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Financial Literacy and Entrepreneurial Risk Attitude of Selected Small and Medium Sized Enterprises in Nigeria

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Abstract: The importance of financial literacy as a source of information for making financial decisions has been acknowledged, but little research has been done on how it affects SMEs' attitudes about taking risks. In order to examine the financial literacy and risk-taking behavior of small and medium-sized firms in Ekiti State, Nigeria, the research created an integrated model from a knowledge-based viewpoint. A survey research design was used for this study with a multi-stage sampling procedure. The study analyzed the primary data collected from the questionnaire. 154 managers and owners of SMEs in Ado-Ekiti, Ekiti State, made up the sample. According to the results of multiple regression, financial behavior, knowledge, and attitude all have a positive and substantial impact on how risk-averse small and medium-sized businesses in Ekiti State, Nigeria, are about taking risks. The study's findings revealed that a high level of financial management literacy has a critical and significant influence on enhancing the entrepreneur's risk-taking attitude, which leads to the growth of small businesses.

Keywords: financial literacy; entrepreneurial risk attitude; financial behavior; financial attitude; small and medium sized enterprises.

Introduction

In principle, no matter what industry a company operates in, risk management is an essential component. According to Dankiewicz, Ostrowska and Bulut (2020), in order for managers to operate without restriction, they need to possess the knowledge and skills necessary to effectively manage risk within the organization. Nowakowska-Grunt, Kowalezyk and Wojtaszek (2018) contended that small and medium-sized businesses (SMEs), which account for approximately 99% of all businesses, play a role in reducing unemployment. They are generally regarded as essential to economic growth because they are the largest employer, employing over 70% of the workforce, and making a significant contribution to the creation of value SMEs contribute between 50% and 60% of all value added and approximately 33% of GDP in developing nations (OECD, 2017). Small and medium-sized business (SME) owners and managers are frequently held accountable for having the wrong perspective on risk. They may be more susceptible to all negative internal and external conditions because of their size (Dankiewicz et al, 2020) and financial ignorance (Oke, 2018).

The owners of small and medium-sized businesses (SMEs) do not, as reported in the literature, possess the fundamental financial literacy skills, and information that would typically direct their financial decisions and encourage their businesses' growth (Sajuyigbe et al, 2017; Disney & Gathergood, 2013; Okpara, 2011). In order for small and medium-sized businesses' owners and managers to approach risk management with current knowledge, strategic activities are required. One way to accomplish this is to develop the financial skills of SME employees, allowing management responsibility to be fully accounted for, as would be expected of a large company (Adomako, et al, 2016; Sadat & Lin, 2018). Financial literacy is an essential skill for small and medium-sized business

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(SME) managers if they are to succeed, cultivate a positive risk mindset, manage risk effectively, and boost business performance. However, many people, including small and medium-sized businesses (SMEs) in poor nations like Nigeria, still lack a solid understanding of financial literacy, making it extremely difficult for them to obtain capital to expand their businesses (Buchdadi et al, 2020).

Gärling, Kirchler, Lewis, and Raaij (2009), explained that it is essential for the owners and managers of SMEs to have a solid understanding of financial literacy. This will not only assist them in expanding their businesses, but it will also foster the development of the right mentality necessary to manage financial risk and make quick financial decisions that can have an impact on how long those businesses survive. According to the findings of this study, the existing body of research on the topic has produced a variety of positive and negative outcomes. The majority of these outcomes state that SMEs should proceed with learning how to effectively manage risk by adopting the skills, attitudes, and behavior of financial literacy in order to lessen their impact on the company's operations. Buchdadi, Sholeha, Ahmad and Mukson (2020) found a positive correlation between risk attitude and financial literacy in Indonesia. In order to determine which of the three components of financial literacy—knowledge, behavior, and attitude influences entrepreneurial risk attitude the most strongly, this needs to be re-evaluated in the Nigeria context.

