the wholesale/retail trade sector confront in their quest to achieve maximum growth, success, and sustainability. This study focuses on financial literacy, financial performance, and the problems MSMEs face, specifically in the wholesale and retail trade sectors. The wholesale/retail trade sector is the largest subsector in the MSME industry, constituting about 55 percent of all businesses and contributing about 20 percent to the country's gross domestic product (Akpata & Oyedele, 2020; Oh, 2017).

These MSMEs are mostly domiciled in the informal sector and are engaged in the buying and selling of consumer-to-industrial goods ranging from groceries, electronics, and home and industrial chemicals to household food products. The market for the success and growth of MSMEs in the wholesale and retail trade sector remains bleak, given that they operate in a difficult business environment. For example, the problems of trade regulations, political instability, high cost of transportation, multiple taxations, erratic power supply, and inadequate financing options remain the biggest business environmental obstacles affecting the sector in Nigeria (Zachariah et al., 2019). In fact, these issues have been made worse since the outbreak of COVID-19, where 91 percent of wholesalers and retailers in Lagos State alone reported zero profits and revenues, and the entrepreneurs blame this misfortune on the tight COVID-19 lockdowns and restrictions on people's movement (Bishi et al., 2021).

Besides COVID-19, lack of financial literacy was also attributed to be the major cause of the entrepreneurs' failure to generate enough profit for their businesses. As MSMEs in the wholesale/retail trade sector continue to struggle, most perform dismally and fail to succeed in the long term. Given this problem, it becomes significant to investigate the problems MSMEs deal with to provide concrete strategies to relevant stakeholders that they can use to help the sector grow and develop. One of the factors that can be used to impact the performance of MSMEs effectively is financial literacy training. This is because entrepreneurs with sufficient financial literacy will be in a better position to respond effectively to the needs and changing dynamics of their business environment (Lusardi, 2019).

The selection and application of specific financial literacy concepts such as financial knowledge, behavior, and attitude, as well as financial performance proxies such as profitability, liquidity, and leverage, may improve enterprise sustainability not only in the difficult business environment that many Nigerian MSMEs find themselves in, but can also help to facilitate their competitiveness among others (Esiebugie et al., 2018). Despite her reservations about financial literacy, Alsemgeest (2015) highlighted the significance of financial literacy to include assisting an organization in making effective financial decisions that will ensure that the future status of the business is taken into account, thereby assuring the preparedness for an unforeseen emergency or undesirable changes in the business environment (Khawar & Sawar, 2021).

In this context, the study is motivated to investigate financial literacy concepts (financial knowledge, behavior, and attitude), financial performance proxies (profitability, liquidity, and leverage), and the problems confronting MSMEs in the Nigerian wholesale and retail trade sector. These financial components are significant variables that have been shown in the literature to be critical among other factors influencing the performance of MSMEs and their operations. Most significantly, these components have been found to have direct effects on the performance of MSMEs (Liu et al., 2021).

This study was conducted among businesses in the wholesale and retail trade sector in Lagos metropolis, Nigeria. Specifically, among businesses in the Alaba international market, this is located in the heart of Lagos. Lagos is the commercial hub and former capital of Nigeria. With a population of 23,437,435 inhabitants, it is the most populated state in Nigeria. On its own, Lagos has the seventh largest economy in Africa (Egbejule, 2020). Lagos being the economic hub of not only Nigeria but Africa as a whole, suggests that a lot of business activities are taking place on a daily basis within the city. Among several businesses situated within the Lagos metropolis, the wholesale and retail trade constituted the majority. Most of these businesses are located within the city, such as the popular computer village, Ladipo market, Alaba international market, Balogun market, and Ajah market, among others.

However, despite the city's huge population and business activities, more than 60% of its residents live in poverty, and many dwell in informal/illegal settlements scattered around the city (Olubiyi, 2021). Many of the government's basic amenities, such as clean pipe-borne water, a good road network, and affordable housing, do not reach the populace. Most of them make a living from engaging in economic business activities, including nano, micro, small, and medium-sized businesses. Approximately 3,224,324 businesses currently operate in the city as micro-businesses, and over 11,663 belong to the MSME sector, employing a total of 5.5 million people (Olubiyi, 2021).

The current COVID-19 pandemic and harsh economic reality in Nigeria have made many of these businesses struggle, and some have permanently closed due to these problems, including perennial issues such as poor electricity supply, poor road network, and lack of demand for their products, inadequate funding, and financial illiteracy. In fact, lack of financial illiteracy was perhaps the most obvious reason why many MSMEs in the wholesale/retail trade sector in Lagos could not effectively utilize their scarce resources to make a profit and remain operational during the height of COVID-19 (Bishi et al., 2021). This goes on to corroborate some studies that, although MSMEs account for about 80% of all jobs, they are also responsible for almost 90% of all job losses (Shafi et al., 2020).

Entrepreneurs' lack of financial literacy influences them to make poor financial decisions that result in poor performance and, consequently, untimely business failure (Anshika et al., 2021). As indicated by Ali et al. (2018), financially literate entrepreneurs have better savings, credit, debt, and budgeting skills and can manage, plan, and are less likely to experience higher debt levels. Thus, it is essential to investigate the financial literacy, financial performance, and problems confronting MSMEs in the wholesale/retail trade sector in Lagos metropolis, Nigeria. To the best of the researcher's limited knowledge and ability, except for the study of Bishi et al. (2021), no other recent studies have been conducted among MSMEs in Lagos, which suggests that there is a paucity of research in this area. The study intends to advance the search for solutions to the dismal situation of Nigeria's MSMEs by highlighting financial literacy and financial performance concepts. Like any other research effort that provides valuable insights that identified key stakeholders can use to advance the cause, the present research is not an exception. For this reason, the following may directly benefit from the outcome of this study:

First, the outcome of the study may benefit MSME entrepreneurs, including owners and managers, by informing them on the need to seek financial literacy knowledge which they can use to improve their business success and sustainability. This is based on the study findings that MSMEs in the study area are currently struggling to remain profitable and successful in the current business environment. Lack of financial literacy has been evidenced to be one of the key factors contributing to entrepreneurs' struggles. As a result, the information provided by the study will encourage entrepreneurs to seek financial literacy education as a means of reducing business failures and taking advantage of business opportunities as soon as they become available.

The Nigerian government may also benefit from the outcome of this study because the findings will serve as a guide for them to understand the areas of challenges facing the MSME sector and devise plans to assist the sector to remain attractive and profitable. The findings from this study will complement the ongoing efforts of the government's numerous policies and action programs, which are directly aimed at enhancing and improving the MSME sector.

Financial institutions such as commercial and microfinance banks in Nigeria may also benefit from the outcome of this study as the findings provide vital information on the areas they can support the MSME sector, especially in terms of improving access to funding and providing financial literacy education to MSME entrepreneurs.

The banks can use the information provided in this study to develop and establish policies that will support the MSME sector beyond lending, such as guiding the MSMEs through appropriate cooperation, partnership, business protection, and knowledge sharing, with the end goal of assisting the business owners and managers unlock growth opportunities and drive their businesses to greater heights. Finally, future researchers that wish to conduct similar studies in another context will benefit from this study’s findings because they can make deductions to either affirm or contradict their findings in the future, which further adds quality to their research paper.

1.2. Theoretical and Conceptual Framework

Given the purpose and nature of this research, a review of theoretical ideas underpinning the three financial literacy concepts and the three financial performance proxies is not misplaced. Thus, this sub-section of the paper is devoted to understanding the theories and concepts that make the conduct of this study more relevant. For this reason, the following theories and concepts were included and are presented in the following order:

- Upper echelon theory,
- Competency theory,
- Financial literacy dimensions, and
- Financial performance dimensions

This section also includes the definitions of key terms as they are used in this study.

Upper Echelon Theory: The present paper is anchored on the upper echelon theory proposed by Hambrck & Mason (1984), who argued that the knowledge, attitude, and behavior of management in the decision-making processes determine the prospects and performance of the organization. The authors further advanced that the financial literacy characteristics of top management can be used to project the financial performance, including the firm's profitability, liquidity, and leverage, grounded on the notion that management decisions are confirmed through their cognitive base and principles. The theory was grounded in management theory, or individuals tasked with the responsibility of making critical decisions, which are directly affected by their knowledge, attitude, and behavior, which in turn affects the profitability, leverage, and liquidity of the organization (Abatecola & Cristofaro, 2018).

The theory is also based on the premise that managers of organizations with the right kind of financial literacy skills, including knowledge, attitude, and behavior, can effectively assess their internal and external threats, pitfalls to avoid, and investment opportunities to take, which directly affect the organization's overall financial performance (Kokot et al., 2021). How managers make decisions affects all facets of the business, which can be discerned. What they perceive affects their decisions, influencing those at the bottom of the organizational structure.

Hu et al. (2018) pointed out that how top management displays their knowledge, attitude, and behavior regarding money management depends on the organization's situational attributes, which then influence financial performance. The proponents of the upper echelon theory posit that top management is a reflection of their organizations and is responsible for their performance. For example, in the micro, small and medium enterprise (MSME) sector, the manager is the individual who makes and takes crucial decisions that ultimately affect the direction and performance of the organization. Therefore, these managers are expected to have the right level of financial literacy, such as knowledge, attitude, and behavior, at all times to increase their firm's performance, including leverage, liquidity, and profitability.

Consequently, the extent of an organization's profitability, liquidity, and leverage depends on the level of financial literacy of the individuals tasked with making and taking strategic decisions within the firm. Hence, when managers of micro, small and medium enterprises (MSMEs) are confronted with fewer challenges, they are likely to make effective decisions that are not influenced by their personal characteristics. Hence, the correlation between financial literacy and financial performance should be stronger, which benefits the organization (Doan, 2020).

As indicated by Zucchi (2022), financially literate organizations have a better understanding of the strategic decisions to take and when to avoid them. As a result, their performance is improved. The upper echelon theory further shows that the importance of financially literate firms cannot be underestimated, given that Abatecola & Cristofaro (2018) reiterated that organizations with a poor level of financial literacy make costly mistakes that may be hard to recover from in the short term. Thus, organizations with high levels of financial literacy are more likely to reduce their debts, increase their profitability, liquidity, and leverage, and invest in complex assets, and more likely to do so effectively (Kihara, 2019). Hence, financial literacy is presumed to have a positive effect on an MSME's financial performance.

Additionally, the upper-echelon theory offers a good basis for ascertaining and measuring the financial performance of organizations. This is because the theory is at the heart of organizational performance in terms of liquidity, leverage, and profitability, providing a solid anchorage for this dissertation. Within the concept of the upper echelon theory, it is crucial to determine how financial literacy variables of knowledge, attitude, and behavior and their linkages with financial performance variables of liquidity, leverage, and profitability are sources of success or achievement.

The current dissertation addresses this by investigating the relationship between financial literacy and the financial performance of MSMEs. The use of this theory as a guide in this study is further justified given that the theory has led to significant findings in the literature on the responsibilities of top management and managers regarding their financial literacy levels and their attendant effects on firm performance. Because of this, financial literacy is essential for the MSME sector to have high organizational performance.

1.2.1. Competency Theory

The researcher adopted the competency theory propounded by Prahalad & Hamel (1990) as the second and final theory that guided this study. Prahalad & Hamel (1990) argued that managers with a high level of financial literacy are more likely to take proactive steps in decision-making, influencing them to make sound and effective decisions. However, those without financial literacy are more likely to make defective decisions that negatively impact their financial performance.

The main thrusts of this theory, as put forward by Prahalad & Hamel (1990), are that entrepreneurs, such as those in the MSME sector, are driven to engage in activities to develop or demonstrate their skills. If managers or owners of businesses were able to expand and grow their businesses successfully, then they would experience belief in their competence in that achievement domain, which consists of a combination of cognitive, behavioral, and affective elements required for effective performance (Esubalew & Raghurama, 2020). Achieving this feat within this domain will assist entrepreneurs in acknowledging that they can control their business performance. Consequently, a high perception of competence and control creates a feeling of pleasure that sustains or increases business performance. For entrepreneurs to drive their businesses to greater heights, knowledge of financial literacy, including their attitude and behavior, is required to understand the appropriate approaches to managing their business leverage, profitability, and liquidity (Ibor et al., 2017). The competency theory demonstrates that the extent of performance of an enterprise is dependent on the competency of managers/owners managing the affairs of the business, indicating that financial literacy (knowledge, attitude, and behavior) has a direct bearing on the financial performance (profitability, leverage, and liquidity) of MSMEs.

Managers rarely make decisions using their own independent judgments even when they perceive that they are knowledgeable and skillful because they are surrounded by different situations affecting the business. However, managers who feel competent make decisions that positively affect their organizations' financial performance (Raveendra et al., 2018). For example, MSME entrepreneurs run their businesses in a complicated business world that changes quickly.

Issues such as consumer change in preferences, lack of demand for their products and services, and business closures due to COVID-19 are some of the situations that warrant entrepreneurs to make certain decisions to remain profitable and successful. Entrepreneurs are bound to make mistakes because, regardless of their level of financial literacy, their personal characteristics may prevent them from using their literacy skills to chart a course forward that will result in a positive outcome of business performance (Esubalew & Ragurama, 2020). Their decisions will most negatively affect the organization's overall financial performance when this happens. This means that entrepreneurs with the right knowledge, behavior, and attitude to manage their company's finances will be better able to manage business liquidity, profitability, and leverage (Dewi et al., 2020). However, simply gaining the right kind of financial attitude, behavior, and knowledge that is intended to cause a positive change in the business leverage, liquidity, and profitability is not enough unless it is put into action, especially when confronted with making difficult business decisions that affect the future performance of the firm (Prahalad & Hame, 1990). This means that entrepreneurs must keep their financial knowledge up-to-date and use it daily in their businesses if they want their decisions to be good.

According to Ameliawati & Setiyani (2018), managers' knowledge, behavior, and attitude in managing their organizations' finances can be enhanced to a higher level. This concept of upgrading the financial literacy levels of managers to core competencies is based on the premise that managers with higher levels of financial literacy can increase the firms' leverage, liquidity, and profitability levels, which are the core components of financial performance and growth. The authors posited that entrepreneurs who always demonstrate that they have the right kind of knowledge are entrepreneurs who:

- Make maximum use of their scarce available time,
- Take financial decisions in a way that meets the needs of the business, Monitor progress,
- Plan for future opportunities, and
- Maintain high but realistic goals (Ameliawati & Setiyani, 2018)

Thus, competency theory supports understanding the variables of financial literacy and financial performance used in this study. It explains why the financial literacy levels of individuals tasked with the responsibility of making key decisions can affect the organizations' financial performance both in the short and long term. The use of the competency theory in this study is further justified because, generally, organizations wish to have competent personnel with the right attitude, knowledge, and behavior to improve their profitability, liquidity, and financial leverage levels.

Ansong (2017) established that competence is one of the most fundamental resources to influence any business organization's success. It allows organizations to exploit all the possible resources and increases efficiency and effectiveness in decision-making. Financial literacy is significant because it can remove the elements that prevent smooth decision-making but allows knowledge to bring rationality to the decision-making process.

Although behavioral factors do not always result in poor decisions, having the right financial knowledge, attitude, and behavior can help managers make better decisions that result in the expected or improved leverage, liquidity, and profitability for their organizations (Jude & Adamou, 2018).

As previously stated, several studies and researchers have used different variables to study financial literacy among different businesses. It is also evident from the literature reviewed in this study that most of the literature reviewed used variables such as debt management, credit management, budgeting skills, and bookkeeping, among others, to study financial literacy. It is also evident that very few studies used variables such as attitude, financial behavior, and financial knowledge to study the financial literacy of micro, small, and medium enterprises (MSMEs). Even the few that used these variables are either outdated or conducted a long time ago, which may not be applicable in the present business environment. For these reasons, and among others, the concept of financial literacy, such as financial attitude, financial behavior, and financial knowledge, proposed by Lusardi & Mitchell (2014), is used to explain the level of financial literacy of MSME entrepreneurs in this study.

