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The Relationship between Financial Literacy Reporting and Profitability of Small and Medium Enterprises in Bayelsa State

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ABSTRACT

The research was carried out to empirically examine the effect of financial literacy reporting on the profitability of small scale enterprises in Bayelsa state, Nigeria. Sample of small scale enterprises in Yenagoa city of Bayelsa state was taken, Linear Regression with Ordinary Least Square was used to test the hypotheses with the aid of SPSS version 20.0. The findings of the study revealed that there is a significant relationship between financial literacy reporting and profitability of small scale enterprises. The study recommended that it is evident that financial behavior is an important contributor to profitability of SME's, and that a statewide financial literacy week campaign be instituted by ministries and agencies in collaboration with SME and well targeted at business owners in rural areas, financial institutions should observe thoroughly the type of businesses, knowledge in the type of businesses etc. before granting loans to small scale enterprises, access to finance is not necessarily a route to success for small scale enterprises but crucially, they need mentorship and business skills transfer to make the transition to becoming established in the formal sector and, in addition to other recommendations, SMEs must hire financial experts to help them manage their businesses as well as to deal with the issue of financial record keeping.

KEYWORDS: *Small and Medium Enterprises, financial literacy reporting, mentorship*

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INTRODUCTION

In Nigeria, Small Scale Enterprises (SME) have not performed desirably well and hence have not played the expected important and dynamic role in the economic growth and development of Nigeria: According to Eniola and Entebang (2017), the performance and growth of Small and Medium Sized Enterprises (SMEs) have throughout the nations, been of great concern to, among others, developed economists, entrepreneurs, governments, citizenry, venture capital firms, financial institutions and non-governmental organizations. Yearly, the government at federal, state and even local levels through budgetary allocation policies and pronouncements have indicated interest and acknowledge the important role of the SMEs sub-sector of the economy and have made policies and programs for energizing the same. Also put in place are, grants, fiscal incentives, bilateral and multilateral agencies support and aids as well as specialized institutions all geared towards making the SME sub-sector vibrant. Worthy of note is the Youth Enterprise with Innovation in Nigeria (YOUWIN) program initiated for empowerment of SMEs." Just as it has been a great concern to all stakeholders in the SME sub-sector to promote the welfare of SMEs, it has also been a great cause of concern to all especially the researcher, the fact that the important sub-sector has not yielded the expected result. The situation is more worrisome when compared with what other developing and developed countries have been able to achieve with their SMEs. The current situation of SME's in Nigeria has shown that there is a high correlation between the degree of poverty hunger, unemployment, economic well-being (standard of living) of the citizens of countries and the degree of vibrancy of the respective country's SMEs Small and medium scale enterprises (SMEs) in developing economies are generally regarded as the engine of equitable development and economic growth. They are labour intensive, capital saving and capable of helping create most of the one billion new jobs the world will need by the end of the century (Agwu & Emeti, 2019). They are also perceived as the key to Nigeria's economic growth, poverty alleviation and employment generation. But their unimpressive performance in employment generation in recent years has generated a lot of concern and researchers are really interested on their challenges and prospects.

According to Agwu and Emeti (2019), as a means of reducing the incidence of poverty and unemployment in the country after Nigeria's independence in 1960, much emphasis has been laid on the growth of small and medium scale industries. The adoption of the economic reform program in 1986 has since been a decisive shift from magnificent, capital intensive and large scale industrial projects based on import substitution to small scale industries with immense potentials for developing domestic linkages for sustainable industrial development. Apart from SMEs potential for self-reliant industrialization using local raw materials, they are in a better position to boost employment, guarantee even distribution of industrial development and facilitate the growth of non-oil exports. Fissaeha (2019), states that, in developing countries, SMEs employ 22% of the adult population while Fabayo (2018) cited in Agwu and Emeti (2019) observed that small firms are major source of employment opportunities for a wide cross-section of the workforce, the young, old, part-time workers and the cyclically unemployed. Kombo (2021) submitted that SMEs provides a source of livelihood for the majority of low income households in Kenya and have contributed greatly to the growth of the economy, accounting for 12-14% of GDP. Through creating employment opportunities, training entrepreneurs, generating income. Hence, promotion of such enterprises in developing economies like Nigeria will bring about, among host of other positive economic uplifting factors, economic self-dependence, great distribution of income and wealth and entrepreneurial development and a host of other positive economic uplifting factors (Aremu, 2020). SMEs are regarded as veritable engines for its attainment of national objective in terms of employment generation. They reduce the flow of people from rural to urban areas and can easily be established with minimal skill.

