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The Effect of Financial Literacy on the Improvement of Financial Inclusion in Nigeria: Study of Selected Small and Medium Enterprises in Abakaliki Metropolis

Linus Egwu Ele

Department of Banking and Finance, University of Uyo, Akwa Ibom State, Nigeria.
E-mail: egwulines@gmail.com

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Abstract: This study investigated the effect of financial literacy on the improvement of financial inclusion in Nigeria (study of selected small and medium enterprises in Abakaliki metropolis. The specific objectives were: examine the effect of financial knowledge on financial inclusion in small and medium enterprises in Abakaliki metropolis; to investigate the effect of financial experience on financial inclusion in small and medium enterprises in Abakaliki metropolis; and to find out the effect of financial skill on financial inclusion in small and medium enterprises in Abakaliki metropolis. The ordinary least squares (OLS) technique was employed to estimate the parameters. The findings indicate *that* Southeast Nigeria*:* there is significant effect of financial knowledge on the improvement of financial inclusion in Small and medium enterprises in Southeast Nigeria*;* financial experience has significant positive effect on the improvement of financial inclusion in Small and medium enterprises in Abakaliki metropoli; and financial skills have significant positive effect on the improvement of financial inclusion in Small and medium enterprises in. Based on the outcome of the various tests carried out and the hypothesis evaluated, the study makes the following recommendations: Banks should develop a mechanism (expansion of financial education facilities) to educate to expand the financial knowledge of their SME customers; Banks in Southeast should conduct account opening programme specifically for small and medium holder business to expand their experience of financial products and improve their financial inclusion; and there is need for banks to develop synergy that will produce in-bank or in-

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business skill training for small holder businesses on financial account reporting and budgeting.

Keywords: Financial Inclusion, Financial Skill, Financial Knowledge, Financial Experience

INTRODUCTION

Background of the Study

Financial inclusivity has deeply permeated policy and academic space, lending credence to its role in financial development and overall economic growth and development. The emphasis on financial inclusion is hinged on data and empirical studies which evidence that a large number of people are excluded from the financial space. As submitted by Klapperand and Lusardi (2020) it is obvious that there are certain groups which do not have (full) access to financial services, and these groups tend to have less financial literacy. According to Grohmann and Menkhoff (2020) financial exclusion refers to groups with low socio-economic status who have problems to properly manage their financial affairs. This may mean that people do not save for retirement or do not have access to loans at traditional banks. In developing economies, financial inclusion is often even more basic by aiming to improve access to formal financial services for large parts of the population. Here, the simplest empirical measure of financial inclusion is whether a person owns any kind of a formal financial account. Knowing the determinants of financial inclusion is a necessary condition to formulate policy.

On the relationship between financial literacy and financial inclusion, some micro studies such as Klapper and Lusardi (2020) show descriptive evidence that there is a link between financial literacy and financial inclusion. Using the Global S&P Financial Literacy Survey they show that non-account owners have lower financial literacy levels than account owners. However, this describes a relationship and does not say much about potential causality. A link between financial literacy and financial inclusion has mostly been studied in individual micro settings. These studies mostly conduct randomized controlled trials (RCTs). Thistype of studieshave the advantage that causality is clear and that the effect of financial education on financial behavior can be established without bias. Financial literacy has been suggested to largely drive financial inclusivity.

Financial Literacy is viewed as a critical element for encouraging financial inclusion, consumer protection and ultimately, financial solidness and capability especially among young people (CBN, 2015), Cohen and Nelson, 2011; Johnson and Sherraden 2009).Financial literacy has many objectives differ depending on perspective, but in each case can contribute to better financial decisions, and in the end improve welfare (Kaiser & Menkhoff, 2017). Majorly, the role of financial literacy is to enable and ease access to formal financial services. If individuals use formal financial services, they are regarded as being financially included. Despite this role however, many people especially in the developing economies (Nigeria inclusive) who do not have access to even the most basic of financial services. Demirgüç-Kunt (2018) estimates that world-wide there are almost two billion people who do not have access to any financial accounts, and thus are financially excluded at this most basic level

On how financial literacy is measured, Dewi,Febrian, Effendi, Anwar, and Nidar (2020) has provided empirical support. They measured financial literacy to include financial knowledge, financial experience, and financial skills. According to them, financial knowledge refers to people's levels of understanding of various components of financial markets and products, such as numeracy, assets, debts, savings and investments, value of money, inflation, compounding interest, and risk diversification. Financial experience is the actual reality of owning a financial product or sharing experiences of financial product ownership with others. Hogarth and Hilgert (2002) revealed that financial knowledge is worthless if it is not applied (experience), and that financially literate people had experience to bridge between knowledge and skills. Financial skills according to Priyadharshini (2017) relate to an individual's ability to make financial decisions based on information to minimize the possibility of becoming entangled in financial problems.