Financial Attitude: Various definitions of financial attitude are given by academic scholars and researchers. For instance, Rai et al. (2019) defined financial attitude as the 'personal inclination towards financial matters'. The authors went further to mention that understanding the components of financial attitude, including the inclination of how entrepreneurs manage their business finances, helps in making the right decisions, as well as the correct strategy or policy to apply and follow in terms of bookkeeping, debt management, and budgeting and credit management. On the other hand, Wangi & Baskara (2021) viewed financial attitude as a 'state of mind, opinion, and assessment of finance'. Regardless, one thing common among the different definitions ascribed to financial attitude is that it is reflected in the way and manner in which individuals apply the management of finance in practice and through their actions.

For the purpose of this study, financial attitude is operationally defined by the perceptions owners/managers of SMEs take into consideration regarding the management of their business finances, such as monthly expenses, the establishment of financial targets, understanding of business risks, understanding the impact of short-term versus long-term decisions taken and participation in training programs, among others (Ibrahim, 2017). As indicated by Ameliawati & Setiyani (2018), a financial attitude has a more significant impact on entrepreneurs' financial literacy when compared with other financial literacy variables. Iriobe et al. (2017) posited that the money attitude of entrepreneurs positively affects their level of financial literacy. It is one of the components that positively impact the financial management of business organizations (Esiebugie, 2018). This is because understanding the attitude regarding money or finance will help individuals effectively understand what is determined to be the facts about the relationship with money. To improve the financial literacy of micro, small and medium enterprises (MSMEs), much attention needs to be devoted to enhancing the financial attitudes of entrepreneurs because that is when only the real benefits of financial literacy programs can be attained (Asad et al., 2017).

For example, entrepreneurs with the right frame of mind can determine the right kind of investment to put their scarce financial resources into or spot investment opportunities they need to invest to reach their desired level of growth. However, MSME entrepreneurs need to secure adequate information to do this effectively. Hence, financial attitudes can be improved by acquiring sufficient information through financial literacy programs or education (Abiodun, 2016).

Financial Behavior: Financial behavior is defined as the way and manner in which individuals act with respect to managing their financial resources, including savings, budgeting, investments, bookkeeping, debt, and credit management (Hasibuan et al., 2017). Zeynep (2015) views financial behavior as the ability and capability of individuals to understand the consequences of their decisions as they relate to managing the organization's financial resources. From these definitions, it is apparent that financial behavior is manifested by how well individuals, such as micro, small and medium enterprise (MSME) entrepreneurs, manage the inflow and outflow of money in their businesses.

In the context of this study, financial behavior is operationally defined by how MSME owners/managers can use their finances to achieve their business objectives, which include:

- The preparation of written financial objectives,
- Adhering to weekly or monthly plans,

- Budget preparation,
- Understanding the effect of inflation and understanding how to access finance at minimum cost, among others (Ibrahim, 2017; Patrick, 2015)

Ismail et al. (2017) highlighted that managers with very high levels of financial behavior are more inclined to make good use of their organization's financial resources, such as effectively controlling the inflow and outflow of money. For example, Rafik & Rahayu (2020) noted that the preparation of an effective budget is highly dependent on proper bookkeeping, which also provides businesses with the opportunity to be able to pay their obligations on time and also collect their debts within a reasonable time frame. Financial education is the major factor determining an individual's financial behavior level in managing financial resources. Hence, having a good financial literacy education predicts measures of the financial behavior of entrepreneurs (Mashizha & Sibanda, 2019).

Agyanpong & Attram (2019) established that entrepreneurs with good financial behavior can make strategic decisions that can improve the organization's liquidity, profitability, and leverage levels and prevent them from uncertainties that may cause the business to fail or lose profit. This level of financial behavior provides the entrepreneurs with opportunities to generate more profit, reduce debts, and subscribe to insurance policies that can help prevent the business from going bankrupt in the event of a natural disaster. Arianti (2018) pointed out that this is why financial behavior is a big and essential part of financial literacy. Financial Knowledge. Financial knowledge is defined as the awareness and understanding of applying the rules and principles of managing financial resources (Fernando, 2021). It is the understanding of the significant financial terms and concepts required to effectively operate and manage an organization's financial resources (Huston, 2017). Potrich et al. (2016) viewed financial behavior as a specific kind of knowledge individuals acquire to know how effectively they can manage their income, savings, expenditures, and investment opportunities safely and safely. From these definitions, it is apparent that the financial knowledge of micro, small and medium enterprise (MSME) managers with adequate knowledge about how to effectively make and spend money and who are confident in their ability to do so have an impact on more profitable financial behavior and firm financial performance (Schierjott et al., 2018). Within the context of this study, financial knowledge is operationally defined by the MSME owners/managers' level of understanding and application of knowledge of important financial terms such as bank savings, bank loans, time value of money, business diversification, investments in a wide range of assets as a measure to reduce risks, and knowledge of basic budgeting, among others, in the management of their business operations. Lusardi (2019) highlighted that financial knowledge is an essential component of financial literacy because it determines whether individuals have the right kind of financial literacy skills required to make key strategic decisions that ultimately affect the firm's financial performance involving questions related to concepts such as profitability, liquidity, and leverage. Hence, Durst & Burns (2018) argued that insufficient financial knowledge makes it difficult for potential lenders to accurately assess MSME entrepreneurs that approach them with their loan requests. The authors went further to mention that if MSME entrepreneurs cannot apply their financial knowledge in managing their organizational finances, growth remains stagnant, and they become unable to access financing due to non-implementation. This attitude and behavior ensure that the businesses fail in the short-term.

Moreover, financial knowledge has been shown to significantly and directly impact entrepreneurs' financial literacy skills and management practices. It is more noticeable when different strategies are used (Swiecka et al., 2020). Perhaps this can be explained by the way and manner in which managers manage the business finances, which is also an indication that financial knowledge is a fundamental element that contributes to entrepreneurs' financial satisfaction. This is why scholars such as Fwamba (2017) argued that a financially viable business depends not only on financial knowledge but also on the actions taken by managers to put the knowledge into activities of consistently managing their business processes. Consequently, financial knowledge is a fundamental factor in determining the financial literacy and financial decision skills of managers of MSMEs (Lestari et al., 2020).

Just like financial literacy, where it was already reported that several researchers and studies used different variables to investigate the phenomenon, the same is the situation in the investigation of the financial performance of organizations. Various researchers used various proxies to investigate the level of financial performance of organizations, and the current study is no exception. Irrespective of the different proxies used, the present study chose the following: profitability, liquidity, and leverage as variables used in investigating the financial performance of micro, small, and medium enterprises (MSMEs). In addition, the study only assessed the financial performance of MSMEs covering the periods of 2017, 2018, and 2019. The study did not include the COVID-19 years for the following reasons: First, it is possible that the COVID-

19 pandemic will be over soon, and including the Covid-19 years might limit the study's generalizability beyond the Covid-19 pandemic era. This also means that other scholars and researchers may not find the study useful after the end of the COVID-19 pandemic era, thereby rendering the study's information irrelevant.

Profitability: According to Nderitu et al. (2017), any firm's profitability, survival, and success depend solely on its ability to integrate the right mix of the business portfolio at the right time. Consequently, scholars like Muogbo & Obamuyi (2018) recommend that MSMEs should embrace diversity and flexibility in their business portfolio to remain competitive and improve sales and profitability. Profitability is one of the most widely used proxies used by researchers and scholars in investigating the financial performance of organizations. Horton (2021) defined profitability as the ultimate measure of efficiency or how an organization uses its assets to generate profit or income and value. This definition was adapted as the operational definition of profitability in this study. It simply indicates how organizations can use the profitability ratio to achieve economic success in relation to the capital invested in it (Nguyen et al., 2021).

According to Arbelo et al. (2020), the extent of net income accounting is used to measure and determine economic success. Increasing profitability is the major goal of most organizations operating in a capitalist economy because the profit of an organization is used to attract financing, and investors can use the figures to determine whether they will invest in an organization (Rahim & Balan, 2020). This is because businesses that are not profitable may not survive in the long term. In contrast, those that are highly profitable have the ability to not only expand and increase their value but also reward their owners with large returns on their investment (Odetayo et al., 2020).

Different ratios can be used to determine the profitability of an organization. However, this study assessed the profitability of micro, small and medium enterprises (MSMEs) through the return on assets, which is computed as (return on assets = net income/total assets), and the return on equity, which is computed as (return on equity = net income/equity). Both the return on assets and the return on equity ratios determine how effectively an organization uses its assets and profits to generate profit. Both serve as ultimate measures of an organization's economic success or performance.

Liquidity: According to Yameen et al. (2019), liquidity represents the amount of cash an organization has to efficiently and effectively meet its short-term obligations. This definition is taken as the operational definition of liquidity used within the context of this study. It is not uncommon to find that in the books of accounts of many companies, they appear to be rich in assets but poor in cash. According to Bibi & Amjad (2017), an organization that is poor in cash may fail to meet its short-term debts and lose the opportunity to take advantage of profitable investments. These organizations will then be forced to borrow more money to finance future investments or pay their short-term debts. As a result, the organization incurs more debt due to the increased cost of borrowing, hence putting the organization's status in financial jeopardy.

Moreover, as indicated by Zimon et al. (2022), organizations with inadequate liquidity may be led to bankruptcy because of their inability to pay their debts or other financial obligations as due. Therefore, maintaining sufficient liquidity is crucial in running a successful micro, small and medium enterprise (MSME). As highlighted by Zimon & Tarigh (2021), having enough liquidity is crucial but is even more significant during difficult times. For example, during the early outbreak of the COVID-19 pandemic, some of the reasons why some businesses had to close permanently can be traced to insufficient liquidity to pay their short-term obligations like lease payments, wages, and income tax payable, among others.

A liquidity ratio of 1 and above is desirable because it is believed that organizations can meet their short-term obligations. However, a liquidity ratio of less than 1 is perceived as organizations not generating enough cash to pay for their short-term debts (Batrancea, 2021). However, as pointed out by Chowdhury & Zaman (2018), the mere observation of an organization's balance sheet and computation of its liquidity to be less than 1 does not necessarily mean that the organization is not generating enough cash to pay its short-term debts. However, a liquidity ratio of less than 1 should be interpreted as the organization's independence from creditors and its capacity to confront problems and unforeseen emergencies. Additionally, Zimon et al. (2022) pointed out that low liquidity ratios indicate that an organization cannot pay its bills. However, the authors further cautioned that a high-value ratio does not necessarily suggest that an organization is high in liquidity or can fulfill its short-term obligations. Hence, Larissa (2021) opined that the liquidity of individual parts of the current assets should be considered. This means that a lower-than-ideal liquidity ratio would be acceptable in more difficult situations (as cited by Clampit et al., 2021). Regardless, an organization has to have the right amount of cash or assets that can be easily converted to cash so as not to incur costs associated with a declining credit rating, a potential forced closure, or bankruptcy (Chodnicka & Grzegorz, 2020).

Although organizations with insufficient liquidity are perceived as risky ventures, they may also become profitable as other factors can affect liquidity, chiefly among them age and size of the firms (Clampit et al., 2021). Consequently, Pulawska (2021) noted that small organizations with sufficient liquidity may be more profitable than bigger organizations in the short term. However, larger organizations with insufficient liquidity may be more profitable than smaller organizations in the long term. Although there are many ratios used to determine liquidity, for the purpose of this study, the current ratio, which is computed as (current ratio = current assets/current liabilities), and the quick ratio, which is computed as (quick ratio = current assets – inventories/current liabilities), were used. The current and quick ratios measure how effectively an organization can pay off its liabilities with current and quick assets, respectively. Assets form a major part of the resources that affect an organization's liquidity. In this study, assets refer to the resources owned and sold by MMSE entrepreneurs. The MSME entrepreneurs are only engaged in the buying and selling of items mostly imported into the country. These assets include:

Home and kitchen appliances,
- Electrical and industrial appliances,
- Electronics,
- Mobile phones and accessories,
- Power solutions, and
- Gaming equipment

Leverage: Leverage, also known as solvency ratio, is a ratio used to measure the number of assets or capital that is financed (Kasmir, 2016), and the author's definition is therefore taken as the operational definition of leverage used within the context of this study. Debt is the amount of money borrowed by one party, known as the borrower, from another party, known as the lender. It is actually the money that business organizations borrow to fund their businesses. An interest rate usually accompanies the amount the borrower is expected to pay at a later date. Most, if not all, organizations require capital to fund different projects, and most of these projects are usually financed with money that comes from debt or borrowing. Organizations borrow to fund projects because they do not have the capacity to do so under normal circumstances. Mallinguh et al. (2020) hold that since debt financing attracts huge interest rates from lenders, organizations usually use debt to finance larger projects that are expected to generate huge returns, so that they the organization can make a profit while simultaneously paying its debts with ease.

The use of high or low debt levels in financing business operations may lead to an increase or decrease of shareholders' equity, given that part of the equity may be used to finance these debts. When this is done, there may be little or nothing left to be shared as dividends to shareholders at the end of the accounting year. Debt is beneficial if the borrowed funds used in financing a project lead to increased profits because, with profit, the organization can pay its debts while at the same time paying dividends to its shareholders. This shows that leverage ratios are used to measure the amount of money organizations borrow from different creditors, which is then used to determine their levels of leverage.

According to Boyle (2022), a low debt/equity ratio indicates that an organization is less aggressively financing its growth with debt and vice-versa. The author further reiterated that organizations with huge amounts of debt are more vulnerable to bankruptcy due to the high-interest rates these debts will incur, thereby making it difficult for organizations to miss their payment deadlines to creditors. For this reason, Yoshino & Taghizadeh-Hesary (2017) posited that multiple loans negatively affect loan repayment.

In addition, organizations with good business opportunities and investment prospects will choose to finance their projects with external debts compared to self-financing. However, because of their small size and the nature of business, most micro, small, and medium enterprises usually use their personal/internal funds to finance different projects rather than sourcing funds from external creditors. As Rahman et al. (2020) explained. However, organizations with huge financial resources, including profits and revenues, are more likely to use their own internal source of funds to finance their projects. Larger projects require huge financial resources, which may not be readily available and can only be financed through debt financing.

Like the previous two financial performance proxies, there are also different leverage ratios. However, for the purpose of this study, the debt ratio calculated as (debt ratio = total liabilities/total assets), and the debt to equity ratio computed as (debt to equity ratio = total liabilities/shareholders equity), will be used to measure the financial performance of MSMEs in this study.

The debt ratio describes:

- The amount an organization owes creditors,
- The amount of money the organization borrowed from creditors is guaranteed against the organization's assets as collateral to the lenders

On the other hand, the debt-to-equity ratio describes the total debt pegged against the shareholders' equity, which can determine how much debt an organization uses to fund its projects. The higher the leverage ratios, the higher the amount of debt an organization owes to lenders, which poses a higher risk to shareholders in terms of dividend payouts or returns on investment since all debts will first have to be settled before dividends are paid.

1.2.2. Relationship between Financial Literacy and Financial Performance

The relationship between financial literacy and the financial performance of micro, small, and medium enterprises (MSMEs) has been emphasized by several scholars in different kinds of literature. Financial literacy is the combination and practicality of an entrepreneur's set of knowledge, attitudes, and behaviors to make decisions that affect their business's financial performance. The competence of entrepreneurs is used to make sound and effective decisions regarding the utilization and management of business finances (Eton et al., 2019). The authors further posited that entrepreneurs with sound financial knowledge, attitude, and behavior are better positioned to improve business financial performance. This means that entrepreneurs, who can read, write, manage, evaluate, and communicate in terms of money management, can differentiate their financial decisions, as well as money and business financial constraints, with little or no hassle (Darus et al., 2017). So, financial literacy is a good predictor of financial performance because it helps business owners make smart business decisions as they try to make more money and get ahead financially (Panday & Gupta, 2018).

