
Effect of Financial Behaviour on the Performance of Small and Medium Enterprises in Damaturu Metropolis, Yobe State

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Abstract

Owners and managers of small and medium enterprises (SMEs) face various financial decisions when operating their businesses on a daily basis and sometimes they find it difficult to make informed decision as a result of insufficient knowledge about financial matters. Lack of financial literacy is the major obstacle to the performance of SMEs. This study examined the effect of financial behaviour on the performance of SMEs in Damaturu Metropolis, Yobe State, Nigeria. The study was anchored on resource-based theory. The population of the study was 335 SMEs registered under the Yobe State Small and Medium Scale Industry Credit Board, and a Simple Random Sampling Technique was used to select 173 respondents using the sample size table by Krejcie and Morgan (1970). Data collected was analysed using descriptive statistics, while the Structural Equation Model (SEM) was used for Inferential Statistics to test the relationship between the variables of the model using Smart-PLS version 3. The research findings show that there is a significant positive relationship between financial behaviour and SMEs' performance. Hence, the findings of the study suggest that financial behaviour improves the performance of SME owners and managers. The study recommends that programs and workshops be organized by the government to educate SMEs owners and managers on the importance of financial literacy, among SMEs owners and managers.

Keywords: Financial Literacy, Financial Behaviour, Performance

1. Introduction

Small and medium enterprises (SMEs) are businesses established across the globe by private individuals with the common aim of profit-making. These businesses provide employment opportunities and stimulate the economic growth of many parts of society (Uwanaka, 2021). It is established in general that SMEs contribute to economic development, and they are the source of founding new ventures and a source of employment and income for millions of individuals (Muriithi 2017). Therefore, the private sector may participate in the global economy due to an increase in growth and competition among SMEs, and not only that, it results in an increase in economic returns (Menike 2018).

Consequently, performance refers to achievement in one particular field of activity. The indication of performance shows how an individual or group attains a final conclusion in order

to achieve a goal (Mahmudova & Kovacs, 2018). Eniola and Entebang (2017) affirm that firm performance can be attributed to the ability of a firm to create acceptable results and actions. For the purpose of this study, both financial and non-financial performance are considered. The financial performance includes market share, asset growth, revenue growth, net profit growth, economic value added, return on assets, and return on investment. On the other hand, non-financial performance includes recycling activities, management of pollutant emissions, customer value added, customer loyalty, investment in employees, payment of benefits, and climate friendliness.

Financial literacy is regarded as an investor's or individual's ability to comprehend and utilize financial concepts (Hakim, Oktavianti, & Gunarta, 2018). Also, financial literacy can be viewed as a grouping of financial behaviours, knowledge, awareness, attitudes, and skills needed to make informed decisions that will offer individual welfare (Widiyati, Wijayanto, & Prihatiningsih 2018). Thus, to facilitate SMEs owners and managers to know the importance of being financially literate, financial literacy should be stimulated among them. This will enable them to source relevant, complete, and timely financial information required for making informed decisions, thereby enhancing their performance. This study therefore assessed the effect of financial behaviour on the performance of SMEs in Damaturu Metropolis, Yobe State.

Financial literacy is imperative for the better performance of a business and gives an entrepreneur the opportunity to make both investment and financial decisions. In a dynamic business environment, entrepreneurs experience many challenges that can be dealt with by gaining financial knowledge. This is because many studies indicate that financially educated entrepreneurs are more successful compared to those who do not have financial knowledge (Menike, 2018). Similarly, Menike (2018) affirms that many of the SMEs that are in the informal sector are not financially literate and lack basic education. In addition, many entrepreneurs do not keep records at all and lack knowledge of financial literacy. Moreover, financial literacy insufficiencies affect a person's daily management of money and the ability to save for long-term goals like buying a home and investing, planning for financing retirement, and upgrading the standard of living (Sudarmoyo, Suffari, & Tahir, 2021). Moreover, many studies indicate that owners and managers of SMEs are suffering from a deficiency in financial literacy, which weakens their chances of obtaining various financial sources that lead to better firm performance and a competitive capacity.