Statement of the Problem

While there are few studies on financial literacy and business performance for example Olubanjo and Olayinka (2019); to the knowledge of this study, there are no studies on the effect of financial literacy on financial inclusion of small and medium enterprises in Abakaliki metropolis.

The problem of financial exclusion in Nigeria is diverse ranging from issues that are purely structural in nature to inability to execute technical competence relating to finance. Inadequate financial knowledge, experience and poor financial skills have been identified as limiting factorsto financial inclusivity in Nigeria especially in small and medium enterprises. Since the recent mandatory introduction of monetary policies in Nigeria aimed at boosting financial inclusion (CBN 2011), it has become imperative to study how financial literacy and inclusion boost entrepreneurial growth considering firm size and location in Nigeria.

Evidence shows that many of the financially excluded lack knowledge about basic financial terms and features of available financial products in developing countries (Berg and Zia, 2017). Despite the efforts towards ensuring the Nigerian economy is deepened by way of financial education, small businesses in the country are still faced with several financial problems (Njoroge, 2013). As a result, this study examined the influence of financial literacy and financial inclusion in selected small and medium enterprises in Abakaliki metropolis Nigeria.

Previous studies have considered various issues regarding financial literacy and financial inclusion. For instance, Iriobe and Iriobe (2017) researched on financial literacy and financial inclusion for entrepreneurship development in Nigeria, OECD (2006) and Fox, Bartholomae and Lee (2005) discussed their importance in economic development; Kerr and Nanda (2009) reviewed literature on the financial constraints and entrepreneurship; while Johnson andSherraden (2009) highlights the need to move from financial literacy to access to finance. Few have considered the effect of financial literacy on the financial inclusivity of small and medium enterprises in an economy where access to finance for small businesses is still a major challenge.This study hopes to provide answer to the question, 'what effect does financial literacy have in improving financial inclusion in SMEs in Abakaliki metropolis Nigeria?

Again, Studies, including Inoue and Hamori (2016), Intermedia (2016), and EFInA (2017), have identified lack of financial services knowledge, awareness, experience and skills among others, as key inhibitors to formal financial services access. Particularly, lack of knowledge about mobile money (an innovative and cost-effective channel of accessing financial service digitally via mobile phones) was reported as the main reason for low utility among most small businesses. Thus, interventions such as financial literacy and awareness programmes are therefore likely to improve access to financial services.

Objectives of the Study

The broad objective of this study is to investigate the effect of financial literacy on the financial inclusion in Nigeria; study of small and medium enterprises in Abakaliki metropolis, Ebonyi State. The specific objectives are:

1. To examine the effect of financial knowledge on financial inclusion in small and medium enterprises in Abakaliki metropolis
2. To investigate the effect of financial experience on financial inclusion in small and medium enterprises in Abakaliki metropolis
3. To find out the effect of financial skill on financial inclusion in small and medium enterprises in Abakaliki metropolis.

Research Questions

The study will answer the following questions:

1. What effect did financial knowledge have on financial inclusion in small and medium enterprises in Abakaliki metropolis?
2. To what extent did financial experience affect financial inclusion in small and medium enterprises in Abakaliki metropolis?
3. To what extent did financial skill affect financial inclusion in small and medium enterprises in Abakaliki metropolis?

Research Hypotheses

The following hypotheses are formulated in null norm as tentative answers to the research question:

HO_1: Financial knowledge has no significant effect on financial inclusion of small and medium enterprises in Abakaliki metropolis

HO_2: Financial experience has no significant effect on financial inclusion of small and medium enterprises in Abakaliki metropolis

HO_3: Financial skill has no significant effect on financial inclusion of small and medium enterprises in Abakaliki metropolis.

Scope of the Study

The study has both geographical and sectoral scope. It is focused on Abakaliki metropolis, particularly on the business and financial sector of the economy. The choice of the time geographical scope is based on the peculiar nature of businesses in the location which are bedeviled by low financial literacy which makes access to business finance difficult. The choice of the SMEs studied is informed by the need to further deepen research towards enhancing business development in Ebonyi State as the state economy has been placed in the path of economic growth.

