

EFFECT OF ENTREPRENEURIAL COMPETENCIES ON SMALL AND MEDIUM ENTERPRISES PERFORMANCE IN FEDERAL CAPITAL TERRITORY, NIGERIA

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ABSTRACT

SMEs serve as a backbone for the local economy, driving entrepreneurial spirit and enhancing competition. However, the SMEs performance and contribution to economic growth in Abuja is minimal. On this background the study examined the effect of entrepreneurial competence on SMEs performance in FCT Abuja. The study examined two objectives which includes: risk taking and financial literacy. Survey research design was adopted for this study with the population of 2690 registered SMEs by SMEDAN survey 2021 and sample size of 348 were determined using Taro Yamane formula of sampling. Questionnaire was administered to the managers of the SMEs. Partial Least Square Structural Equation Model (PLS-SEM) was used for the analysis of the study. The study revealed that, risk taking has positive and significant effect on SMEs performance. And financial literacy revealed negative and significant effect on SMEs performance in Abuja. On the various findings, the study therefore, recommended that, SMEs understand the benefits of calculated risk-taking. Implement mentorship programs and access to advisory services that guide SMEs in assessing risks and making informed decisions. Encourage SMEs to focus not only on financial literacy but also on practical business management skills. Training programs should cover a holistic view of business operations.

Keywords: *Entrepreneurial Competence, Risk Taking, Financial Literacy and Performance*

INTRODUCTION

Small and Medium Enterprises (SMEs) are integral to global economies, driving innovation, job creation, and economic growth across diverse sectors. (International Council for Small Business (ICSB, 2020). They represent the majority of businesses worldwide and contribute significantly to GDP and employment. (International Labour Organization (ILO, 2020). Despite their importance, SMEs face challenges such as limited access to finance, regulatory complexities, and infrastructure deficiencies, especially in developing countries where about 70% struggle to access formal credit (World Bank, 2020). Governments and international organizations have implemented policies and initiatives to support SMEs through financial aid, tax incentives, and skill-building programs (Mayer & Rapp, 2021).

In Nigeria, SMEs play a critical role in economic growth and employment but face obstacles like poor infrastructure and high operational costs (CBN, 2020). The government has introduced specialized funds and initiatives to support SME financing and promote digitalization (Nigerian Communications Commission, 2021). Entrepreneurial competencies, including opportunity recognition and risk management, are essential for SME success and are nurtured through entrepreneurship programs (Mazzarol et al., 2020).

However, despite efforts to enhance the growth and performance of SMEs, it has been observed that their performance varies significantly. One key factor contributing to these differences is the entrepreneurial competencies of SME owners.

Entrepreneurial Competences refer to the skills, knowledge, and attributes that enable individuals to effectively start and manage a business. Michael and Jeffrey, (2014) pointed out thirteen (13) Entrepreneurial competencies that can help for effective entrepreneurial activities, they are opportunity identification, opportunity assessment, risk taking, conveying a compelling vision, tenacity/perseverance, creative problem-solving/imaginativeness, marketing skills, new innovations, value creation, maintained focus, resilience, financial literacy and leveraging entrepreneurial networks. In this study we look at risk-taking and financial literacy are crucial factors in determining the performance and growth of SMEs.

Risk-taking is a central aspect of entrepreneurial behaviour, involving the pursuit of innovation and new market opportunities despite the potential for significant setbacks (Wach et al., 2018). Choi & Shepherd (2019) in their work define risk-taking in entrepreneurial decision-making as the propensity to make choices that involve high levels of uncertainty, often in the context of new venture creation or expansion. Rishipal (2019) posits that successful entrepreneurs must adapt to risk, viewing it as an inherent element of business that can lead to substantial growth and innovation despite potential negative outcomes. Risk taking is connected to an entrepreneurial mindset, suggesting that entrepreneurs with high psychological capital are more likely to take risks, driven by optimism, resilience, and confidence in their ventures.

It is a critical trait for entrepreneurship, emphasizing that the ability to manage and embrace risk is essential for business success and innovation (Mokoena & Dhurup 2020; Chimucheka & Mandipaka 2021). Knight (2022), reiterates the importance of risk-taking in entrepreneurship, defining it as the willingness to engage in uncertain business activities that have the potential for both significant rewards and substantial losses.