Lack of financial knowledge is the most frequently mentioned problems that account for poor SME performance (Agyapong & Attram, 2019). However, prior studies attempting to alleviate the aforementioned problems lack an appropriate approach. Furthermore, even though there were various studies on the effect of financial literacy on SMEs' performance, most of them were inconclusive. Some studies have demonstrated significant relationships (Eniola & Entebang, 2017 and Akanno, Emejuru & Khalid, 2017) showed that there is no relationship between the performance of SMEs and financial literacy. Therefore, these studies have produced mixed findings because of differences in the geographical area of the study. Consequently, this leads to the current study to assess the effect of financial behaviour on the performance SMEs in Damaturu metropolis is the focus of this study because, even though there are enough studies on the effect of financial literacy on SMEs' performance, there are scanty studies in Damaturu metropolis.

2. Literature Review

2.1 Small and Medium Scale Enterprises

SMEs' importance for productivity, economic growth, and competitiveness in both developed and developing nations is generally recognized. These businesses are not only crucial for delivering extra inclusive growth because of their income generation and employment potential; in addition, they also provide various contributions to social wellbeing and the

economy at large. Worldwide, SMEs are recognized as nurturing grounds and critical backgrounds for technical skills, entrepreneurial and domestic capacities, managerial competencies, and technological innovation for the development of the private sector.

Consequently, SMEDAN (2021) classified MSMEs on the basis of two criteria: assets, which exclude land and buildings, and employment. Microenterprises are enterprises that have assets less than ten-million-naira (N10M) and employment of less than ten (10) people. Small enterprises are enterprises that acquired assets valued at least ten million (N10M) but less than hundred million (N100M) and employed ten (10) to forty-nine (49) persons. Whereas, medium-scale enterprises have assets worth a minimum of N100 million but not up to N1000 million and employ from fifty (50) to one hundred and ninety-nine (199) people.

2.2 Performance of SMEs

Performance can be defined as the attainment of set objectives. Therefore, the performance of a business can be defined as the ability of an enterprise to achieve its targeted outcome as measured against its expected outputs. (Attamah, 2019). Furthermore, business performance can be considered the proficiency of an enterprise to surpass or achieve its pre-set goals or objectives as it has been approved by investors for a definite period of time, which assists the enterprise to realize superfluous or unique set goals significant to business growth in the market (Allgood & Walstad, 2016). In addition, Atkinson and Messy (2012) affirmed that when business performance is reviewed, it is a better way forward towards finding out whether an enterprise is growing or not by considering indicators that make it easy to look into the business enterprise situation, which include the number of employees, annual sales turnover rate, growth, competition innovation, and resource availability. According to the study, an index such as giving back to the community and balance of work-life are among the factors that are critical to business owners. However, Usama and Yusoff (2018) opined that such business measures must comprise both the performance of the business enterprise, such as “economic growth,” and any other criteria that the owners of the business deem to be successful. Moreover, Pulka, Ramli, and Mohammad (2018) argue that SMEs performance is regarded as how well the SMEs are doing in providing and creating value to their customers, owners, agencies of government, and societies at large.

Furthermore, business performance can be measured by a numerical value, which can be divided into financial and nonfinancial performance (Ahmad & Jamil, 2020). Financial performance, according to Ahmad and Jamil (2020), is a subjective measure of how well an enterprise can use its assets from its primary business activities and earn future cash inflows for the enterprise. The performance reveals an overall business financial condition over a particular period of time, which can be used to assess and compare with another firm within the same industry so as to evaluate their performance (Ahmad & Jamil, 2020).

2.3 Financial Behaviour

Enterprises performance depends greatly on the financial decisions that managers and owners are making, from financing decisions up to working capital management decisions and saving decisions as well. Solid financial behaviour of business owners results in competitiveness in the economies of the globe; conversely, financial illiteracy results in the termination of businesses (Ibrahim, 2017). Financial behaviours, according to Atkinson and Messy (2012), refers to comprehending the entire financial decision's impact on a person's conditions and making the appropriate decisions with respect to cash management, opportunities, and budget planning precautions. Some researchers have revealed that financial literacy, in most cases, predicts measures of individuals' financial behaviours (Attamah, 2019). Allgood and Walstad (2016) opine that sound financial behaviours have to do with the ability of an individual to make financial decisions, which lead to the prevention of individual and business uncertainties and greater wealth. These activities prevent over-indebtedness, insure against major life

contingencies, generate more financial assets, and finance retirement (Attamah, 2019). Furthermore, it is observed that the outcome of an entrepreneur who has the best financial behavior may increase the performance and financial wellbeing of the business. Entrepreneurs who are financially educated (literate) have a greater chance of becoming successful in the course of their business compared to their illiterate counterparts (Usama & Yusoff, 2018).