Significance of the Study

Studies which focus on financial inclusion are strongly advised. The number of unbanked small and medium enterprises (financially excluded) remain high and the extension of financial literacy programmes will boost policy efforts towards reducing the trend. This study is therefore significant both for the government and the monetary authorities as well as industry players in the financial and small business sectors.

Limitations of the Study

The study focused only on the small and medium enterprise only in Abakaliki metropolis, Ebonyi state and is not therefore studying the entire Nigerian economy. However, the limitation of this scope has no potency to reduce reliability of the study as the researcher made effort to employ strategies to make reliable output from the research.

REVIEW OF RELATED LITERATURE

Conceptual Review

Financial literacy

Financial literacy has been variously defined. Ramakrisman (2011) defined financial literacy as the capacity to have familiarity with and understanding of financial market products, especially rewards and risks in order to make informed choices. It refers to the ability to make informed judgments and to take effective decisions regarding the use and management of money.Rieger (2020) defined financial literacy as a person's competency for managing money. In the same vein according to Remund (2010), financial literacy is the combination of awareness, knowledge, skill, attitude and behaviour necessary to make sound financial decisions and ultimately achieve individual financial well-being. Hence, financial literacy becomes a necessary precondition for reasonable financial decision making and progress.

Financial Knowledge

Financial knowledge is a form of literacy in financial matters. Huston (2010); Hilgert et al. (2003) defined financial literacy as financial knowledge, with this also seen as the basis of appropriate financial decision-making (Lusardi, 2012b). Previous studies have shown that financial knowledge affects both financial behavior (Babiarz and Robb, 2014; Woodyard et al., 2017), financial goal (Priyadharshini,2017) and financial decisions (Asaad, 2015; Parker et al., 2012). To measure the level of financial knowledge, subjective financial knowledge or perceived knowledge and objective financial knowledge have been used.

Subjective financial knowledge is how people perceive themselves in terms of what they know and how they would assess their level of financial knowledge (Allgood and Walstad, 2013; Babiarz and Robb, 2014; Khan et al., 2017; Mishra and Kumar, 2011). Objective financial knowledge is what is actually stored in memory and is measured by assessing people's levels of understanding of various components of financial markets and products, such as numeracy, assets, debts, savings and investments, value of money, inflation, compounding interest, and risk diversification (Lusardi et al., 2010; Lusardi and Mitchell, 2014).

Previous studies have revealed that subjective financial knowledge has a positive relationship with financial well-being (Riitsalu and Murakas, 2019; Woodyard, 2013); financial behavior (Allgood and Walstad, 2013; Deenanath et al., 2019; Hilgert et al., 2003; Robb and Woodyard, 2011; Sivaramakrishnan et al., 2017; Seay and Robb, 2013; Tang and Baker, 2016; Xiao et al., 2014); and financial decisions (Khan et al., 2017). Even though previous studies have indicated that both objective and subjective financial knowledge are important to financial behavior to which they contribute different roles, several studies have revealed that subjective financial knowledge is more adequate for explaining financial decisions and behaviors than objective financial knowledge (Robb and Woodyard, 2011). Based on the previous research, in the current research, the measure of financial knowledge used is subjective financial knowledge.

Financial Experience

The experience of owning a financial product or sharing experiences of financial product ownership with others is another factor in addition to financial education that improves financial literacy. Frijns et al. (2014) found a positive and significant causal effect of financial experience on financial literacy. Someone with good financial experience also has good financial knowledge. Even so, the existing literature is unable to determine the causal effect of financial experience on financial literacy or vice versa due to methodological issues. Hogarth and Hilgert (2002) revealed that knowledge is worthless without applied experience, and that financially literate people had experience to bridge between knowledge and skills. Moore (2003) found a relationship between financial knowledge, financial experience, and financial behavior. Financial experience and behaviors affect a person's level of financial knowledge and their gains in competency.

Financial Skills

Hung et al. (2009) suggested in their conceptual model of financial literacy that financial behavior depends on three variables: actual knowledge, perceived knowledge, and financial skills. Furthermore, Khan et al. (2017); Lusardi and Mitchell (2013); and Xiao et al. (2014) revealed that financial skills, financial knowledge, and financial attitude affect financial behavior. Atkinson and Messy (2012) strengthened the results of previous studies, extending this model by adding financial well-being which is affected by knowledge, skills, and attitude through to financial behavior. Priyadharshini (2017) stated that financial skills relate to an individual's ability to make decisions based on information to minimize the possibility of becoming entangled in financial problems.

