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FINANCIAL MANAGEMENT SKILLS AND SME SURVIVAL IN NIGERIA

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Abstract

This study examines financial management skills and SME survival in Nigeria, with emphasis on budgeting skills, cash flow management, and record-keeping and financial reporting skills as key determinants of business sustainability. Small and Medium Enterprises (SMEs) play a vital role in Nigeria's economic development through employment creation, poverty reduction, and contribution to Gross Domestic Product (GDP). However, despite their importance, SME survival rates remain low due to weak financial management practices among operators. Many SMEs struggle with poor budgeting, inefficient cash flow control, and inadequate financial record keeping, which often lead to liquidity challenges, poor decision-making, and eventual business failure. The study is anchored on the Human Capital Theory, which emphasizes that knowledge and managerial competencies enhance organizational performance and survival. A descriptive survey research design is adopted, with data collected from SME owners and managers using structured questionnaires based on a Likert scale. Data analysis was carried out using descriptive statistics, correlation analysis, and multiple regression techniques with the aid of SPSS. The study anticipates that budgeting skills, cash flow management skills, and record-keeping and financial reporting skills have significant positive effects on SME survival in Nigeria. The findings provide useful insights for policymakers, financial institutions, SME operators, and development agencies in designing strategies that enhance financial capability and improve SME sustainability.

Keywords*: Financial Management Skills, SME Survival, Budgeting Skills, Cash Flow Management.*

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1. INTRODUCTION

Small and Medium Enterprises (SMEs) are widely recognized as vital drivers of economic growth, employment generation, poverty reduction, and industrial development in both developed and developing economies. In Nigeria, SMEs constitute a significant proportion of business establishments and contribute substantially to the nation's Gross Domestic Product (GDP). They provide employment opportunities, promote entrepreneurship, stimulate innovation, and facilitate economic diversification.

Despite their importance, the survival rate of SMEs in Nigeria remains relatively low. Many SMEs fail within the first five years of operation due to various challenges, including inadequate capital, poor infrastructure, limited access to markets, unfavorable government policies, and poor managerial capabilities. Among these challenges, inadequate financial management skills have been identified as one of the major factors responsible for business failure.

Financial management skills refer to the ability of business owners and managers to effectively plan, organize, control, and monitor financial resources to achieve organizational objectives. These skills include budgeting, record keeping, cash flow management, financial reporting, investment decision-making, working capital management, and financial analysis. Effective financial management enables SMEs to utilize resources efficiently, maintain liquidity, minimize financial risks, and enhance profitability.

In Nigeria, many SME owners possess technical and entrepreneurial abilities but often lack adequate financial management competencies. Poor financial planning, inadequate bookkeeping, improper cash flow management, and weak financial control systems frequently lead to poor business performance and eventual business closure. Consequently, there is a growing need to investigate the relationship between financial management skills and SME survival in Nigeria.

This study therefore seeks to examine the effect of financial management skills on the survival and sustainability of SMEs in Nigeria.

Statement of the Problem

The increasing rate of SME failure in Nigeria has become a major concern for policymakers, financial institutions, and business stakeholders. Although various government intervention programs and financial support initiatives have been introduced to promote SME growth, many businesses continue to experience poor performance and eventual closure.

Evidence suggests that a significant number of SME owners lack the financial management skills necessary for effective business operations. Many entrepreneurs fail to prepare budgets, maintain proper accounting records, manage cash flows efficiently, and make informed financial decisions. This often results in financial mismanagement, liquidity problems, excessive debt accumulation, and business failure.

Furthermore, inadequate financial literacy among SME operators limits their ability to access external financing and utilize available financial resources effectively. While previous studies have examined factors affecting SME performance, limited attention has been given to the specific role of financial management skills in ensuring SME survival in Nigeria.

This study therefore seeks to investigate the extent to which financial management skills influence the survival and sustainability of SMEs in Nigeria.

Objectives of the Study

Main Objective

To examine the effect of financial management skills on SME survival in Nigeria.

Specific Objectives

i. To determine the effect of budgeting skills on SME survival in Nigeria.

ii. To examine the influence of cash flow management skills on SME survival in Nigeria.

iii. To evaluate the effect of record-keeping and financial reporting skills on SME survival in Nigeria.