Another crucial financial behaviour is record-keeping, which is also known as book-keeping. It is one of the important accounting processes that has to do with the recording of all business transactions for expanding and sustaining a business. This includes the process of collecting, organizing, analysing, and storing the financial information of an entity to enable its day-to-day operations and the preparation of statements, internal reports, and tax returns. Similarly, it is important for small and medium enterprise owners and managers to plan for their future retirement while conducting their businesses.

If an individual develops positive financial behaviour in the course of studying in college, it improves their chances of achieving a greater quality of life in the future. Personal financial matters are one of the most crucial fundamental learning processes that students in college undergo in the first year of their higher education. At the initial stage, many of these individuals manage their finances independently, with no parental supervision. Most of them at that age begin to work for a wage, starting with the use of credit cards that are given in their own names. It was also observed that some of them borrow a substantial amount of money for the initial time and must manage debt. In the study by Xiao, Tang, and Shim (2009), "financial behaviours" refer to desirable or positive behaviours that are suggested by consumer economists as ways to enhance financial well-being. In order to measure credit management and cash items, past behaviours were considered. Intentions were used in order to measure the saving items, given that most of the students did not adopt saving behaviours (Xio, Tang, & Shim, 2009).

2.4 Review of Empirical Studies

2.4.1 Financial Behaviour and the Performance of SMEs

Financial behaviour, according to Zeynep (2015), is the ability to capture the comprehension of the impact of overall financial decisions on individual conditions and make the right decisions that relate to the opportunities for budget planning, cash management, and precautions.

In addition, Hasibuan, Lumbanraja, Lubis, and Shawtari (2019) studied marketing, financials, behaviour, and MSMEs performance in Indonesia. The study considered primary data through a questionnaire as the instrument, and a total of 300 SMEs participated as respondents. To analyse the data, multiple regressions were employed. The findings reveal that only marketing activities influence MSME performance, but the performance of MSMEs, on the other hand, cannot be influenced by financial behaviours. These results contradict the study carried out by Akanno, Emejuru, and Khalid (2017) and Esiebugie, Richard, and Emmanuel (2018), who have proven that financial behaviours has an effect on SMEs' performance.

Consequently, Malinda, Harianti, Tjandra, Margaretha, and Sunjaya (2021) examined financial behaviour and MSMEs in Bandung, Indonesia. Two hundred and seventy-six respondents participated, and the Financial Fitness Quiz (FFQ) was used for testing. The dimensions of financial behaviours used include savings and investing, insurance and estate planning, debt management, and spending money. The study reveals that the financial behaviours of MSMEs is low and that MSME owners require training in personal financial planning. These outcomes are in line with the study by Akanno, Emejuru, and Khalid (2017) and Esiebugie, Richard, and Emmanuel (2018).

Finally, Sumani, Awwaliyah, Suryaningsih, and Nurdin (2022) studied the financial behaviour, satisfaction, and performance of the batik industry in Indonesia. The entire

Indonesian batik industry is considered the population of the study, which consists of 208 batik businesses. The study employs a census, or saturated sample, where all members of the population are taken as members of the sample. SMART PLS software was used for data analysis. The study concludes that there is a significant effect of financial literacy on financial behaviours and performance, and financial behaviours has significant effects on financial satisfaction. Conversely, financial literacy has not influenced financial satisfaction, and similarly, financial behaviours has no effect on financial performance. This finding does not support the research carried out by Akanno, Emejuru, and Khalid (2017); Esiebugie, Richard, and Emmanuel (2018); Wiyono & Kirana (2021); Yakob, Zalila, and Rusli (2021), which reveal that there is no effect of financial behaviours on performance. Furthermore, the above study used only one component of financial literacy, which is not enough to draw a conclusion, and the study relied only on financial performance, and this study will take this into consideration.

2.5 Resource Based Theory

This study adopts RBT, which highlights ways in which enterprises can achieve improved performance by utilizing their resources. Thus, this theory is considered relevant because it shows that financial literacy influences owners and managers of SMEs who are skilled and knowledgeable and have experience, among other things, will have better performance than those who do not have it.