Lusardi and Mitchell (2011) observed that people lack the basic financial skills needed to create and manage budgets, understand credit, understand investment instruments, or utilize the existing banking system, with many ultimately becoming trapped in financial problems. This was one of the causes of the GFC which occurred under conditions where people were not financially literate. Improving the ability of individuals to manage finances can be done by improving their basic financial skills, such as preparing budgets and gathering information (Elbogen et al., 2011). Cramer et al. (2004) promoted a measurement tool for assessing financial skills using the Measure of Awareness of Financial Skills (MAFS). Remund (2010) suggested that the four most common operational definitions of financial literacy are budgeting, saving, borrowing, and investing, all of which emphasize the importance of the ability to use knowledge and skills to manage money. This definition strengthened the Jump-start Coalition for Personal Financial Literacy that defines financial literacy as the ability to use knowledge and skills to effectively manage financial resources for a lifetime of financial well-being.

Financial Inclusion

Yaroslava, Grigolia, and Keshelava (2018) broadly defined financial inclusion as the access of households and firms (in particular low income and SMEs) to financial services. Hence, financial inclusion has become one of the most important issues in modern development discourse. While cross-country studies can offer a better view of the general patterns that are common across countries, each developing country has its unique set of problems related to the financial inclusion of vulnerable households and small/medium size businesses. In this respect Abakaliki Nigeria offers an interesting case study.

Financial Literacy, Financial inclusion and SMEs

Different studies on financial inclusion, in particular cross-country studies, tend to use a wide variety of indicators to measure financial inclusion. Mostly the choice of indicators suitable for cross-country analysis depends on data availability. The set of indicators typically used in the financial access literature can be grouped into the following categories: Access indicators (the number of ATMs, bank branches per 1,000 adults etc.); Outreach indicators (such as geographical and demographic penetration of financial services); Usage indicators (number of debit and credit accounts, the volume of deposits and lending to SMEs and households, etc.); Quality indicators (disclosure requirement, dispute resolution, cost of usage).

Empirical Review

Morshadu (2021) investigated the impacts of financial knowledge on financial access through banking, microfinance, and fintech access using the Bangladesh rural population data. The author employed econometrics regression to examine whether financial literacy significantly affects removing the barriers that prevent people from participating and using financial services to improve their lives. The empirical findings showed that knowledge regarding various financial services factors had significant effect on getting financial access. Some variables such as knowledge regarding depositing and withdrawing money, and knowledge regarding interest rate highly affected the overall access to finance. The study's results provide valuable recommendations for the policymaker to improve financial inclusion in the developing country context.

Ashenafi and Mutsonziwa (2021) investigated the link between financial literacy and inclusion using data from a demand side financial inclusion survey conducted in Kenya and Tanzania in 2016 covering a total of 6029 individuals. Results from our instrumental variable regression analysis confirmed that financial literacy is a strong driver of financial inclusion. This implies that efforts to promote financial inclusion need to be accompanied with financial literacy campaigns in both countries.

Olubanjo and Olayinka (2019) used survey data of over 22 000 respondents in Nigeria, to provide evidence for the impact of two key drivers of financial inclusion: financial literacy and income levels. The study shows that financial literacy significantly determines savings patterns with formal and informal financial institutions; however, income only drives the frequency of informal savings. The results also highlight the demographic groups suitable for financial literacy and other interventions aimed at improving financial access. The findings will support the market segmentation capabilities of financial services providers and also guide regulators in formulating policies that will improve and deepen financial access.

Fan and Zhang (2017) studied both theoretically and empirically the relationship between financial inclusion and the formation of entrepreneurs. The model used proposes that the advancement of financial inclusion can mitigate credit constraints on entrepreneurial activities by diminishing data asymmetry in financial transactions, and in addition this impact is more prominent in industries with lower barriers to entry. Utilizing information from 31 regions and 19 enterprises in China amid the period 2005–2014, the effect of financial inclusion on the formation of entrepreneurs was measured. The results affirm the constructive outcome of financial inclusion development on the formation of entrepreneurs and show that this impact is heterogeneous across industries. The advancement in financial inclusion is regularly advantageous to the formations of entrepreneurs in sectors with lower entry barriers. However, the lack of formal training on financial issues is responsible for the lack of financial literacy of entrepreneurs, and this invariably leads to financial inclusion.

