The Effect of Financial Literacy on the Efficiency of Small-Scale Enterprises in Abia State, Nigeria

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Abstract— **The focus of this research is on the effect of financial literacy on the efficiency of small-scale enterprises in Abia State, Nigeria. A review of related literature was carried out to examine the extent of work done in the field. Carefully structured questionnaires were used to collect data on the perceived financial literacy of small- scale business owners and their levels of efficiency. Stratified random sampling was adopted in which the researcher divided the small scale enterprises into ten (10) strata and thereafter random sampling technique was employed. A sample of one hundred and fifty (150) respondents, which encompasses the different strata, was used. One way analysis of variance (ANOVA) and student t-test at 5% level of significance was used in the determination of the statistical significance of the hypotheses. The result showed that the level of adoption of financial literacy by small sc.ale enterprises in Abia state was low, and the owner-managers highly perceived that utilization of accounting records could significantly influence their efficiency. From the findings the researcher recommended as follows: that the Abia State Ministry in charge of the development of small and medium enterprises (SMEs) should intensity policy efforts in financial and accounting training programmes for small-scale entrepreneurs, to ensure sustained awareness and use of financial records.**

Index Terms— **financial literacy, small- scale business, SMEs.**

I. INTRODUCTION

Like little drops of water that forms a mighty ocean, the littleness of small scale businesses from the cradle has been the bedrock of industrialization In developing countries of the world. Globally, small scale enterprises have contributed enormously in Improving the standard of living of the people by providing jobs to relieve the society of social embarrassment, stimulating Indigenous entrepreneurship and utilizing scarce resources.

Presently, as part of the sustainable Development Goals (SDGs), effort is being made to reduce poverty rate in developing countries. Effort is also being made to reduce the reliance of people on government and so-called "white-collar jobs''. These are achievable through the growth and development of small scale enterprises (Eneh, 2007). Furthermore, small scale enterprises play important roles in the economic growth and development of every nation. They are a veritable vehicle for the achievement of national macro-economic objectives in terms of employment generation and enhancement of apprenticeship training.

Financial literacy, as the name implies, occupies a centre-stage in the quest to achieve an overall degree of success in an organization (Bernheim, 2008). It enhances, to a reasonable degree, a business of financial profit. Companies and businesses have therefore been charged with

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ensuring that adequate and proper books of accounts are kept so as to ensure reliability of their financial statements. This will, in the long run, help improve their level of profitability. Furthermore, profit can analogously be viewed as the life-blood of a business and hence the accounting bases, concepts and principles adopted ought to capture and report all the relevant information to ensure reliability in its measurement (Nelson and Onias, 2011). Also Enikanselu and Oyende (2009) made it clear that no businessman can run his/her business effectively without being financially literate and also having one form of accounting records or the other. It can therefore be deduced that appropriate financial literacy is important for a successful management of any business, whether big or small.

Consequently, we can say that it is crucial that financial literacy be encouraged among small scale enterprises so as to enable them be able to supply complete and relevant financial information needed to improve on decisions made by them, and to also enhance their profitability. This research study therefore, examines the extent to which small-scale business owners in Abia State of Nigeria are financially literate and the perceived impact on the profitability of their businesses.

A. Statement of the problem

In the past one or two decades, the Nigeria successive governments have put in place policy measures, schemes and support schemes to develop the small scale enterprise sub-sector and to increase its performance.

In today's Nigeria $_s$ small scale enterprises have not performed creditably well and they have not played expected role in spite of the fact that they have been regarded as the bulwark for employment generation and technological development.

There are many problems associated with small scale enterprises in Nigeria. One of these problems is lack of financial literacy which is evident in their inability to keep complete accounting records. This invariably has resulted into a situation where small business operators cannot capture adequately their business profits. This is because in the process of calculating profit, financial data are assembled in a way that cannot help make informed financial judgment and decision taking. These financial data cannot be assembled without adequate financial literacy. This problem has ultimately affected the profitability of small scale businesses.

In addition to the above is are lack of awareness of financial risk and opportunities, reckless expenditure, use of business funds for personal transactions, limited access to bank credit facilities and insurance policies. These and more can be addressed by being financially literate.