According to Tumba et al. (2021), financial literacy has a significant relationship with financial performance because it is a vital indicator of success in managing the affairs of small business operations in the present complex and rapidly changing business environment. Universally, owners or managers are decision-makers of their businesses and have a critical stake in purchasing, allocating, and using their scarce resources. To make judicious use of these resources that will lead to better financial outcomes, it is agreed among scholars in the MSME sector that every business owner or manager should be financially literate, suggesting the capacity to understand, assess, write and communicate about the financial situation of their enterprises (Ukanwa et al., 2018; Uddin et al., 2017).

Although the importance of financial literacy on the financial performance of MSMEs is well-documented and evidenced, a significant number of entrepreneurs lacked the financial knowledge, attitudes, and behaviors required to increase their business profitability, liquidity, and how to effectively make use of debt (leverage) to undertake better investments or projects (Pakovic et al., 2018).

Erin et al. (2017) noted that one of the reasons why entrepreneurs make poor, inappropriate, unprofessional, and undesirable financial decisions is due to the absence or deficiency of financial knowledge, attitudes, and behaviors, as well as inadequate time to learn about the basic concepts of financial literacy. Ernest (2018) further argued that these poor financial decisions undermine entrepreneurial activity, manifested in poor business profitability, insufficient liquidity, and the accumulation of too many business debts with no successive repayment plans. Therefore, it means that if entrepreneurs are financially literate regarding the management of their business finances, the financial literacy of their businesses will also be sufficient and will result in an increase in innovation that can metamorphose into a competitive advantage, the ability to access different sources of financing due to awareness, and this attitude will lead to possible business success (Hauwa, 2017). Consequently, higher levels of financial literacy promote better financial performance, thereby providing opportunities for better planning of future life events for entrepreneurs like retirement, buying a house, or savings for children's education (Owolabi et al., 2021).

Input		Process		Output		Expected Outcome
1.Financial literacy of owners/managers of MSMEs along: a. financial knowledge; b. financial attitude; and c. financial attitude. 2.Financial performance of MSMEs in terms of: a. profitability; b. liquidity; and c. leverage.	➡	1. Analysis of the financial literacy of owners/managers of MSMEs along: a. financial knowledge; b. financial attitude; and c. financial attitude. Weighted was used as the statistical Tool. 2. Analysis of the financial performance of MSMEs in terms of: a. profitability; b. liquidity; and c. leverage. Ratio analysis was used as the statistical tool. 3. Analysis of the relationship between financial literacy and financial performance. Pearson correlation was used as the statistical tool.	➡	1. Identified financial literacy of owners/managers of MSMEs along: a. financial knowledge; b. financial attitude; and c. financial attitude. 2. Identified financial performance of MSMEs in terms of: a. profitability; b. liquidity; and c. leverage.	➡	Measures and strategies to improve the current financial literacy of owners and managers of small businesses

Figure 1: Research Paradigm

1.3. Statement of the Problem

The primary purpose of the study was to determine the financial literacy and financial performance of owners/managers of micro, small, and medium enterprises in Lagos City, Nigeria.
Specifically, it provided answers to the following queries:

- What is the level of financial literacy of the owners/managers of MSMEs in terms of financial knowledge, financial behavior, and financial attitude?
- What is the financial performance of MSMEs in terms of profitability, liquidity, and leverage?
- What is the relationship between financial literacy and financial performance?
- What are the problems encountered by MSMEs in the management of their businesses?

1.3.1. Hypothesis

There is a significant relationship between financial literacy and financial performance.

2. Design and Methodology

This chapter outlines the procedures used in gathering relevant information for this study. In retrospect, the chapter described:

- The research design and methodology that was used,
- The population and locale of the study that was targeted,
- Data gathering tools used to collect information from the respondents, data gathering procedures used in data collection, and treatment of data

2.1. Research Design and Methodology

The study used a descriptive-correlational research design. In this study, the research design was used to determine the level of financial literacy of MSMEs, their financial performance, and the relationship between financial literacy and financial performance. The problems encountered by MSMEs in the management of their businesses were also investigated. With this, the descriptive-correlational research design was the most appropriate method in the conduct of this study, which tried to determine the financial literacy and financial performance of MSMEs.

2.2. Population and Locale of the Study

The participants were the owners/managers of small and medium enterprises domiciled inside Alaba International Market, and the locale was Lagos Metropolis. Lagos is divided into twenty (20) local government areas (LGAs), and the market where this study was conducted is located within Ojo LGA. The number of registered businesses in the market as of 2016 stands at 5,000, and there are about 100,000 traders made up of direct shop owners and indirect traders (Awoniyi, 2016). The current figure is old and outdated. However, the researcher was unsuccessful in retrieving the current estimated number of businesses inside the market from either the city government or the market union. This was so despite several letters written to the market management and the researcher's contact person making personal visits to the local government office. For these reasons, the researcher chose 100 entrepreneurs (owners and managers) of businesses inside the market as respondents in this study. Moreover, the 100 respondents were recommended by the researchers' panel during their proposal defense as sufficient for this study's conduct.

Additionally, the use of 100 respondents as samples in this study is justified given that prior to the conduct of this study, the researcher attempted to get at least 450 samples but was unsuccessful as only 100 of all the entrepreneurs contacted showed greater willingness and signified their intentions to join the study. The majority of the entrepreneurs that refused to participate in the study gave reasons such as the information, especially on the financial performance aspect, being too sensitive, and not having the authority to provide the data. Second, even though the purposes of the paper were thoroughly explained through word of mouth and in writing, most seemed unwilling to participate in the survey. Lack of time was another problem respondents mentioned as preventing them from joining the study, and this was so even though enough time was given to complete the survey and others gave no reasons why they opted out of the survey, and no further questions were asked.

A breakdown of the respondents showed that 68 of the respondents' businesses were micro, 30 were small, and only 2 were medium-sized enterprises that responded to the questionnaire posed in this study. The respondents were chosen based on their knowledge and understanding of the questions posed in the questionnaire for this study. Other criteria used in selecting the respondents include managers or owners of businesses who can read, write, and understand the English language, have fair knowledge and understanding of financial literacy and financial performance, and entrepreneurs with 2 years or more experience managing their enterprise. Only the respondents that fit these criteria were chosen to participate in this study. The researcher, with the help of his research proxy in the study area, before distributing the questionnaire, verbally interviewed and asked the respondents these questions before allowing them to answer the questions.

The convenience method of non-probability sampling was used in choosing the respondents. Convenience sampling is a method where the targeted respondents are chosen for their accessibility, readiness, and willingness to participate in the study. Hence, only MSME owners/managers who were easily accessible and showed greater readiness and willingness to participate in the study were selected as respondents. The convenience sampling method was used in this study because it helped the researcher find respondents quickly and gather the primary data reasonably.

2.3. Data Gathering Tools

A survey questionnaire was used to gather the data in this study. The questionnaire was used to measure the level of financial literacy and financial performance and uncover the challenges MSME entrepreneurs encountered in managing their business enterprises. The questionnaire was constructed. However, questions on the financial literacy of MSMEs were lifted from the work of Ibrahim (2017) and Patrick (2015) with minor revisions made on some specific statements, which ensured that the statements answered the research objectives mentioned in the previous chapter of this study.

Although the previous authors validated and tested the questionnaires used, the same survey was scrutinized and reviewed by the researcher's adviser and panel. All inputs and recommendations to improve the tool were painstakingly incorporated. The reliability testing was done using the Cronbach Alpha statistical measurement of internal consistency. To achieve this, a total of 30 respondents were used as samples in the pilot test. The pilot study and the reliability test were conducted from June 16, 2022, to June 20, 2022. The data from the pilot test was then given to a statistician who later organized and tested it using the Cronbach Alpha. The tested data yielded an estimated coefficient of 0.8849, implying that the questionnaire has high reliability. The 30 respondents, as well as the results of the pilot test, were excluded from the actual survey to avoid preempting the study results, which may have negatively affected the study's final outcome.

Finally, since the financial statements of the MSMEs were not available, nor were the respondents willing to share these documents because they were confidential, an open-ended questionnaire was posed to the respondents, requiring them to input the estimated amount of their business profitability, liquidity, and leverage for the years 2017, 2018, and 2019. Hence, the computation of the three financial ratios was based on the figures provided by MSME entrepreneurs.

2.3.1. Data Gathering Procedures

Data were gathered from the following steps:

First, the researcher sought permission from his adviser to distribute the questionnaire to the target respondents, which was granted. The approval to begin gathering data was granted on June 11, 2022.

Second, a copy of the approved and tested questionnaire was sent to the research proxy's email on June 27, 2022. The use of the research proxy in this study was inevitable because it was impossible for the researcher to reach or contact all the target respondents online and also because most of the respondents were unwilling to participate in an online survey due to the very busy nature of their work. Moreover, the poor internet connectivity alone is enough to prevent the respondents from taking the online survey. However, it should also be noted that the proxy is well-known to the researcher, knowledgeable, and able to assist the researcher in the distribution and collection of all surveys from the respondents.

Third, upon confirming the receipt of the email, the proxy printed and reproduced 100 copies of the questionnaires. Because the number of respondents to be covered was too large, the proxy sought the assistance of one of his colleagues in both the distribution and collection of surveys, as doing so alone could cause physical and emotional strain. Fourth, while distributing the questionnaires, the proxy verbally reiterated to the respondents the purpose of the study being conducted and the importance of their participation. Respondents were also guaranteed the ethical principles of voluntary participation, anonymity or person and data confidentiality, and risk minimization in social research. Respondents were informed that their participation was voluntary and that they could quit at any phase of the study without any penalty.

This conforms to the principle of voluntary participation. To guarantee respondents' anonymity of their person and the confidentiality of data, respondents were not required to identify their names, as this part was deliberately omitted from the questionnaire. They were also assured that their data would not be shared with unauthorized persons or individuals with no stake in the research process, as this was purely for academic purposes. The conduct of this research poses no risk to the respondents, either to themselves or to their businesses, as they were made to believe that the study was purely for academic purposes.

The proxy strictly adhered to the essence of scientific research by being honest with the respondents regarding the very purpose of their participation, and the survey questionnaires were given to them in accordance with the scientific process. For example, the value of time was most necessary. Hence, respondents were given ample time to answer the questions not to compromise their duties and responsibilities in their workplaces. This conformance justifies that the researcher only obtains data from authorized and willing individuals without manipulating the data in order to satisfy the research objectives. Finally, informal interviews were also conducted with some of the respondents while they were answering the questions. This was done to support the data that may not have been covered in the primary data-gathering instrument. All questionnaires were distributed and collected within a day, specifically on June 29, 2022. The organized and tabulated data was sent to the researcher via email on July 10, 2022, which was further analyzed and interpreted.

2.4. Treatment of Data

For a more comprehensive presentation, analysis, and interpretation of data, the following statistical tools were used:

- Weighted Mean this tool was used to determine the levels of financial literacy among MSMEs.
- Ratio Analysis. This tool was used to determine the financial performance of MSMEs.
- Pearson Correlation: This tool was used to measure the correlation between financial literacy and financial performance.

The Thematic Coding: This was used to record, identify, and classify all the written statements regarding the problems MSMEs encountered in their business management. The levels of financial literacy, financial performance, and the relationship between financial literacy and financial performance were interpreted using the following scales. The Likert scale, which was the choice of measurement scale, was chosen because it was used to measure sentiments and intensity of opinion, does not force an answer, and proved to be useful in getting MSME entrepreneurs' insights regarding their financial literacy practices, which have an effect on their business financial performance. The source of the Likert scale was Jebb et al.'s (2021) selective review of advances in Likert scale development that have occurred over the past 25 years. The author's findings proved that the Likert scale offers an alternative measure of precision. Hence, the basis for using the Likert scale in this study is to investigate financial literacy among MSME entrepreneurs. The Likert scale, along with its corresponding description and interpretation, is presented below.

Rate	Range	Description	Interpretation
4	3.26 – 4.00	Very Knowledgeable	Very high financial literacy, meaning entrepreneurs' financial literacy, is always manifested.
3	2.51 – 3.25	Knowledgeable	High financial literacy indicates that entrepreneurs' financial knowledge is frequently manifested.
2	1.76 – 2.50	Slightly Knowledgeable	Low financial literacy means entrepreneurs' financial knowledge is seldom manifested.
1	1.00 – 1.75	Not Knowledgeable	No financial literacy means that the financial knowledge of entrepreneurs is never manifested.

Table 1: MSMEs' Financial Literacy in Terms of Financial Knowledge

Rate	Range	Description	Interpretation
4	3.26 – 4.00	Very Knowledgeable	Very high financial literacy, meaning the financial behavior and attitude of entrepreneurs is always manifested.
3	2.51 – 3.25	Knowledgeable	High financial literacy indicates that entrepreneurs' financial knowledge is frequently manifested.
2	1.76 – 2.50	Slightly Knowledgeable	Low financial literacy means entrepreneurs' financial knowledge is seldom manifested.
1	1.00 – 1.75	Not Knowledgeable	No financial literacy means that the financial knowledge of entrepreneurs is never manifested.

Table 2: Interpretation of the Level of Financial Literacy of MSMEs in Terms of Financial Behavior and Attitude

Profitability			
	Low	Medium	High
Return on Assets	Below 5	05-Oct	Over 10
Return on Equity	Below 5	05-Oct	Over 10
Liquidity			
Current Ratio	Below 2	02-Oct	Over 10
Quick Ratio	Below 1	01-May	Over 5
Leverage			
Debt Ratio	Above 60	40-60	Below 40
Ratio of Debt to Equity	Above 60	40-60	Below 40

Table 3: Interpretation for the Financial Performance of MSMEs

r* (interval value)	Interpretation
0.001 to 0.02	Correlation is extremely weak.
.201 to .400	Weak correlation
0.401 to 0.600	Enough Strength
0.601- 0.800	Strong Correlation
0.801 to 1.000	The link is extremely strong.

Table 4: Interpretation for Pearson Correlation

The p-value is significant at 0.05*; the interpretation applies to whether the value of r is positive or negative.

3. Data Presentation, Analysis, and Interpretation

This chapter presents the presentation, analysis, and interpretation of data retrieved from the respondents through the survey questionnaire. The data was analyzed and interpreted based on the identified statistical tools and was presented in the form of tables in the following sequential order:

- Level of financial literacy of MSME owners,
- Financial performance of MSMEs,
- The relationship between financial literacy and financial performance, and
- The problems experienced by MSMEs in the management of their business operations

3.1. The Level of Financial Literacy of MSME Entrepreneurs

The first sub-section of the chapter was devoted to the analysis and interpretation of the data that provided the answer to the first research objective, which was aimed at determining the level of financial literacy of micro, small and medium (MSME) enterprise owners and managers. To determine the financial literacy levels of MSME entrepreneurs, three financial literacy proxies, namely, financial knowledge, financial behavior, and financial attitude, were used. These financial literacy proxies were adapted from the concepts of Lusardi & Mitchell (2014) and were used to explain the level of MSME entrepreneurs' financial literacy in this study.

Indicators		Weighted Mean	Interpretation
1	Loans from banks	3.23	Entrepreneurs' financial knowledge is frequently displayed.
2	Savings in a bank	3.19	Entrepreneurs' financial knowledge is frequently displayed.
3	Money's time value	3.18	Entrepreneurs' financial knowledge is frequently displayed.
4	Budgeting Fundamentals	3.16	Entrepreneurs' financial knowledge is frequently displayed.
5	Risk reduction through investment in a diverse range of assets	3.16	Entrepreneurs' financial knowledge is frequently displayed.
6	Business diversification	3.15	Entrepreneurs' financial knowledge is frequently displayed.
7	Financial advisors	3.15	Entrepreneurs' financial knowledge is frequently displayed.
8	Inflation basics and their implications for business operations	3.15	Entrepreneurs' financial knowledge is frequently displayed.
9	Understanding of how loan interest is calculated	3.02	Entrepreneurs' financial knowledge is frequently displayed.
10	Have purchased an insurance policy	2.29	Financial knowledge of entrepreneurs is seldom manifested.
Overall Weighted Average		3.07	Entrepreneurs' financial knowledge is frequently displayed.