The main goal of the study is to find out how financial literacy linked to entrepreneurial risk attitude of certain small and medium-sized businesses in Ekiti State. Even though the specific goals of this study are to: examine the connection between financial knowledge and entrepreneurial risk attitudes; identify the significant connections that exist between financial attitudes and entrepreneurial risk attitudes. The study also aims to fill a gap in the literature by examining the relationship between financial knowledge and entrepreneurial risk attitudes of selected small and medium-sized businesses in Ekiti State, Nigeria. This is an area in which there is a lack of consistent empirical documentation in the literature.

Literature review

Financial literacy

There is no widely accepted definition of financial literacy, indicating that academics and researchers have multiple aspects and a distinct meaning. Consequently, financial literacy is defined by Pandey and Gupta (2018) as the capacity of managers and owners of small businesses to make prudent financial decisions that improve operations. Previous researchers (Eniola & Entebang, 2016; Huston, 2010; Usama & Yusoff, 2019), noted that the ability of an entrepreneur to demonstrate a variety of financial skills that have a significant impact on decision-making behaviours, knowledge, and attitudes is referred to as financial literacy. Financial literacy is the capacity to acquire financial information and make informed decisions regarding company planning, wealth creation, and debt management (Mwithigaa, 2016). These actions fundamentally have financial consequences, which implies that entrepreneurs must be financially savvy to succeed (ACCA, 2014; Oseifuah, 2010).

Financial knowledge

Financial knowledge can be described as the mastery of terms and concepts in financial discipline. It involves understanding and ability to evaluate the financial situation and performances of a business to facilitate, reinforce and improve decision-making (Lusardi & Mitchell, 2014). A person's financial well-being improves when he/she are able to read, evaluate, manage, and discuss a variety of financial situations. Financial knowledge helps to identify lucrative business opportunities and understand how to deal with a variety of financial products and services with confidence and the skills to take the appropriate action. In recent years, more research has been done on financial literacy, and it has also been shown to affect business performance (Aminu, 2016; Dinç Aydemir & Aren, 2017; Kamakia, 2017; Lusardi & Scheresberg, 2013). People with financial education are more likely to participate in the financial market. Lusardi and Scheresberg (2013) discovered a link between financial literacy and low-cost borrowers, implying that high-cost borrowers, lack basic financial knowledge and have extremely low levels of financial literacy, which impact on the success of their businesses.

Financial behaviour

Financial behaviour can be defined as the management of a person's saving, expenditure and budget (Perry & Morris, 2005). It also involves money related activities such as saving credit management, investment behaviour both long and short-term basis (Garman & Forgue, 2014). Accordingly, Falhati, Sabri, and Paim (2012) observed that financial behaviour denotes the individual ability to manage his/her finances to become successful in life. It is a well-known fact that following sound financial practices can encourage business owners to take on more risks and think more strategically about those risks, both of which can contribute to the success and financial well-being of their enterprises. It is possible to infer from an entrepreneur's financial behavior how she manages her finances and create budgets (Jappelli & Padula, 2013). According to Graf (2012), one of the essential managerial skills for an entrepreneurial risk attitude is financial conduct. Musie (2015) says that financial behavior affects how decisions about paying bills on time, saving wisely, managing debt, keeping track of money, and starting a business are made. Thus, from the above, it may be assured that financial behaviour might have positive relationship with entrepreneur risk attitude thus leading to successful business performance.

Financial attitude

Financial attitude may be defined as a state of person's mind, opinion and judgement about finances (Pankow, 2003). A person's financial attitude can affect how they manage their money, such as how much they invest, save, and spend (Mien & Thao, 2015). A study by Jonsson, Söderberg, and Wilhelm (2017) adopting the appropriate mind set for managing risk and diversifying one's investments may increase financial literacy. Risk management and financial diversification are two other practices that can help an entrepreneur's business succeed. According to Rai, Dua and Yadav (2019), an individual's financial attitude is attitude toward financial concerns. Being able to hold oneself accountable and plan ahead when it comes to money issues takes character. Bhushan and Medury (2014) noted that one way to make owners and managers of small and medium-sized businesses (SMEs) more financially literate is to encourage them to have positive financial attitudes. According to Ibrahim and Alqaydi (2013), having a better understanding of personal finance can assist individuals in becoming less dependent on loans. Good financial attitudes and actions have an impact on one's financial well-being. Similar to this, Bruhn and Zia (2011) proposed that business owners and individuals alike benefit from making well-informed financial decisions.