Hence, the researched believe that these inherent problems could be attributed to the neglect of financial literacy by small scale enterprises.

B.   Objectives of the study

The main objective of this study is to investigate financial literacy as a tool to improving on the profitability of small scale enterprises in Abia State. The specific objectives of the study are as follows:

- To examine the extent to which financial literacy is adopted by small scale enterprises in Abia state.
- To examine financial literacy theories and explore their relevancy in the efficiency of small scale enterprises
- To establish a relationship between financial literacy and small-scale business efficiency.

C.   Research questions

The study developed the following questions to guide researchers their quest to finding solutions to the research problems:

- ❖ To what extent is financial literacy adopted by small scale enterprises in Abia state?
- ❖ To what extent do theories support the relevance of financial literacy in the growth of small-scale enterprises
- ❖ What is the statistical relationship between financial literacy and efficiency of small-scale enterprises?

D.   Research hypothesis

The, study seeks to test the following operational hypothesis:
Ho: The level of adoption of financial literacy by small scale enterprises in Abia State of Nigeria low, and hence, the influence on the firms' efficiency is not significant.

E.   Scope of the study

With a large percentage of businesses in the state falling within the small scale enterprises sub-sector, the need to clearly define the scope and area of the study becomes imperative.

The study is therefore confined to the small scale enterprises operating in Abia State, and yet it is not easy to use the result of this research to gain insight into the entire small scale enterprises in Nigeria.

Abia State has been chosen because of its republican nature and the hub of small-scale business operations in Nigeria. Thus, all the necessary information
needed for this study were-collected from this region.

F.   Significance of the study

Given the vital role and contributions which small scale businesses in developed and developing countries make, and considering the ongoing reforms by the Central Bank of Nigeria for a sustainable financial literacy framework for small and medium scale enterprises in the country, the significance of this study cannot be over emphasized. The study attempts to document the factor (financial literacy) that is truly critical to the profitability of small scale enterprises but which have has not been appreciated, recognized or factored into the various incentives schemes and policy measures being put up for the development of small-scale enterprises in Nigeria.

Also awareness will be created by this study on the urgent need to improve on the financial literacy level of SSEs

owners in Nigeria. Furthermore, apart from the result of the study contributing to the "knowledge bank" of small scale enterprises, it will stimulate more researches into this area.

G.   Organization of the study

This study is presented in five (5) Sections These sections are organized in a sequential manner that will aid careful investigation and easy achievement of the objectives.
Section one is a preview of the background of the study and the problem(s) that necessitated the research.
Section two presents the review of relevant literature and theoretical framework.
Section three presents the research methodology of data collection in relation to the research design, population and sample with emphasis on the model specification, estimation, validation and reliability of research instrument.
Section four is the analyses of the data and also the discussion of the findings.
Section five is the concluding remarks.

II.   LITERATURE REVIEW

A.   Concept of Small Scale Enterprises

The definition of small-scale enterprises varies from country to country and from one time to the another in the same country depending upon the pattern and stage of development, government policy and administrative set up of the particular country.. Every country has set its own parameters for defining a small-scale enterprise. Generally, a small-scale enterprise is defined in terms of investment ceilings on the original value of the installed plant and machinery. But in the medieval days definition was based on employment. In the Indian context, a mall-scale enterprise is defined as one which is operated mainly with hired labour usually 10 to 50 hands. Fixed capital investment in a unit has also been adopted as the other criteria to make a distinction between small-scale and large-scale industries. This limit is being continuously raised upwards by governments.

In most of the developing countries like Nigeria Small Scale Industries (SSI) constitute an important and crucial segment of the industrial sector. They play an important role in employment creation, resource utilization and income generation and helping to promote changes in a gradual and phased manner. They have been given an important place in the framework of Nigeria development planning, both for economic and ideological reasons. The reasons are obvious. The scarcity of capital in Nigeria limits the number of that can be created because investment costs per job are high in large and medium industries. An effective development policy has to attempt to increase the use of labour, relative to capital to the extent that it is economically efficient. Small scale enterprises are generally more labour intensive than larger organizations. As a matter of fact, small scale sector has now emerged as a dynamic and vibrant sector for the Nigeria economy in recent years. It has attracted so much attention not only from industrial planners and economists but also from sociologists, administrators and politicians
Generally, Small scale enterprises have the following features:

- ❖ They exist in the forms of sole proprietorship and partnerships though some could be registered as limited liability companies.