Abubakar, (2015) studied financial literacy's effects on household behaviour in respect to financial decision making, as well as the gender gap in financial literacy. The outcomes show that the challenges in access to finance, access to market, policy support and business culture are the fundamental issues and are imperative for business enterprise advancement in Africa which has an effect for budgetary proficiency on the mainland especially on miniaturized scale, little and medium ventures. Other imperative issues include hostile investment climate, nonappearance of enterprise preparing programs, improper investment business environment, gender gap and lack of value chain in the entrepreneurship ecosystem.

Theoretical Framework

The theoretical framework adopted for the study is the diffusion theory

Diffusion of Innovation Theory

The theoretical foundation for this study was anchored on the Theory of Diffusion of innovations theory. The theory was postulated by Everett Rogers in 1962. The theory explains how, why, and at what rate new ideas and technology spreads. According to Rodgers (1962) diffusion is the process by which an innovation is communicated over time among the participants in a social system. Furthermore, it states that the diffusion of innovation is a major determinant of the spread of financial technology, so that once the technology spreads to a greater mass of users especially in rural communities, it becomes constant, the process of growth becomes stimulated. Financial technology would ultimately mean technological innovation that seeks to improve, automate the delivery and use of financial services in improving financial inclusion in rural communities.

The theory captures the broad objective of the study which is the effect of financial literacy in improving financial inclusion. When the financial sector deepens financial literacy adoption, its service and products will also improve and hence its total performance in terms of its contribution to the aggregate economic output of the country via improvements in financial inclusion which means greater reach of financial services especially to the rural economy. Rogers (2003) further argues that diffusion determines the uptake of new technologies. He suggested five attributes in the Theory of Innovation. The first attribute, Relative advantage, indicates the extent of technological innovation over previous innovations. These benefits can be seen from the viewpoint of technical, economic, prestige, comfort and satisfaction. If people feel that a technological innovation provides high relative advantage, then they will accept the technology. The second attribute, compatibility is the suitability of a technological innovation with the user value, user experience, and user needs.

According to Rogers (2003) the third attribute, complexity refers to the level of complexity of understanding and use of a technological innovation. The more complex and sophisticated the technology innovation, the more difficult it is to be embraced. Rodgers (2003) further explains that the fourth attribute, trial-ability is the degree to which a technological innovation can be tried and tested. The last attribute is observability. This attribute is related to the extent to which the results of technological innovations can be observed and communicated. Diffusion of innovation theory further argues that uptake of a new idea, behavior, product or innovation does not happen simultaneously in a social system; rather it is a process whereby some people take on the innovation earlier than others. There are five established new user categories. These include innovators, early users', early majority, late users', and laggards. Studies have found that the early users of technology have different characteristics than the late users. This theory has been used to explain how agency banking model has penetrated within the Kenyan banking industry

METHODOLOGY

Research Design

The survey research design employed for this study. This type of research design basically uses some set of self-designed structured questionnaire to collect data. Hence, the researcher adopted field survey as the design to investigate the role of financial literacy on the improvement of selected SMEs (a study of Southeast Nigeria).

Sources of Data

The data used for the analysis are primary data collected through the use of well -structured questionnaire from respondents in twenty (20) selected small and medium enterprises in Abakaliki metropolis with a total population of 1050 workers. The study adopted 5 likert scale (strongly agree = 5, agree =1, neutral = 3, disagree = 2 and strongly disagree = 4)

Area of Study

The area of study is financial literacy (knowledge, experience and skill)) and financial inclusion in selected small and medium enterprises in Nigeria. The location studied is Abakaliki, Nigeria.

Population of the Study

The population of this study comprises of owners, business managers and staff of five selected small and medium enterprises as listed in 3.2 above

Sample Procedure and Techniques

This study adopted the simple random sample techniques in trying to make good prediction of the population and in determining the sample size of the population following that it is impossible to get the opinions and perspectives of all the elements in the population and as well enable us to give every member of the population an equal chance of being selected.

Sampling Technique

The Taro Yamani formulae was adopted to determine the sample size of the study.

$$n = \frac{N}{1+N(e)^2}$$

Where n= sample size

N = population size

e =significant level (5%) =0.05

$$n = \frac{1050}{1+1050\,(0.05)^2}$$

$$= \frac{1050}{1+ 1050\,(0.0025)}$$

$$= \frac{1050}{1+ 2.625}$$

$$= \frac{1050}{3.625}$$

N = 289.655, approximately n = 290

The population is thus summarized in the table below:

Category	*No*
Owners	5
Managers	10
Line Supervisors	35
Admin staff	190
Technical staff	50
Total	**290**

Source: Field survey, 2022.