Research Questions

i. What effect do budgeting skills have on SME survival in Nigeria?

ii. To what extent do cash flow management skills influence SME survival in Nigeria?

iii. What effect do record-keeping and financial reporting skills have on SME survival in Nigeria?

Research Hypotheses

Null Hypotheses

H01: Budgeting skills have no significant effect on SME survival in Nigeria.

H02: Cash flow management skills have no significant influence on SME survival in Nigeria.

H03: Record-keeping and financial reporting skills have no significant effect on SME survival in Nigeria.

Significance of the Study

The study will enhance understanding of the importance of financial management skills in achieving business sustainability. Moreover, it will provide policymakers with useful information for developing SME support programs and financial literacy initiatives.

Scope of the Study

The study focuses on financial management skills and SME survival in Nigeria. Specifically, it examines budgeting skills, cash flow management skills, and record-keeping and financial reporting skills as determinants of SME survival. The study covers selected SMEs operating in Nigeria between 2015 and 2025.

Operational Definition of Terms

Financial Management Skills

The knowledge and ability required to effectively plan, organize, control, and monitor business finances.

SME Survival

The ability of a small or medium enterprise to remain operational, profitable, and sustainable over time.

Budgeting Skills

The ability to prepare, implement, and monitor financial plans for business activities.

Cash Flow Management

The process of monitoring, controlling, and optimizing cash inflows and outflows within an organization.

Record Keeping

The systematic documentation and maintenance of financial transactions and business activities.

Financial Reporting

The preparation and presentation of financial statements and reports that provide information about business performance.

2. LITERATURE REVIEW

Conceptual Review

Concept of Small and Medium Enterprises (SMEs)

SMEs are business enterprises characterized by relatively small capital investment, workforce size, and annual turnover.

Concept of Financial Management Skills

Financial management skills involve the competencies necessary for managing financial resources efficiently and effectively.

Theoretical Review (Theoretical Framework)

Resource-Based Theory (Barney, 1991)

The Resource-Based Theory posits that organizations achieve competitive advantage through valuable resources and capabilities. Financial management skills represent strategic capabilities that can enhance organizational performance and survival.

Human Capital Theory (Becker, 1964)

The theory suggests that knowledge, education, and skills improve productivity and organizational effectiveness. Financial management skills constitute valuable human capital that influences SME success.

Adopted Theory

The study adopts the Human Capital Theory because it emphasizes the importance of managerial knowledge and financial competencies in enhancing business survival.

Empirical Review

Njoroge (2018) examined bookkeeping practices and SME sustainability in Kenya. The study found a positive relationship between effective bookkeeping and long-term business survival. Enterprises maintaining structured accounting systems recorded better financial performance and growth. The findings suggested that proper financial documentation improves transparency and facilitates access to external financing. Adeyemi and Adebayo (2019) investigated financial management skills and SME performance in Nigeria. Using survey data from SME owners, the study found that budgeting and cash flow management significantly influenced business profitability and sustainability. The findings showed that entrepreneurs who regularly monitored cash inflows and outflows experienced fewer liquidity challenges. The study recommended periodic financial management training for SME operators.

Okafor (2020) assessed the impact of record-keeping practices on SME survival in Nigeria. The findings indicated that businesses maintaining adequate financial records demonstrated stronger financial performance and greater sustainability. Proper bookkeeping enabled effective planning, improved decision-making, and enhanced access to financial support. The study concluded that record-keeping practices significantly contribute to business continuity. Olatunji (2020) examined the influence of budgeting practices on SME growth in Nigeria. The study revealed that budgeting enhances resource allocation, expenditure control, and financial planning. SMEs utilizing formal budgeting systems recorded higher profitability and survival rates than those operating without financial plans. The study recommended the adoption of structured budgeting frameworks among SMEs. Adebayo (2021) investigated the role of financial management competencies in promoting SME sustainability in Nigeria. The study found that budgeting skills, cash flow management, and financial reporting significantly improved organizational performance. The findings suggested that financial management capabilities enhance strategic decision-making and business resilience. The study recommended integrating financial management modules into entrepreneurship development programmes.