- ❖ Management structure is simple thus decision making is easy.
- ❖ Ownership and management is fused together in one person or few individuals.
- ❖ Relationship between employers and employees is largely informal.
- ❖ Majority is labour intensive, requiring more human per capital.
- ❖ Technologies involved are always very simple.
- ❖ Limited access to financial capital (suffer from inadequacy of capital).
- ❖ High rate of business mortality.
- ❖ They operate in mainly economic activities, providing a variety of goods and services.

B. Concept and Definition of Financial Literacy

Generally, literacy refers to a person's ability to read and write. The standard definition of literacy developed by the Literacy Definition Committee is "using printed and written information to function in the society, to achieve one's goals and to develop one's knowledge and potential" (Kirsch, et al. 2001). When operational, this definition covers three broad areas - prose (written information), document (tabular/graphical information) and quantitative (arithmetic and numerical information). Literacy therefore in its broadest sense consists of understanding (i.e. knowledge of words, symbols, and arithmetical operations) and use (ability to read, write and calculate) of materials related to prose, documents and quantitative information.

This idea of literacy has been expanded to the study of particular skill sets, for example computer literacy, statistical literacy health literacy. Each type of literacy, measures how well an individual can understand and use information. For example, health literacy measures now well an individual can understand and use health-related information (Baker, 2006). Like general or health literacy, financial literacy could be conceptualized as having two dimensions - understanding (personal financial knowledge) and use (personal financial application), (Houston, 2009). This is depicted in figure 1
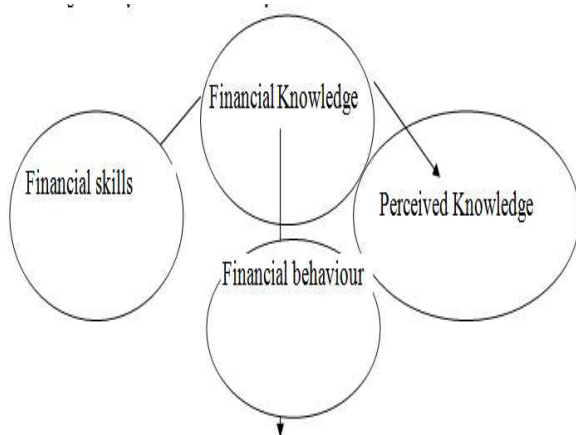

Figure 1 Cycle of Financial Literacy

C. Theoretical Framework

Over the years, there have been streams of theories on financial literacy as well as profitability which stand as the independent and dependent variables of this research.

However, the following stand out as mainstream theories on financial literacy:

(1) **Psychoanalysis Theory -**

Psychoanalysis theory with its origin credited to Sigmund Freud, argues that individuals' attitudes towards money were shaped by the conflict between the super-ego and the ego of others (Krueger 1986) Individuals will accept advice when making small financial decisions but will rely on their feelings when making large decisions. Psychoanalysis drew attention to the effect

That early life experiences have on financial behaviors and attitudes throughout life.

(2) **Learning Theory (Behaviourism)**

Many behavioural psychologists dismiss psychoanalysis theory because of the focus on unobservable urges and conflicts whose presence and influence are not testable (Watson, 1913). Learning theory (also termed behaviourism) offered a methodical study of the observed influences of financial behaviour and how people acquire money habits (Goldhaber, 2000).

Learning theory evolved most notably with the work of Skinner. For Skinner, money is a powerful secondary tool, because it is associated with the ability to purchase primary things (e.g. food). Therefore, money can promote behaviour, such as working, because it enables a higher standard of living (Skinner, 1969).

(3) **Piaget's Cognitive Theory**

Cognitive theory's interest is in the cognitive process that lies between the observed cause and its effect on behaviour. Form observing the thinking and actions of people, Jean Piaget argued that what actually elicits a response is both the sensitization to the stimulus and how people think (Brynes, 2008: Piaget, 1983). The implication is that how one organizes his/her thinking about an early financial issue affects subsequent financial decisions.