Risk attitude

Risk attitude can be defined as a chosen state of mind concerning uncertainties that could have positive or negative consequences on objectives (Filmina & Mayangsari, 2020). A tendency toward uncertainty known as a risk attitude can be developed, either explicitly or implicitly, by individuals and groups. It takes the form of visible action and is driven by perception. Risk propensity and risk perception are two important measures of risk attitudes (Buchdadi, et al., 2020). Human behavior is significantly influenced by risk perceptions, particularly when it comes to making decisions in uncertain circumstances. The term "perceived risk" refers to a person's perception of uncertainty, a risky situation that is highly influenced by psychological factors and the decision-making environment.

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Participants in SMEs with high financial literacy are able to successfully control their attitudes toward financial risk.

According to Goswami, Hazarika and Handique (2017) and Hsiao and Tsai (2018), participants in SMEs may be better able to solve problems and make informed business decisions if they are financially literate. In developing nations like Nigeria, it is anticipated that the unpredictability of the economy will accelerate the growth of business and financial risks. Owners of small businesses must be able to deal with difficult economic conditions and persevere in the face of intense global competition. This makes it abundantly clear that in order for SMEs in developing nations to continue operating, they must successfully manage risk (Oláh et al, 2019).

The dual-process hypothesis provides an explanation for the relationship between financial literacy and SMEs' attitudes toward taking entrepreneurial risks. The dual-process hypothesis asserts that both cognitive and intuitive processes influence thought. Facts and reason cannot support intuitive opinions, judgments, understandings, or concepts. According to Chan and Park (2013), people who place a high value on intuition are willing to take mental detours, so their feelings have a significant impact on their thinking. The mental actions that are involved in acquiring, modifying, evaluating, elaborating, storing, and applying sensory inputs and information (such as thoughts and experiences) are referred to as cognitive processes. According to Chan and Park (2013), cognitive processes include reasoning, problem-solving, decision-making, and calculation. The frequency of cognitive and intuitive thought processes influences financial and corporate risk attitudes, which in turn influences decision-making (Lusardi & Mitchell, 2014).

Empirical review

Odebiyi, Fasesin and Ayo-Oyebiyi (2020) investigated how SMEs' performance is affected by financial literacy. The majority of owners of small businesses, according to this survey, lacked a variety of financial skills. It was also demonstrated that the interaction between the various aspects of financial literacy had an effect on the success of SMEs. Buchdadi, Sholeha, Ahmad and Mukson (2020) used a structural equation model to investigate the mediator variables of risk attitude, financial risk, and financial product. The study found that SMEs performed better when they were financially literate, had access to capital, and had a positive attitude toward financial risk.

The relationship between entrepreneur financial literacy and company performance was examined by Usama and Yusoff (2019). According to the findings, having a solid understanding of finance is necessary for improving business performance. Agyapong and Attram's (2019) study looked at how owner-managers of small and medium-sized businesses in the Cape Coast Metropolis fared when it came to success. Financial literacy and the company's financial performance were found to be linked in the study.

In Benue State, Nigeria, Umogbaimonica, Agwa and Asenge (2018) examined the impact of financial literacy on the success of SMEs. Although financial behavior has no significant impact on the performance of SMEs in Nigeria, the regression analysis revealed that financial knowledge and attitude have positive and significant benefits. It was discovered that attitudes and a comprehension of money play a role in the growth of SMEs in Nigeria. Kimunduu, Erick and Shisia (2016) conducted research on the impact of financial literacy on the financial performance of SMEs in Kenya. Financial literacy is strongly associated with personal saving, entrepreneurial skills, accounting expertise, and access to banking services, according to multiple regression analyses. According to the study's findings, SME owners with greater financial literacy had better financial outcomes.