Financial literacy refers to the knowledge and understanding of various financial concepts, tools, and practices that are essential for managing personal finances effectively. It encompasses a range of topics, including budgeting, saving, investing, borrowing, managing debt, understanding financial products such as loans, credit cards, mortgages, insurance, and retirement planning (Mandell & Klein, 2009). Financial literacy has been defined as the ability individuals must possessed to process economic information correctly, make well-informed decisions, which allow them to understand terms such as wealth accumulation, debt, and pensions (Lusardi & Mitchell 2014), it is the ability to make quality financial decisions and thus improve financial well-being of the decision makers (Garg & Singh 2018; Santini et al. 2019). Financial literacy has been shown to be essential in improving transparency, efficiency, accuracy and accountability resulting in the organizations achieving their objectives (Koitaba, 2013)

Small and Medium Enterprises (SMEs) play an essential and transformative role in the economic development of Nigeria, particularly in its capital, Abuja. These enterprises are pivotal in fostering innovation, generating substantial employment opportunities, and significantly contributing to the overall economic growth of the region. They serve as a backbone for the local economy, driving entrepreneurial spirit and enhancing competition. However, despite the acknowledged importance of SMEs, their performance and contribution to economic growth in Abuja remain limited. Various challenges hinder their potential, preventing them from fully realizing their impact on the economy. Addressing these issues is vital for unlocking the full capabilities of SMEs and ensuring they thrive in the region.

In addition, some scholars are also of the same view that Nigeria's economy could greatly benefit from the growth of small and medium-sized enterprises (SMEs) (Aremu & Adeyemi, 2011). They function as catalysts for wealth distribution, employment creation, and poverty reduction (Ayozie et al., 2019). SMEs in Nigeria, despite their importance, are confronted with numerous obstacles that prevent them from expanding and remaining viable. The lack of entrepreneurial competencies among SME owners and managers has been identified in the literature as one of the main challenges (Oyugi & Okibo, 2015). On the above statement of problem, the ought to investigate the effect of entrepreneurial competencies on small and medium enterprises performance in Abuja FCT Nigeria. In light of the above the objectives of the study are as follows;

- i. To evaluate the effect of risk taking on small and medium enterprises performance in Abuja FCT Nigeria.
- ii. To determine the effect of financial literacy on small and medium enterprises performance in Abuja FCT Nigeria.

LITERATURE REVIEW

Concept of Entrepreneurial Competence

Entrepreneurial competencies are critical for the success and performance of SMEs. These competencies equip entrepreneurs with the necessary skills, knowledge, and abilities to manage their enterprises effectively and adapt to the dynamic business environment. Michael and Jeffrey, (2014) pointed out thirteen (13) Entrepreneurial competencies that can help for effective entrepreneurial activities, they are opportunity recognition, opportunity assessment, risk management/mitigation, conveying a compelling vision, tenacity/perseverance, creative problem-solving/imaginativeness, marketing skills, innovative skills, value creation, maintained focus, resilience, financial literacy and leveraging entrepreneurial networks. Competency is described as the knowledge, skills, values, attitudes, values and behaviour that people need to successfully perform a particular task or activity better than others or better than average (Michael & Jeffrey, 2014; Brophy & Kiely, 2002; Rankin, 2004).

There are diverse views to the concept of Entrepreneurial competency as reviewed above, based on these reviews we can confidently state that entrepreneurial competencies are behavioral traits display by an individual (i.e. an Entrepreneur) that enhances the business activities or business ventures of that individual and causes it to be more productive. Among such competencies we intent to review in this work are Communication skill, Risk taking ability, Capital Finance ability, Innovative skill, Marketing and Opportunity Identification ability (Ahmed et al., 2010 as cited in Mohd et al., 2018).

A person who starts or runs a business and makes money, especially when doing so requires taking financial risks, is an entrepreneur (Advanced Learners Dictionary, 8th Ed.). The Latin word "entrepreneur," which means to do something, is where the word "entrepreneur" originates. It was first used in the middle Ages to refer to a "person" who was proactive and accomplished goals. According to Sehgal (2011), an entrepreneur is a person who establishes and runs their own business, taking on the associated risk. He went on to say that an entrepreneur is someone who recognizes a need and then gathers the resources people, money, and materials needed to fill it. He may work as a tycoon, trader, businessman, or speculator.