Furthermore, discussed below are theories of profits. They are various theories of profits given by several economists, which are as follows:

(4) **Socio-Demographic characteristics theory**

There are some general findings that hold across different samples, countries and times. Women and ethnic minorities have less knowledge, while more educated individuals display greater financial literacy. Financial literacy is positively connected to wealth and/or income. A higher level of education is usually associated with a better understanding of financial concepts and a higher degree of financial knowledge (Guiso and Japelli, 2008).

(5) **Family background Theory**

In addition to socio-demographics, financial literacy is also influenced by family background, especially mother's education and whether parents owned stocks.

(6) **Wealth Theory**

Delavande et al, (2008) propose a simple theoretical framework linking the acquisition of financial literacy to wealth, viewing the acquisition of financial knowledge as a sort of human capital investment. In this framework, benefit from investing in financial knowledge also depends on the amount of asset invested, because the higher the stock of financial knowledge possessed, the higher the rate of returns obtained by the assets. Hence, according to this model, wealthier individuals should have a greater incentive to acquire financial knowledge.

D. Empirical Studies

Mier and Sprenger (2008) present the results of a field study linking individual decisions to acquire financial information to time preferences. They offered a short, free credit counseling and information program to more than 870 individuals. About 55% choose to participate. Independently, the authors elicited time preferences using incentivized choice experiments for both individuals who selected their program and those who did not. Individuals who choose to acquire personal financial information through the counseling program discounted the future less than individuals who choose not to participate. This suggests that individual's time preference may explain who will and who will not choose to become financially literate.

Bernheim (2008) found that males perform better on both financial and macroeconomic questions. Being male according to him is associated with better financial knowledge.

Huddleston and Danes (1999) examined the impact of a high school financial literacy program on a national sample of students in the USA after graduation. They found out that teaching personal financial literacy in high schools can increase financial knowledge and subsequent impact on both teenage financial behaviors and subsequent behaviour as adults. Further, they agreed that person financial literacy should become a mandatory component of consumer education in schools.

Chatzy (2002), when commenting on the personal financial literacy education of American adults, agreed that majority are not getting such education, but even those that are being exposed to money matters do not appear to retain much of the content. She relied on the evidence that the average adult was able to answer 50% of 31 financial literacy multi- choice questions correctly. After investigating what may have zone wrong, she suggested thai financial literacy education should have 'a home' in US schools and high school. She argued that financial education is more effective before people start to practice.

Also, among the group of researchers that investigate financial literacy, Schagen and Lines (1996) undertook an investigation of financial literacy in the United Kingdom adults for the Natwest Group Charitable Trust. In their studies, selected samples were asked about their attitude to keeping track of their monthly income and expenses, their attitude to savings and borrowing, their use of banking services and their confidence in handling money matters. In addition, they were asked questions to test their knowledge of financial markets and instruments, of financial decision making, of solving financial problems and of financial planning. Generally., Schagen and Lines (1996) found out that workers in Nat West Group Charitable Trust were committed to saving more .than borrowing. The majority with bank transaction accounts claimed to keep detailed records and most others said they knew roughly their current balances. There were reasonably confidence in dealing with financial affairs.

William-Harold and Smith (1999) reported a survey of 500 small businesses about savings, investing and record keeping. About 60% of them had savings account, 11% owned equities, and about 40% keep proper financial records. Though 56% of them had taken a money-management course, only 31% reported being able to manage a bank account, 12% were confident of their ability to decide among various bank accounts.

Maseko and Manyani (2011) reported a study of one hundred registered small scale enterprises in Bindura, Zimbabwe. The research objectives inquired into their finance literacy level as regards adequate record keeping and profitability measurement. *It* was found out that 72% of businesses uses cash basis of accounting in financial reporting, 62% lacked accounting knowledge and 84% suggested book-keeping training for all small scale enterprises in Zimbabwe. It was concluded that SSEs in Zimbabwe do not keep complete accounting records because of lack of accounting knowledge.

Okoli (2011) carried out an investigative study of record keeping and its impact on profitability of small scale enterprises in Enugu state. A sample size of 168 small scale enterprises was studied. Based on his findings, it was concluded that as a result of the simplicity of single entry, small scale enterprises are more inclined to adopt the system. That due to inadequate record keeping, most small scale enterprises have failed and there is a correlation between financial literacy and profitability of small scale enterprises.