Research methods

This study uses a survey research strategy since it is one that entails mailing questionnaires to pre-selected respondents or study participants. The 1027 SMEs that are formally registered in the state of Ekiti make up the population (SMEDAN, 2020). Regardless of the kinds of enterprises or organizations they belonged to, all SMEs in Ekiti State were chosen using a multi-stage sampling procedure. The Ado-Ekiti metropolitan area, on the other hand, was the primary focus of the study due to its accessibility. The metropolitan area is home to numerous small and medium-sized businesses (SMEs) in a variety of sectors, including the service sector, the arts and crafts sector, and others. According to the Ekiti State Ministry of Trade and Commerce (2020), the target population includes 250 registered small and medium-sized enterprises (SMEs) operating in four subsectors in the Ado-Ekiti metropolitan region. The method of stratified proportional sampling was used by the researcher. Services, retail/wholesale, manufacturing, and agriculture were the first segments of SMEs. The number of respondents from each stratum was then determined using proportionate sampling to reduce sample error and ensure equitable representation. Yamane's methods were used to determine the sample size, and a sample of 154 SMEs was chosen. Descriptive analysis and inferential statistics (multiple regression) were used to examine the collected data.

Model specifications

The purpose of this study's modification of the model developed by Esiebugie, Richard and Emmanuel (2018) on the relationship between small and medium-sized businesses' financial literacy and performance is to better reflect the topic by substituting risk attitude for small and medium-sized businesses' performance. Other variables remained unchanged.

As a result, the mathematical formula for this study's model is:

$$RA = f\ (FK, FB, FA) ------------------------ 1$$

Stating the equation in econometric form, it therefore becomes

$$RA = \beta_0 + \beta_1 FK + \beta_2 FB + \beta_3 FA + \mu_t --------------- 2$$

Where: β_0 = Constant, β_1 – β_3 = beta coefficients of the independent variables; RA=Risk attitude, FK = Financial knowledge, FB = Financial behaviour, FA= Financial attitude μ_t = error term. A priori expectation = $\beta_1 > 0; \beta_2 > 0; \beta_3 > 0$

Data analysis, results and discussion

This section presents the data analysis's findings. There were two stages of data analysis. Stage one covered the perception of financial literacy, financial knowledge, behavior, and attitude as well as the entrepreneurial risk attitude of SMEs in Ekiti State. Stage two focused on testing the hypotheses. It was achieved through the use of mean and standard deviation.

Table 1. Analyses of the questionnaires

Questionnaires	Responses	Percentage (%)
The number of completed forms	142	92.21
Unfilled forms	2	1.30
Not returned forms	10	6.49
Total	154	100%

Source: own processing

Hitherto, the aforementioned result connotes that from the 154 questionnaires that were given out, 142 (or 92.21 percent) were filled out, 2 (or 1.30 percent) were left blank, and 10 (or 6.49%) were not returned. This suggests that the analysis of the data collected was

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based on 142 respondents, the number of people who filled out and returned the questionnaire. As a result, the 142 valid replies were further coded and examined for analysis.

Table 2. Analysis of financial knowledge

S/N	Statement on Financial Knowledge	Mean	S.D	Remark
1	Our business has improved as a result of the bank's financial services.	4.73	0.824	Agree
2	The bank's financial services have helped us meet our financial needs.	4.61	0.825	Agree
3	Our company is aware of the documents needed to get a loan from a bank to meet our financial needs.	3.01	0.569	Agree
4	I am aware of the costs and benefits of getting credit.	3.88	0.748	Agree
5	I am aware of the costs and benefits of buying insurance to protect my business from financial loss, so I buy insurance.	3.04	0.260	Agree
	Grand Mean	3.854	0.645	Agree