Warnerfelt (1984) propounded the theory, which is considered one of the theories of strategic management due to its practical significance. The theory suggests that a critical predictor of opportunity-based entrepreneurship and the growth of new enterprises is access to resources by founders. This has been shown previously by some researchers: currently, RBT is the main effective framework for understanding strategic management. Barney (2021) asserts that the resource-based view of the firm (RBV) and the resultant resource-based theory (RBT) offer a significant framework for explaining and predicting the basis of a firm's competitive advantage and performance.

Similarly, Wernerfelt (1984), as cited in Eniola and Entebang (2017), argue that resources are regarded as anything that might be thought of as a tangible or intangible asset of a firm, strength or weakness. Tangible resources are physical capital (machinery and buildings) and financial capital (retained earnings, equity capital, and debt capital). Conversely, intangible resources include entrepreneurial knowledge, experiences, skills, reputation, and organizational procedures, among others. In the same vein, Eisenhardt and Martin (2000) employed the resource-based theory in order to demonstrate the significance of financial capital for SMEs' performance. Similarly, Barney (1991) asserted that human capital resources involve training, experience, knowledge, judgment, attitude, intelligence, relationships, and individual managers' insight in a firm.

3. Methodology

The study was carried out in Damaturu Metropolis of Yobe State. The state is located in the north-eastern region of Nigeria, with a total of seventeen (17) local government areas. Damaturu is one of the local governments. The area was chosen because several types of businesses are carried out, and it has the highest number of SMEs to be studied. Similarly, the SMEs in the area engage in both on-farm and off-farm activities.

The study employed primary data generated to primary sources to achieve its objectives. The data were generated from managers and owners of SMEs by administering a questionnaire in Damaturu Metropolis. In order to make the respondents complete the questionnaires appropriately, how to fill out the instruments was explained to them thoroughly. The questionnaires are structured with questions that require respondents to indicate the appropriate

answer. The rationale behind the structure of the instruments is to limit the answers to those important to the area of study.

This study employed a Random Sampling Technique so as to get the appropriate sample. The total number of registered SMEs in Damaturu local government, according to the Yobe State Small and Medium Scale Industry Credit Board, is 335. Using the sample size table by Krejcie and Morgan (1970), the study used a sample of 181 SMEs, approximately out of the population.

The questionnaire was designed to show the extent of influence of the items using a 5-point Likert scale that was constructed from one to five, which are: five (5) = strongly agreed, four (4) = agreed, three (3) = undecided, and two (2) = disagreed. one (1) = Strongly Disagreed, as adapted from (Rahim & Balan, 2020; Curtis & Keeves, 2000; Britox & Santos, 2012; as modified by Pulka, 2019). The administering of the instrument was done to the selected SMEs owners and managers within the areas of study identified as samples.

The completed questionnaires were edited for consistency and completeness then the data were given a code to assist in the analysis. Similarly, Cronbach alpha was considered to test the reliability of the instrument. Consequently, descriptive analysis was employed using tables, frequencies, percentages and measure of central tendencies and also normality distribution test was considered. Moreover, data analysis was done using Structural Equation Model (SEM) through Smart PLS.

4. Data Presentation and Analysis

4.1 Response Rate

Table 1 presents the results of the study. A total of 181 questionnaires were administered to the respondents. 173 questionnaires were successfully retrieved. Nonetheless, the number of questionnaires not returned was 8. Hence, 96% is the response rate of this study.

Table 1: Questionnaires Rate of Response

Questionnaires Distributed	Responses
Number of distributed questionnaires	181
Number of retrieved questionnaires	173
Number of Questionnaires not retrieved	08
Response rate in %	96

Source: Field Survey, 2023

4.2 Descriptive Results

The descriptive statistics of the respondents to this study are provided in this section. It includes the demographic characteristics and descriptive results of the variables.

Table 2: Education of the Respondents

Items	Frequency	Percent	Cumulative Percent
No Formal Education	02	1.2	1.2
Primary Certificate	05	2.9	4.0
SSCE	38	22.0	26.0
NCE/ Diploma	56	32.4	58.4
Graduate	51	29.5	87.9
Postgraduate	20	11.6	99.4
Others	1	.6	100.0
Total	173	100.0	

Source: Field Survey, 2023

Table 2 presents the various positions of the respondents in their respective SMEs. 54.9 percent of them are the owners of the businesses. 25.4 percent are managers. While 19.7 percent are owners or managers.