Sharma (2017) explained that the predominant reasons made by scholars for conducting research on family-owned businesses has been the realization of the magnitude and dominance of these businesses in the global economic landscape. Hence, family-owned businesses, in particular the small-to-medium sized, are the grassroots of the global economy, and are clearly the majority of all the businesses in the world Heck and Trent (2019), and are as old as civilization (Aronoff, 2015). Even though family businesses are fundamentally the keystone of sustaining our economy and society, their pervasiveness often goes unnoticed. Despite the numerous benefits of SMEs worldwide, these enterprises are reported to have a high death rate and at the same time high birth rate (Fatoki, 2017; Oluoch, 2019). Low financial literacy which results to poor planning. limited access to finance and poor financial management has also been attributed to the high -failure rate of SMEs (Oluoch, 2019). Fatoki (2017) concurs with these assertions and also adds that a contributing factor could also be the difficult financial decisions that entrepreneurs make in their personal or business finances Mounting evidence reveals that apart from an enabling environment and access to capital, the success of SMEs largely depends on the financial management skills of the managers. Individuals or entrepreneurs with financial literacy reporting skills tend to make better financial decisions with fewer management mistakes than their counterparts who are financially illiterate (Fatoki, 2017) A financially literate individual is a better planner and prudent resource allocator than the illiterate counterpart when faced with scarce resources and multiple competing wants This is supported by Greenspan (2022) who argues that financial literacy equips individuals with the financial knowledge necessary to make strategic investment decisions, create household budgets, and initiate saving plans.

Financial literacy is the mastery of a set of knowledge, attitudes and behaviors. It was defined by Nkundabanyanga and Kasozi (2018) as the ability of an individual to make informed judgment and take effective decisions regarding the use and management of money. They added that such person also possesses a facilitating attitude to the effective and responsible management of financial affairs. That is the ability to read, analyse, manage and communicate personal financial conditions that affect well-being and the ability to distinguish financial choices, discuss money and financial issues without discomfort. It has assumed the role in allowing people to make responsible decisions as they strive to attain financial wellbeing (Ani, Kelmara, & Wesley, 2016). Financial literacy has become essential in the running of businesses and operations of organizations in the complex and dynamic environment today. Atkinson and Messy (2018), added that governments around the world are interested in finding effective approaches of improving financial literacy of their populations through developing strategies for final out with the main aim of providing various learning opportunities Financial education as defined by Anz (2016), in a process of developing abilities of people to facilitate making decisions that are correct and to manage finances successfully Therefore, it is right to conclude that financial education in knowledge which is among other factors involved in financial literacy. Financial literacy has got an increasing interest in developed countries because of the increasing complexity of financial markets, increasing cost of life, the shift of retirement responsibility from government to individuals, which all demand personal financial management capability in individual and households (Refers, Dhaliwal, & Kaur, 2016). They added that studies revealed recent modest recognition of financial literacy in developing countries, which showed promising outcomes of financial education and other interventions that are being implemented. However, there is no much information about financial literacy level and financial education programs in least developing countries in Africa. According to Xu and Zia (2019) on their paper, review of financial literacy across the globe, the survey results in sub-Saharan Africa indicated that, a large proportion of population in some countries like Mozambique, Malawi, and Nigeria lack awareness of basic financial products and concepts such as saving accounts, interest on savings, insurance. and loans. This shows that the low level of financial literacy is correlated with low level of financial inclusion in Africa.

A significant obstacle to sustainable profitability of small and medium scale enterprises (SMEs) throughout the developing world is a lack of knowledge, skills, attitude and awareness to cope and direct the finances of their organization in a hardy, transparent and professional way. The problem associated with small scale enterprises lack of financial literacy reporting is evident in their inability to keep complete accounting records. This invariably has resulted into a situation where SMES operating in Nigeria cannot capture adequately the business profit. This is because in the process of calculating profit, financial data are not assembled in a way that can help make informed judgment and take decisions about the business. These financial data cannot be assembled without adequate financial literacy. This problem has ultimately affected the profitability of small scale businesses. Most SMEs have not appointed financial managers/accountants to be in charge of financial reporting and management of the company Usually, the owner-managers with the assistance of the chief-accountant control financial matters of the company. However, most owner-managers have no formal training in management skills. especially financial literacy reporting. Lack of knowledge of financial management combined with the uncertainty of the business environment often leads SMEs to serious problems regarding profitability Regardless of whether owner-manager or hired-manager, if the financial decisions are wrong, of the company will be adversely affected. Moreover, undercapitalization and uncertainty of the business environment cause SMEs to rely excessively on equity and maintain high liquidity and these financial characteristics probably affect SME profitability (Vuong, 2018).

Aim and Objectives of the Study

The aim of this study is to empirically examine the relationship between financial literacy reporting and profitability of SME in Bayelsa State. The specific objectives are to:

Determine if qualified personnel can improve the net profit of SMEs in Bayelsa State

Examine the effect of qualified personnel on Return on Investment of SMEs in Bayelsa State

The study is guided by the following hypotheses and stated in null form,

Ho_1: There is no significant relationship between qualified personnel and net profit of SMEs in Bayelsa State

Ho_2: Qualified Personnel does not significantly affect Return on Investment of SMEs in Bayelsa State

LITERATURE REVIEW

This section introduces the theoretical framework of the study, displays the conceptual framework and provides an empirical review, focusing on financial literacy and the profitability of SMEs.