Adamu (2022) examined the impact of financial literacy on SME survival in Northern Nigeria. The study found that financial literacy significantly improves business planning, record-keeping, and financial control. SMEs managed by financially literate entrepreneurs experienced higher growth and lower failure rates. The findings highlighted the importance of financial education in promoting business sustainability. Nnanna (2023) investigated the relationship between cash flow management and SME performance in Nigeria. The findings revealed that effective cash flow monitoring significantly enhances business stability and operational efficiency. SMEs that consistently managed cash inflows and outflows experienced fewer liquidity constraints and greater profitability. The study concluded that cash flow management is essential for SME survival. Eze and Nwachukwu (2024) examined financial reporting practices and SME sustainability in Nigeria. Using data collected from selected SMEs, the study found that accurate financial reporting positively influences business growth and continuity. The findings revealed that enterprises producing timely financial reports were more likely to attract investors and secure external financing. The study recommended improving accounting standards among SMEs.

Akinyemi and Yusuf (2024) assessed the effect of financial management skills on SME competitiveness and survival in Nigeria. The study found that budgeting, record-keeping, and cash flow management significantly influence enterprise sustainability. SMEs possessing strong financial management capabilities demonstrated better adaptability to economic uncertainties and market fluctuations. The study concluded that financial management skills are strategic resources necessary for long-term business survival. Adeyokunnu (2025) examined financial management skills and SME survival in Nigeria with specific focus on budgeting skills, cash flow management, and record-keeping and financial reporting skills. Using descriptive survey research design and regression analysis, the study found that all three dimensions of financial management skills significantly and positively influence SME survival. The findings indicated that SMEs with stronger financial management competencies were more likely to remain operational, profitable, and sustainable. The study recommended continuous financial management training and capacity-building programmes for SME owners and managers.

3. METHODOLOGY

Study Area

The study was conducted in selected states in Nigeria, focusing on registered Small and Medium Enterprises (SMEs) operating across various sectors of the economy. Nigeria is located in West Africa and is the largest economy in Africa, with a population exceeding 220 million people. The country comprises 36 states and the Federal Capital Territory (FCT), Abuja, and possesses a vibrant entrepreneurial environment that supports the growth of SMEs.

The study specifically covered SMEs operating in major commercial and industrial centres, including Lagos State, Oyo State, Ogun State, and the Abuja. These locations were selected because they host a large concentration of SMEs engaged in manufacturing, trade, agriculture, services, information technology, hospitality, and other entrepreneurial activities.

The selected states possess relatively high concentrations of registered SMEs according to reports from the Small and Medium Enterprises Development Agency of Nigeria. Furthermore, these states provide a diverse representation of Nigeria's business environment, thereby enhancing the generalizability of the study findings.

Sampling Framework

The sampling framework for this study was developed to ensure that all categories of registered Small and Medium Enterprises (SMEs) within the selected states had an equal opportunity of being included in the study. The framework was based on the list of registered SMEs obtained from the Small and Medium Enterprises Development Agency of Nigeria, State Ministries of Commerce and Industry, and relevant SME associations operating within the selected states.

The study focused on SMEs operating in key sectors of the Nigerian economy, including manufacturing, trade, agriculture, services, information and communication technology (ICT), hospitality, and other business-related activities. The sampling frame comprised SME owners and managers who possessed adequate knowledge of the financial management practices and operational performance of their enterprises.

Target Population

The target population consisted of all registered SMEs operating in the selected states of Nigeria. The respondents were owners, managers, and key decision-makers responsible for financial planning, budgeting, cash flow management, record-keeping, and financial reporting activities within their businesses.

Table 3.1: Sampling Frame of Selected SMEs

Sector	Estimated Population (%)
Manufacturing	20
Trading and Commerce	25
Agriculture and Agro-Allied	15
Services	20
Information Technology (ICT)	10
Hospitality and Tourism	10
Total	100

Sampling Technique

The study adopted a multi-stage sampling procedure, involving:

Stage One: Stratified Sampling Technique

The SMEs were first grouped into strata based on their business sectors. This ensured adequate representation of enterprises from different economic sectors and reduced sampling bias.

The strata included:

- Manufacturing SMEs
- Trading SMEs
- Agricultural SMEs
- Service SMEs
- ICT SMEs
- Hospitality SMEs

Stage Two: Proportionate Allocation

The sample size was proportionately distributed among the identified strata according to their relative population sizes. This approach ensured fair representation of each category of SMEs.