Risk taking

According to Mahmood and Hafani (2013), taking risks means investing money in endeavors that have a high potential for success but also a high chance of failure. Because many factors that affect a business's outcome are unpredictable, it entails risk. For a company to be considered taking a risk, it must be prepared to lose a significant amount of money in the hopes of making a big profit. Risk represents a kind of uncertainty where it is possible to quantify the probability of different outcomes (Martijn & Daan, 2017).

Risk-taking refers to the willingness to engage in behaviors that involve uncertainty and potential negative consequences, often influenced by an individual's personality traits and contextual factors (Ranjan, & Read, 2016). Risk-taking is the inclination to take actions that expose one to the possibility of loss or failure, driven by the expectation of achieving desirable outcomes. Risk-taking behaviors are characterized by the acceptance of uncertainty and the potential for negative outcomes, which are seen as necessary for innovation and growth in entrepreneurial contexts. Risk-taking is a multidimensional construct that includes the willingness to undertake uncertainty, often linked to an individual's propensity to innovate and adapt (Hmieleski & Corbett. 2008: Zhao, & Seibert, 2006: & Rivas, & Cañibano 2021) These definitions reflect contemporary understandings of risk-taking in the context of entrepreneurship and decision-making. Risk-taking is characterized by the intention to pursue opportunities that involve uncertainty and potential losses, often influenced by cognitive biases and environmental factors. Risk-taking involves making choices that expose the individual or organization to uncertain outcomes, with a focus on maximizing potential benefits despite the inherent dangers. Risk-taking is the willingness to engage in activities that can lead to unexpected outcomes, reflecting a balance between potential rewards and perceived threats. Risk-taking behavior in entrepreneurship is the propensity to act in the face of

uncertainty, influenced by personal characteristics, social networks, and cultural contexts (Sadeghi, & Tehrani, 2020; McMahon 2020 Dyer 2019; Oosterbeek & van Praag 2018).

Financial Literacy

According to Fatoki, (2014), financial literacy, encompassing the knowledge of financial products, services, and financial management, has been shown to significantly impact the performance and sustainability of SMEs. Entrepreneurs with high financial literacy, entrepreneurs can make informed decisions regarding investments, financing, and managing financial risks. Financial literacy also entails effective financial planning, including budgeting, forecasting, and cash flow management, it also enables SMEs to allocate resources efficiently and plan for future growth. This competency is crucial for navigating financial challenges and seizing growth opportunities (Gibson & Cassar, 2014). Also, Financial literacy helps SMEs understand and access various financing options, including loans, equity, and grants. Better financial knowledge can lead to improved access to capital, which is essential for expansion and competitiveness. (Beck & Cull, 2014).

Entrepreneurs with strong financial literacy can make strategic financial decisions that enhance profitability and sustainability. This includes decisions on pricing, cost control, and investment in technology (Agyapong & Attram, 2019). Additionally, financial literacy helps to understand financial risks and implementing risk management strategies, such as diversification and hedging, can protect SMEs from adverse financial situations and enhance resilience (Njoroge & Gathungu, 2018). Efficient cost management practices, driven by financial literacy, help SMEs reduce operational costs and improve profit margins, contributing to overall business performance. (Karadag, 2016).

Financial literacy enhances the knowledge of optimal capital structure, balancing debt and equity, can reduce financing costs and improve financial stability and performance of SMEs (Abor, 2015). According to Dogan, (2015), Financial literacy enables entrepreneurs to evaluate investment opportunities through techniques like NPV, IRR, and payback period, ensuring profitable and strategic investments. Also, financial literacy ability helps in effective working capital management as well as management of inventory, receivables, and payables, ensures liquidity and operational efficiency thus enhancing SME performance. (Orobia, et al., 2013). Nzomo, (2017), pointed out that financial literacy helps in implementing robust financial control systems which helps SMEs monitors financial transactions, prevent fraud, and ensure accountability, contributing to financial health and performance. It also helps in adoption of financial innovations, such as fintech solutions, can enhance financial management practices, reduce costs, and improve access to financial services for SMEs (Lee & Shin, 2018). Financial literacy guarantees financial sustainability including maintaining healthy profit margins and reserves, ensure long-term viability and growth of SMEs (Mafini & Omoruyi, 2013).