Conclusively, despite the importance of accurately measuring a research construct in most areas of academic research, there have been very few of these studies that have directly addressed the question of how financial literacy should be accurately measured. Perhaps more importantly, none of these studies seem to have significantly influenced how overall financial literacy is actually measured. It is therefore clear from the above empirical studies that they been no standardized measurement of financial literacy. Given the wide array of concepts and definitions, it is not surprising to find substantial heterogeneity in measurement. While most of the research papers resort to objective test-based measures, the number, working and content of test used in each paper are far from homogenous.

III. RESEARCH METHODOLOGY

A. Research design

The research design that was adopted in this study was the Survey design. The adoption of this design was informed by the fact that the study involved the collection of data to accurately and objectively describe existing phenomena and determining the nature of a situation as it exists at the time of investigation. Also, the researchers studied a large population using a representation sample in order to describe existing phenomena in the population under investigation.

Furthermore, the decision to use the survey design was supported by Kerlinger (1986) who stated that survey research is probably best adopted to obtain personal facts, beliefs and attitudes. The design, therefore, was considered appropriate for the study of financial literacy and its impacts on the efficiency of small scale enterprises.

B. Population

This study focused on small-scale enterprises in Abia State. The population is restricted to only small-scale enterprises because the problem of financial literacy is more dominant within this group of business. The researcher relied much on the registered businesses that employ not more than five persons, with annual turnover of less than five hundred thousand, which are on the Abia State Ministry of Commerce and Industry documented SMEs, 2016 (Abia State Ministry

of Commerce and Industry, 2016). A total of two hundred and fourty firms were on the 2016 list.

C. Sample size

A sample size of one hundred and fifty enterprises was selected from the population , using the Yaro Yameni (1968) formula outlined below:

$$n = \frac{N}{1+Ne^2}$$

Where n=sample size: N=population; and e=level of significance. For the analysis, a 5% significance level was used. Therefore, if N=240, e = 5%= 0.05, then-

n = 240/1+ (240x0.05^{-2})

= 240/1.6

= 150

D. Sampling Technique

This study adopted the stratified random sampling, technique. The technique was chosen because the study involved heterogeneous population. The sample therefore, was grouped into ten strata in such a way that each stratum is as homogenous as possible. After stratification, the sample for each group was chosen randomly. This method reduces the possibility of one-sidedness as each of the sub-groups must be represented.

For the purpose of the study, small-scale enterprises in Abia State were categorized into 10 strata: Telecommunication; Hair Dressing/Hair Cut Saloons; Computer Services/Business Centres; Trading/Supermarkets; Restaurants/Bars; Photo Studios; Health Services; Boutique/Fashions Stores; Electronic/Electrical Stores: Others, with the sample size being shared equally among them.

E. Instrumentation

The major instrument used for this study was a carefully formulated questionnaire. The questions were designed to elicit information on the level of adoption of financial literacy and the effect on the profitability of small-scale enterprises in Abia State. A four (4) Likert-Scale was used to describe answer options with the weighted scores of 1 to 4.

F. Instrument Validation

An instrument is said to be valid when it measures what it is intended to measure (Dengand Ali, 1997). The questionnaire was submitted to two experts in educational research and statistics, including one expert in test and measurement, to ensure the face and content validity of the items on the instrument, measuring the different variables. These experts certified the instrument as being valid to measure what it sets out to measure, at least, in content and face validity.

G. Instrument Reliability test

According to Nisbet and Entwistle (1977), the reliability of a test indicates how consistent it gives the same or nearly the same result when it is administered a second time.

Thus, to access the reliability of the research instrument, a test-retest approach was employed. The owners of small scale enterprises were given the same questionnaire twice at a space of two (2) weeks interval. The second result obtained coincided with the former. Thus, the measures shows consistency over time.

H. Model Specification

In the study, two statistical models were used in testing the research hypotheses. The one-way Analysis of Variance (ANOVA) was used in testing the first hypothesis. This model was chosen because it allows for comparison between two or more sample distributions. The independent variable (x) which was financial literacy was classified into three: High, medium and low. Hence, ANOVA is a necessary tool to see if the interactions between and among these variables are significant or not. ANOVA is the study of the components of the total sum of squares (TSS), made up of explained sum of squares (ESS) and residual sum of squares (RSS). That is: TSS= ESS +RSS.