Table 3: Position of the Respondents in their SMEs

Items	Frequency	Percent	Cumulative Percent
Owner	95	54.9	54.9
Manager	44	25.4	80.3
Both	34	19.7	100.0
Total	173	100.0	

Source: Field Survey, 2023

Table 3 presents the age of the businesses. 39.3 percent are between 0 and 5 years old. 34.7 percent are between 6 and 10 years old. 15.0 percent are between 11 and 15 years old. 7.5 percent are between 16 and 20 years old. 2.3 percent are between 21 and 25 years old. 1.2 percent are over 25 years old.

Table 4: Years of Business

Items	Frequency	Percent	Cumulative Percent
0 – 5 years	68	39.3	39.3
6 – 10 years	60	34.7	74.0
11 – 15 years	26	15.0	89.0
16 – 20 years	13	7.5	96.5
21 – 25 years	4	2.3	98.8
25 and above	2	1.2	100.0
Total	173	100.0	

Source: Field Survey, 2023

Table 4 presents the sectors of the businesses. 18.5 percent are from the agricultural sector. 9.8 percent are from the manufacturing sector. 4.6 percent are from the building and construction sector. 20.2 percent are from wholesale and retail businesses. 4.0 percent are hotel businesses. 6.9 percent are restaurant businesses. 2.3 percent are transportation businesses. 17.3 percent are from the communication sector. 0.6 percent are real estate businesses. 1.7 percent are renting businesses. 4.0 percent are from the educational sector. Another 4.0 percent are from the health and social work sectors. While 5.8 percent are from other sectors,

4.3 Variables Descriptive Statistics

Table 5: Financial Behaviour and the Performance of SMEs

S/N	Statement	SD	D	N	A	SD	Total
1	I had planned the financial objectives of my business.	25 (14.5%)	14 (8.1%)	29 (16.8%)	80 (46.2%)	25 (4.4%)	173 (100%)
2	In managing my expenses, my long-term financial analysis influences my business decisions.	14 (8.1%)	30 (17.3%)	21 (12.1%)	80 (46.2%)	28 (16.3%)	173 (100%)
3	I track my expenses regularly on a weekly or monthly basis.	14 (8.1%)	22 (12.7%)	38 (21.9%)	65 (37.6%)	34 (19.7%)	173 (100%)
4	Reviewed bills each month for accuracy	11 (6.4%)	31 (17.9%)	37 (21.4%)	64 (37%)	30 (17.3%)	173 (100%)
5	Tracking monthly expenses	10 (5.8%)	27 (15.6%)	37 (21.4%)	66 (38.2%)	33 (19.0%)	173 (100%)
6	Spend within the budget	20 (11.6%)	23 (13.3%)	26 (15%)	69 (39.9%)	35 (20.2%)	173 (100%)
7	I am maintaining sufficient balances my bank Account.	14 (8.1%)	12 (7%)	38 (21.9%)	81 (46.8%)	28 (16.2%)	173 (100%)
8	I am Paying bills on time every month	15 (8.7%)	21 (12.1%)	32 (18.5%)	74 (42.8%)	31 (17.9%)	173 (100%)
9	I am Paying off credit balance as and when due	14 (8.1%)	25 (14.5%)	32 (18.5%)	76 (43.9%)	26 (15%)	173 (100%)
10	I do Save money regularly for business Contingency.	19 (11%)	22 (12.7%)	40 (23.1%)	61 (35.3%)	31 (17.9%)	173 (100%)

11	I am Setting aside money for emergencies	8 (4.6%)	9 (5.2%)	44 (25.4%)	75 (43.4%)	37 (21.4%)	173 (100%)
12	I am Contributing to investment/retirement account.	14 (8.1%)	20 (11.6%)	50 (28.9%)	57 (32.9%)	32 (18.5%)	173 (100%)
13	In most ways my life is close to my ideal.	14 (8.1%)	22 (12.7%)	43 (24.9%)	73 (42.2%)	21 (12.1%)	173 (100%)
14	The conditions of my life are excellent.	10 (5.8%)	17 (9.8%)	36 (20.8%)	78 (45.1%)	32 (18.5%)	173 (100%)
15	I am satisfied with my life.	13 (7.5%)	17 (9.8%)	34 (19.7%)	71 (41.0%)	38 (22%)	173 (100%)
16	So far, I have gotten the important things I want in life.	9 (5.2%)	25 (14.5%)	38 (21.9%)	74 (42.8%)	27 (15.6%)	173 (100%)
17	If I would live my life over, I would change almost nothing	9 (5.2%)	25 (14.5%)	38 (21.9%)	74 (42.8%)	27 (15.6%)	173 (100%)