Small and Medium Scale Enterprises Performance

SMEs performance is essential because it decreases the possibility of their failure, increasing their chances of survival. Aremu and Adeyemi (2021) defined SME performance as the ability to generate sustainable financial returns, achieve profitability, and maintain a healthy financial position. This includes factors such as revenue growth, cost management, cash flow management, and the efficient utilization of financial resources. Strong financial performance not only ensures the survival and longevity of an SME but also enables it to invest in growth, expansion, and the development of new products or services. SMEs performance can be influenced by external factors such as economic conditions, regulatory environment, and industry trends. Effective management, strategic planning, and adaptability are crucial for SMEs to navigate these external influences and maintain strong performance.

Oba and Onuoha (2022) asserted that SME performance is how well a small or medium-sized enterprise (SME) is doing in achieving its business goals. This concept encompasses various dimensions, including financial performance, such as profitability and revenue growth; operational efficiency, such as productivity and cost management; and market performance, such as sales volume and market share. SME performance is often evaluated through key performance indicators (KPIs) that provide insights

into the company's ability to compete, grow, and sustain itself in the business landscape. High performance in SMEs typically reflects effective management practices, strategic decision-making, and the ability to adapt to changing market conditions.

Empirical Review

Egele et al. (2018) stated that Risk taking is a dominant attribute of entrepreneurial activities, as the higher the risk-taking orientation, the higher a firm's profitability and growth. The main purpose of this study was to establish the effect of entrepreneurial risk taking on performance of small and medium scale enterprises (SMEs) in Kano State, Nigeria. Data for the study was obtained through questionnaire and interview from 393 owners, managers and staff of SMEs in Kano state, Nigeria, on a cross sectional research design. Results using Pearson linear correlation and regression analysis have a positive significant relationship between entrepreneurial risk taking and performance of SMEs. Entrepreneurial risk taking has a positive impact on performance of SMEs in Kano State, Nigeria. Entrepreneurial risk taking had a significant effect. The study adds value to the growing body of knowledge in the field of entrepreneurial development activities. The study recommends that operators should always identify and assess the trends of the opportunities impending before taking risk not just dare risk, this will help to address the rate at which SMEs managers, owners and staff take risk, so that risk taking will relate and significantly influence their performance. The study serves as a reference to anyone who is interested in establishing his personal business as it provides insight into the importance of entrepreneurial risk taking in starting a business and also for any organization that is interested in achieving profitability or continue sustaining effective business venture. The study is however limited to Kano State and this result cannot be tenable in FCT, Abuja the geographical location and nature of businesses differs in both areas.

Beatrice, (2017), examined the relationship between entrepreneurial intensity and performance of small and medium enterprises in Eldoret town, Kenya. Informed by the study, this paper explores the influence of risk-taking on the performance of SMEs in Eldoret town. The study adopted an ex-post facto research design. It targeted all the SMEs in Eldoret town. Systematic sampling technique was adopted to select a sample of 100 SME owners/managers to be involved in the study. The collected data was analysed using both descriptive and inferential statistics. Descriptive statistics was presented in form of percentages, frequencies, pie charts and graphs. Pearson correlation was employed to test the hypotheses of the study. The study established that there is a strong positive correlation between risk-taking and business performance of SMEs in Eldoret town. Therefore, committing business resources to venture in uncertain and unfamiliar environments could result in increased returns and market share for the business. This results no doubt may not be applicable to FCT, Abuja due to geographical and cultural differences.

Buchdadi et al (2020), examined the Influence of Financial Literacy on SMEs Performance through access to Finance and Financial Risk Attitude as a mediation variable, aimed at examining the determinant variable of SMEs performance namely financial literacy of the manager. The study utilized access to financial product and financial risk attitude as mediating variables, they used quantitative approach and the structural equation modelling (SEM) to analyse their sample data of 70 respondents who managed SMEs in Brebes District in Central Java, Indonesia. The study found the positive impact of financial literacy as well as mediation role of access to finance as crucial to SMEs. Although, the study is relevant to the current study, it cannot be adopted due to variation in climate.