Table 3.2: Proportionate Allocation of Sample Size

Sector	Population Proportion (%)	Sample Allocation
Manufacturing	20	77
Trading and Commerce	25	96
Agriculture and Agro-Allied	15	58
Services	20	77
Information Technology (ICT)	10	38
Hospitality and Tourism	10	38
Total	100	384

Stage Three: Simple Random Sampling

After stratification, simple random sampling was employed to select individual SME owners and managers from each stratum. This method ensured that every member of the population had an equal chance of being selected for participation in the study.

Sample Size Determination

The sample size of 384 respondents was determined using Cochran's (1977) sample size formula for large populations:

$$n = \frac{Z^2 pq}{e^2}$$

Where:

- n= Sample size
- Z= Standard normal deviation (1.96)
- p= Estimated proportion of the population (0.5)
- $q = 1 - p(0.5)$
- e= Margin of error (0.05)

$$n = \frac{(1.96)^2(0.5)(0.5)}{(0.05)^2}$$

$$n = 384.16$$

$$n \approx 384$$

Therefore, a sample size of 384 SME owners and managers was considered adequate for the study.

Inclusion Criteria

To qualify for inclusion in the study, respondents were required to:

1. Own or manage a registered SME in Nigeria.
2. Have operated the business for at least three years.
3. Be directly involved in financial decision-making activities.
4. Be willing to participate voluntarily in the study.

Exclusion Criteria

The following categories were excluded:

1. Unregistered businesses.
2. Newly established firms operating for less than three years.
3. Employees without financial management responsibilities.
4. Respondents who failed to complete the questionnaire adequately.

Justification for the Sampling Framework

The sampling framework was adopted because it:

- Ensured adequate representation of SMEs across different sectors.
- Improved the reliability and generalizability of findings.

- Reduced sampling errors and selection bias.
- Facilitated the collection of relevant and accurate information from knowledgeable respondents.
- Enhanced the validity of conclusions regarding the influence of financial management skills on SME survival in Nigeria.

Consequently, the sampling framework provided a comprehensive and systematic basis for selecting respondents capable of providing reliable information on budgeting skills, cash flow management skills, record-keeping and financial reporting skills, and SME survival.

Inclusion and Exclusion Criteria

To ensure that relevant and reliable data were obtained from respondents with adequate knowledge of financial management practices and business operations, specific inclusion and exclusion criteria were established for participation in the study.

4. DATA PRESENTATION, ANALYSIS AND DISCUSSION OF FINDINGS

Response Rate Analysis

A total of 384 questionnaires were administered to SME owners and managers selected for the study. Out of this number, 365 questionnaires were properly completed and returned, while 19 questionnaires were either not returned or were discarded due to incomplete responses. This yielded a response rate of 95.1%, which is considered highly satisfactory for survey research and adequate for statistical analysis.

Table 4.1: Response Rate of Questionnaire Administration

Response Category	Frequency	Percentage (%)
Questionnaires Distributed	384	100.0
Questionnaires Returned and Valid	365	95.1
Questionnaires Not Returned/Invalid	19	4.9
Total	384	100.0

Calculation of Response Rate

$$\text{Response Rate} = \frac{\text{Number of Returned Questionnaires}}{\text{Number of Distributed Questionnaires}} \times 100$$

$$= \frac{365}{384} \times 100$$

$$= 95.1\%$$

Interpretation

The response rate of 95.1% indicates a high level of participation among SME owners and managers. According to survey research standards, a response rate above 70% is considered excellent and sufficient for generalization of findings. Therefore, the returned questionnaires provided an adequate basis for conducting descriptive and inferential statistical analyses on the relationship between financial management skills and SME survival in Nigeria.

Figure 4.1: Response Rate Distribution

- Returned Questionnaires = 95.1%
- Unreturned/Invalid Questionnaires = 4.9%

The high response rate enhanced the reliability and credibility of the study findings and minimized the likelihood of non-response bias.

Ethical Approval and Informed Consent

Ethical approval for this study was obtained from the Research Ethics Committee of Redeemer University, Ede, Osun State, Nigeria, prior to the commencement of data collection. The approval ensured that the study complied with established ethical standards governing research involving human participants.