Table 5: MSME Entrepreneurs' Financial Literacy in Terms of Financial Knowledge

The results for the level of financial literacy of micro, small, and medium enterprise (MSME) owners/managers in terms of financial knowledge are shown in table 5, where the overall weighted mean was 3.07, with an equivalent qualitative interpretation of 'entrepreneurs' financial knowledge is frequently manifested.' The financial knowledge constructs are presented as follows, starting with the highest mean of: 3.23 for bank loans, 3.19 for bank savings, 3.18 for the time value of money, 3.16 for budgeting and investment of a wide range of assets, 3.15 for business diversification, financial advisors, and basics of inflation, respectively, 3.02 for knowledge of interest on loans, and 2.29 for subscription to an insurance policy. With the exception of the last indicator that got a qualitative interpretation of 'financial knowledge of entrepreneurs is seldom manifested,' the remainder got a qualitative interpretation of 'financial knowledge of entrepreneurs is often manifested.'

The finding means that MSME entrepreneurs often display elements of financial knowledge. This implies that MSME entrepreneurs are knowledgeable of the different aspects of their business finance but may not be using the knowledge to manage and control the daily operations of their business. This was so given that their level of knowledge is not always manifested as established in this study. For this reason, MSME owners and managers are likely to make poor financial choices and investment mistakes, which could result in unwanted economic consequences. This may also influence the MSME owners/managers to spend ineffectively and engage in expensive borrowing, which, in turn, may lead to poor credit standing, bankruptcy, or foreclosure.

Evidently, the results showed that loans from banks were the key knowledge literacy variable that micro, small and medium enterprise (MSME) owners were most knowledgeable about compared to the remainder of the indicators. The respondents felt this way because, in Nigeria, most of the commercial and microfinance banks in the country have developed and introduced different types of loans to increase access to funding for the MSME sector. The banks do this through different marketing channels, both traditional and online platforms. For example, at the Alaba International market where this study was conducted, banks often send their agents to advertise their products and services directly to the owners and managers of businesses. The key among these services is access to loans.

This further explains why most market entrepreneurs know the different types of loans offered by banks. However, their current financial literacy knowledge appears to be utilized occasionally, suggesting that, in reality, MSME entrepreneurs do not put this knowledge into practice when managing their business affairs. Simply put, learning how to manage business finances is not enough unless it is reflected in the attitudes and behaviors of stakeholders who make most of the decisions that affect their company's performance and sustainability. Entrepreneurs who always demonstrate that they have the right kind of knowledge are entrepreneurs who make maximum use of their scarce available time, make financial decisions in a way that meets the needs of the business, monitor progress, plan for future opportunities, and maintain high but realistic goals (Ameliawati & Setiyani, 2018).

The finding in this aspect also means that MSME owners and managers are knowledgeable about the different types of loans provided by banks to the sector but are not necessarily putting this knowledge into practice, given that the majority of them had only formal education up to the secondary school level (See Appendix B), which is not enough to help them make better financial management decisions for their businesses. In addition, even though loans from banks appeared to be the main factor respondents were more knowledgeable of, as evidenced by the findings, access to bank loans remains a major problem for many.

For example, during an informal interview, one of the respondents mentioned that 'although I know about the different types of loans provided by banks in this city. However, when I got to the bank to apply for a loan, my application was denied because first, the bank could not determine if I properly understood all the details about the loan, including interest and repayment period, and lastly, because I realized that the bank had not fully disclosed to businesses all that was required and needed to secure the loans through their advertisement (Interviewee 'A,' Appendix D). Another respondent mentioned, 'I am aware of the different financial services provided by banks, especially loans, but the reality is that I have little or no knowledge on how to secure loans from the banks given the language and terminologies used are complex and it is difficult for me to understand what the loan amount and terms of payment are all about. For this reason, I simply avoid securing loans from banks due to my low level of education and fear of banks coming after my business due to non-payment of loans' (Interviewee 'D,' Appendix D).

This revelation appears to complement Fwamba (2017), who argued that maintaining a financially viable business is dependent not only on financial knowledge but also on the actions taken by managers to put the knowledge into activities of managing their business processes consistently. It means that even entrepreneurs with a great deal of education and financial knowledge, as in this case, will not succeed unless the knowledge is used to navigate competitive landscapes successfully and manage complex and challenging financial management decisions more effectively.

The finding also aligns with the position taken by Durst & Burns (2018). They argued that insufficient financial knowledge makes it difficult for potential lenders to assess MSME entrepreneurs approaching them with their loan requests accurately. As a result, MSMEs entrepreneurs are forced to rely on informal financing from friends, relatives, and personal savings, which is insufficient and unsustainable to help them achieve their desired business goals (See Appendix B). If MSME entrepreneurs cannot apply their financial knowledge in managing their organizational finances, growth remains stagnant, and they become unable to access financing due to non-implementation. This attitude and behavior ensure that the businesses fail in the short term (Durst & Bruns, 2018).

Also established from the study is that the respondents had a low level of financial literacy related to an insurance policy subscription. The finding in this regard was not surprising because it is widely acknowledged in Nigeria that most MSMEs do not subscribe to an insurance policy for a variety of reasons, including:

- A lack of funds,
- A lack of knowledge about how the insurance sector operates, and
- Many are owned and managed by single individuals and operate on a small scale (See Appendix B)

Moreover, because of these challenges, the majority of the small businesses in the country are not insured, thereby making it difficult for many of them to get back fully to their feet in terms of crises such as fire outbreaks. Hence, their inability to expand and grow is negatively affected.

The finding corroborates with the comments of one of the respondents during an informal interview, who opined, 'I, with many of my colleagues in this market, do not have an insurance policy because first, I do not have enough information about it; secondly, I am a bit aware that the policy is expensive; and third, when it is time for payment, I heard most of these insurance companies are unwilling to pay their clients. All these problems discourage most of us in this market from subscribing to an insurance policy even though some of us know about its importance' '(Interviewee 'B,' Appendix D). The situation is in consonance with Fofie (2016), who reported that inadequate knowledge of insurance policies, inadequate transparency of insurance policies, and difficulty in obtaining insurance claims prevented customers, including small business entrepreneurs, from subscribing to an insurance policy. Buttressing this point,

Owuor (2016) affirms that negative perceptions about the insurance service sector held by many customers were some of the critical reasons behind the low penetration rate of the insurance service sector.

Another respondent mentioned, 'I am unable to subscribe to an insurance policy because of a lack of knowledge and training. I think for many of us in this market, we need training from the companies to help us understand the operations of the insurance industry' (Interviewee 'C,' Appendix D). These views further confirm the findings of the profile of the respondents of this study, where it was discovered that only a few had attended business management training. However, none of the training was related to the workings of the insurance service sector (See Appendix B). Consequently, there is a general lack of awareness and understanding regarding the main factors predicting service quality, customer uptake, and satisfaction of insurance relating to insurance products and services and why it is still not widely accepted by the public, including owners and managers of small businesses, especially in developing nations (Gachau, 2016). The finding in this aspect suggests that entrepreneurs are knowledgeable about the insurance service sector but simply avoid subscribing to it because of the widely held negative views about the sector.

The results for the level of financial literacy of micro, small, and medium enterprise (MSME) owners/managers in terms of financial behavior are presented in table 6, where the overall weighted mean was 3.04, with an equivalent qualitative interpretation of 'financial behavior of entrepreneurs is frequently manifested.' The financial behavior constructs are presented as follows, starting with the highest mean of:

- 3.24 for budget preparation,
- 3.17 for decisions guided by information from financial statements,
- 3.16 for determination of business total debt,
- 3.15 for preparation of written financial objectives

Indicators		Weighted Mean	Interpretation
1	I prepare budgets to help me monitor my performance. 2.	3.24	Entrepreneurs' financial behavior is frequently manifested.
2	My decisions are guided by information from my financial statements.	3.17	Entrepreneurs' financial behavior is frequently manifested.
3	I can accurately determine my business's total debt position.	3.16	Entrepreneurs' financial behavior is frequently manifested.
4	I create written financial objectives for my business that outline what I hope to achieve over the course of the year.	3.15	Entrepreneurs' financial behavior is frequently manifested.
5	I know the effect of inflation and interest rates on the loans I borrow for my business.	3.10	Entrepreneurs' financial behavior is frequently manifested.
6	My savings help me to reduce my reliance on credit.	3.09	Entrepreneurs' financial behavior is frequently manifested.
7	I can access finance at a minimum.	3.07	Entrepreneurs' financial behavior is frequently manifested.
8	I follow a weekly or monthly plan for expenses.	3.06	Entrepreneurs' financial behavior is frequently manifested.
9	I save a portion of my business's monthly income.	2.86	Entrepreneurs' financial behavior is frequently manifested.
10	I keep financial reserves in case of an emergency.	2.48	The financial behavior of entrepreneurs is seldom manifested.
Overall Weighted Average		3.04	Entrepreneurs' financial behavior is frequently manifested.

Table 6: MSME Entrepreneurs' Financial Literacy in Terms of Financial Behavior

- 3.10 for knowledge of inflation and interest rates on borrowed loans,
- 3.09 for reliance on savings to reduce credit,
- 3.07 for access to finance at a minimum,
- 3.06 for preparing a weekly or monthly expense plan,
- 2.86 for saving a portion of monthly business income, and
- 2.48 for keeping financial reserves in case of emergency

With the exception of the last indicator that got a qualitative interpretation of 'financial behavior of entrepreneurs is seldom manifested', the remainder got a qualitative interpretation of 'financial behavior of entrepreneurs is often manifested'.

Overall, the study findings have several implications for stakeholders in the MSME sector. For MSME owners/managers, while the study established that their current level of financial behavior is enough to help them select a feasible portfolio with lower financing costs, they may lack the ability to understand the consequences of their decisions since it is not always practiced or implemented in making financial decisions for the business. As a result of their inconsistent financial behavior, they may incur additional debts or become unable to manage their resources competitively, such as investing in other profitable business ventures, due to poor savings, expenditure, and budgeting practices.

The study established that the preparation of a budget was the most practiced financial behavior among micro, small and medium enterprise (MSME) owners and managers within the study area. This shows that entrepreneurs do keep some forms of records, including budgets, which they use to monitor their business performance as an ongoing concern. In Nigeria, businesses, especially those largely concentrated within an area such as the ones found inside Alaba International, where this study was conducted, usually prepare budgets because this is the document they use to understand whether their business has enough profit or not and to also determine their business inflows and outflows. The finding further supports the earlier results of the study, where it was found that all the respondents indicated knowing their monthly gross sales (See Appendix B). However, the fact that entrepreneurs do not always demonstrate their financial behavior in making business financial decisions indicates an issue that affects the management of their business finances. The situation also explains why most of the businesses surveyed in this study do not keep an adequate budget for their businesses, thereby making it difficult to assess their business financial performance effectively. The finding authenticates Engidaw (2022), who pointed out that collecting past historical data regarding the financial performance of MSMEs is often a herculean task because many do not keep formal records. Even in instances where it is obtained, it is fraught with many irregularities.

When past financial records are obtained, analyzing and interpreting the figures becomes difficult because MSMEs frequently have limited capital, poor record-keeping, and inconsistent growth rates (Fairlie, 2020). Consistent with this notion, Rafik & Rahayu (2020) noted that the preparation of an effective budget is highly dependent on proper bookkeeping. It also provides businesses with the opportunity to be able to pay their obligations on time and also collect their debts within a reasonable time frame. For this reason, Nwarogu & Iormbagah (2017) affirmed that information contained in the financial statements, including budgets, may also be tampered with because small firms are prone to manipulating data to make it look good and favorable to the business outlook. It, therefore, means that entrepreneurs with poor financial behavioral practices are less likely to do financial planning that includes budgeting on a continual basis, making it difficult to analyze their business financial performance successfully.

MSME owners/managers, on the other hand, demonstrated poor financial behavior in terms of keeping financial reserves in case of emergency. The finding in this aspect was expected given that most of the businesses surveyed in this study are in the micro-business sector (See Appendix B), which had little or no financial resources to keep as savings in case of future emergencies. For example, when this question was brought to the respondents' attention during an informal interview, one of them stated, 'Even if there is an emergency today, I will not be able to recover quickly because I do not have savings. I am also a family man with many responsibilities, making it very difficult to save because I have bills to pay, like my children's tuition, rent, and electricity bill' (Interviewee, 'E,' Appendix D). Consistent with this view, another respondent mentioned, 'For me, I cannot save for future emergencies because the rent in this market is very expensive and sales have dropped tremendously due to a lack of demand for our products by our customers. Moreover, the majority of the banks in Lagos make it difficult for small business owners like you to borrow money because they view them as 'bad investments'' (Interviewee 'F,' Appendix D).

Based on these situations, it, therefore, shows that MSME owners and managers deal with myriads of challenges that prevent them from keeping part of their money as savings for future emergencies. The finding supports Martin (2020), who highlighted that MSME entrepreneurs showed greater unwillingness to imbibe the habit of saving due to several challenges ranging from family issues to poor financial literacy skills. This lack of saving habits further prevents businesses from meeting their obligations as due or when they fall due. This was also supported by the statement of Esiebugie et al. (2018) that the behavior of a typical Nigerian entrepreneur is increasingly consumptive and is slowly starting to leave their habit of saving, as evidenced by a decrease in the marginal propensity to save and a tendency to increase marginal propensity to consume.

As Olubiyi (2022) noted, financial constraints remain one of the key challenges impeding the growth and development of MSMEs in Nigeria. The author added that a lack of a saving culture is as much a problem as a lack of finance because, without adequate savings, entrepreneurs will not be able to meet up with most of their obligations and continue with their business operations as opportunities strike. Hence, they lose out on them. This low level of financial behavior may not provide entrepreneurs with opportunities to generate more profit or reduce debts, which can help prevent the business from going bankrupt in the event of a natural disaster. Arianti (2018) said that this is why showing the right kind of financial behavior all the time is a big and important part of being financially literate.

Displayed in table 7 are the results for the level of financial literacy of micro, small and medium enterprise (MSME) owners/managers in terms of financial attitude. Here the overall weighted mean was 3.05, having an equivalent qualitative interpretation of 'financial attitude of entrepreneurs is often time manifested'. The indicators that measured the level of financial literacy of MSME entrepreneurs in terms of attitude are presented as follows, starting with the highest mean of:

- 3.27 for monitoring of monthly expenses,
- 3.20 for financial targets,
- 3.18 for current management of money,
- 3.13 for the influence of social environment and the influence of parents on money management, respectively, and
- 3.09 for the influence of short-term decisions on long-term financial goals and prevention of risk measures, respectively

Indicators		Weighted Mean	Interpretation
1	It is important to control monthly expenses,	3.27	The financial attitude of entrepreneurs is always manifested.
2	It is critical to set financial goals for the future.	3.20	Entrepreneurs' financial attitudes are frequently manifested.
3	The way I manage my money today will affect my future.	3.18	Entrepreneurs' financial attitudes are frequently manifested.
4	My social environment has contributed so much to my financial skills.	3.13	Entrepreneurs' financial attitudes are frequently manifested.
5	My parents have influenced my money management skills.	3.13	Entrepreneurs' financial attitudes are frequently manifested.
6	All my short-term decisions are influenced by my long-term financial goals.	3.09	Entrepreneurs' financial attitudes are frequently manifested.
7	Preventing risk ensures the security of my business.	3.09	Entrepreneurs' financial attitudes are frequently manifested.
8	Making risky decisions will add value to my returns.	3.02	Entrepreneurs' financial attitudes are frequently manifested.