Hayelom (2023), Entrepreneurial financial literacy-small business sustainability nexus in Ethiopia. The study used cross-sectional data collected from 293 entrepreneurs/managers of SMEs through survey questionnaire in 2022. Structural Equation Modelling (SEM) was used to analyse the results and they found a positive relationship between financial literacy and SME growth. This, however, cannot be adopted in the current study region, FCT Abuja, due to political and economic differences that exist between the two locations.

Resource Based-View (RBV)

The origin of Resource Based-View (RBV) framework can be traced back to Penrose's pioneering work in 1959, which underscored the significance of firm-specific resources in fostering organizational growth

and performance. Building upon Penrose's insights, Wernerfelt's seminal contribution in 1984 introduced the pivotal concept of firm resources as pivotal determinants of competitive advantage, thus laying the groundwork for the RBV perspective. Subsequently, Barney's influential paper in 1991 served to refine and formalize these foundational concepts, proposing a framework wherein firms can attain enduring competitive advantage by leveraging resources possessing characteristics of being valuable, rare, inimitable, and non-substitutable, abbreviated as VRIN.

The Resource-Based View (RBV) constitutes a theoretical framework within the domain of strategic management, prioritizing the significance of internal resources and capabilities in securing enduring competitive advantage (Barney, 1991). This perspective posits that firms can fortify their competitive position by acquiring and harnessing distinctive, valuable, and challenging-to-replicate resources and capabilities.

Resource-Based View (RBV) theory is a prominent perspective in strategic management that focuses on the internal resources and capabilities of a firm as sources of sustainable competitive advantage. When examining RBV theory in relation to entrepreneurial competencies, several key points to consider include: Resource Identification, Entrepreneurial Vision, Resource Development and Acquisition, Resources Heterogeneity, Competitive Advantage. Entrepreneurs need to identify and leverage their firm's unique resources and capabilities to create value and gain a competitive advantage. RBV emphasizes the importance of understanding what resources are valuable, rare, inimitable, and non-substitutable (VRIN criteria).

In their study, Ardaneswari et al. (2020) determined the influence of tangible resources on competitive strategies, intangible resources on competitive strategies, the influence of capabilities on competitive strategies and competitive strategy strategies on support company. Their study concluded that tangible resources, competitive strategy and capabilities have strong influence and positively contribute to competitive strategies while intangible resources have weak influence and contribute negatively to competitive strategies. This theory is relevant to this study because Entrepreneurial competencies are considered as valuable resources otherwise known as skills that SMEs can leverage to gain a competitive advantage and enhance performance. Therefore, this study shall explore how entrepreneur competencies such as risk-taking and financial literacy contribute to the firm's resource base and ultimately affect SME performance.

METHODOLOGY

The study adopted cross-sectional survey research design with the population of 2690 managers of registered small and medium enterprises in the FCT, Abuja, from survey of Small and Medium Enterprises Development Agency of Nigeria (SMEDAN 2021). The study used Taro Yamane Formula to determine the total number of 348 sample size. The study employed primary data source which is considered as appropriate in capturing effect of entrepreneurial competency on SMEs performance Abuja. The study used structured questionnaire designed in 5-point Likert scale ranging from 1 (strongly disagree), 2 (disagree), 3 (undecided), 4 (agree) and 5 (strongly agree). This study analysed the data using descriptive statistics such as mean, median, maximum and standard deviation to analyse the characteristics of the variable. The Partial Least Square Structural Equation Model (PLS-SEM) version 3.0 was used to model the regression analysis and to test the hypotheses in determined the effect of the independent variables on dependent variable.