Source: own processing using SPSS

Table 2 displays the average responses that respondents gave to each of the research instrument's statements. Responses with a mean of more than three are deemed satisfactory, agreeable, or acceptable, while responses with a mean of less than three are deemed undesirable, unsatisfactory, or disagreeable. Since all of the mean responses were greater than 3.0, the choice in the last column of the table was made. According to the findings of the study, which are presented in table 4.2, the responses that respondents provided regarding the financial literacy and risk-taking behavior of SMEs in Ekiti State were overwhelmingly positive. The members agreed that banks' financial services had made it easier for businesses to meet their specific financial needs and obligations. In addition, the respondents agreed that they are aware of the benefits and drawbacks of utilizing credit facilities and purchasing insurance to safeguard businesses. Additionally, it was acknowledged that respondents are aware of the required paperwork to obtain a bank credit line. Therefore, the grand mean of 3.854 indicates that small and medium-sized businesses in Ekiti State's risk attitude is improved by financial knowledge.

Table 3. Analysis of financial behaviour

S/N	Statement on Financial Behaviour	Mean	S. D	Remark
1	Our company prepares monthly income statements to track financial growth.	2.57	0.163	Disagree
2	I have received training in bookkeeping and use it to run my business.	4.25	0.437	Agree
3	Before making any financial decisions, like taking out a loan or credit or purchasing insurance, I would consider my options multiple times.	4.51	0.865	Agree
4	My company has formal insurance contracts for our business.	4.37	0.500	Agree
5	I have never spent my income on servicing loan for my business	4.06	0.399	Agree
6	My firm has a business savings account	3.63	0.565	Agree
	Grand Mean	3.898	0.488	Agree

Source: own processing using SPSS

Table 3 displays the responses that respondents to the research instrument provided. The respondent agreed with all but one of the statements, according to the table; consequently, five responses received a score greater than or equal to 3.0, while one received a score below that. Respondents also attested to having one or two official insurance contracts on their businesses, and they acknowledged that they weigh a variety of options before deciding on loans and insurance plans. They claimed that when running their businesses, they were able to distinguish between employee income and organizational profit thanks to their familiarity with accounting software. The company is now able to keep a separate savings account for its business operations because of this improved understanding. The overall mean of 3.989 indicates that financial behaviour plays a major role in entrepreneurial risk attitude of small and medium-sized businesses in Ekiti State.

Table 4. Analysis of financial attitude

S/N	Statement on Financial Attitude	Mean	S. D	Remark
1	The company is able to accurately calculate interest rates and loan payments.	4.70	0.898	Agree
2	The company has the skills necessary to assess the financial outlook for the company.	3.94	0.697	Agree
3	We have skills for minimizing losses by minimizing bad debts	2.23	0.419	Agree
4	We have the ability to reduce losses by reducing bad debts.	4.11	0.534	Agree
5	The managers of this business are familiar with basic accounting concepts. I disagree that taking on more risk results in a higher rate of return on investments.	2.25	0.783	Agree
6	The amount of return on investments has nothing to do with my willingness to take risks.	4.80	0.513	Agree
	Grand Mean	3.671	0.641	Agree

Source: own processing using SPSS

Table 4 which examined the financial attitudes of a sample of SMEs in the state of Ekiti, showed that all of the statements made there were accepted by the respondents. The study found that financial attitudes are a factor in SMEs' risk attitudes. On the basis of it, it was found that willingness to accept risk is not determined by financial investment returns. Additionally, the investigation shows that company managers possess the fundamental accounting skills necessary to effectively compute interest rates, loan payments, and analyse the firm's financial picture. They did not, however, concur that risk is a function of investment return. Additionally, selected SMEs' owners and managers lacked the managerial and financial skills necessary to reduce losses and bad debts. The table yielded a grand mean of 3.671, indicating that risk attitudes of small and medium-sized scale firms in Ekiti State are determined by financial attitude.

Table 5. Result of Pearson correlation matrix

Variables	RA	FK	FB	FA
Risk Attitude	1			
Financial Knowledge	.378**	1		
Financial Behaviour	.532**	.244**	1	
Financial Attitude	.515**	.309**	.245**	1

Source: own processing using SPSS

Table 5's findings show a correlation coefficient of 0.378 for FK, 0.532 for FB, and 0.515 for FA, respectively, suggesting a positive link between RA, FK, FB, and FA. This shows that the variables changed in the same ways among the SMEs in Ekiti State that were sampled. In a similar manner, the outcome demonstrated that FK, FB, and FA are positively correlated, with a correlation coefficient for FB of 0.244 and 0.309, respectively. The outcome also showed that there was a positive association between FB and FA, with values of 0.245.