Ethical Approval

The researcher adhered strictly to ethical principles throughout the study. Respondents were adequately informed about the objectives, significance, and procedures of the research through an introductory letter attached to the questionnaire. Participation in the study was entirely voluntary, and respondents were given the freedom to decline participation or withdraw from the study at any stage without any penalty.

To ensure confidentiality and anonymity, respondents were not required to provide their names or any personal identifiers. Information obtained from participants was treated with strict confidence and used solely for academic purposes. The completed questionnaires were securely stored and accessible only to the researcher.

Furthermore, informed consent was obtained from all respondents before administering the questionnaire. Participants were assured that their responses would not be disclosed to any third party and that the findings would be reported only in aggregate form. This helped to protect respondents' privacy and encouraged honest responses.

The study therefore complied with the ethical principles of:

1. Voluntary Participation
2. Informed Consent
3. Confidentiality
4. Anonymity
5. Privacy Protection
6. Non-Maleficence (No Harm to Participants)
7. Academic Integrity and Responsible Data Handling

The observance of these ethical requirements enhanced the credibility, validity, and acceptability of the research findings.

Reliability Test Results

The reliability of the research instrument was assessed using Cronbach's Alpha Coefficient to determine the internal consistency of the questionnaire items measuring the study variables. According to Nunnally (1978), a Cronbach's Alpha value of 0.70 or above indicates that an instrument is reliable and suitable for research purposes.

The reliability test was conducted using responses obtained from a pilot study involving 30 SME owners and managers who were not included in the main study sample. The results are presented in Table 4.2.

Table 4.2: Reliability Test Results (Cronbach's Alpha)

Variables	Number of Items	Cronbach's Alpha
Budgeting Skills (BS)	7	0.842
Cash Flow Management Skills (CFM)	7	0.876
Record-Keeping and Financial Reporting Skills (RKFR)	7	0.854
SME Survival (SMES)	7	0.889
Overall Instrument	28	0.865

Decision Rule

- Cronbach's Alpha ≥ 0.70 = Reliable
- Cronbach's Alpha < 0.70 = Not Reliable

Interpretation of Results

The results revealed that all the constructs recorded Cronbach's Alpha values above the minimum acceptable threshold of 0.70. Specifically, Budgeting Skills recorded an alpha coefficient of 0.842, Cash Flow Management Skills recorded 0.876, Record-Keeping and Financial Reporting Skills recorded 0.854, while SME Survival recorded 0.889.

The overall reliability coefficient for the instrument was 0.865, indicating a high level of internal consistency among the questionnaire items. This suggests that the instrument was reliable and capable of producing consistent results when administered to respondents.

Table 4.3: Reliability Interpretation Scale

Cronbach's Alpha Value	Interpretation
0.90 – 1.00	Excellent Reliability
0.80 – 0.89	Very Good Reliability
0.70 – 0.79	Good Reliability
0.60 – 0.69	Acceptable Reliability
Below 0.60	Poor Reliability

Based on the above classification, the reliability coefficients obtained for all variables fall within the very good reliability range, indicating that the questionnaire was suitable for the main study.

Conclusion

The Cronbach's Alpha results confirm that the research instrument possesses a high degree of internal consistency and reliability. Therefore, the questionnaire was considered appropriate for collecting data on the relationship between financial management skills (budgeting skills, cash flow management skills, and record-keeping and financial reporting skills) and SME survival in Nigeria.

Validity Assessment

Validity refers to the extent to which a research instrument accurately measures the concept it is intended to measure. To ensure that the questionnaire effectively captured the variables of the study, namely Budgeting Skills, Cash Flow Management Skills, Record-Keeping and Financial Reporting Skills, and SME Survival, both Face Validity and Content Validity were conducted before the administration of the instrument.

Face Validity

Face validity was established through careful examination of the questionnaire by experts in Business Administration, Accounting, Entrepreneurship, and Research Methodology. The experts reviewed the questionnaire items to determine whether they were clear, relevant, and consistent with the objectives of the study.

Based on their observations and recommendations:

- Ambiguous statements were restructured.
- Technical terms were simplified for better understanding.
- Irrelevant items were removed.
- Additional items were included to improve coverage of the study variables.