Theoretical Framework

Social Learning Theory: Social learning theory illustrates how social factors (such as sources of information and financial advice) influences the shaping of a person's behavior. The financial attitudes and values people have about money come from their environment. The effects of social interactions on individual behavior have been modeled, tested and applied to a wide variety of situations (Glaeser & Scheinkman, 2018). Social interaction may affect financial decisions as people receive and process information through interacting with others. In a US 401(k) pension plan participation study, Duflo and Saez (2017) found that peer influence affects retirement savings decisions because many people had not critically thought through the advantages and disadvantages of particular plans for themselves. Information from peers are used by many employees for making sound retirement investment decisions when deciding on participation as they may lack their own reasoned information. Due to a desire to behave similarly to those in their social group, beliefs about social norms will also influence employee decisions (Berkowitz, 2003). Some entrepreneurs got financial advice from peers, friends, or colleagues who are ignorant of financial dealings thereby influencing their decisions on proper record keeping. **The Knowledge Spillover Theory:** In this theory the creation of new knowledge expands the set of technological opportunity. Entrepreneurial activity does not involve simply the arbitrage of opportunities, but also the exploitation of intra-temporal knowledge spillovers not appropriated by incumbent firms. The theory focuses on individual agents with endowments of new economic knowledge as the unit of analysis in a model of economic growth, rather than exogenously assumed firms. Agents with new knowledge endogenously pursue the exploitation of knowledge. This suggests that knowledge spillovers come from the stock of knowledge, and there is a strong relationship between such spillovers and entrepreneurial activity. If incumbent firms appropriated all the rents of R&D. there would be no intra-temporal knowledge spillovers (Njoroge, 2019). This theory will help in determining whether the knowledge spillover affects entrepreneurs' success in Nigeria. It will also help us understand the distinction between financial literacy and economic knowledge.

Goal Setting Theory: More recently, expectancy theory has been integrated with goal setting theory. Goal setting theory is grounded in the belief that conscious goals and intentions drive results. Based on the goal setting theory of motivation, Locke (1986), cited in Cherugong (2018) find that individual goals are likely to determine how well they perform to related tasks. Specifically, clearly defined and more 20 challenging goals yield higher performance than vague, easy or do-your best goals. To be effective, goal setting theory assumes that individuals must be committed to the goal, must go feedback and must have the ability to perform the task. This means that financial literacy program should be more effective when they are motivated by perceptions and concerns about financial well-being later in life. Motivational theory suggests that measures of financial literacy should be related to financial behavior that is in the consumers" best interests. Hilgert, Hogarth and Beverly (2016) formed a Financial Practices Index based upon (self-benefiting) behavior in cash flow management, credit management, saving and investment practices. When they compared the results of this index with scores on financial literacy quiz, they found a positive correlation between financial literacy scores and Financial Practices Index Scores. Their results suggest that financial knowledge is related to financial practices.

Conceptual Framework

Financial Literacy Reporting

According to the United States Financial Literacy and Education Commission cited in Fatoki (2019), financial literacy is "the ability to use knowledge and skills to manage financial resources effectively for a lifetime of financial well-being." According to President's Advisory Council on Financial Literacy, it is "the ability to use knowledge and skills to manage financial resources effectively for a lifetime of financial well-being." Basically, financial literacy reporting is an understanding of how money works in the everyday world. And while that word "lifetime" may make it sound like we're talking about personal budgets, it's just as important for business owners to maintain healthy financial habits if you want financial well-being for the lifetime of your business. Accounting has variously been described as the language of business. This is in recognition of the fact that without accounting, determining organizational performance would have become a mirage. Accounting provides fundamental information about a business so that interested parties and in particular investors can make informed decisions regarding that business firm. Huston (2020) points out that there is no universally accepted definition of financial literacy. Authors have proposed several definitions. Huston (2020) describes financial literacy as measuring how well an individual can understand and use personal finance-related information. In addition, financial literacy includes the ability and confidence of an individual to use his/her financial knowledge to make financial decisions. Anz (2016) defines financial literacy as "the ability to make informed judgments and to take effective decisions regarding the use and management of money." In the context of a small business, the Banking Association of South Africa, defines a financially-literate SME as one "which: (i) has an adequate level of personal entrepreneurial competencies, personal finance skills, and business management skills; has an appropriate level of understanding of functional financial management systems; (ii) has an appropriate level of understanding of SME life-cycle funding and other financial services needs and options and knows where and how to source and negotiate those funding and service requirements; (iii) understands and can manage financial risks or seek relevant advice to manage such risks; (iv) understands legal, regulatory and tax issues as they relate to financial matters; (v) understands the range of legal recourses it can resort to when necessary, and namely, in case of bankruptcy or other situations of financial distress."