Regression analysis

The dependent and independent variables have a strong linear connection, as shown by Table 6's correlation coefficient of 0.787 for the model. The table also demonstrated the goodness of fit (R2) to be 0.681 and the independent variables' contribution to 68.1% of the change in the dependent variable, entrepreneurial risk attitude to the independent variable. Additionally, the stochastic error term explains the significance and contributions of the explanatory variables to the dependent, i.e., how financial knowledge,

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behavior, and attitude impact risk attitude. The stochastic error term accounts for the remaining 38.7% of the corrected R square. In addition, the F-value of 16.024 and the F-(probability) value of 0.00 in the ANOVA result, which evaluated the model's robustness, were statistically significant. The study demonstrated that the regression model is reliable, error-free, and does not exhibit specification bias, demonstrating its significance.

Table 6. Multiple regression effect of financial knowledge, financial behaviour and financial attitude on entrepreneurial risk attitude of selected small and medium sized enterprises in Ekiti State, Nigeria

Model summary				
Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**
1	.787[a]	.681	.613	.553
a. Predictors: (constant), financial knowledge, financial behaviour, financial attitude				

ANOVA[a]						
Model		Sum of squares	df	Mean square	F	Sig.
1	Regression	13.611	3	4.537	16.024	.000[b]
	Residual	39.072	138	.283		
	Total	52.683	141			
a. Dependent variable: risk attitude						
b. Predictors: (constant), financial knowledge, financial behaviour, financial attitude						

Coefficients[a]						
Model		Unstandardized coefficients		Standardized coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.132	.250		12.537	.000
	Financial knowledge	.172	.061	.211	2.849	.005
	Financial behaviour	.229	.058	.336	3.951	.000
	Financial attitude	.498	.088	.418	5.670	.000
a. Dependent variable: risk attitude						

Source: own processing using SPSS

The results show that risk attitude is positively and significantly influenced by each of the explanatory variables—financial knowledge, financial behavior, and financial attitude. As a result of an increase in financial knowledge, financial behavior, and financial attitude, SMEs in Ekiti State have a significantly higher risk attitude—17.2%, 22.9%, and 49.8%, respectively—than their counterparts in other states. The economic a priori expectation of a positive correlation is supported by these outcomes. The study found that the entrepreneurial risk-taking behavior of small and medium-sized businesses in Ekiti State, Nigeria, is significantly influenced by financial literacy.

Discussion of the findings

An investigation into the financial literacy and risk-taking habits of small and medium-sized businesses in Ekiti State, Nigeria has been conducted. The most reliable and effective estimation, the multiple regression estimate, serves as the foundation for the presentation of the findings for the three hypotheses.

First, it was discovered that the entrepreneurial risk attitude of small and medium-sized businesses (SMEs) in Ekiti State, Nigeria, was significantly and favorably influenced by financial literacy. This outcome is to be expected and is not surprising, especially in the modern era, when a company can learn certain financial skills online to help it grow. As long as certain SMEs in Ekiti State have the necessary documentation, are financially savvy, and know how to manage risk and debt, they can quickly obtain funding, as evidenced by the significant impact. Consequently, SMEs with a better understanding of financial literacy are better able to manage risk and maximize return.

The research backs up the empirical finding of Umogbaimonica et al. (2018) that SMEs' growth and success depend on having financial expertise. SMEs are better able to operate when they are aware about financial issues since they are more prepared to lower business risks. Robb and Woodyard (2011) explained that having a basic understanding of finance is necessary for making informed judgments. Esiebugie et al (2018) highlighted that knowing the rate of inflation is important for making financial decisions like taking on debt or starting a savings account, among other things. In addition, Lusardi and Mitchell (2014) concluded in their study of the economic implications of financial literacy that investing in human capital is essential for wealth generation.