Variables	Acronym	Variable Measurement	Sources
SMEs Performance (Dependent Variable)	SMEP	- I believe my SME has a strong competitive position in its market. - My SME effectively manages its operating costs. - We have successfully expanded our product/service offerings in the last year.	Oba and Onuoha (2022)

		- Employee productivity in my SME has improved recently. - We consistently meet our financial performance targets	
Risk Taking (Independent Variable)	RTK	- I am comfortable taking calculated risks in my business - I actively seek out opportunities that involve some level of risk. - I believe risk-taking is essential for business growth. - I am more likely to take risks when I believe the potential rewards are high. - I am comfortable investing in opportunities that have uncertain outcomes.	Egele, et al. (2018)
Financial Literacy	FNL	- have a strong understanding of financial management principles. - I regularly review my business's financial performance. - I can effectively manage cash flow, budgeting, and financial planning. - I understand basic financial concepts such as interest rates, inflation, and investment returns. - I believe that improving my financial literacy is important for my overall financial health.	Hayelom (2023)

Sources: Researcher Compilation, 2024

RESULT AND DISCUSSION

Table 2: Descriptive Statistics

Variables	Mean	Median	Min	Max	SDV	Kurtosis	Skewness
RKT	4.1	4	1	5	1.07	0.45	-0.11
FNL	2.7	4	1	5	1.18	0.01	-0.80
SMEP	4.1	4	1	5	1.02	0.31	-1.09
Obs	348	348	348	348	348	348	348

Source: Smart-PLS Output, 2024.

The table showed the mean responses to each of the question for all the respondents, the median, the minimum, the maximum, the standard deviation, kurtosis and skewness of the responses. The median is the proper measure of the average in this instance because of outliers. Although, from the minimum and maximum values, there is no sign of outliers, but it is still necessary to state that the best measure of average for an ordinal response is median.

Table 3: Reliability of study scale

S/N	Variables		Factor Loadings	Cronbach Alpha	Composite Reliability	Rho A	Average Variance Extracted (AVE)	No of Items
1	RISK TAKING (RKT)	RKT1	0.772	0.883	0.886	0.915	0.683	5
		RKT2	0.820					
		RKT3	0.849					
		RKT4	0.903					
		RKT5	0.781					
2	FINANCIAL LITERACY (FNL)	FNL1	0.886	0.917	0.919	0.941	0.800	4
		FNL3	0.892					
		FNL4	0.898					
		FNL5	0.902					
3	SMALL AND MEDIUM ENTERPRISES PERFORMANCE (SMEP)	SMEP1	0.909	0.905	0.915	0.930	0.729	5
		SMEP2	0.869					
		SMEP3	0.947					
		SMEP4	0.755					
		SMEP5	0.775					

Source: SmartPLS Output, 2024

All the values fall within the Hair, et al., (2019) rating of good consistency. The Cronbach alpha value was above 0.60 which is the minimum threshold as recommended by Sekaran (2010). To test for the convergent validity, the average variance extracted (AVE) was used. All the latent variables showed values greater than 0.50 which indicates that the constructs explain at least 50 percent of the variance of its items. According to Henseler et al., (2015) the Fornell-Larcker criterion does not perform well when explaining discriminant validity, particularly when the indicator loadings on a construct differ only slightly. As a replacement, they proposed the Heterotrait-Monotrait (HTMT) ratio of the correlations which is the mean value of the item correlations across constructs relative to the (geometric) mean of the average correlations for the items measuring the same construct (Voorhees et al., 2016). Discriminant validity problems are present when HTMT values are higher than 0.90 for structural models (Henseler, et al., 2015).

Assessing the Structural Model

Having satisfied the measurement model assessment, the next step in evaluating PLS-SEM results is to assess the structural model. Standard assessment criteria, which was considered include the path coefficient, t-values, p-values and coefficient of determination (R^2). The bootstrapping procedure was conducted using a resample of 5000.