Financial literacy research globally is relatively recent and is beginning to gain growing attention mostly for its relevance for policy making. Also, businesses are made to ensure an adequate level of financial literacy adoption so as to improve their performance level (Bernheim & Garret, 2018). According to Ketley (2018) and CBN (2022), Nigerian lack financial literacy, and more than 46.3% did not have access to financial services and lag behind some developing and developed countries. This has been a concern intense challenge faced by the SME firm in the country with the recognition that lack of financial literacy was one of the factors contributing to ill-informed financial decisions and that these decisions could, in turn, had a tremendous negative spill-overs (OECD, 2018). A series of tangible trends underpin the rising global interest in financial literacy as a key life skill. Nigeria is not an exception in the fight for financial literacy as the Central Bank of Nigeria (CBN) in its exposure draft, proposed a financial literacy framework for SMEs in Nigeria. It is for this reason that financial literacy has received significant attention from policy makers across developed and developing countries in recent times. Increased financial literacy will enable individuals and businesses to take effective decisions across a wide range of financial contexts to improve their financial and economic wellbeing. Financial literacy is important to an individual in his/her personal as well as his/her business capacity. Consumer financial literacy focuses on the individual and his/her ability to manage personal financial decisions. SME financial literacy focuses on an individual's ability to translate financial literacy concepts to business needs. Miller (2019), assert that financial literacy is important for several reasons. Financial literacy can help to prepare consumers (and businesses) for tough financial times, by promoting strategies that mitigate risk such as accumulating savings. diversifying assets, and purchasing insurance. Financial literacy also helps to improve behaviour such as the avoidance of over-indebtedness. Financial literacy enables people (individuals and business owners) to make better financial decisions and to understand and manage risk. Financial literacy is needed for effective money management. Bruhn and Zia (2021) investigated the impact of business and financial literacy program on firm outcomes of young entrepreneurs. The results indicate that entrepreneurs with higher levels of financial literacy show better business performance and sales. Andoh and Nunoo (2021) find that the financial literacy of owners of SMEs is a very important factor in explaining utilization of financial services by SMEs. Low levels of financial literacy can prevent SMEs from understanding and assessing financial products from financial institutions.

The Association of National Accountants of Nigeria (2018) points out that one of the challenges facing financial institutions is the generally low level of financial awareness among small business owners. Wise (2019) finds that increases in financial literacy leads to more frequent production of financial statements. An entrepreneur that produces financial statements more frequently has a higher probability of loan repayment and a lower probability to voluntarily close his/her business. According to Kotze and Smit (2018), lack of personal financial literacy impacts negatively on the financial management of new ventures and can lead to possible failures of SMEs. Sucuahi (2017) points out that the significant role of the micro enterprises can be well harnessed and sustained through a fine and precise financial management of the entrepreneurs themselves. A good financial foundation of the entrepreneurs is a significant barometer of the success and growth of the enterprises. In South Africa, one of the causes of the high failure rate of new micro enterprises is the non-availability of formal sector financing. According to Herrington (2019), access to finance is a major problem for the South African entrepreneur. A good level of financial literacy can improve access to finance by new ventures (Wise 2019), reduce the chance of loan default Kotzé and Smit (2018) and improve sales and business performance (Bruhn & Zia, 2021). Financial literacy reporting as the name implies occupies a center-stage in the quest to achieve an overall degree of success in an organization (Bernheim, 2018). It also enhances to a reasonable degree, a business goal of financial profit. Thus, financial literacy has played a key role in the success and failure of our nation business for the past centuries. Companies and businesses have therefore been charged with ensuring that adequate and proper books of accounts are kept so as to ensure reliability of their financial statements. This will in the long run help improve their level of profitability. To understand financial literacy, factors such as, balance sheet skills, budgeting, debt management and record keeping will be look into.

Qualified Personnel

The willingness to learn more on how to manage finances is also of benefit to business owners because it will allow for the application of learnt financial concepts into practice. Preparing staff through training programs for financial literacy reporting is an essential element of any promotional effort (National financial educators council). Studies have shown the significance of money management skills in promoting their ability to save, invest, stay out of debt and have more money saved for retirement. Carlin & Robinson, 2010 explored how financial education changes savings, investment, and consumer behavior and found that people that went through training were somewhat better at making current-cost and current-benefit tradeoff decisions as compared to those that did not. The consequences of not having financial literacy training for MSE managers might affect their performance and even profits. Everlyn (2016) who conducted a study on micro and small enterprises in Kakamega county of Kenya found that a small percentage of SME owners in that area attended training on financial literacy due to lack of awareness on training programs.

Qualified Personnel and profitability of SME's

Qualified personnel may add value to net profit and return on investment of a business. Financial attitude of business owners is improved through procurement of adequate information (Abiodun, 2016). Research has shown that financial literacy can be boosted through the attainment of the right financial attitude in terms of training and time orientation to mention a few. Abiodun observed that financial attitude of SMEs managers influences their access to finance and expansion of capital among other business activities. He added that successful people are financially literate such that they had long-term savings and investments that are future oriented. Wagner (2019) highlighted that better financial decisions are made when the decision maker is informed and hence a positive long-term effect in consumption and in profitability for consumers and managers respectively. Financial attitude of employed personnel/business managers plays significant role in determining performance of the business. It is a combination of concepts, information and emotions about learning, which in turn results in readiness to react favorably and leads to more effective decisions that generate profits for business owners.

Financial Behaviour

Research has shown that financial literacy consistently predicts measures of financial behavior of individuals, (Hung, Parker & Yoong, 2019) came up with various models that could be used to measure financial literacy indicated that financial knowledge and financial attitude have positive impacts on financial behavior. Sucuahi (2017), highlighted that a good financial behavior involves the ability to make financial decisions that increase wealth and prevent uncertainties of businesses and individuals. These activities generate more financial assets, prevent over-indebtedness, finance retirement, and insure against major life contingencies. Good financial behavior is the ability to diversify assets across multiple types of investment as different investment types are affected by its own specific risk profile.