	Indicators	Weighted Mean	Interpretation
9	I have learnt the cost/benefits trade-off from training programs.	2.88	Entrepreneurs' financial attitudes are frequently manifested.
10	I have participated in training programs for financial skills.	2.48	Entrepreneurs' financial attitudes are frequently manifested.
Overall Weighted Average		3.05	The financial attitude of entrepreneurs is seldom manifested.

Table 7: Level of Financial Literacy Level of MSME Entrepreneurs in Terms of Financial Attitude

3.02 for making risky business decisions, 2.88 for learning cost-benefit trade-offs, and 2.48 for participation in training programs for financial skills. With the exception of the first and last indicators that got a qualitative interpretation of 'financial attitude of entrepreneurs is always manifested' and 'financial attitude of entrepreneurs is seldom manifested', the remainder got a qualitative interpretation of 'financial attitude of entrepreneurs is often manifested'. The finding implies that MSME owners and managers have high concerns and positive views regarding the management of their business finances. As a result, the more positive the financial attitude entrepreneurs exhibit, the better their financial management behavior. However, the overall level of financial attitude of entrepreneurs is not always manifested, an indication that, in practice, entrepreneurs' personal inclinations towards financial matters of their businesses are not frequently observed. This weakens the entrepreneur's financial decision-making power in such a way that it prevents them from fully optimizing their financial management behaviors.

As evidenced by the findings, it can be observed that respondents always control their monthly expenses, suggesting entrepreneurs recognize and acknowledge the fact that by managing expenses, they can lower their debt and increase their overall business value. MSME owners and managers frequently demonstrate this attitude because they are also aware of the fact that, without cost control, their businesses can quickly accumulate debt due to poor financial management and potentially go out of business.

The same views were shared by one of the respondents, who, during an informal interview on this matter, stated, 'On a daily basis, I monitor my business expenses because this is the only way I can determine if I am operating at a profit or loss. Once this is known, I feel better because I can use the information to plan ahead' (Interviewee 'G', Appendix D). Consistent with this notion, Uribe et al. (2017) posited that the money attitude of entrepreneurs positively affects their level of financial literacy. The finding is also consistent with Rai et al. (2019) that understanding the components of financial attitude, including the inclination of how entrepreneurs manage their business finances, helps in making the right decisions, as well as the correct strategy or policy to apply and follow in terms of bookkeeping, debt management, and budgeting and credit management.

Entrepreneurs with a good financial attitude, especially in ways of controlling money, tend to have better financial behavior than others. Then those entrepreneurs will feel more satisfied with their financial condition. Consistent with this notion, one of the respondents during an informal interview disclosed, 'My attitude towards managing my business expenses is very good because it is an important factor in maintaining and growing business profitability, increases my employee morale, and gives me a sense of fulfillment and pride in working for the growth and success of the company' (Interviewee, 'B,' Appendix D). It, therefore, means that financial attitudes have a significant influence on an entrepreneur's behavior as well as their satisfaction levels.

This is based on the fact that scholars like Ameliawati & Setiyani (2018) reported that financial attitude has a more significant impact on entrepreneurs' financial literacy when compared with other financial literacy variables. Lending support to this, Gawali & Gadekar (2017) concluded that accounting and financial knowledge, competencies in interpreting the financial statements, owner-managers' attitudes, and their level of involvement in financial aspects of the business were largely responsible for the success or failure of MSMEs. However, this finding is contrary to the finding by Caronge et al. (2020). They found that financial attitude has a negative effect on financial literacy and satisfaction because individuals with better financial attitudes do not necessarily produce better financial decisions. However, other factors, such as financial knowledge and behavior, can create greater financial decisions.

Lastly, the study also established that respondents had low levels of financial attitude in relation to attending training programs that could help them increase their financial skills. The finding in this aspect did not come as a surprise given that most of the MSME owners and managers in this study had never attended any business management training before or after taking over their business affairs (See, Appendix D). The respondents had a poor attitude towards training for several reasons. The first is that the majority of entrepreneurs do not have the necessary funds to attend paid training. Second, the few NGOs and government agencies that provide free training for entrepreneurs are usually located in distant places, which makes it impossible for many of them to attend. Thirdly, even for agencies that provide free training, some of them still demand payment from the entrepreneurs before they are allowed to participate. Finally, entrepreneurs lacked knowledge about the importance of training, which influenced them not to attend even free training.

When probed on this during an informal interview, one respondent asserted, 'To be honest with you, I cannot understand the importance of attending any training because all they do is just talk and have no practicality. I can categorically tell you that even if training is provided today in this market, the majority of business owners will not attend because they think that they may lose important business hours simply listening to somebody talking. I am also guilty'(Interviewee 'H', Appendix D). These views support the results of Hauwa (2017). She, in her study in Kenya among MSME entrepreneurs, discovered that although the majority of the entrepreneurs had a positive attitude towards setting financial targets for the future, they, however, do not have the right kind of attitude or intention to attempt to acquire more financial skills through training programs. Thus, the researcher concluded that financial knowledge, behavior, and attitude do not necessarily translate to increased firm performance and profit unless they are applied in decisions and other activities of the business.

This concurs with the position taken by Barno (2021) that since financial literacy moderates the relationship between behavioral factors and investment decisions among MSMEs, financial training should be provided to entrepreneurs to improve their literacy skills to achieve better investment decisions. However, to achieve this, entrepreneurs need to understand the significant financial terms and concepts (knowledge, behavior, and attitude) required to effectively function and manage the financial resources of an organization (Huston, 2017) since this is capable of guaranteeing their maximum cooperation and participation in future training programs.

Indicators		Weighted Mean	Interpretation
1	Financial Understanding	3.07	Entrepreneurs' financial literacy is frequently demonstrated.
2	Attitude Toward Money	3.05	Entrepreneurs' financial literacy is frequently demonstrated.
3	Financial Behavior:	3.04	Entrepreneurs' financial literacy is frequently demonstrated.
Overall Weighted Average		3.05	Entrepreneurs' financial literacy is frequently demonstrated.

Table 8: Summary for the Dimensions of Financial Literacy of MSME Entrepreneurs

Table 8 summarizes financial literacy dimensions with an overall weighted mean of 3.05 and an equivalent qualitative description of 'financial literacy of entrepreneurs is frequently manifested.' The dimensions that measured the financial literacy of MSME owners/managers are outlined as follows, starting with the highest mean of:

- 3.07 for financial knowledge,
- 3.05 for financial attitude, and
- 3.04 for financial behavior

All the variables got a qualitative interpretation of 'financial literacy of entrepreneurs is often manifested', given that the MSME owners/managers' level of financial literacy practices is considered to be within average. It implies that the entrepreneurs may be unable to achieve their desired business goals in the long-term since they are unable to effectively put into practice their current level of financial knowledge, behavior, and attitude in making daily business decisions that have a financial impact on the success and sustainability of the overall enterprise.

The current situation is also likely to prevent critical stakeholders in the MSME sector, such as banks and the government, from providing the much-needed assistance the businesses need to expand and grow, given that the stakeholders cannot successfully evaluate the financial performance of the businesses, a requirement for providing financial assistance.

As evidenced from the summary of the three financial literacy proxies, it can be observed that financial knowledge was the highest-rated variable, which was closely followed by financial attitude and financial behavior. The finding suggests that, on average, MSME owners/managers often put into practice the different financial literacy concepts when making their business financial decisions. It, therefore, shows that entrepreneurs are inconsistent in the application of the different financial literacy concepts in managing their business finances. Entrepreneurs may achieve business success in the short-term. However, they may be unable to achieve sustainability in the long-term due to inconsistencies in the application of financial literacy concepts in managing their business finances.

Additionally, the challenges confronting many in the current business could explain the non-implementation of the three financial literacy concepts by MSME entrepreneurs. Since the outbreak of COVID-19, the majority of these businesses continue to struggle to remain in business due to numerous challenges, including erratic electricity supply, poor road network, and lack of demand for their products. These issues put tremendous pressure on entrepreneurs when making certain financial decisions because the majority lack the necessary business management skills (See, Appendix B) and are hesitant to participate even if business management training is provided for free, as previously reported. The same views were shared by Bishi et al. (2021). They, in their study, found that financial illiteracy was the most obvious reason why many MSMEs in the wholesale/retail trade sector in Lagos could not effectively utilize their scarce resources to make a profit and remain operational during the height of COVID-19.

It, therefore, means that by understanding the components of financial literacy of knowledge, behavior, and attitude, helps in making the right decisions as well as knowing the correct strategy or policy to apply and follow in terms of bookkeeping, debt management, budgeting, and credit management (Rai et al., 2019). This further supported the use of the financial literacy proxies of knowledge, behavior, and attitude proposed by Lusardi & Mitchell (2014). The three variables can indeed be used to explain whether individuals have the right kind of financial literacy skills required to make key strategic decisions that ultimately affect the firm's financial performance involving questions related to concepts such as profitability, liquidity, and leverage, which was the case with the present study.

The finding also supports the use of the upper echelon theory theorized by Hambrck & Mason (1984). They argued that the knowledge, attitude, and behavior of management in the decision-making processes determine the prospects and performance of the organization. In agreement with this, the findings also justify the use of the competency theory proposed by Prahalad & Hamel (1990), who argued that managers with a high level of financial literacy, including financial knowledge, behavior, and attitudes, are more likely to take proactive steps in decision making, which influences them to take sound and effective decisions, but those without are more likely to take defective decisions that negatively impact their firm's financial performance. Furthermore, if MSME entrepreneurs do not apply various financial concepts in their daily business decision-making, business expansion and growth will remain stagnant.

MSMEs (Micro, Small, and Medium Enterprises): After understanding the levels of financial literacy of micro, small, and medium enterprises, it was equally important to determine the financial performance of these enterprises. This is significant given that past studies have established that financial literacy significantly impacts a firm's financial performance. Hence, the responses derived from this aspect of the paper enabled the researcher to determine to what extent financial literacy affected the financial performance of MSMEs in the study area later on. In assessing the financial performance of MSMEs, three financial performance proxies, namely profitability, liquidity, and leverage, were measured between 2017 and 2018. The financial records were based on estimates provided by the respondents in the questionnaire because, first, the actual figures are confidential, and second, most do not give actual monetary information but are willing to provide the estimated amounts.

Profitability	2017	2018	2019	Mean	Interpretation
1. Return on assets	0.10	0.29	0.34	0.24	Low
2. Return on equity	2.60	1.91	2.07	2.19	Low
Overall				1.22	Low

Table 9: Financial Performance of MSMEs in Terms of Profitability

Table 9 presents the results of the financial performance of MSMEs with regard to profitability, where the overall weighted mean was 1.22, having an equivalent qualitative interpretation of ‘low’. The indicators used to measure the profitability of MSMEs were the return on assets (0.24) and return on equity (2.19), with an equivalent qualitative description of 'low', respectively. Consequently, from 2017 to 2019, MSMEs were negatively profitable, that is, they spent more than their total revenue during these periods and experienced relatively low levels of deterioration or decline in asset quality and equity.

Assets are defined as items of economic value, such as physical, tangible goods like vehicles, furniture, and fixtures, or intangible items, such as patents and copyrights owned by an organization. However, the assets owned by MSMEs in this study range from vehicles, buildings, industrial equipment, and cash in the bank. Based on the respondents' responses, these assets are fully owned by the entrepreneurs and are used solely for running the businesses. Together, the value of these assets, as indicated by the respondents, formed the basis upon which the return on assets ratio was computed and analyzed. Although not physically present in the store, some of these assets were used to generate other income for the businesses. Still, the income generated from these assets did not earn the MSMEs enough profit to either expand or take advantage of new business opportunities. Appendix G has a list of the assets owned by the MSMEs.

When probed on this, one of the respondents during an informal interview reported, 'My business has not been profitable for the past three years because there is a low demand for my products and customers always complain that the price is too high' (Interviewee, 'H', Appendix D). Consistent with this notion, another respondent mentioned, 'I did not make a profit in 2017 and 2018 because of a decline in sales due to the COVID-19 outbreak and lockdown measures imposed by local government authorities’ (Interviewee, ‘C,’ Appendix D).

The finding agrees with Shafi et al.'s (2020) study, which concluded that MSMEs are experiencing a decline in profitability. The decline in profitability could be the result of deteriorating sales exasperated by unguarded expenses, leading to liquidity problems due to the absence of proper financial literacy and management practices. Moreover, the present business environment in which these MSMEs operate is unstable, and not much has been done to help this sector succeed. This is in agreement with Obaje (2020), who highlighted that Nigerian MSMEs operate in an unstable business and challenging economic environment due to several problems such as erratic power supply, poor road network, difficulty accessing funds due to lack of collateral, and political and civil unrest in many parts of the country. The findings also follow similar observations made by Yusufu (2021) that the Nigerian MSME sector has been revolving around financial shortages, poor financial practices, being unable to contend with large businesses and corporations, perpetual losses, and unstable economic conditions, which increasingly have adverse effect on the sector's financial performance.

In addition, the majority of the MSMEs sell one line of products (electronics), which are not the products most demanded by the customers, especially in the current turbulent business environment. As posited by some of the respondents during the informal interview, the low demand for electronics by customers led to dwindling sales and a fall in profits. The current situation also suggests that despite the high financial literacy level of MSMEs entrepreneurs already established in this study, most failed to diversify their products. However, Muogbo & Obamuyi (2018) proposed that MSMEs must embrace diversity and flexibility in their business portfolio if they are to remain competitive and improve sales and profitability. The findings support Nderitu et al. (2017)'s contention that a firm's profitability, survival, and success depend solely on its ability to integrate the right mix of the business portfolio at the right time. Profitability is the most important measure of the success of a business. This is because businesses that are not profitable may not survive in the long-term. In contrast, those that are highly profitable have the ability to not only expand and increase their value but also reward their owners with large returns on their investment (Odetayo et al., 2020).

Liquidity	2017	2018	2019	Mean	Interpretation
1. Current ratio	0.93	0.61	0.30	0.61	Low
2. Quick ratio	0.45	0.40	0.13	0.33	Low
Overall				**0.47**	**Low**

Table 10: The Financial Performance of MSMEs in Terms of Liquidity

Table 10 displays the results of the financial performance of MSMEs with respect to liquidity, where the overall mean was 0.47, having an equivalent qualitative description of 'low'. The liquidity performance of MSMEs was measured using the current ratio (0.61) and quick ratio (0.31) with a mean of 0.33 and a qualitative description of 'low', respectively. The results show that there was a decline in the cash of MSMEs over the study period. The finding, therefore, implies that MSMEs in the study area cannot pay their short-term debts as due because they do not have adequate cash to operate and may struggle to succeed in the long-term.

From the results, it is evident that both the current and quick ratios are far below the ideal measures, an indication that MSMEs do not have the capacity to meet their short-term obligations when due. Hence, the possibility of them attracting financing from banks is low.

This perhaps further explains why the majority of MSME entrepreneurs source funds through informal financing (See Appendix B), but these funds are usually small and unsustainable to help these enterprises reach their desired level of growth. The same views were expressed by one respondent, who, during the informal interview, stated, 'Most of the businesses in this market delay paying their bills like loans, rent, waste collection fees, and electricity bills because of a lack of cash at hand.' Moreover, even some of us that pay do so because we can borrow from our families and friends, but this money is not big because nobody can borrow you millions of naira except the banks' (Interviewee 'J', Appendix D). This poses a challenge for MSMEs since banks and other formal financial institutions look at liquidity ratios when determining a business's ability to pay off debt. This situation agrees with Bibi & Amjad (2017), who observed that an organization that is poor in cash may not only fail to meet its short-term debts but also lose the opportunity to take advantage of profitable investments.