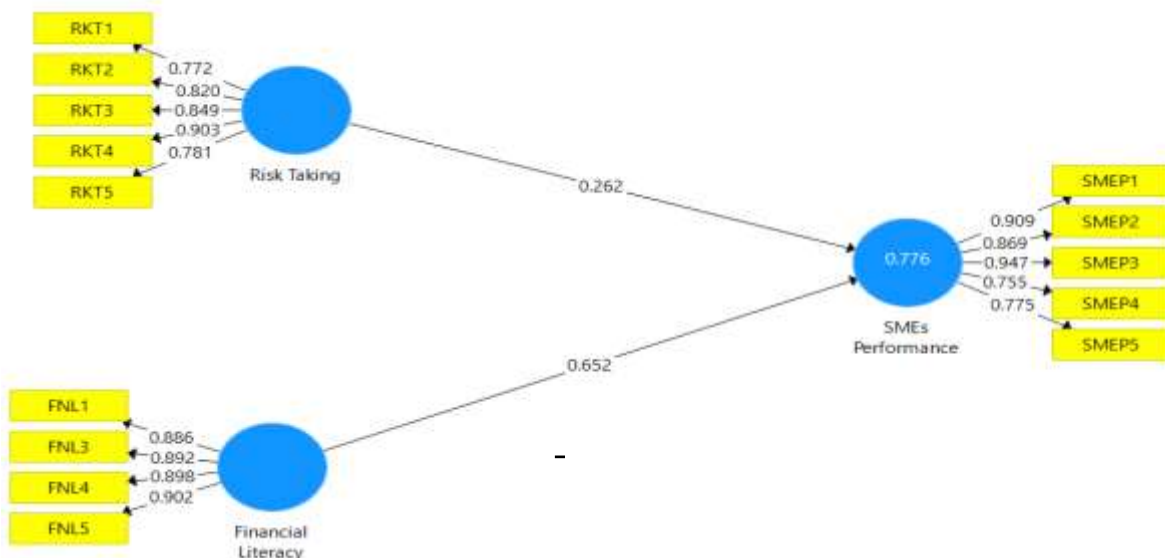


Fig. 1: Path Coefficients of the Regression Model

The R-square value stood at 78% indicating that entrepreneurial competencies represented by risk taking and financial literacy are responsible for 78% variation in the performance. The remaining 22% variation could be explained by other factors explained entrepreneurial competencies that is not included in the study. Based on Hair, et al., (2019), the r-square is considered suitable and lends credence to the findings of the study. The result of the path analysis is presented in the table below

Table 4: Path Coefficients

Hypothesis	Variable	Path Coefficient *** (Beta)	t-value	p-value	
Ho ₁	Risk Taking	0.262	0.064	0.000	Rejected
Ho ₂	Financial Literacy	-0.652	0.073	0.000	Rejected

Source: Smart PLS Output, 2024

RESULTS AND DISCUSSION

Results revealed that, risk taking has positive and significant effect on SMEs performance. The decision was based on beta value of 0.262 with a p-value of 0.000. this implies that SMEs embrace risk are more likely to pursue growth opportunities, such as entering new markets or expanding their operations. This proactive approach can result in increased revenue and market share. The study therefore rejected the null hypothesis which stated that, risk taking has no significant effect on SMEs performance in Abuja.

Also, results revealed that, financial literacy has negative and significant effect on SMEs performance. The beta revealed value of -0.652 with a p-value of 0.000 which is significant at five percent level of significance. This implies that, SMEs with low financial literacy struggle to develop effective financial plans, leading to cash flow issues and difficulty in meeting short-term obligations, which can jeopardize business stability. Therefore, the study rejected the null hypothesis which stated that, financial literacy has no significant effect on SMEs performance in Abuja.

CONCLUSION AND RECOMMENDATIONS

The findings indicate that risk-taking behaviour significantly enhances the performance. By embracing calculated risks, SMEs can foster innovation, adapt to market changes, and capitalize on new opportunities. Also, the findings suggest that financial literacy may have a negative effect on the performance of small and medium-sized enterprises (SMEs). This counterintuitive result could indicate that an overemphasis on financial metrics might lead to risk aversion or hinder innovation. The following recommendations were made:

- i. The study recommended that, provide training and resources to help SMEs understand the benefits of calculated risk-taking. Implement mentorship programs and access to advisory services that guide SMEs in assessing risks and making informed decisions. Equip SMEs with skills and resources to manage potential failures and setbacks resulting from risk-taking, ensuring they can bounce back and continue to pursue growth opportunities.
- ii. Also, from the finding on financial literacy the study recommended that, encourage SMEs to focus not only on financial literacy but also on practical business management skills. Training programs should cover a holistic view of business operations. Facilitate networking opportunities for SMEs to share experiences and strategies. Learning from peers can provide practical insights that complement financial knowledge.

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