Budgeting and planning

A budget is an important aspect of business planning. Budgeting refers to the expenditure planning and cash flow analysis. Uddin, Chowdhury and Zakir (2019) asserts, is very important to the success of the business operation and processes. Budgeting income and expenditure is the most important factor of business financial finance management and for it to be done correctly financial literacy knowledge is vital. Not budgeting money leads to lower saving and investment rates, lowers the possibility of having retirement plans. Organizations prepare budgets for the process of planning to allocate resources that are limited human, physical, and financial resources. Budgets often use historical data to be formulated and as the firm grows, the accuracy of its budget becomes almost perfect because of the many historical data to draw from (Jims, 2018). Although a budget may not be 100 percent accurate, budgeting aid to better management of an enterprise and helps to achieve higher profits and minimize losses. Budget is a comprehensive, formal plan that estimates the probable expenditure for an Entrepreneur over a specific period). This has been an important subject in the literature of accounting for a long time and one of the basic significance of the performance of business firms (Eker, 2016). The activities of business organization to be financed through the budget are usually many and diverse. In total, they affect the profitability and ability of business organization to achieve its stated objectives. Budgeting is a contributing factor to the success of a business's operations, however, most-small business owners focus more on cash flows instead (Sucuahi, 2017). Sucuahi found that managers of Micro enterprises used budgeting for monitoring performance but they were not able to prepare these budgets on a regular basis. Most scholars argue that financial planning should not be integrated into the equation of financial literacy. Like (David, 2010), who pointed that financial literacy only involves understanding about investing and financial planning rather than the actual planning process. He added that an alternative view of incorporating planning in the financial literacy equation is by looking at it as a long-term financial management decision making process. The argument of Okafor (2022) that distinction between successful and failed entrepreneur lie in their ability to manage the pre-existing fund through effective budgeting and budgetary control calls for more empirical approach to measure budgeting impact on small business profitability. The influence of budgeting on entrepreneurial performance has not been greatly explored in Nigeria. Lack of skills has been a major challenge to the SMES and skills acquisition through training can provide a long lasting solution to the survival battle of the SMEs. Due to various reasons, some SMEs end up closing down business at an early stage. This could result from the view that the entrepreneur miscalculated the opportunity, and unforeseen threats that are too big for the business to overturn, lack of essential information on running the business and lack of proper funding of the business. Kalekye and Memba (2019) in their research on the role of financial literacy on profitability of women owned business found that although budgeting is very important in increasing profits and minimizing losses of business enterprises, women were not consistent in financial planning. Small businesses don't have a lot of wiggle room in their budgets and the difference between a small business that's run by someone with financial literacy and one that isn't can be the difference between a business that succeeds and one that fails. Businesses have to manage debts, accounts receivable, and cash flow. Cash flow has been called the lifeblood of any business and that's a pretty accurate assessment. You have to spend money on payroll, equipment, inventory, and raw materials in order to run your business, but you also have to know what money is coming in before you can spend it. By keeping your books clean and orderly, you'll have a better understanding of what money you have available and can plan for the future of your business more accurately. One of the most important, but most often overlooked, parts of running a successful business is making a good budget and sticking to it. Knowing how much you can afford to spend, how much the daily operations of your business will cost, and how much you'll actually profit, can be the difference between seeing your business succeed and running it into the ground. And making a good budget is often a function of having good financial literacy (Akande & Yinus,2017).

Debt management

Debt management is the ability to perform activities of a business within a budget. A plan is usually created to help people manage their debts especially those with too much debt, often referred to as debt management plan. Sucuahi, (2017) emphasized that debt management skill is a necessary financial literacy measure that gives the ability to obtain capital at a minimum cost. Researches have shown that most Micro and Small entrepreneurs are not financially literate when it comes to the aspect of obtaining finance for their business (Assibey, 2020). However, the findings suggested that micro entrepreneurs are very much aware of the consequences and penalties that comes with poor debt management. One of the challenges of micro and small entrepreneurs encounter in debt management is the inability to perform accurate calculations and lack the level of numeracy skills especially for the elderly, female and less educated population (Plakalovi, 2015). He highlighted in his publication that the less financially literate persons cannot be able to properly estimate their debt burden and they borrow at inflated costs, therefore, they finish up with excessive borrowing and many non-performing loans. Acquiring debt management skills is henceforth very important for SME mangers for greater performance.