Source: Field Survey, (2023)

It can be observed from Table 4.14 that 25 (4.4%) of the respondents strongly agreed with the statement that they have planned the financial objectives of their business. 80 (46.2%) agreed, while 29 (16.8%) were neutral. On the other hand, 14 (8.1%) disagreed and 25 (14.5%) strongly disagreed. Therefore, it can be concluded that most of the respondents agreed that they had planned the financial objectives of their business. Moreover, 28 (16.3%) of the respondents strongly agreed with the statement that in managing their expenses, their long-term financial analysis influences their business decisions, while 80 (46.2%) agreed, and 21 (12.1%) were neutral. However, 30 (17.3%) disagreed and 14 (8.1%) strongly disagreed. Therefore, it can be deduced that most of the responses were in favor of the statement that, in managing their expenses, their long-term financial analysis influences their business decisions.

In addition, 34 (19.7%) of the respondents strongly agreed with the statement that they track their expenses regularly on a weekly or monthly basis, and 65 (36.6%) agreed, but 38 (21.9%) of the respondents remained neutral. On the other hand, 22 (12.7%) disagreed and 14 (8.1%) strongly disagreed. Therefore, it can be established that most of the respondents agreed that they track their expenses regularly on a weekly or monthly basis. Furthermore, 30 (17.3%) of the respondents strongly agreed that they review bills each month for accuracy, whereas 64 (37.3%) agreed but 37 (21.4%) remained neutral. However, 31 (17.9%) disagreed and 11 (6.4%) strongly disagreed. Thus, it can be concluded that most of the respondents agreed that they review bills each month for accuracy.

Regarding tracking monthly expenses, 33 (19.0%) strongly agreed that they track monthly expenses, 66 (38.2%) agreed, and 37 (21.4%) were neutral. Conversely, 27 (15.6%) disagreed and 10 (5.8%) strongly disagreed. Hence, it can be concluded that most of the respondents agreed that they track monthly expenses. In addition, 35 (20.2%) of the respondents strongly agreed that they spend within the budget, 69 (39.9%) agreed, but 26 (15%) remained neutral. On the other hand, 23 (13.3%) disagreed and 20 (11.6%) strongly disagreed. Therefore, it can be concluded that most of the respondents agreed that they spent within the budget. Moreover, 28 (16.2%) strongly agreed that they are maintaining sufficient balances in their bank account, while 81 (46.8%) agreed, but 38 (21.9%) were neutral, 12 (7%) disagreed, and 14 (8.1%) strongly disagreed. As a result, it can be deduced that most of the respondents agreed that they were maintaining sufficient balances in their bank accounts.

Subsequently, 31 (17.9%) strongly agreed that they are paying bills on time every month, 74 (42.8%) agreed, while 32 (18.5%) were neutral, 21 (12.1%) disagreed, and 15 (8.7%) strongly disagreed. Consequently, it can be established that most of the respondents agreed with the statement. Furthermore, 6 (15%) of the respondents strongly agreed that they are paying off their credit balance as and when it is due, and 76 (43.9%) agreed, whereas 32 (18.5%) are neutral, 25 (14.5%) disagree, and 14 (8.1%) strongly disagree. Therefore, it can be concluded that most of the respondents agreed they were paying off their credit balances as and

when they were due. Regarding saving behavior, 31 (17.9%) strongly agreed with the statement, 61 (35.3%) agreed, and 40 (23.1%) remained neutral. Conversely, 22 (12.7%) disagreed and 19 (11% strongly disagreed). Thus, it can be deduced that most of them agreed they do save money regularly for business contingencies.