The finding validates the idea of Zimon et al. (2022), who suggested that low liquidity ratios indicate that an organization cannot pay its bills. However, the authors further cautioned that a high-value ratio does not necessarily suggest that an organization is high in liquidity or can fulfill its short-term obligations. Consistent with this notion, Larissa (2021) agreed that the liquidity of individual parts of the current assets should be considered. This means that a lower-than-ideal liquidity ratio would be acceptable in more difficult situations (as cited by Clampit et al., 2021). Regardless, an organization has to have the right amount of cash or assets that can be easily converted to cash so as not to incur costs associated with a declining credit rating, a potential forced closure, or bankruptcy (Chodnicka & Grzegorz, 2020).

Moreover, as indicated by Zimon et al. (2022), organizations with inadequate liquidity may be led to bankruptcy because of their inability to pay their debts or other financial obligations as due. Therefore, maintaining sufficient liquidity is crucial in running a successful micro, small and medium enterprise (MSME). As highlighted by Zimon & Tarigh (2021), having enough liquidity is crucial but is even more significant during difficult times.

Leverage	2017	2018	2019	Mean	Interpretation
1. Debt Ratio	1.11	1.76	3.67	2.18	High
2. Debt to Equity Ratio	14.61	11.53	23.21	16.45	High
Overall				9.32	High

Table 11: Financial Performance of MSMEs in Terms of Leverage

Displayed in table 11 are findings of the financial performance of MSMEs in terms of leverage, where the overall mean was 9.32, having an equivalent qualitative interpretation of 'high'. In measuring the leverage of MSMEs, debt ratio (2.18) and debt to equity ratio (16.45), with both having a qualitative interpretation of 'high' were used. The finding in this aspect implies that MSMEs have been accumulating too much debt and aggressively financing their business growth, which portends a great danger since earnings and profits are low, as previously reported (See Appendix B). It could be a while before owners can see any meaningful results, or they could soon be insolvent.

It also means that MSMEs have incurred higher levels of debt than they can reasonably expect to service due to poor liquidity (See table 6), and this is a substantial problem since high leverage is associated with a heightened risk of bankruptcy. For these reasons, MSMEs cannot benefit from debt financing if they fail to progress. This is because the higher the debt ratio, the higher the financial risk of the organization since it implies that the organization is highly leveraged. Moreover, high leverage ratios for MSMEs with volatile cash flows would pose high financial risks as compared to organizations with stable cash flows.

As previously reported, MSMEs find it difficult to borrow from banks. Regardless, many still find other informal means to borrow. The fact that they continue to borrow, coupled with the fact that their profits are inconsistent, could perhaps explain why the MSMEs' leverage ratios are high. As MSMEs continue to experience declines in sales and profits, they also increase their borrowings to finance other debts, thereby accumulating more debts. Supporting this view, Yoshino & Taghizadeh-Hesary (2017) argued that multiple loans negatively affect loan repayment. The problem here is that MSMEs could not manage their total liabilities and assets as well as equity, which made them fail to meet their short-term obligations.

This supports the views of one respondent who, during the informal interview, mentioned, 'Although I know this is a problem, I usually pay my old debts by borrowing more from my friends within this market, and this is the reason why I find it difficult to pay all my debts when they are due' (Interviewee 'G', Appendix D). Findings support Boyle's (2022) finding that organizations with huge debts are more vulnerable to bankruptcy due to the high-interest rates these debts will incur, making it difficult for them to miss their payment deadlines to creditors. This means that a company with a low debt-to-equity ratio uses debt less aggressively to fund its growth and vice versa.

Another respondent during the informal encounter mentioned, 'Even the money I borrowed is too small for me to expand my business or fund large projects, but I am currently trying to change this habit. If not, I may run out of business soon because my creditors are always on my neck to pay back their money' (Interviewee 'D,' Appendix D). Debt is beneficial if the borrowed funds used in financing a project lead to increased profits because, with profit, the organization can pay its debts while at the same time paying dividends to its shareholders. However, the current situation of MSMEs in this study is in the opposite direction, given that their profitability is low (See table 5).

Hence, the MSMEs in this study borrowed mainly to finance small projects such as paying bills and other small debts, which is contrary to the position taken by Mallinguh et al. (2020). They highlighted that since debt financing attracts huge interest rates from lenders, organizations usually use debt to finance larger projects that are expected to generate huge returns, so the organization can make a profit while at the same time paying its debts with ease. This means that, with good business opportunities and investment prospects, MSMEs will choose to finance their business projects with external debts compared to self-financing. However, because of their small size and the nature of business, most micro, small, and medium enterprises usually use their personal/internal funds to finance different projects rather than sourcing funds from external creditors.

Indicators	Mean	Interpretation
1. Leverage	9.32	High
2. Profitability	1.22	Low
3. Liquidity	0.47	Low

Table 12: Summary of the Financial Performance of MSMEs

Presented in table 12 is the summary of the financial performance of MSMEs. The variables that measure the financial performance of MSMEs are presented, starting with the highest mean of 9.32 for leverage, 1.22 for profitability, and 0.47 for liquidity. With the exception of the first variable that got a qualitative interpretation of 'high,' the remainder got a qualitative interpretation of 'low.' The finding implies that MSMEs have low and poor financial performance, which explains why many fail within the first year of business (Obazee, 2019).

It also means that despite the huge market and rising population growth with a huge appetite for consumption, most of these MSMEs cannot take advantage of these opportunities to improve business performance and develop their businesses. Hence, the financial performance of MSMEs in the study area is generally poor. This was supported by the statements of the respondents when they were required to rank the three financial performance variables according to how their business had performed between the periods of 2017–2018 and 2019.

The summary shows that among all the financial performance proxies, the most serious problem facing MSMEs is debt accumulation, followed by low profitability and low liquidity ratios. This means that MSMEs borrow more than what they need, borrow another loan to pay for old debts, or use loans acquired to finance projects that do not add value to their businesses or result in sustainable profits. The accumulation of too much debt could perhaps be better explained by the MSME owners/managers' lack of training (See Appendix B) in the different areas of managing a business before taking leadership positions in their businesses, which influences them to make poor decisions that affect their business financial performance. This makes MSMEs even more vulnerable to economic downturns and puts them at greater risk of bankruptcy. The findings are closely compared to those of an empirical study carried out by Cammayo & Perez (2021) in the Philippines, who reported that the financial performance of MSMEs is poor due to poor management of their account receivables and that the MSMEs have a very low rate of return and a low survival rate because of their low rating on stability.

The findings also support the use of the competency theory proposed by Prahalad & Hamel (1990) that guided this study, who opined that managers with a high level of financial literacy are more likely to take proactive steps in decision making, which influences them to take sound and effective decisions. However, those without financial literacy are more likely to make defective decisions that negatively impact their financial performance. The same views were shared by Rai et al. (2019). They suggested that understanding the components of financial literacy, such as knowledge, behavior, and attitude, helps in making the right decisions and choosing the correct strategy or policy to apply and follow in terms of bookkeeping, debt management, budgeting, and credit management.

Hence, it is presumed that knowledge of financial literacy could have improved the clarity, effectiveness, responsibility, and competency of MSMEs in terms of managing their business profitability, liquidity, and leverage, leading to the achievement of other objectives. This further justified the use of the upper echelon theory proposed by Hambrck & Mason (1984) that the financial literacy characteristics of top management can be used to project the financial performance of the firm, including its profitability, liquidity, and leverage, grounded on the basis that management decisions are confirmed through their cognitive base and principles.

In general, although the initial results of this study revealed that MSME entrepreneurs had high levels of financial literacy, this knowledge did not translate to high or better financial performance. The reason for this situation could be explained by the fact that MSME entrepreneurs in the study area rarely apply different financial literacy skills in managing their daily business operations, evidenced by the informal interviews with some of them. MSMEs confront myriads of problems and are often under pressure to make decisions without applying their knowledge of financial literacy. Moreover, the majority of the decisions are made by owners/managers of the enterprise, and the tendency to make costly mistakes is usually high, especially if the decision is made under pressure. Consequently, a high level of financial literacy among MSMEs does not necessarily translate to high firm performance.

3.2. Relationship between Financial Literacy and Financial Performance

The third part of this paper aimed to find the relationship between financial literacy and financial performance. The means of the three variables of financial literacy, namely, knowledge, attitude, and behavior, were correlated with the means of the financial performance proxies of profitability, liquidity, and leverage using the Pearson correlation statistical tool. The results are presented below. The data on financial knowledge, behavior, and attitude were computed into single variables per factor by averaging each factor. A Pearson correlation analysis was then computed at a 95% confidence interval.

Table 13 indicates the correlation matrix between the financial literacy variables of financial knowledge, behavior, and attitude with financial performance and the financial performance variables of profitability, liquidity, and leverage. Based on the correlation matrix, there was a positive and significant relationship between financial performance and a magnitude of 0.831, 0.811, and 0.789 for profitability, liquidity, and leverage, respectively, and financial literacy with a magnitude of 0.722, 0.705, and 0.699 for financial knowledge, behavior, and attitude, respectively. The positive relationship indicates that there was a correlation between the variables of financial performance and financial literacy.

		FP	FK	FB	FA			FL	PR	LI	LE
	Pearson Correlation	1				Financial Literacy (FL)	Pearson Correlation	1			
Financial Performance (FP)	Sig. (2-tailed)						Sig. (2-tailed)				
Financial Knowledge (FK)	Pearson Correlation	0.722	1			Profitability (PR)	Pearson Correlation	0.831	1		
	Sig. (2-tailed)	0.003					Sig. (2-tailed)	0			
Financial Behavior (FB)	Pearson	0.699	0.633	1		Liquidity (LI)	Pearson	0.811	0.745	1	
	Sig. (2-tailed)	0.011	0.012				Sig. (2-tailed)	0	0.001		
Financial Attitude (FA)	Pearson Correlation	0.701	0.601	0.765	1	Leverage (LE)	Pearson Correlation	0.789	0.794	0.797	1
	Sig. (2-tailed)	0	0.033	0.035			Sig. (2-tailed)	0	0.001	0	

Table 13: Relationship between Financial Literacy and Financial Performance

The correlation findings infer that all the factors of financial literacy positively and significantly influenced the financial performance of MSMEs in Lagos City, with financial knowledge and profitability having the highest effect on financial performance, followed by financial attitude. On the other hand, financial behavior had the lowest effect on the financial performance of MSMEs in the study area. Regardless, all of the factors were significant (p-value 0.05) at the 95% confidence level, with financial knowledge being the most significant factor in MSME profitability.

The finding, therefore, implies that the higher MSME owners' or managers' level of financial literacy, the better the business performance will be. The findings also suggest that higher financial literacy education allows MSME entrepreneurs to be informed regarding the available funding sources and to employ different approaches to obtaining business financing. As a result, financially literate entrepreneurs with the appropriate knowledge and who exhibit the appropriate financial attitude and behavior at all times outperform less or illiterate entrepreneurs.

The finding also means that MSME entrepreneurs that receive business management skills and training are likely to record an improvement in their sales growth. Hence, Mutiso & Muigai (2018) opined that financial literacy should be taken as a crucial tool for MSME performance. This is based on the fact that financially literate entrepreneurs can understand financial products and services, which gives them the confidence to confront financial risks and opportunities by making more informed decisions (Quartey et al., 2017). Inadequate or lack of financial skills was cited as one of the significant problems confronting MSMEs in Lagos City, as established in this study, which can threaten their existence and survival. Getting the necessary financial literacy education on the different aspects of running a business can be considered a prerequisite for every entrepreneur since their challenges are similar in nature. This aligns with the position of Hanggraeni & Sinamo (2021) that financial literacy also determines the extent to which MSMEs grow and succeed. They noted that when entrepreneurs have higher levels of financial literacy, business performance tends to increase positively and significantly in the long term.

The result is not surprising given that financially literate entrepreneurs possess greater business skills, from human resource management to financial matters. Hence, a financially literate entrepreneur may help their business excel financially because they can apply the skills and knowledge gained to run their businesses successfully. This strong relationship conforms to the conceptualization of Buchdadi et al. (2020), Zirabamuzale (2021), and Amoah & Mungai (2020), who also found a significant and positive relationship between the financial literacy of entrepreneurs and the financial performance of MSMEs in Indonesia, Uganda, and Ghana, respectively.

According to the findings, entrepreneurs who want to grow, expand, and improve their financial performance must make sound financial decisions and be financially literate. Because if MSME entrepreneurs are financially illiterate in managing their organizational finances, growth remains stagnant, and they become unable to access financing due to non-awareness. This attitude and behavior ensure that the businesses fail in the short term (Durst & Bruns, 2018). This means that entrepreneurs, who can read, write, manage, evaluate, and communicate in terms of money management, can differentiate their financial decisions, as well as money and business financial constraints, with little or no hassle (Darus et al., 2017). Hence, financial literacy is a good predictor of financial performance because of its role in helping entrepreneurs make responsible business decisions as they attempt to increase and improve their financial well-being (Panday & Gupta, 2018). Moreover, Tumba et al. (2021) found that financial literacy has a significant relationship with financial performance because it is a vital indicator of success in managing the affairs of small business operations in the present complex and rapidly changing business environment. This is vital given that there is evidence showing that one of the reasons why entrepreneurs make poor, inappropriate, unprofessional, and undesirable financial decisions is due to the absence or deficiency of financial knowledge, attitude, and behaviors, as well as inadequate time to learn about the basic concepts of financial literacy (Erin et al., 2017). Consequently, higher levels of financial literacy promote better financial performance, thereby providing opportunities for better planning of future life events for entrepreneurs like retirement, buying a house, or savings for children's education (Owolabi et al., 2021).

The finding further supports the use of the upper echelon theory theorized by Hambrck & Mason (1984). Their idea was based on the premise that managers of organizations with the right kind of financial literacy skills, including knowledge, attitude, and behavior, can effectively assess their internal and external threats, pitfalls to avoid, and investment opportunities to take, which directly affect the organization's overall financial performance (Kokot et al., 2021). This is why Agyei (2018) proposed that entrepreneurs' skills are guaranteed to be improved and raised to a higher level because they are financially literate, which contributes to significant business financial performance. However, the study is inconsistent with the results of Winarno & Wijijayanti (2018), who found no correlation between financial literacy and the financial performance of MSMEs. This also confirms the observation made by Hauwa (2017), who reported that financial knowledge, behavior, and attitude do not necessarily translate to increased firm performance and profit unless applied in decisions and other business activities.

Unfortunately, the same situation can be attributed to MSMEs in the study area as it was discovered that even the few that attended business management training rarely applied the knowledge and skills gained in their daily business affairs. For example, one of the respondents during the informal interview stated, 'For me, I have experience in managing my business because I have attended some management training in the past, but I do not apply the knowledge in my business because I always forget and lack the commitment to do so on a regular basis' (Interviewee 'E,' Appendix D).

The finding supports the use of the competency theory propounded by Prahalad & Hamel (1960), who recommended that simply gaining the right kind of financial attitude, behavior, and knowledge that is intended to cause a positive change in the business leverage, liquidity, and profitability is not enough unless it is put into action, especially when confronted with making difficult business decisions that affect the future performance of the firm. This means that entrepreneurs must keep their financial knowledge up-to-date and use it daily in their businesses if they want their decisions to be good.

3.3. Problems Encountered by MSMEs in the Management of Their Businesses

This final part of the chapter was devoted to determining and understanding the problems presently impeding the success and growth of micro, small, and medium enterprises (MSMEs). An open-ended questionnaire was used to provide answers to the questions posed to the MSME owners and managers in the study area, which are presented below.