Associated with any sum of squares is its degree of freedom (df), the number of independent observations on which it is based. TSS has n-1 df; RSS has n-2 and ESS has 1 df. In a two-variable regression model the ANOVA fisher's Ratio (F-ratio) is (Gujarati, 2013):

$$F = \frac{\text{MSS of ESS}}{\text{MSS of RSS}}$$

$$= \frac{\sum_2^2 \sum x_i^2}{\sum u_i^2/(n-2)}$$

$$\frac{B_2^2}{8^2} \sum x_i^2$$

IV. RESULTS

A. Data

Data were collected from the respondents through field survey. They have been tabulated to show their frequencies and percentages while others show their means and standard eviation.(See tables 4-1; 4-2, 4-3, 4-4, and 4-5). Data were sourced from Abia State Ministry of Commerce and Industry's 2016 SMEs profile.

Table 1: Distribution of questionnaires and response rate

Small scale businesses	Number distributed	Number returned	Number not returned
Telecommunication	15	15	-
Hair dressing/hair cut saloons	15	15	-
Computer service/business center	15	15	-
Trading/supermarkets	15	14	1
Restaurant /bars	15	15	-
Photo studio	15	15	-
Health service	15	14	1
Boutique/fashion stores	15	15	-
Electrical/electronics	15	15	-
Other	15	15	-
Total	**150**	**148**	**2**
Percentage (%)	**100**	**98.7**	**1.3**

Table 2 Distribution of Respondents According to Academic Qualification

ACADEMIC QUALIFICATION	FREQUEENCY	PERCENTAGE %
FSLC	42	28.4
SSCE	63	27.7
B.Sc/HND	41	27.7
M.Sc and above	2	1.4
Total	148	100

Source: field survey, 2016

Table 3 Extent to which financial literacy is adopted by small scale enterprises

Responses	FREQUEENCY	PERCENTAGE %
High	25	16.9
Medium	43	29
Low	80	54.1
Total	**148**	**100**

Source: field survey, 2016

Table 4 Extent to which simple accounting records small scale enterprises maintain (or keep)

S/ NO		NO OF RESP	VGE	GE	LE	VLE	X	SD	RMRKS
1	Purchase involve	148	41	38	30	2.55	1.16	GE	
2	Sales involves	148	39	40	26	43	2.51	1.16	GE
3	Cash and debit note	148	17	32	44	65	1.94	1.03	LE
4	Cash receipts	148	83	49	16	-	3.45	0.68	GE
5	Sales daybook	148	64	39	28	17	3.01	1.04	GE
6	Petty cashbook	148	27	30	42	49	2.24	1.10	LE
7	Cash book	148	39	42	40	27	2.63	1.06	GE
8	Return inwards book	148	16	28	31	73	1.91	1.06	LE
9	Return outward book	148	14	32	36	66	1.96	1.02	LE
10	Sales ledger	148	44	78	10	16	1.72	0.91	GE
11	General ledge	148	62	41	27	18	2.99	1.05	GE
12	Purchases ledger	148	45	37	30	36	2.61	1.16	GE
13	Trial balance	148	15	20	56	57	1.95	0.96	LE

Source: field survey, 2016

Table 5 Extent to which SSES perceive these problems as hinderance(s) to their utilization of accounting records

S/N	Keeping of Accounting records	VGE	GE	LE	VLE	X	SD	RMRKS
1	Keeping proper accounting record is time consuming	86	40	15	7	3.39	0.85	Agree
2	Keeping proper accounting record is Expensive	10	16	32	90	1.64	0.93	Disagree
3	Keeping proper accounting record requires being financially literate	106	30	9	3	3 .61	0.69	Agree
4	Keeping proper accounting record requires more staff	10	22	36	80	1.74	0.95	Disagree

5	It is difficult to maintain the books	82	49	10	7	3.39	0.81	Agree
6	Keeping proper accounting record exposes your financial position	88	40	11	9	3.39	0.81	Agree
7	Keeping proper accounting records makes your enterprise to pay more tax	96	29	15	8	3.44	0.88	Agree

Sources Field Survey, 2016.