In addition, 37 (21.4%) strongly agreed that they are setting aside money for emergencies, while 75 (43.4%) agreed, but 44 (25.4%) were neutral, 9 (5.2%) disagreed, and 8 (4.6%) strongly disagreed. Thus, it can be concluded that most of the respondents agreed that they were setting aside money for emergencies. Moreover, 32 (18.5%) of the respondents strongly agreed that they are contributing to an investment or retirement account, while 57 (32.9%) agreed, but 50 (28.9%) remained neutral. However, 20 (11.6%) disagreed and 14 (8.1%) strongly disagreed. Therefore, it can be concluded that most of the respondents agreed that they are contributing to an investment or retirement account. In addition, 21 (12.1%) of the respondents strongly agreed that in most ways their lives are close to their ideal, whereas 73 (42.2%) agreed but 43 (24.9%) were neutral. On the other hand, 22 (12.7%) disagreed and 14 (8.1%) strongly disagreed. Hence, it can be established that the majority of the respondents agreed that, in most ways, their lives are close to their ideal.

With respect to the condition of their lives, 32 (18.5%) of the respondents strongly agreed that the conditions of their lives are excellent, while 78 (45.1%) agreed with the statement, but 36 (20.8%) remained neutral. However, 17 (9.8%) disagreed, 10 (5.8%) disagreed, and 14 strongly disagreed. Thus, it can be deduced that most of the respondents agreed that the conditions of their lives were excellent. In addition, 38 (22% of the respondents) strongly agreed that they are satisfied with their lives, 71 (41.0%) agreed, and 34 (19.7%) were neutral. On the contrary, 17 (9.8%) disagreed and 13 (7.5% strongly disagreed). Thus, it can be concluded that most of the respondents agreed that they were satisfied with their lives.

Moreover, 27 (15.6%) of the respondents strongly agreed that so far, they have gotten the important things they want in life, whereas 74 (42.8%) agreed but 38 (21.9%) were neutral. On the other hand, 25 (14.5%) disagreed and 9 (5.2%) strongly disagreed. Therefore, it can be established that the majority of the respondents agreed that so far, they have gotten the important things they want in life. Furthermore, 27 (15.6%) of the respondents strongly agreed that if they lived their lives over, they would change almost nothing, while 74 (42.8%) agreed, but 38 (21.9%) were neutral. Conversely, 25 (14.5%) disagreed and 9 (5.2%) strongly disagreed. As a result, it can be established that the majority of the respondents agreed that if they lived their lives over, they would change almost nothing.

4.4 The Assessment of the Measurement Model

The initial phase of the analysis of PLS is the measurement model evaluation. The measurement model has to do with component estimation, which assesses how the indicators load theoretically and relate to relevant constructs. Consequently, outer model analysis ensures that the constructs are measured by the survey items they were designed to measure, making sure that they are valid and reliable. Therefore, measurement model evaluation comprises how to determine the reliability of individual items, internal consistency, content validity, reliability, convergent validity, and discriminant validity (Henseler, Ringle, & Sinkovics, 2009; Sarstedt, Ringle, & Hair, 2017; Marko Sarstedt, Ringle, Smith, Reams, & Hair, 2014).

4.5 Internal Consistency Reliability

This refers to the degree to which the whole items of a construct are measuring what is anticipated to be measured (Bijttebier et al., 2000). Thus, this research used Cronbach's alpha and composite reliability coefficients to assess the internal consistency and reliability of all the instruments in the research (Selto, Renner, & Young, 1995). Bagozzi and Yi (1988) and Hair, Ringle, and Sarstedt (2011) argued that the value of Cronbach alpha and composite reliability should be a minimum of 0.70. Consequently, Table 4.20 presents the Cronbach alpha value and

composite reliability of the variables. The Cronbach alpha values are all greater than 0.70. While the composite reliability is greater than 0.80,

Table 6: Loadings, Composite Reliability and Average Variance Extracted

Items	Standardized Loadings	Cronbach's Alpha	Composite Reliability	Average Variance Extracted
Financial Behaviour		0.707	0.819	0.531
FIB1	0.766			
FIB14	0.738			
FIB15	0.712			
FIB2	0.698			
SMEs Performance		0.844	0.881	0.515
SP1	0.692			
SP12	0.689			
SP13	0.711			
SP14	0.713			
SP3	0.777			
SP4	0.695			
SP5	0.740			

4.6 Hypotheses Testing for Relationships

Smart PLS version 3 was considered to assess all hypotheses in the study. The bootstrapping analysis was conducted to determine whether there is an association between the independent and dependent variables in the study. In this study, first, the significance of the path coefficient was determined by testing the significance level.