SMEs and Profitability

Most SMEs in Yenagoa city operate as family/sole proprietorship business and are generally classified into commercial, industrial and agricultural categories depending on their activities though commercial SMEs constitute more than 90% of the entire number. Because, SMES can be established with minimal capital/registration/managerial skill, they are in the most vantage position for employment generation and promotion of entrepreneurial capacity at the local level. Despite the presence of many SMEs in Nigeria, the high rate of unemployment (14.2%) in the last quarter of 2019, and in an estimated population of 186.0 million persons suggests that these SMEs are experiencing some major challenges that are hindering their performance. In both developed and emerging economies, promoting a favourable environment for the development of small and medium scale enterprises (SMEs) is seen as critical. SMEs are a primary driver for job creation and GDP growth. They greatly contribute to economic diversification and social stability and also play an important role for private sector development. It is well known that small and medium-sized enterprises are facing increasingly more financing constraints and this affects the profitability of the firms. It is a great challenge for SME to access loans or to attract investment which slows their growth and therefore SMEs must use other methods to assure their profitability. In our country these processes are hampered due to the characteristics of SMEs, over 99% have less than 10 employees (Nicolescu, 2019) and are therefore less attractive for the investors. A lot has been said and written about SMEs the world over. It has also formed the subject of discussions in so many seminars and workshops both locally and internationally. In the same token, governments at various levels (local, state and Federal levels) have in one way or the other focused on the Small and Medium Enterprises. While some governments had formulated policies aimed at facilitating and empowering the growth and development and performance of the SMEs, others had focused on assisting the SMEs to grow through soft loans and other fiscal incentives. A key challenge for most SMES is the problem of financing. The 2019 Enterprise Baseline Survey revealed that there are 17 million Small and Medium Scale Enterprises in Nigeria, employing 32.41 million persons and makes a contribution of about 46.54 per cent to the nation's Gross Domestic Product in nominal terms. The survey conducted by the Pro-Poor Growth and Promotion of Employment Programme in collaboration with Small and Medium Enterprises Development Agency of Nigeria, SMEDAN, with support from the German Development Agency was aimed at establishing a clear data-driven basis for policy to support the SMEs segment of the economy.

Characteristics of SMES in Nigeria

A major characteristic of Nigeria's SMEs relates to ownership structure or base, which largely revolves around a key man or family. Hence, a preponderance of the SMEs is either sole proprietorships or partnerships. Even where the registration status is thus that of a limited liability company, the true ownership structure is that of a one-man, family or partnership business. Other common features of Nigeria's SMEs include the following among others. Labour-intensive production processes, Concentration of management on the key man, Limited access to long term funds, High cost of funds as a result of high interest rates and bank charges, High mortality rate especially within their first two years, Poor managerial skills due to their inability to pay for skilled labour, Poor product quality output, Absence of Research and Development, Little or no training and development for their staff, Poor documentations of policy, strategy, financials, plans, info, systems, Low entrepreneurial skills, inadequate educational or technical background, Lack of adequate financial record keeping, Poor Capital structure, i.e. low capitalization, Poor management of financial resources and inability to distinguish between personal and business finance,

High production costs due to inadequate infrastructure and wastages, and Poor access to vital information.

Challenges of the SMES

Most SMEs die within their first five years of existence. Another smaller percentage goes into extinction between the sixth and tenth year thus only about five to ten percent of young companies survive, thrive and grow to maturity. Many factors have been identified as to the possible causes or contributing factors to the premature death. Key among this include insufficient capital, lack of focus, inadequate market research, inexperience, lack of proper book keeping, lack of proper records or lack of any records at all, inability to separate business and family or personal finances, lack of business strategy, inability to distinguish between revenue and profit, inability to procure the right plant and machinery, inability to engage or employ the right caliber staff, lack of planning, uneasy access to funding. poor policy implementation, restricted market access, problems of inter-sectoral linkages given that most large scale firms source some of their raw material outside instead of sub-contracting to SMEs, lack of requisite skill and experience, thin management, unfavorable monetary policies, lack of entrepreneurial spirit, poor capital structuring as well as poor management of financial, human and other resources. Their characteristics and the attendant challenges notwithstanding, it is the consensus that SMEs, which globally are regarded as the strategic and essential fulcrum for any nation's economic development and growth, have performed rather poorly in Nigeria. The reason for this all- important sector's dismal performance have been varied and complicated depending on who is commenting or whose view is being sought. While many attribute the relatively poor performance of SMEs in Nigeria when compared with the significant roles which SMEs have played in developed economies such as the United Kingdom, Germany and the United States and even developing countries of the world like India to the challenges outlined above, some others hinge the reasons on the fair share of neglect on the sector by the government. The latter group argues that government's appreciation of the SMEs in capacity building has always been restricted to the pages of the budget presentations and submissions at various fora. Essentially, they argue that poor budget implementations over the years account for the unpleasant impacts of SMEs on the Nigerian economy, which has had a record sluggish growth and declining future as measured by the population of Nigerians becoming literate, having more access to better health care, shelter, food, and other necessities of life such as access to more and better paying jobs as well as declining per capita income.

Financial Literacy Reporting and Small Enterprise Performance

A small enterprise owner must be able to evaluate the information needed to make decisions that have financial ramifications or consequences on the business. According to Brown et al. (2006), financial literacy reporting for small business owners must contemplate the ability to read and understand fundamental financial statements, as well as, the ability with numbers, in order to make informed judgments and to make effective decisions regarding the use and management of money. A recent work from two authors describes financial literacy reporting as "the ability to understand. compute and use business financial statements to generate key financial ratios to evaluate and manage a business." - (Pear! and Eileen, 2014). The definition of financial literacy reporting regarding small business is much more demanding, not only, for financial knowledge, which must contemplate the capability of read and understand financial statements information, but also in financial behavior, with the habits concerned with the analysis of financial information, and financial preferences or attitudes, which must be positively correlated with financial knowledge and behavior, in the moment of taking the daily management decisions.