Techniques for Data Analysis

The ordinary least squares regression technique was adopted for the data analysis and hypotheses evaluation; as well as descriptive statistics. Tables and percentages were the tools employed by the researcher in analyzing the data, in order that this work makes good meaning to different categories of people that may consult it now or later.

Step 2: Decision Rule

Decision Rule 1**:** Accept the alternate hypothesis and reject the null hypothesis if the P-value is less than the chosen level of significance (0.05). It implies that the estimated variable has significant impact on the dependent variable.

Decision Rule 2:Accept the null hypothesis and reject the alternate hypothesis if the P-value is greater than the chosen level of significance (0.05). It implies that the estimated variable has insignificant impact on the dependent variable.

Validity and Reliability of Data

The instrument of data collection was subjected to content validity by the supervisor. Some of the items that were found ambiguous were reconstructed. In all, a total of 290 questionnaires were used. The researcher employed the Cronbach statistic in determining the reliability of the study.

Instrument of Data Collection

The major instrument used for this study was structured questionnaire, designed to capture the required information for the study.Structured questionnaires which contain series of questions were formulated and distributed to the respondents. The questions contained in the questionnaire were structured and scaled in order to standardize the research instrument as well as remove the chances of the respondents tele-guiding the researcher. y at no cost.

RESULTS

The result from the various tests and data analysis on the role of financial literacy on the improvement of financial inclusion in selected small and medium enterprises in Abakaliki Metropolis. The results and data presented include the demographic information on the respondents on whom the questionnaires were administered. The information (dataset) generated were subjected to relevant analytical procedures following the research objectives earlier set.

Demographic Characteristics of the Respondents

Table 1 presents the information sieved from of the respondents on how financial literacy affect improvement of financial inclusion, based on the notation of gender of business owner, age, educational qualification, and type of business.

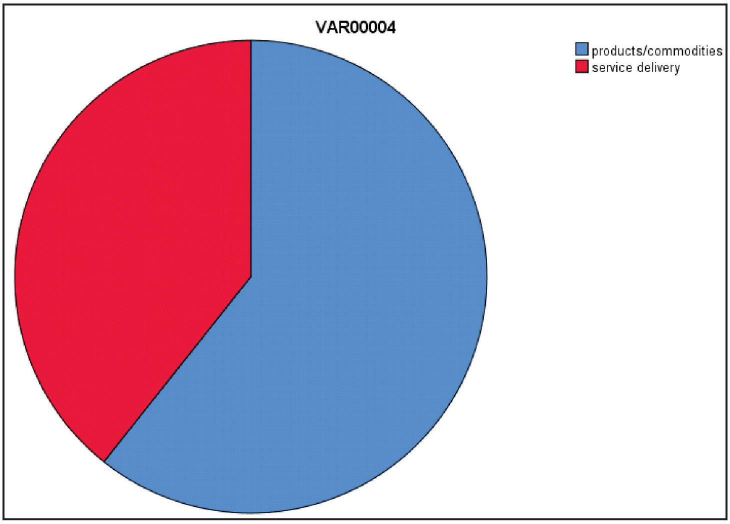
Table 1: Demographic information of respondents

Factor	*Options*	*Count*	*%*
Gender	Male	180	37.9
	Female	110	62.1
Age	25-30yrs 31-40yrs 41-50yrs 51yrs – above	89 118 51 32	30.7 40.7 16.6 11.0
Education	HND/OND/NCE	140	48.3
	WAEC	42	14.5
	B. SC/BA	82	28.3
	M. SC/PhD	26	9.0
Type of SME	Products/commodities	176	54.8
	Service delivery	114	39.3

Researcher's Computation 2023 (using SPSS)

In terms of age distribution of the respondents, the study confirms that small businesses are run majorly by young workforce. More than half the population of the respondents (70.14%) is relatively young. At least 30.7% of the respondents are between 25-30yrs while 40.7% are between the age of 31-40yrs. Hence, there is a clear tilt in the age of small business owners in Southeast so much toward young population.

Another important factor to considering the ability of the respondents to provide informed and reliable information in evaluating the effect of financial literacy on the improvement of financial inclusion is education. The table 1 as above provides information on the educational level of the respondents pulled from the questionnaire. As indicated, the size of the population with the least educational qualification holds only WASSC (14.5%). Also, those possessing either B. SC or HND and their equivalent were 222 in number or (76.6%); those with post graduate degree (M. SC/ Ph. D) were 9%. In all, each of the respondents has evidence of formal education. On the type of small business operated, 176 or 54.8% trade in products/commodities while 114 or 39.3 are in service delivery.