The effect of financial behaviours on SMEs' performance was evaluated. The result shows that $B = 0.171$, T statistics = 2.236, and P values = 0.025. This showed that there exists a significant relationship between financial behaviours and SMEs' performance. Hence, hypothesis two, which states that financial behaviours have no significant effect on SMEs' performance, is rejected. Table 4.19 presents the outcomes of the hypotheses.

Table 7: Hypotheses Testing (Results of Relationships)

Hyp.	Relationships	Beta	Std. Dev.	T Stat.	P Values	Decision
H02	Financial Behaviour => SMEs Performance	0.171	0.077	2.236	0.025**	Rejected

Note: *** Significant at 0.01** Significant at 0.05, * Significant at 0.10

Source: PLS results (2023)

4.7 Assessment of Coefficient of Determination (R²)

Table 7 presents the results of the R squared. The extent of the R square value specifies the strong point of connection between the independent and dependent variables in research. The results from SPSS showed that the percentage of the variance might be predicted from the association between the variables. When the R square value is greater than 0.49, the strength of the relationship is considered greatly substantial. Nevertheless, when the R square values are between 0.26 and 0.49, the strength of the relationship is measured to be substantial. However, if the R square value is between 0.13 and 0.26, the strength of the relationship is considered average. If the R square value is between 0.02 and 0.13, the strength of the relationship is considered small. Therefore, in this study, the R square coefficient is 0.543. This value indicated that the model has an acceptable degree of criterion validity and explains 54%

of the variance in the performance of SMEs. Hence, it is established that the connection between the dependent and independent variables is substantial.

Table 8: Assessment of the Effect Size (f²)

Variables	F ²	Effect
Financial Behaviour	0.035	Small

Source: PLS results (2023)

4.8 Results and Discussions

The analysis evaluated the effect of financial behaviours on SMEs' performance. The result shows that $\beta = 0.171$, T statistics = 2.236, and P values = 0.025. This indicates that there is a significant relationship between financial behaviours and SMEs' performance. Hence, hypothesis two, which states that financial behaviours have no significant effect on SMEs' performance, is rejected. The finding is in agreement with the studies of Wiyono and Kirana (2021); Omoleye and Henry (2022); and Sumani, Awwaliyah, Suryaningsih, and Nurdin (2022), which reveal that the financial behaviours and performance of SMEs are positively related. Thus, SMEs owners and managers that have sound financial behaviours can use such behaviours to improve their performance.

The findings of this study indicate empirical evidence in support of RBT, which considers firms as a gang of resources that are converted to produce firm abilities that can be used to improve performance. The gaining of valuable resources results in the creation of a competitive advantage that can be well-maintained for a longer period of time when the business safeguards itself from substitution or imitation of the resources. One of these resources can be financial behaviours. The more the SMEs owners have sound financial behaviours, the better they will be able to make informed decisions that enhance their performance.

5. Conclusion and Recommendation

The main objective of this study is to assess the effect of financial literacy on the performance of small and medium enterprises (SMEs) in Damaturu Metropolis, Yobe State, Nigeria. The main finding of the study reveals that there is a significant positive relationship between financial literacy and the performance of SMEs in the study area, which means that the more financially literate SMEs owners and managers are, the more their performance increases. This, by implication, indicates that for those SMEs owners and managers who are financially knowledgeable, their performance increases. In addition, most of the respondents are financially literate, as a greater percentage of them have agreed that they keep a cash book for recording business transactions, separate their business and personal finances, and also have savings and investment plans, which led to an increase in their performance.

Similarly, they have planned the financial objectives of their business and spent within the budget. In addition, they are maintaining sufficient balance in their bank account and setting money aside for contingencies and emergencies, so they are also contributing to their retirement account. Furthermore, SMEs owners and managers claimed to have known the financial standard expected of them, and being in business helped them develop financial problem-solving skills. Similarly, they feel confident about tackling unfamiliar financial problems, and being in the business has improved their financial skills in financial communication. Therefore, this study suggests that financial literacy and the performance of SMEs are positively related, meaning if one increases, the other one equally increases. Hence, financial literacy improves the performance of SMEs in the study area.

The following recommendations were made based on the findings of the study: Programmes and workshops should be organized by the government to educate the SMEs owners/managers on the importance of financial literacy; Policy should be formulated and implemented by the government that will improve the financial behaviour of SMEs owners/managers; Government

should place emphasis on enhancing the financial behaviour and not only the funding of these businesses.

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