Empirical Review

Njoroge (2019) sought to find out the relationship between financial literacy and SMEs success in Nairobi County. The study found a positive relationship between financial literacy and entrepreneurial success. However, respondents were drawn from SMEs with at least 3 employees, at least five years of operation with a turnover of 5 million. This left out micro enterprises with a lower turnover yet they form the bulk of traders in this sector. Siekei (2019) looked at the role of financial literacy on performance of SMEs whose managers had undergone the Equity foundation financial literacy training. The findings revealed u positive relationship between the financial literacy training and the performance of the SMEs whose managers had been trained. However, for a conclusive picture, it's necessary to measure the level of literacy of all SMEs so that those that have not been reached by financial education training can be prioritized by future efforts. Maseko and Manyani (2018) reported a study of one hundred registered small scale enterprises in Bindura, Zimbabwe. The research objectives inquired into their financial literacy reporting as regards adequate record keeping and profitability measurement. It was found out that 72% of businesses uses cash basis of accounting in financial reporting, 62% lacked accounting knowledge and 84% suggested book-keeping training for all small scale enterprises in Zimbabwe. It was concluded that SSES in Zimbabwe do not keep complete accounting records because of lack of accounting knowledge.

William-Harold and Smith (2019) reported a survey of 500 small businesses about savings, investing and record keeping. About 60% of them had savings account, 11% owned equities and about 40% keep proper financial records. Even though 56% of them had taken a money- management course, only 31% reported being able to manage a bank account, 12% were confident of their ability to decide among various bank accounts. Chatzy (2022), when commenting on the personal financial literacy education of American adults, agreed that majority are not getting such education, but even those that are being exposed to money matters do not appear to retain much of the content. She relied on the evidence that the average adult was able to answer 50% of 31 financial literacy multi- choice questions correctly. After investigating what may have gone wrong, she suggested that financial literacy education should have a home in US schools and high school. She argued that financial education is more effective before people start to practice. Huddleston and Danes (2019) examined the impact of a high school financial literacy program on a national sample of students in the USA after graduation. They found out that teaching personal financial literacy in high schools can increase financial knowledge and have a positive impact on both teenage financial behaviors and subsequent behaviour as adults. Further, they agreed that personal financial literacy should become a mandatory component of consumer education in schools. Okoli (2021) carried out an investigative study of record keeping and its impact on profitability of small scale enterprises in Enugu state. A sample size of 168 small scale enterprises was studied Based on his findings, it was concluded that as a result of the simplicity of single entry, small scale enterprises are more inclined to adopt the system. That due to inadequate record keeping, most small scale enterprises have failed and there is a correlation between financial literacy and profitability of small scale enterprises.

METHODOLOGY

This study adopts the cross-sectional field survey of quasi-experimental research design. The survey design was adopted because of the need to gather enough discriminative data across a wide range of the study subjects that further enhanced the generation of our finding. Data used in this study will be mainly collected from primary and secondary sources. The statistical and mathematical tools to be used include percentages, frequencies, tabulation and descriptive statistics while multiple regression analysis will be used to test the question generated in this work in the introduction section. The multiple regression model will be guided by a linear model.

Model specification

Functional form of the model is

$$Y = f(x)$$

Where
Y = Profitability (P)
X= Financial Literacy Reporting (FLP)

The independent variables is proxies by
QP-Qualified Personnel
FB- Financial Behaviour

The Dependent Variables is proxies by
NP- Net Profit
ROI Return on Investment

Functional form becomes:
NP=QP, FB)
ROI ROP, FB)

Mathematical form is y= a + bx

i.e
NP= a + bQP

NP= a + b FB

ROI= a + bQP

ROI= a + b FB

By introducing estimation Parameter,

The Economic form of the model when introducing estimation parameter is:
NP = a+B1QP+ B2 FB +ε...

ROI=a+BIQP+B2 FB +ε. 1 . 11

Where
b= Coefficient of x
a= Constant
BI 82-slope of the regression
E-error term
QP-qualified personnel
ROI= Return on Investment
FB= Financial Behaiour
NP= net profit

PRESENTATION OF DATA
Regression analysis

Table 1: Extract of the Model specified (see appendixes 1-2)

NP 80+BIQP+ B2FB+e……………………………1

	Beta	t	Sig. (2-tailed)
QP	.964	71.774	.000
FB	.953	62.463	.000
ROI = $\beta 0 + \beta 1$ QP + $\beta 2$FB +ε			
QP	.957	65.126	.000
FB	.758	23.074	.000

Test of Hypotheses
Hypothesis one
Hypothesis one states "There is no significant relationship between qualified personnel and net profit of SMEs."