Scale Reliability test

Validity of the outcome of this study has foundation on the reliability of the scale. The scale adopted in the study are:

SD = strongly disagree

D = disagree

NI = no idea

A = agree

SA = strongly agree

On the scaling, positive statements were assigned numerical values (SA =5, A =4, U = 3, D = 2 and SD = 1).

Of the 290 questionnaires administered, all were valid for analysis. A reliability analysis (Cronbach's Alpha) was conducted to ensure the validity and reliability of the questionnaire items. Results are presented in table below:

Table 2: Reliability and validity test using Cronbach's Coefficient Alpha

Reliability Statistics			
Cronbach's Alpha	N of Items		
.680	5		
Scale Statistics			
Mean	Variance	Std. Deviation	N of Items
11.7483	10.853	3.29445	5

As seen above, all values of the Cronbach's alpha for constructs was considerably high (68%) indicating that the reliability and validity of all constructs used in this study were supported.

Effect of Financial Knowledge on Financial Inclusion in Small and Medium Enterprises in Abakaliki Metropolis

The first objective of the study was to examine the effect of financial knowledge on financial inclusion in small and medium enterprises in Abakaliki Metropolis. The results of the responses on the business performance constructs are presented and analyzed thus:

Table 3: Descriptive Statistics

	N	*Mean*		*Std. Deviation*
	Statistic	*Statistic*	*Std. Error*	*Statistic*
Basic financial knowledge	290	3.5207	.10097	1.71939
Knowledge of financial products	290	3.5759	.10182	1.73388
Valid N (listwise)	290			

Computation 2023 (SPSS)

The table above shows the descriptive statistics of the responses of the respondents regarding financial knowledge. The areas considered are whether they have sufficient knowledge in basic financial accounting and financial products and services. In all of these, the objective is to see whether financial knowledge can contribute to in improving access to financial services. The regression analysis to measure the effect of financial knowledge on improving financial inclusion is presented below:

Table 4: Regression result

Model		*R Square*	*Adjusted R Square*	*Std. Error of the Estimate*	*Durbin-Watson*		
		.965	.965	.32375	.573		
b. Predictors: (FK, FEX, FSK)							
c. Dependent Variable: FI							
Coefficients							

		B	*Coefficients Std. Error*		*t*	*Sig.*
	(Constant)	.039	.014		42.880	.003
	FK	.974	.011		88.172	.000
	FK	.977	.011		88.226	.000
	FSK	.351	.015		62.044	.000
Author's Computation 2023 (SPSS)						

The result above indicates that financial knowledge has positive effect on the improvement of access to financial inclusion. The t-statistic of the regression coefficient shows that there is a significant positive effect as shown by the p-value (0.000). This is less than the 5% significance level.

Effect of Financial Experience on Financial Inclusion in Small and Medium Enterprises in Abakaliki Metropolis.

The second objective this study is to find out the effect of financial experience on the improvement of financial inclusion among small business holders in Abakaliki Metropolis. The constructs were on whether the business owns a company account with a formal bank and has enjoyed some form of credit facilities. The descriptive result is shown below:

Table 5: Descriptive Statistics

	N	*Mean*		*Std. Deviation*
			Std. Error	
Own bank account	290	2.4862	.07444	1.26770
Has enjoyed credit facility	290	1.6000	.05919	1.00793
Valid N (listwise)	290			

Author's Computation 2023 (SPSS)

The standard error of the mean, and also the standard deviation statistics show that the responses on the construct of the businesses owning a company account with a formal bank and having enjoyed some form of credit facilities, give a head-on that their small holder businesses do not operate with a company bank account. A company bank account here means a formal bank account that bears the registered name of the business. The regression result (table 4) on the effect of financial experience (owning a bank account and having access to credit facilities) on improving financial inclusion in small holder businesses in Abakaliki Metropolisindicate a positive effect. The regression coefficient is also significant as indicated by the p-value (0.000). This is highly significant. Hence, it can be inferred that having a financial experience (an indicator of financial literacy) has the potency to improve financial inclusivity among small and medium businesses.