B.   Data analysis

For easy understanding of the data presentation, some tables that relate to the research hypotheses would be analyzed. Table 4,1 shows the distribution of questionnaire and the response rates, A total of 150 questionnaires were administered to 10 categories of small scale enterprises. Out of the 150 administered, only 148 questionnaire representing 98.7% were returned, while *2* questionnaires representing 1.3% were not returned. Table 4-2 at the time of study, 63 representing 42. 5% has SSCE, 41 representing 27.7% have B.Sc, while 2 representing 1.4% has M.Sc and above. Table -4-5 tells us the extent of adoption of financial literacy by small scale enterprises in the state. 25 respondents representing 16.9% says their level of adoption of financial literacy is high, 43 representing 29% say it is medium and 80 representing 54,1% says it is low.

In table 4-4 results of the analysis shows that SSEs to a great extent, keep purchase invoice, sales invoice, cash receipts, sales daybook, cashbook, sales ledger, general ledger and purchases ledger greatly enhances the profitability of small scale enterprises. They had the following means: 2.55, 2,51, 3.45, 3.01, 2.63, 1.72, 2,99, and 2.61 with standard deviations of 1.16, 1.16, 0,68, 1.04, 1.06, 0.91, 1.05 and 1.16 respectively. While the following books: cash and debit notes, petty cash book, return Inward book, return outward book and trial balance to a little extent are kept by small scale enterprises. They had the following means: 1.94, 2.24, 1.91, 1.96 and 1.95 with standard deviations of 1.03, 1.10, 1.06, 1.02 and 0.96 respectively.

Table 4-5 analyzed the extent to which SSEs perceive certain accounting problems as hindering the utilization of accounting records. The results from the data analysis show that the respondents agreed that the problems that hinder the proper keeping of accounting records were as follows: time consuming, lack of financial literacy, difficulty in maintaining the books, desires to avoid exposing of the enterprise and to avoid paying more tax. The items had the following means: 339, 3.61, 3.39, and 3_.44 with standard deviations of 0.85, 0.69, 0.81 and 0.88 respectively. To a lesser extent, SSEs perceive feet that keeping accounting records is expensive and that, it requires more staff with means of L61, 1.74 and standard deviations of 0.93 and 0,95 respectively.

C.   Test of hypothesis

The paper developed two operational hypotheses which were tested using the one-way Analysis of Variance (ANOVA) and the t-test. The hypotheses are:

$H0_1$: The level of adoption of financial literacy by small scale enterprises is low in Abia State, Nigeria.

$H0_2$: The utilization of accounting records is not significantly perceived low in the financial literacy status of SSEs in Abia State, Nigeria.

The result of one-way Analysis of variance (ANOVA) on level of adoption of financial literacy small scale enterprises in Abia State is shown below in table 4-6

Table 6 ANOVA Analysis 1

Variable	Sources	Sum squares	Degree of freedom (df)	Mean square	F-ration
Financial literacy	Between Groups Within groups	82.78 7825.67	2 145	41.39 53.97	0.767
Total		**7908.45**	**147**		

* Significant at .05 level (critical $F_{2,145} = 3.00$)
Source: Researcher's estimation, 2017

The calculated F-ratio is compared with the critical F-value read-off from the F-distribution table found in statistics text. Two degrees of freedom were used to read-off the critical F-values. The two degree of freedom needed is between group df_B, read along the rows of F-table and degree of freedom within group df_w, read along the columns of F-table. Therefore, the critical F-value, using 2 and 145 degrees of freedom is 3.00 (for 0.05 level of significance).

From the above analysis, it can be seen that the calculated F-ratio of 0,767 is less than the critical F-value of 3.00. Thus, we accept the null hypothesis and reject the alternative hypothesis. This implies' that the level of adoption of financial literacy by small scale enterprises in Abia State of Nigeria.