Table 2 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.964[a]	.929	.929	.34279

a. Predictors: (Constant), qualified personnel

Table 3 ANOVA[a]

Model	Sum of Square	Df	Mean Square	F	Sig
Regression	605.308	1	605.308	5151.444	.000[b]
Residual	46.296	394	.118		
Total	651.604	395			

a. Dependent: Variable Net profit
b. Predictors: (Constant) qualified personnel

Table 4 Coefficient[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	sig
	B	Std. Error	Beta		
(constant)	.077	.036		2.130	.034
qualified personnel	.925	.013	.964	71.774	.000

a. Dependent Variable: Net Profits

Table 5 Coefficient[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	sig
	B	Std. Error	Beta		
(constant)	.069	.050		1.382	.168
Financial behaviour	.952	.015	.953	62.463	.000

a. Dependent Variable: Net Profits

The regression result revealed that qualified personnel has a positive and significant (beta=964 -71.774 sig. =.000) relationship with net profit of SMEs. This is because the significant level of .000 is less than 0.05%. The null hypothesis was rejected. The study concluded that there is significant relationship between qualified personnel and net profit of SMES.

Hypothesis two

Hypothesis two posits thus "Qualified Personnel does not significantly affect return on investment of SMEs."

Table 6 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.957[a]	.915	.915	.40484

a. Predictors: (Constant), qualified personnel

Table 7 ANOVA[a]

Model	Sum of Square	Df	Mean Square	F	Sig
Regression	695.151	1	695.151	4241.362	.000[b]
Residual	64.576	394	.164		
Total	759.727	395			

a. Dependent: Variable Return on investment
b. Predictors: (Constant) qualified personnel

Table 8 Coefficient[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	sig
	B	Std. Error	Beta		
(constant)	.159	.043		3.740	.000
qualified personnel	.991	.015	.957	65.126	.000

a. Dependent Variable: Return on investment

Table 9 Coefficient[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	sig
	B	Std. Error	Beta		
(constant)	.445	.095		4.674	.000
Financial behaviour	.668	.029	.758	23.074	.000

Dependent Variable: Return on investment

The result from table 1 above shows that qualified personnel (beta- 957 = 65.126 sig, = .000) has a positive and significant effect on return on investment of SMEs. The significant level of .000 is less that 0.05%. The null hypothesis was rejected. The study concluded that Qualified Personnel does significantly affect Return on Investment of SMEs.

CONCLUSION

In accordance with the analysis and testing of the hypotheses stated to examine the effect of financial literacy reporting on the profitability of small scale enterprises. The study concludes that: financial behavior is a significant predictor of profitability for micro and small enterprises. SMEs however, are not very conversant with the application of good financial behaviors in their businesses. They apply little or no budgeting and planning, debt management, saving, record keeping and retirement planning in their business activities and that financial knowledge is important for personnel but it requires application of the knowledge to turn into profits. The benefits of improved financial literacy reporting may be great. SMEs will save more, and better manage risk, by having access to funds from financial services sector and government agencies. This in turn could facilitate competition in the SMES, and ultimately more efficient allocation of capital within society. The study also showed that the small businesses sampled showed signs of growth; particularly along financial and strategic dimension of evens if the extent of the suggested growth was not measured and that exposure to training and education will improves SMEs rating of competency in any specific area. Also, it was found out that financial literacy has a role to play in the profitability of businesses. This is because the level of financial literacy reporting influenced how businesses were managed and hence the profitability of businesses. Financially literate person had ways of managing cash for the business, prepared budgets and saved the surplus cash. The study showed that with the exception of microfinance group of small scale enterprises, most of the small scale enterprises lack in-depth knowledge on the issue of debt management. It was also revealed that most small scale enterprises used as their capital base loans from banks and other financial institutions. The study uncovered that the major cause of debts among small scale enterprises were lack of advice on the business type and finances, lack of knowledge on the type of business and poor methods of keeping financial records. However, the study revealed that almost all small scale enterprises took to borrowing to augment their funds when in time of need; with financial institutions considering factors such as collateral, financial records and accounts, professionalism etc. before granting loans. Thus an inappropriate debt management practices put these businesses at risk of liquidity and hence affect their performance. The study further found that debt management impacts on firm profitability with majority of the respondents holding the view that appropriate debt management practices leads to the success of their businesses.

In view of the above finding the following recommendations could be useful: As reflected from the study, it is evident that financial behavior is an important contributor to profitability of SME's. This therefore, reflects the need for training programs on Budgeting and planning, debt management, record keeping, saving and retirement planning in schools and other institutions that seek to promote financial literacy reporting and practice. For SMEs to be sustained (both technically and financially) there is the need to step up financial education in Bayelsa state especially among SMEs. The researcher therefore recommends that a statewide financial literacy week campaign be instituted by the Ministry of Finance in collaboration with SME should be intensified and well targeted at business owners. Since SMEs in the rural areas are less likely to utilize financial service, the researcher suggest that financial literacy education should be target more at those in the rural areas which will go a long way to reduce rural-urban migration. From the discussions and findings, small scale enterprises must hire financial experts to help them manage their businesses as well as to deal with the issue of financial record keeping. Moreover, 'small scale enterprises should work within their budgetary limits in order to avoid higher expenditure and subsequent incurring of debts which could be detrimental to the performance of their businesses.

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