No.	Indicators	F	%	Rank
1	Lack of finance	98	98	1
2	Competition from other firms	89	89	2
3	Insecurity	87	87	3
4	Frequent electricity interruptions	86	86	4
5	The high cost of electricity	84	84	5
6	The high cost of petroleum products	81	81	6
7	The high cost of transportation	77	77	7
8	Food prices are extremely high.	75	75	8
9	Lack of financial literacy and management skills	72	72	9
10	Poor debt collection.	70	70	10
11	Multiple taxes	70	70	11
12	Inadequate road network	69	69	12
13	fraud	58	58	13
14	Lack of government support	53	53	14
15	a significant number of nano businesses	34	34	15

Table 14: Problems Encountered by MSMEs in the Management of Their Businesses

Presented in table 14 are the problems encountered by owners/managers of MSMEs in the operation of their business activities. The findings show that the most serious problem confronting MSMEs is a lack of finance, representing

98.0 percent of the total study population. This is closely followed by problems such as competition (89.0%), insecurity (87.0), frequent power interruptions (86.0%), high cost of electricity (84.0%), high cost of petroleum products (81.0%), high cost of transportation (77.0%), and the high cost of food prices constituting 75.0%. Others include a lack of financial literacy and management skills (72.0%), poor debt collection and multiple taxes representing 70.0%, poor road network (69.0%), fraud (58.0%), lack of government support (53.0%), and a large number of nano businesses in the area constituting 34.0%.

The finding implies that with the presence of these problems, MSMEs will be unable to progress or achieve their desired level of growth, further adding to the unemployment situation in the country since their inability to continue their business operations will result in the displacement of workers due to shifting economic and business conditions. Hence, if the government fails to assist the MSME sector in overcoming these problems, the undesirable resultant effects are obvious. The fact that lack of finance was reported as the major problem impeding the smooth operations of micro, small and medium enterprises (MSMEs) further reinforces the truth about what is already known about the MSME sector in Nigeria, where it was reported that poor access to bank financing or loans by MSMEs (Obaje, 2020) has been an issue and continues to be raised by numerous studies as a major constraint and dominant problem that impedes or slows the growth and business expansion (Madan, 2020; Francisco & Canare, 2019; and Atkinson, 2017). This goes to say that access to finance for MSMEs, especially in Nigeria, is still a critical problem even though the number of banks operating in the country, commercial microfinance banks, and other formal sources of finance has increased immensely since 2010.

With a total number of 22 commercial banks and 916 microfinance banks operating in the country, it is expected that access to finance by these MSMEs will considerably improve as competition becomes more intense. However, the situation appears to be different, judging from the responses of the business owners and managers surveyed in this study. For example, even though MSMEs are vital to economic diversification, only 4% of the 40 million MSMEs in Nigeria have access to credit (Adekoya, 2021). Several factors can be attributed to the inability of MSMEs to readily have access to finance from the country's financial institutions (commercial banks and microfinance banks). Ali et al. (2020) attributed these factors to a lack of adequate bookkeeping, high default in loan payment, high-interest rates, poor business plans, poor business outlook, lack of acceptable collateral, and the bank's reluctance to provide access to credit due to their small nature and perceived high risk of business failure, which prevents them from paying their obligations as due. In situations where some of the MSMEs can provide acceptable collateral, the amount loaned to them ends up being inadequate, which supports the views of Ibrahim et al. (2018). Despite providing guarantees, banks are usually unwilling to lend to the MSME sector because of the perceived high-risk nature and expectation of low profitability.

Moreover, the high-interest rates demanded by banks are another factor that makes bank financing unattractive to the MSME sector. This high-interest rate demanded by banks is associated with their perceived risk in the MSME sector, which leads to high default rates linked to MSME financing. The high default rates can also be attributed to the delay in receiving payment for goods and services sold to customers. These delays affect cash flows, making it impossible for MSMEs to pay their loans as they mature, leading to them bearing extra costs in financing loans received with regard to extra charges to the pre-existing high-interest rates on the loan facility.

Additionally, competition from other businesses was established in the study to be the second most serious problem confronting the smooth operations of MSMEs in the study area. The discovery of competition as the second most serious problem was not surprising because most of the MSMEs are selling in a dense market, coupled with the fact that the city of Lagos is also overcrowded. The finding also suggests the absence of market information as most new businesses are duplications of pre-existing ones. Besides, Lagos State is home to most of the headquarters of international and national companies in the country. Their presence creates greater difficulty for MSMEs, especially in difficult economic times. Corroborating this further, one respondent during an informal interview mentioned, 'Many of the big companies in this city have made life difficult for us because they sometimes import cheaper products and offer the same products as ours to customers at affordable prices; this makes it difficult for us to compete because they have more resources.' (Interviewee 'B', Appendix D).

Security appears to be the third most serious problem affecting the operations of MSMEs, as evidenced by the responses of the respondents. Although the Lagos state is relatively safe from the problems of kidnapping, banditry, and terrorism that plague the country's northern and eastern regions, businesses in the market are affected in some way. Besides the dilapidated road infrastructure, the issue of kidnapping and bribery by security agencies is rampant, making it difficult for the MSMEs to distribute their goods to other parts of the country adequately. Consistent with these views, one of the respondents during an informal interview mentioned, 'Really the security situation is bad because I sell wholesale and the majority of my customers are in the northern part of the country, but as you know, it is very difficult to transport goods to that part of the country' (Interviewee 'J,' Appendix D).

People can no longer travel as they would have wished due to the fear of being killed or kidnapped, even by the state security apparatus. This mindless destruction of lives and properties across the country has greatly prevented the growth of MSMEs and impeded seamless communication among businesses. However, the finding also revealed that MSMEs are least concerned with the lack of government support and a large number of nano-businesses around the market. The finding only shows that these problems have little effect on MSMEs but may still cause great harm to their existence and survival if left unaddressed. For example, Obaje (2020), in his study of problems confronting MSMEs in Nigeria, reported that despite government intervention, the effort does not appear to have provided the much-needed support as most MSMEs in Nigeria fail to succeed beyond one year of establishment despite the unsophisticated consumer market. Although the government effort was supposed to assist MSMEs in overcoming some of the challenges, they deal with, such as access to finance and providing an enabling environment for them to thrive, the owners/managers of these businesses lack financial literacy that could help improve their business performance and remain sustainable with the help of these interventions.

Moreover, the problems of trade regulations, political instability, high cost of transportation, multiple taxation, erratic power supply, and inadequate financing options remain the biggest business environmental obstacles affecting the sector in Nigeria (Zachariah et al., 2019). Moreover, these issues have been made worse since the outbreak of COVID-19, where 91 percent of wholesalers and retailers in Lagos State alone reported zero profits and revenues, and the entrepreneurs blame this misfortune on the tight COVID-19 lockdowns and restrictions on people's movement (Bishi et al., 2021). Therefore, this suggests that addressing the most serious problems will automatically address the aforementioned problems. Also, there is evidence that if MSMEs have a good environment, they will need less help from the government and will be able to compete with smaller, less organized businesses around them (Mukherjee, 2018).

Overall, the findings in this aspect of the study showed that MSMEs confronts several challenges that impede their growth, development, and performance. These problems surely have a huge impact on the business's performance and success. This suggests that despite the huge market and rising population growth with a huge appetite for consumption, most of these MSMEs cannot take advantage of these opportunities to improve business performance and develop their businesses. According to Anastesia et al. (2018), although these challenges pose a great risk for some of the majority of MSME business success and survival, the few that attempt to improve their business performance are often frustrated by these problems.

4. Conclusions and Recommendations

Presented in this chapter are the conclusions as well as the proposed recommendations of this study.

4.1. Conclusions

As can be gleaned from the findings of the study, conclusions are drawn in this section.

- MSME owners and managers are well-informed about the basic financial literacy concepts, but the practical application of these concepts in their business decision-making is inconsistent.
- MSME owners and managers have the right kind of behavior while managing the finances of their organization. However, they do not always show and use this behavior when making decisions that affect business operations.
- MSME owners and managers have the right frame of mind about their organizations' finances, which is generally a result of their background and environment. However, in practice, applying this attitude to business decisions is inconsistent.
- MSMEs were negatively profitable, that is, they are spending more money than what they are making due to external factors and unexpected expenses, which is not a sustainable business model.
- MSMEs cannot meet their short-term obligations due to low liquidity, given that the majority carry and sell shopping products (electronics) that customers purchase less frequently.
- MSMEs continue accumulating more debts and aggressively financing their business operations, which portends a great risk because their earnings and profits are unsustainable, thereby threatening their business success and sustainability.
- Financial literacy is a significant and good predictor of MSMEs' financial performance because successful businesses are managed by entrepreneurs who are financially literate and understand and apply key concepts of financial literacy when making decisions that affect their business's profitability, liquidity, and leverage.
- Like most MSMEs in other countries, MSMEs in Nigeria are confronted with major problems in accessing financing from formally established financial institutions. This causes them to rely heavily on informal financing, which is too small and inadequate to spur the desired level of growth.

4.2. Recommendations

Based on the conclusions and findings that this research generated, the following are recommended:

- The government agency in charge of overseeing the MSMEs (SMEDAN) and other sector stakeholders, such as microfinance banks, may offer financial education programs to raise awareness among entrepreneurs about areas where they are lacking, such as subscribing to insurance policies and understanding which loans to obtain at the best interest rates. This will encourage MSMEs to grow and develop in areas where they are lacking.
- SMEDAN, microfinance institutions, and other stakeholders interested stakeholders in the MSME sector may directly organize budgeting, record management, and savings training programs for MSME entrepreneurs. This may be done by organizing the training program inside the market where the businesses ply their trade since this is the most convenient location and will attract many entrepreneurs to attend.
- Relevant stakeholders, such as microfinance, commercial banks, and government agencies, may make greater efforts and commitment to positively influence the attitudes of MSME entrepreneurs since positive attitudes lead to positive behaviors, benefiting both the entrepreneurs and the stakeholders. This could also be done by holding regular workshops on how to manage money and giving free advice to business owners.
- To enhance profitability, MSME business owners may specialize in the products in which they have a competitive advantage. This can be achieved by analyzing their strengths and weaknesses to determine where their competitive edge is. Hence, innovation and effective management campaigns are crucial to increasing brand awareness and profitability in an already saturated market.

- To improve business cash flows, MSME entrepreneurs should avail funds for activities that further the growth of their businesses, such as investing in interest-bearing accounts, buying insurance policies, and diversifying their business portfolio into other profitable ventures.
- To maintain a good debt-to-equity ratio and reduce business debts, MSMEs need to build capacity in areas of business management, including financial record keeping. Hence, the Nigerian government and other essential stakeholders need to promote these MSMEs through training and skill acquisition that will allow them to manage their debts effectively and utilize their loans efficiently, thereby reducing the probability of their being credit-worthy and consequently enhancing performance.
- SMEDAN, banks, and other relevant stakeholders in the MSME sector may organize financial literacy training and workshops for entrepreneurs as the knowledge gained can assist them in making sound decisions, which may also help them overcome challenges through strategies that reduce risks, such as buying insurance policies and portfolio diversification, thereby improving their creditworthiness in the view of potential lenders that support economic growth.
- The government may provide incentives for banks involved in MSME lending in the form of tax cuts, as this will encourage banks and other financial institutions to consider the option of lending to this sector. In addition, MSMEs may also take advantage of other institutions that provide lending and training needs for the sector in the country. Institutions such as Tony Elumelu Entrepreneurship Program (TEEP), YouWIN Connect Nigeria established by the federal ministry of finance, the Youth Entrepreneurship Support (YES) program set up by the bank of industry, GroFin Fund and Africa's Young Entrepreneurs' (AYE) Financial Grant are viable options in terms of training and loan availability to MSMEs in Nigeria.

4.3. Expected Outcome

The following measures and strategies are proposed by the researcher to help MSME entrepreneurs improve their financial literacy. The expectation is that the knowledge gained will manifest in their attitudes and behaviors to cause a positive change in the overall financial performance of their enterprises, especially in terms of profitability, liquidity, and leverage management.

Problem Area	Ways to Improve	Benefits	Responsible Area	Time Frame
Poor financial literacy education	Government agencies, private entities and banks may assist the MSME sector to become profitable, successful and grow by: a. Providing financial literacy trainings that provide the right kind of information entrepreneurs need to manage their business finances thereby influencing them to develop a positive attitude and behavior when managing their business finances. b. The training should focus on addressing the following constraints such as profitability, liquidity and leverage	1. Entrepreneurs will understand crucial financial concepts such as savings, debt management, budgeting, business diversification and where to access the best financial credit, and this will help them reduce business risk. 2. Helps MSMEs to reduce operational costs of running a business. 3. Improves the capacity of entrepreneurs to do self-internal audit that helps to them to spot resource leakages and ensure proper channeling of resources. 4. Help entrepreneurs to use the knowledge gained to evaluate 5. Prepares entrepreneurs for difficult financial times through strategies that reduce risk, such as investing in interest-bearing accounts, savings for emergencies, and purchasing insurance policies.	SMEDAN, commercial and microfinance banks, and private entities	Every 6 months

Problem Area	Ways to Improve	Benefits	Responsible Area	Time Frame
	c. The training module should also include savings and borrowing. Participants should be allowed to visit banks and interact with staff to demonstrate the applicability of the knowledge gained.			
	d. Initiatives should be developed in cooperation with market associations so that the training can be conducted within the market premises and to also encourage more participation from the entrepreneurs.			
Poor access to bank financing	The Nigerian government may encourage banks to increase access to credit to the MSME sector by: a. Grant banks tax cuts to increase lending to the MSME sector. b. Change collateral laws to make it less difficult for MSMEs o secure funding from banks. c. Creating independent credit assessment institutions capable of rating MSMEs credit worthiness.	Boost business expansion, economic growth, and development of the MSME sector. Increase the diversification of the business portfolio. Provide entrepreneurs the opportunity to easily and quickly take advantage of emerging business opportunities in the market. 4. Enhances competitive business advantage.	The Nigerian federal government	Yearly basis
Banks' inability to increase lending to the MSME sector	Banks that are not involved in MSME lending may: a. Consider setting up an MSME department or unit to provide specialized services to the MSMEs. *b. The banks may employ specially trained MSMEs to manage such departments in the bank.*	1. Encourages greater interest and focus of banks on the MSME sector.	Head of Banks, including CEOs, board members, and chairman	Should be permanently established

Table 15: Measures and Strategies to Improve the Current Financial Literacy of Owners and Managers of Small Businesses

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Appendices

Appendix A

Questionnaire,

The undersigned doctorate student of the University of the Cordilleras is presently conducting a research on "Financial Literacy and Financial Performance of Micro, Small and Medium Enterprises (MSMEs) in the Wholesale/Retail Trade Sector in Lagos City, Nigeria".

As the owner/manager, the researcher would like to ask you to become one of the respondents in this study; your reactions will serve as relevant data for the completion of the study.

The researcher can assure you that all your answers will be treated with utmost confidentiality. The study may be published later in academic or professional journals.

Yours Sincerely
Onwuegbuzina Ikechukwu John

Part I: Respondent Profile

Instruction: Please put a check (/) in the spaces provided that corresponds to your perception.