Second, the study found that small and medium-sized businesses (SMEs) entrepreneurial risk attitude is significantly and positively influenced by financial behavior in Ekiti State, Nigeria. According to the findings, small and medium-sized businesses (SMEs) exhibit sound financial practices, such as the capacity to select assets that enhance wealth while simultaneously lowering risk for both individuals and organizations. Sucuahi (2013) asserted that these actions increase financial assets, reduce excessive debt, provide protection against major life events, and support retirement. Potrich, Kelmara and Wesley (2016), the findings support the conclusion that SMEs' performance is significantly influenced by financial behavior. The significant proportion of respondents who had excellent financial skills indicates that the majority of owners of small businesses feel confident in their knowledge of money management, bookkeeping, and savings.

Thirdly, the study found that small and medium-sized businesses (SMEs) in Ekiti State Nigeria had a favourable and significant impact on their willingness to take entrepreneurial risks. Abiodun (2016), successful people are financially savvy, which explains why they invest in the future. The findings of the study indicate that the majority of small and medium-sized enterprises (SMEs) achieve success because they are focused on the future or because they set financial goals. According to a study, future-focused thinking may also improve business performance and decision-making. How people view financial education, which is a crucial factor in determining their level of financial literacy, reveals the degree of dedication to acquiring financial knowledge and expertise. Carlin and Robinson (2010) state that participants who received training were somewhat better at balancing current costs and benefits than those who did not. It is possible that SMEs' financial attitudes are necessary for risk management and diversification because of the significant influence. Goswami, Hazarika and Handique (2017), and Hsiao and Tsai (2018) research, individuals with higher levels of financial literacy may be able to effectively manage entrepreneurial risk attitudes, allowing SMEs to solve problems and make informed business decisions.

Conclusions

The survey finds that the majority of selected Ekiti State SME owners are knowledgeable about fundamental financial concepts (financial knowledge). Small- and medium-business (SMEs) owners in particular are aware of the significance of finance to their organizations. The study comes to the further conclusion that small and medium-sized businesses' entrepreneurial risk attitudes are significantly influenced by financial behavior. Most business owners engage in specific financial practices when it comes to accounting, managing money, and saving. The study also found that the entrepreneurial risk attitudes of small and medium-sized businesses in Ekiti State are significantly influenced by financial attitude. This is true given that sizeable number of managers and owners of SMEs businesses have favourable opinions on risk diversification and management.

These results suggest that the government should develop a program to improve the financial literacy of small and medium-sized business owners and managers, particularly their ability to understand an aptitude for banking products, insurance products, and risk management. The findings demonstrate that SMEs' finance practices significantly influence how they view entrepreneurial risk. This emphasizes the significance of

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financial literacy training programs and debt management courses that encourage practice. It is clear that SMEs' owners and management have a significant impact on entrepreneurial risk attitudes due to their financial viewpoint. Therefore, the government and other relevant institutions must work to alter the owners' and managers' perceptions about SMEs. Positive attitudes promote positive behavior, which is advantageous to SMEs and the stakeholders that support them.

Contributions and suggestions for further studies

The study adds significantly to the paucity of research on financial literacy and entrepreneurial risk attitudes in Nigeria, particularly in the Ekiti State, where there is a dearth of empirical research. Additionally, it has contributed significantly to our comprehension of the significant influence that financial knowledge, behavior, and attitude have on the entrepreneurial risk attitudes of specific small and medium-sized businesses in Ekiti State.

The research also expanded our knowledge because it showed that some SMEs in Ekiti State chose to use personal savings, loans from friends, and financing from family rather than turning to financial institutions because of the high denial rate, interest rates, and labour-intensive paperwork requirements. This was true even though these SMEs were financially literate. It is possible to do more research on the effects of high borrowing rates on SMEs in Nigeria, the contribution that bureaucracy makes to the success of SMEs in the country, and the causes of the failure of the majority of SMEs and start-ups in the country.

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