Effect of Financial Skill on Financial Inclusion in Small and Medium Enterprises in Abakaliki Metropolis

Expansion in the financial skills of business managers is expected to greatly enhance their financial operations; (hence making them financially included). The third objective of the study is to evaluate the effect of financial skills in improving financial inclusion of small and medium enterprises in Abakaliki Metropolis. The table below is the descriptive statistics of the response regarding the constructs:

Table 6: Descriptive Statistics

	N	*Mean*		*Std. Deviation*
	Statistic	*Statistic*	*Std. Error*	*Statistic*
VAR00005	290	1.6000	.06384	1.08720
VAR00006	290	2.4862	.07444	1.26770

Computation 2023 (SPSS)

The sub constructs on this objective centered on whether the business managers can compute financial account report of their business and whether the business utilizes a budget for its activities. The standard error of the mean for each of the sub constructs is very low (0.06384, and 0.07444), indicating a deviation from the mean value. This means in effect that internet enabled web applications have no significant effect in terms of easing financial transactions. To evaluate the effect, the regression result offers necessary information. Based on the result obtained (table 4 above) indicates that there is a positive significant effect of financial skills on the improvement of financial inclusion.

The overall significance of the regression model (the coefficient of determination R^2) is 0.965 which implies that financial inclusivity is enhance greatly by financial literacy (financial knowledge, financial experience and financial skill) to about (96.5%). Hence, financial literacy plays significant positive role to enhance the financial inclusion of small and medium holder businesses in Abakaliki Metropolis.

Test of Hypotheses

In this study, the decision making on the statistical significance of the results obtained for each of the hypotheses rests on the probability values and the level/ direction of the coefficient. Thus, in testing the first, second, and third hypotheses, the P-values of the population parameter (t-statistics) was used.

Test of Hypothesis One

H_{01}: Financial knowledge has no significant effect on financial inclusion in small and medium enterprises in Abakaliki Metropolis.

H_{A1}: financial knowledge has significant effect on financial inclusion in small and medium enterprises in Abakaliki Metropolis.

Based on the regression result presented in table 4, the coefficient is positive and significant based on the p-value. Since 5% (0.05) level of significance is less than the p-value [0.000], the null hypothesis is rejected and the study concludes that financial knowledge has positive significant effect on financial inclusion in small and medium enterprises in Abakaliki Metropolis.

Test of Hypothesis Two

H_{O2}: financial experience has no significant effect on financial inclusion in small and medium enterprises in Abakaliki Metropolis.

H_{A2}: financial experience has significant effect on financial inclusion in small and medium enterprises in Abakaliki Metropolis

Based on the regression result presented in table 4, the coefficient is positive and significant. The parameter (financial experience) has positive significant coefficient. Following the decision rule, the study rejects the null hypothesis. The alternative hypothesis that financial experience has significant positive effect on financial inclusion in small and medium enterprises in Abakaliki Metropolis, is hereby accepted.

Test of Hypothesis Three

H_{03}: Financial skill has no significant effect on financial inclusion in small and medium enterprises in Abakaliki Metropolis.

H_{A3}: financial skill has significant effect on financial inclusion in small and medium enterprises in Abakaliki Metropolis.

Based on the regression result presented in table 4, the coefficient is positive with a p-value [0.000]. Following the decision rule, the study accordingly rejects the null hypothesis. The alternative hypothesis is hereby accepted; it is concluded financial skill has significant positive effect on financial inclusion in small and medium enterprises in Abakaliki Metropolis.

SUMMARY, CONLUSION AND RECOMMENDATION

Summary of Findings

The study examined the effect of financial literacy on financial inclusion in small and medium enterprises in Abakaliki Metropolis. The summary of the major findings is based on the results obtained from the analysis carried are the following:

1. There is significant effect of financial knowledge on the improvement of financial inclusion in Small and medium enterprises in Abakaliki Metropolis.
2. Financial experience has significant positive effect on the improvement of financial inclusion in Small and medium enterprises in Abakaliki Metropolis
3. Financial skills have significant positive effect on the improvement of financial inclusion in Small and medium enterprises in Abakaliki Metropolis.

Conclusion

The study examined the effect of financial literacy on the improvement of financial inclusion small and medium enterprises in Abakaliki Metropolis. Relying on the findings from the empirical results the study concludes financial literacy plays a significant role on the improvement of financial inclusion of SMEs.

Recommendations

Based on the research findings and the conclusions drawn thereof, the following recommendations were made:

1. Banks should develop a mechanism (expansion of financial education facilities) to educate to expand the financial knowledge of their SME customers

2. Banks in Southeast should conduct account opening programme specifically for small and medium holder business to expand their experience of financial products and improve their financial inclusion.
3. There is need for banks to develop synergy that will produce in-bank or in-business skill training for small holder businesses on financial account reporting and budgeting

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