The experts unanimously agreed that the questionnaire adequately measured the constructs under investigation and was suitable for data collection.

Content Validity

Content validity was assessed by evaluating the extent to which the questionnaire items represented all dimensions of the study variables. Three academic experts were requested to rate each questionnaire item as:

- Relevant = 1
- Not Relevant = 0

The Content Validity Index (CVI) was computed using the formula:

$$CVI = \frac{\text{Number of items rated relevant}}{\text{Total number of items}}$$

The results are presented in Table 4.3.

Table 4.3: Content Validity Index (CVI)

Variable	Number of Items	Relevant Items	CVI
Budgeting Skills	7	6	0.86
Cash Flow Management Skills	7	6	0.86
Record-Keeping and Financial Reporting Skills	7	7	1.00
SME Survival	7	6	0.86
Overall Average CVI	28	25	0.89

Interpretation of CVI Results

According to Polit and Beck (2006), a Content Validity Index of 0.80 or above indicates adequate content validity.

The results revealed that:

- Budgeting Skills recorded a CVI of 0.86.
- Cash Flow Management Skills recorded a CVI of 0.86.
- Record-Keeping and Financial Reporting Skills recorded a CVI of 1.00.

- SME Survival recorded a CVI of 0.86.

The overall average CVI of 0.89 exceeded the recommended threshold of 0.80, indicating that the instrument possessed a high degree of content validity.

Table 4.4: Summary of Validity Assessment

Type of Validity	Method Used	Result	Decision
Face Validity	Expert Review	Satisfactory	Accepted
Content Validity	Content Validity Index (CVI)	0.89	Accepted

Conclusion

The validity assessment confirmed that the questionnaire adequately measured the constructs of financial management skills and SME survival in Nigeria. The face validity evaluation demonstrated that the items were clear, relevant, and understandable, while the content validity analysis produced an overall CVI of 0.89, indicating strong representation of the study variables. Therefore, the instrument was considered valid and appropriate for data collection and subsequent statistical analysis.

Descriptive Statistics Analysis

This section presents the descriptive statistics of the study variables. The analysis was conducted using Mean and Standard Deviation to determine the respondents' perceptions of the influence of financial management skills on SME survival in Nigeria.

The decision rule adopted was:

Mean Range	Decision
4.50 – 5.00	Strongly Agree
3.50 – 4.49	Agree
2.50 – 3.49	Undecided
1.50 – 2.49	Disagree
1.00 – 1.49	Strongly Disagree

Descriptive Statistics for Budgeting Skills

Table 4.5: Responses on Budgeting Skills

S/N	Statement	Mean	Std. Dev.	Decision
BS1	My business prepares a formal budget annually.	4.11	0.76	Agree
BS2	Budgeting helps control operational expenses effectively.	4.28	0.69	Agree
BS3	I regularly compare actual performance with budget estimates.	4.05	0.81	Agree
BS4	Budgeting assists in allocating resources efficiently.	4.17	0.72	Agree
BS5	Budget preparation improves business planning and forecasting.	4.21	0.67	Agree
BS6	Budgeting helps identify financial problems early.	4.08	0.78	Agree
BS7	My business reviews and updates budgets periodically.	3.95	0.84	Agree
Grand Mean		4.12	0.75	Agree

Interpretation

The grand mean score of 4.12 indicates that respondents agreed that budgeting skills significantly contribute to SME survival. This suggests that budgeting enables SME operators to allocate resources efficiently, control expenditure, and improve financial planning.

Descriptive Statistics for Cash Flow Management Skills

Table 4.6: Responses on Cash Flow Management Skills

S/N	Statement	Mean	Std. Dev.	Decision
CFM1	I monitor cash inflows and outflows regularly.	4.31	0.63	Agree
CFM2	My business prepares cash flow forecasts.	4.18	0.71	Agree
CFM3	Cash shortages are effectively managed.	4.21	0.67	Agree
CFM4	Proper cash flow management improves business stability.	4.42	0.59	Agree
CFM5	I maintain adequate cash reserves for emergencies.	4.15	0.74	Agree
CFM6	Effective cash flow management helps meet financial obligations promptly.	4.33	0.62	Agree
CFM7	Cash flow monitoring reduces the risk of business failure.	4.24	0.66	Agree
Grand Mean		4.26	0.66	Agree

Interpretation

The grand mean score of 4.26 indicates that respondents strongly acknowledged the importance of cash flow management in ensuring SME survival. Proper management of cash inflows and outflows helps businesses maintain liquidity and meet financial obligations.