Table 7 T- test of influence of utilization of accounting records on profitability

	Grand X	SD	Hi,	SDX	T-calculated
Utilization Profitability	2.46 2.11	0.92 0.87	148 148	0,1 040822	3.36

* Significant at .05 level (critical = 1,96)
Source:Researcher's estimation, 2016

From the above analysis, the T-calculated is greater than T-critical at 5% level of significance. Thus, we reject the null hypothesis and accept the alternative hypothesis that utilization of accounting records significantly influences the profitability of small scale enterprises.

D. Discussion of findings

The main objective of this project was to: (1) examine the level of adoption of financial literacy by small scale enterprises in Calabar Municipality. (2) Analyze the influence that utilization of accounting records has on profitability of small scale enterprises. In order to evaluate these objectives, two (2) research hypotheses were formulated and tested using the one-way Analysis of Variance (ANOVA) and the Dependent T-test. Following the analysis of respondents' responses to the research assertions, the following was deduced: Results in table 4.6 revealed that most small scale enterprises agreed to the fact of having low level of financial literacy adoption. This was in line with the acceptance of the null hypothesis when testing hypothesis is one. The summary of results in table 4,7 revealed that proper accounting records enhances the profitability of the small scale enterprises. This finding was in line with Millichamp (1987) who noted that the major purpose of any business is to make profit but without effective accounting system, it becomes very difficult to determine the accurate amount of profit of loss made at the end of the financial year.

Furthermore, Ezejelue (2005) observed that surveys have repeatedly shown that a large percentage of small scale enterprises that failed, have been operated with merely incomplete records. The data analysis in table 4.7 showed that most of the small scale enterprises in Abia State are aware that proper keeping of accounting records enhances profitability, though most of them do not keep them. This is because keeping and preparation of financial statements requires accounting skills, and as revealed by the results, is lacking by 54.1%, The findings also revealed that the problems that hinder the proper keeping of accounting records by small scale enterprises in Abia state are due to their belief that it is time consuming, requires financial literacy, difficult to maintain the records, exposes financial position and that is makes an enterprise to pay more tax.

The above findings were partly in line with Egbu (2003) and Ejiofor (1989) who noted that small scale business owners regard financial records as necessary evil with no tangible benefit, demanded by government for purposes of extracting tax, Consequently, these enterprises see keeping of financial records as waste of time and resources. This probably accounts for the low adoption of financial literacy by small scale enterprises in Abia state.

This finding, also is in line with Baumbark (1989) who attributed the failure to use accounting records by small scale enterprises to their belief that record keeping takes time, their dislike for figures and lack of accounting knowledge as to the type of information needed and how to collect them.

The results in table 4.8 revealed that the utilization of accounting records by small scale enterprise have significant influence on its profitability. This is because the null hypothesis was rejected and alternative accepted. The calculated T-value was 3.36 while critical T was 1.96. Since the calculated T was greater than the critical T, the null hypothesis was rejected. This finding led credence to Millichamp (1987) who posited that utilization of accounting system has significant influence on profitability of small scale enterprises.

V. CONCLUDING REMARKS

The issue of financial literacy has recently gained relevance nationwide and even in developed countries of the world. The explosive draft of financial literacy framework in Nigeria proposed by the Central Bank of Nigeria (CBN), is placing increasing responsibility on small scale enterprises improving their financial literacy level and also for an overall financial inclusive strategy for small scale enterprises.

Based on the findings made, the following recommendations were made: (i) That the ministry or agency responsible for SMEs in the state should initiate accounting training programs for entrepreneurs running small businesses and also they should come up with some SME-specific accounting guidelines and provide template forms for capturing accounting information by SMEs. (ii) Also the ministry should ensure that record keeping in SMEs be made mandatory so as to improve their accounting practices and increase their chances of formalizing their business operations. (iii) The Central Bank of Nigeria should take drastic actions in the implementation of its financial literacy framework for SMEs in Nigeria. (iv) Since keeping proper accounts enhances profitability of small scale enterprises, there is need for the Institute of Chartered Accountants of Nigeria (ICAN) as well as the Association of National Accountants of Nigeria (ANAN) to organize seminars for small scale proprietors for better management and profitability of their business. (v) As entrepreneurship development courses have been made compulsory to all undergraduate students of Universities, emphasis should be stressed on the teaching of

basic accounting concepts and skills to all students so as to enhance their entrepreneurial skills when out of school.

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