1. Gender
[ ] Male
[ ] Female

2. Age
[ ] 20-25 years
[ ] 26-31 years

[ ] 32-37 years
[ ] 38 years+

3. Please indicate your highest level of education
[ ] Primary
[ ] Technical/vocational
[ ] Secondary
[ ] Bachelors' degree
[ ] Masters
[ ] Doctorate
[ ] No formal level of education

4. Type of business
[ ] Retail
[ ] Wholesale

5. Who is responsible for managing the business?
[ ] Owner
[ ] Manager
[ ] Both
[ ] Member of the family

6. Form of business organization
[ ] Sole proprietorship
[ ] Partnership
[ ] Cooperative society
[ ] Private limited company
[ ] Joint venture

7. What is the source of financing your business?
[ ] Borrowing (formal)
[ ] Borrowing (informal)
[ ] Savings

8. Please indicate your monthly gross sales
[ ] N0-N5,000,000 (US$0-US$12,027)
[ ] N5,000,000-N10,000,000 (US$12,027-US$24,055)
[ ] N10,000,000+ (US$24,055 and above)
[ ] Don't know

9. What is your business experience?
[ ] 5-10 years
[ ] 11-20 years
[ ] 21-30 years
[ ] 31 years+

10. Number of Employees
[ ] 1-10 (micro)
[ ] 11-50 (small)
[ ] 51-200 (medium)

11. Have you attended any business management training?
[ ] Yes
[ ] No

12. If you marked yes in number 11, please specify
……………………………………………………………..

Part II: Level of Financial Literacy

Instruction for Financial Knowledge: Please indicate the extent to which you are knowledgeable on the following financial terms that allow you to make sound financial decisions. Kindly use the following scale as your guide:

- 4-very knowledgeable (VK),
- 3-knowledgeable (K),
- 2-slightly knowledgeable (SK), and

- 1-not knowledgeable (NP)

A. Level of Financial Literacy in terms of Financial Knowledge

No.	Indicators	4 (VK)	3 (K)	2 (SK)	1 (NK)
1	Savings in bank				
2	Loans from banks				
3	Time value of money				
4	Business diversification				
5	Reduction of risks through investment in wide range of assets				
6	Understanding of how interest on loans are calculated				
7	Have subscribed to an insurance policy				
8	Financial advisors				
9	Basics of budgeting				
10	Basics of inflation and its impacts on business operations				

Instruction for Financial Behavior and Financial Attitude: Please indicate the most appropriate number that describes your business position on the scale:

- 4-strongly agree (SA),
- 3-agree (A),
- 2-disagree (D), and
- 1-stronly disagree (SD)

B. Level of Financial Literacy in terms of Financial Behavior

No.	Indicators	4 (SD)	3 (A)	2 (D)	1 (SD)
1	I prepare written financial objectives of what I want to achieve in a term for my business				
2	I follow a weekly or monthly plan for expenses				
3	I prepare budgets to help me monitor my performance				
4	I know the effect of inflation and interest rates on the loans I borrow for my business				
5	I can determine accurately the total debt position of my business				
6	I can access finance at a minimum cost				
7	I save a portion of my business monthly income				
8	I keep financial reserves in case of emergency				
9	My savings reduce my reliance on credits				
10	My decisions are guided by information from my financial statements				

C. Level of Financial Literacy in terms of Financial Attitude

No.	Indicators	4 (SD)	3 (A)	2 (D)	1 (SD)
1	It is important to control monthly expenses				
2	It is important to establish financial targets for the future				
3	The way I manage my money today will affect my future				
4	Making risky decisions will add value to my returns				
5	Preventing risk ensures security of my business				
6	All my short-term decisions are influenced by my long-term financial goals				
7	My social environment has contributed so much to my financial skills				
8	My parents have influenced my money management skills				
9	I have participated in training programs for financial skills				
10	I have learnt cost/benefits trade off from training programs				

Part III: Financial Performance

Instruction: Kindly provide the financial data for each of the financial year as captured in the table below.

Variables	**Financial Years**		
Profitability	2017	2018	2019
Return on assets			
Net Income			
Total Assets			
Return on Equity			
Total Equity			

Liquidity	2017	2018	2019
Current Ratio			
Current Assets			
Current Liabilities			
Quick Ratio			
Total Inventories			
Leverage	**2017**	**2018**	**2019**
Debt Ratio			
Total Liabilities			
Total Assets			
Debt to Equity Ratio			
Shareholders' Equity			

Overall, please rank the following financial performance proxies according to how your business has performed during the period of 2017, 2018 and 2019.

No.	Variables	Very Poor (1)	Poor (2)	Good (3)	Very Good (4)
1	Profitability				
2	Liquidity				
3	Leverage				

Part IV: Problems Encountered by MSMEs

As the owner/manager, please indicate in the spaces below the problems you experienced in the management of your business organization. Please write as many as possible that you can recall.

Thank You!

Appendix B

Respondent's Profile

Gender	F	%
Male	73	73
Female	27	27
Age	**F**	**%**
20-25 Years	15	15
26-31 years	33	33
32-37 Years	40	40
38 Years and Above	12	12
Education	**F**	**%**
Secondary	44	44
Bachelors	25	25
Masters' Degree	21	21
Doctorate	10	10
Type of Business	**F**	**%**
Retail	49	49
Wholesale	51	51
Individual Responsible for Managing the Business	**F**	**%**
Owner	58	58
Manager	29	29
Both	13	13
Form of Business Ownership	**F**	**%**
Sole Proprietorship	85	85
Partnership	15	15
Sourcing of Business Financing	**F**	**%**
Borrowing (Informal)	54	54
Savings	27	27
Borrowing (Formal)	19	19
Monthly Gross Sales	**F**	**%**
N0-N5,000,000 (US$0-US$12,027)	88	88
N5,000,000-N10,000,000 (US$12,027-US$24,055)	12	12
Business Experience	**F**	**%**
5-10 Years	8	8

11-20 Years	48	48
21-30 Years	29	29
31 Years and Above	15	15
Number of Employees	**F**	**%**
1-10 (Micro)	68	68
11-50 (Small)	30	30
51-200 (Medium)	2	2
Have you attended any business management training?	**F**	**%**
Yes	11	11
No	89	89
Business Management Training Attended	**F**	**%**
Marketing Training	11	11
Leadership Training	11	11
Customer Service Training	7	7
Financial Management Training	4	4

Appendix C

Population Sample Computation

The sample size was determined using the Cochran's (1977) formula was used. This was denoted by the equation below:

$$n_0 = \frac{Z^2 pq}{e^2}$$

Where:
e = is the desired level of precision (i.e. the margin of error)
p = is the (estimated) proportion of the population which has the attribute in question
q = is 1 – p.
95% confidence level =1.96
$Z^2 = (1.96)^2$
P = .50 degree of variability
Q = 1-p, = 1-.05 = .5

$$\frac{(1.96)^2(.5)(.5)}{(.05)^2}$$

= 385
Small Sample Correction:

$$n_o = n_o/1+\frac{(n_o-1)}{N}$$

$$385/1+\frac{(385-1)}{5{,}000}$$

Sample size = 357

Appendix D

Reliability Test Results

```
> myrfcuid = ''
>
> x <-
array(list(4,4,4,3,3,3,2,2,2,3,4,4,3,2,4,4,3,2,4,3,2,3,3,3,2,4,3,2,4,3,3,3,4,3,4,4,3,3,2,2,2,4,3,3,4,3,3,3,3,4,4,2,2,3,4,3,2,4,4,4,4,4,3,
4,3,3,4,4,4,3,3,3,3,4,3,3,4,4,2,3,2,3,3,2,2,2,4,4,3,3,3,4,3,4,3,4,3,2,3,2,4,2,3,2,4,3,2,3,2,3,3,2,2,3,3,3,3,4,3,3,4,4,4,2,4,2,3,4,4,3,4,4
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ames=list(c('V1','V2','V3','V4','V5','V6','V7','V8','V9','V10','V11','V12','V13','V14','V15','V16','V17','V18','V19','V20','V21','V2
2','V23','V24','V25','V26','V27','V28','V29','V30'),1:20))
>  y <-
array(NA,dim=c(30,20),dimnames=list(c('V1','V2','V3','V4','V5','V6','V7','V8','V9','V10','V11','V12','V13','V14','V15','V16','V
17','V18','V19','V20','V21','V22','V23','V24','V25','V26','V27','V28','V29','V30'),1:20))
```

Reliability Analysis
Call: alpha(x = z, check.keys = par1b)

raw_alpha std.alpha G6 (smc) average_r S/N ase mean sd median_r
0.88 0.89 1 0.21 7.8 0.036 3 0.35 0.24
lower alpha upper 95% confidence boundaries
0.81 0.88 0.96

Cronbach Alpha and Related Statistics				
Items	**Cronbach Alpha**	**Std. Alpha**	**G6 (smc)**	**Average R**
All Items	**0.8849**	0.8857	1	0.2053
V1	0.883	0.8845	1	0.2089
V2	0.8883	0.8905	1	0.2189
V3	0.8866	0.8876	1	0.214
V4	0.8718	0.8738	1	0.1928
V5	0.8799	0.88	1	0.2019
V6	0.8706	0.8721	1	0.1904
V7	0.8873	0.8885	1	0.2155
V8	0.8756	0.8776	1	0.1982
V9	0.8818	0.8829	1	0.2063
V10	0.8769	0.8755	1	0.1951
V11	0.8891	0.8885	1	0.2155
V12	0.8779	0.879	1	0.2003
V13	0.8827	0.884	1	0.2081
V14	0.8811	0.8823	1	0.2054
V15	0.8712	0.8729	1	0.1915
V16	0.8773	0.8759	1	0.1957
V17	0.8826	0.8834	1	0.2071
V18	0.8874	0.8877	1	0.2141
V19	0.8835	0.8839	1	0.2079
V20	0.8804	0.8808	1	0.2031
V21	0.8875	0.8886	1	0.2157
V22	0.8735	0.8756	1	0.1953
V23	0.8787	0.8791	1	0.2005
V24	0.8792	0.8795	1	0.2011
V25	0.8873	0.8873	1	0.2134
V26	0.8792	0.8805	1	0.2026
V27	0.8875	0.8891	1	0.2166
V28	0.8773	0.8782	1	0.1991
V29	0.8867	0.8873	1	0.2135
V30	0.8842	0.8858	1	0.2111

Reliability if an item is dropped:

	raw_alpha	std.alpha	G6(smc)	average_r	S/N	var.r	med.r
V1	0.88	0.88	1	0.21	7.7	0.12	0.25
V2-	0.89	0.89	1	0.22	8.1	0.11	0.25
V3	0.89	0.89	1	0.21	7.9	0.11	0.25
V4-	0.87	0.87	1	0.19	6.9	0.11	0.22
V5	0.88	0.88	1	0.20	7.3	0.11	0.23
V6-	0.87	0.87	1	0.19	6.8	0.11	0.20
V7-	0.89	0.89	1	0.22	8.0	0.11	0.25
V8	0.88	0.88	1	0.20	7.2	0.11	0.23
V9	0.88	0.88	1	0.21	7.5	0.11	0.23
V10	0.88	0.88	1	0.20	7.0	0.11	0.22
V11	0.89	0.89	1	0.22	8.0	0.11	0.25
V12	0.88	0.88	1	0.20	7.3	0.11	0.22
V13	0.88	0.88	1	0.21	7.6	0.11	0.25
V14	0.88	0.88	1	0.21	7.5	0.11	0.23
V15-	0.87	0.87	1	0.19	6.9	0.11	0.21
V16	0.88	0.88	1	0.20	7.1	0.11	0.22
V17	0.88	0.88	1	0.21	7.6	0.11	0.23
V18	0.89	0.89	1	0.21	7.9	0.11	0.25
V19	0.88	0.88	1	0.21	7.6	0.11	0.25
V20	0.88	0.88	1	0.20	7.4	0.11	0.23
V21-	0.89	0.89	1	0.22	8.0	0.11	0.25
V22	0.87	0.88	1	0.20	7.0	0.11	0.21
V23	0.88	0.88	1	0.20	7.3	0.11	0.23
V24	0.88	0.88	1	0.20	7.3	0.11	0.23
V25	0.89	0.89	1	0.21	7.9	0.11	0.25
V26-	0.88	0.88	1	0.20	7.4	0.11	0.23
V27	0.89	0.89	1	0.22	8.0	0.11	0.25
V28-	0.88	0.88	1	0.20	7.2	0.11	0.24
V29	0.89	0.89	1	0.21	7.9	0.11	0.25
V30-	0.88	0.89	1	0.21	7.8	0.11	0.25

Item statistics

	n	raw.r	std.r	r.cor	r.drop	mean	sd
V1	20	0.390	0.381	0.381	0.34	3.4	0.59
V2-	20	0.087	0.099	0.099	0.03	2.4	0.59
V3	20	0.233	0.236	0.236	0.17	3.5	0.69
V4-	20	0.832	0.834	0.834	0.80	2.8	0.83
V5	20	0.581	0.577	0.577	0.55	3.5	0.51
V6-	20	0.907	0.902	0.902	0.89	2.6	0.75
V7-	20	0.180	0.196	0.196	0.12	3.0	0.65
V8	20	0.694	0.682	0.682	0.64	3.0	0.97
V9	20	0.468	0.455	0.455	0.41	3.0	0.76
V10	20	0.763	0.768	0.768	0.74	2.5	0.51
V11	20	0.187	0.194	0.194	0.11	3.5	0.83
V12	20	0.622	0.623	0.623	0.57	3.1	0.81
V13	20	0.406	0.402	0.402	0.36	3.4	0.50
V14	20	0.491	0.479	0.479	0.44	2.6	0.68
V15-	20	0.878	0.869	0.869	0.86	2.5	0.76
V16	20	0.740	0.752	0.752	0.72	3.5	0.51
V17	20	0.427	0.432	0.432	0.37	3.0	0.73
V18	20	0.250	0.233	0.233	0.17	3.4	0.81
V19	20	0.392	0.409	0.409	0.33	2.9	0.75
V20	20	0.550	0.545	0.545	0.51	3.5	0.51
V21-	20	0.186	0.189	0.189	0.12	3.0	0.69
V22	20	0.770	0.764	0.764	0.73	3.0	0.86
V23	20	0.603	0.617	0.617	0.56	2.6	0.68
V24	20	0.591	0.600	0.600	0.55	3.2	0.62
V25	20	0.259	0.253	0.253	0.18	3.0	0.83
V26-	20	0.577	0.559	0.559	0.52	3.2	0.83
V27	20	0.164	0.166	0.166	0.10	2.9	0.64
V28-	20	0.649	0.658	0.658	0.59	3.0	1.03
V29	20	0.239	0.250	0.250	0.17	3.2	0.72
V30-	20	0.321	0.319	0.319	0.27	2.7	0.57

Non missing response frequency for each item

	2	3	4	miss
V1	0.05	0.55	0.40	0
V2	0.05	0.25	0.70	0
V3	0.10	0.30	0.60	0
V4	0.25	0.30	0.45	0
V5	0.00	0.55	0.45	0
V6	0.15	0.35	0.50	0
V7	0.20	0.60	0.20	0
V8	0.45	0.10	0.45	0
V9	0.30	0.45	0.25	0
V10	0.45	0.55	0.00	0
V11	0.20	0.10	0.70	0
V12	0.25	0.35	0.40	0
V13	0.00	0.60	0.40	0
V14	0.50	0.40	0.10	0
V15	0.15	0.20	0.65	0
V16	0.00	0.55	0.45	0
V17	0.25	0.50	0.25	0
V18	0.20	0.25	0.55	0
V19	0.35	0.45	0.20	0
V20	0.00	0.50	0.50	0
V21	0.25	0.55	0.20	0
V22	0.35	0.30	0.35	0
V23	0.50	0.40	0.10	0
V24	0.10	0.60	0.30	0
V25	0.30	0.35	0.35	0
V26	0.45	0.30	0.25	0
V27	0.25	0.60	0.15	0
V28	0.50	0.00	0.50	0
V29	0.15	0.45	0.40	0
V30	0.05	0.60	0.35	0

Appendix E

Guide Random Questions during the Informal Interview with MSME Owners and Managers

- What is the general outlook about your business in terms of profit and sales?
- Were you able to access loans from banks? Why or why not? What were the reasons?
- In the event that your business experiences an emergency like fire outbreak, do you have an insurance policy? Why or why not?
- How do you record the income and expenses of your business? Do you keep a budget and if yes, how do you do it?
- How do you manage your business expenses?
- How would you describe your attitude towards savings and investments?
- How are the business bills, such as loans and utilities, paid? Do you borrow more to pay old debts?
- Is the money borrowed from family and friends sufficient? Why or why not?
- If business management training is provided for free within the vicinity of this market, will you be willing to attend? Why or why not?
- How profitable has your business for the past three years been and what are the factors that affected the profitability of your business positively or negatively?
- What other interventions or assistance can you suggest for the government to assist the MSME sector?