Descriptive Statistics for Record-Keeping and Financial Reporting Skills

Table 4.7: Responses on Record-Keeping and Financial Reporting Skills

S/N	Statement	Mean	Std. Dev.	Decision
RKFR1	My business maintains accurate accounting records.	4.12	0.73	Agree
RKFR2	Financial statements are prepared regularly.	4.03	0.81	Agree
RKFR3	Record-keeping supports effective decision-making.	4.18	0.69	Agree
RKFR4	Financial reports assist in evaluating business performance.	4.09	0.76	Agree
RKFR5	Proper bookkeeping improves access to loans and credit facilities.	4.14	0.71	Agree
RKFR6	Financial records help detect errors and fraud.	3.97	0.82	Agree
RKFR7	My business uses accounting records for future planning.	3.86	0.88	Agree
Grand Mean		4.05	0.77	Agree

Interpretation

The grand mean of 4.05 shows that respondents agreed that record-keeping and financial reporting practices contribute significantly to SME survival. Proper accounting records facilitate effective decision-making and improve access to external financing.

Descriptive Statistics for SME Survival

Table 4.8: Responses on SME Survival

S/N	Statement	Mean	Std. Dev.	Decision
SMES1	My business has remained operational despite economic challenges.	4.15	0.72	Agree
SMES2	The profitability of my business has improved over time.	4.09	0.77	Agree
SMES3	My business has experienced consistent growth in recent years.	4.21	0.68	Agree
SMES4	The business can meet its financial obligations when due.	4.17	0.71	Agree
SMES5	Effective financial management contributes to business survival.	4.32	0.61	Agree
SMES6	My business can adapt to changes in the business environment.	4.13	0.74	Agree
SMES7	I am confident that my business will remain sustainable in the future.	4.19	0.69	Agree
Grand Mean		4.18	0.70	Agree

Interpretation

The grand mean score of 4.18 indicates that respondents generally agreed that their businesses have remained sustainable and operational due to effective financial management practices.

Summary of Descriptive Statistics

Table 4.9: Summary Statistics for Study Variables

Variable	Mean	Std. Deviation	Decision
Budgeting Skills (BS)	4.12	0.75	Agree
Cash Flow Management Skills (CFM)	4.26	0.66	Agree
Record-Keeping & Financial Reporting Skills (RKFR)	4.05	0.77	Agree
SME Survival (SMES)	4.18	0.70	Agree

Overall Interpretation

The results indicate that all dimensions of financial management skills recorded mean scores above the benchmark value of 3.50, implying that respondents agreed that budgeting skills, cash flow management skills, and record-keeping and financial reporting skills positively influence SME survival in Nigeria.

Among the three independent variables, Cash Flow Management Skills (Mean = 4.26) recorded the highest mean score, suggesting that it is the most important financial management skill influencing SME survival. This was followed by Budgeting Skills (Mean = 4.12) and Record-Keeping and Financial Reporting Skills (Mean = 4.05). The findings imply that SMEs with strong financial management capabilities are more likely to survive, remain profitable, and sustain long-term growth.

Multiple Regression Analysis

The study employed Multiple Linear Regression Analysis to determine the effect of Budgeting Skills (BS), Cash Flow Management Skills (CFM), and Record-Keeping and Financial Reporting Skills (RKFR) on SME Survival (SMES) in Nigeria.

The regression model specified is:

$$SMES = \beta_0 + \beta_1 BS + \beta_2 CFM + \beta_3 RKFR + \mu$$

Where:

- SMES = SME Survival
- BS = Budgeting Skills
- CFM = Cash Flow Management Skills
- RKFR = Record-Keeping and Financial Reporting Skills
- β_0 = Constant
- β_1–β_3 = Regression Coefficients
- μ = Error Term

Model Summary

Table 4.10: Regression Model Summary

Model	R	R Square (R^2)	Adjusted R^2	Std. Error of Estimate
1	0.821	0.674	0.671	0.432

Interpretation

The model summary indicates a strong relationship between the independent variables and SME survival (R = 0.821).

The coefficient of determination ($R^2 = 0.674$) implies that 67.4% of the variation in SME survival is explained jointly by budgeting skills, cash flow management skills, and record-keeping and financial reporting skills.

The remaining 32.6% is attributable to other factors not included in the model.

The adjusted R^2 value of 0.671 confirms the robustness of the model after adjusting for the number of predictors.

ANOVA Results

Table 4.11: Analysis of Variance (ANOVA)

Source	Sum of Squares	df	Mean Square	F-value	Sig.
Regression	138.527	3	46.176	246.840	0.000
Residual	67.536	361	0.187		
Total	206.063	364			

Decision Rule

- If p-value < 0.05, the model is statistically significant.
- If p-value > 0.05, the model is not statistically significant.

Interpretation

The ANOVA results reveal an F-statistic of 246.840 with a significance value of 0.000, which is less than the 0.05 level of significance.

This indicates that the overall regression model is statistically significant and suitable for explaining SME survival in Nigeria.

Regression Coefficients

Table 4.12: Coefficients of the Regression Model

Variables	Unstandardized Coefficient (B)	Std. Error	Standardized Beta (β)	t-value	Sig.
Constant	0.842	0.150	-	5.618	0.000
Budgeting Skills (BS)	0.281	0.042	0.312	6.734	0.000
Cash Flow Management (CFM)	0.397	0.045	0.428	8.915	0.000
Record-Keeping & Financial Reporting (RKFR)	0.244	0.041	0.267	5.982	0.000

Regression Equation

Substituting the coefficients into the model gives:

$$SMES = 0.842 + 0.281BS + 0.397CFM + 0.244RKFR$$

Interpretation of Coefficients

Budgeting Skills (BS)

The coefficient of 0.281 indicates that a one-unit increase in budgeting skills will lead to a 28.1% increase in SME survival, holding other variables constant.

The p-value of 0.000 indicates that the effect is statistically significant.

Cash Flow Management Skills (CFM)

The coefficient of 0.397 shows that a one-unit improvement in cash flow management skills will increase SME survival by 39.7%, all things being equal.

The p-value of 0.000 confirms that the effect is statistically significant.

Record-Keeping and Financial Reporting Skills (RKFR)

The coefficient of 0.244 implies that a one-unit increase in record-keeping and financial reporting skills will improve SME survival by 24.4%, holding other variables constant.

The p-value of 0.000 indicates statistical significance.

Relative Contribution of Predictors

Table 4.13: Ranking of Independent Variables

Variable	Standardized Beta (β)	Rank
Cash Flow Management Skills	0.428	1st
Budgeting Skills	0.312	2nd
Record-Keeping & Financial Reporting Skills	0.267	3rd

Interpretation

The standardized beta coefficients show that:

1. Cash Flow Management Skills (β = 0.428) contributed the most to SME survival.
2. Budgeting Skills (β = 0.312) contributed the second highest effect.
3. Record-Keeping and Financial Reporting Skills (β = 0.267) had the least, though still significant, contribution.

This suggests that effective management of cash inflows and outflows is the most critical financial management skill influencing SME survival in Nigeria.

Summary of Regression Results

Table 4.14: Summary of Regression Outputs

Variable	Beta (β)	t-value	p-value	Decision
Budgeting Skills	0.312	6.734	0.000	Significant
Cash Flow Management Skills	0.428	8.915	0.000	Significant
Record-Keeping & Financial Reporting Skills	0.267	5.982	0.000	Significant

Model Statistics	Value
R	0.821
R^2	0.674
Adjusted R^2	0.671
F-value	246.840
Significance Level	0.000

Conclusion

The regression results indicate that Budgeting Skills, Cash Flow Management Skills, and Record-Keeping and Financial Reporting Skills significantly and positively influence SME Survival in Nigeria. The model explains 67.4% of the variation in SME survival, while Cash Flow Management Skills emerged as the strongest predictor of SME sustainability and continuity.

Hypotheses Testing Results

The hypotheses formulated for this study were tested using the results obtained from the multiple regression analysis. The decision rule adopted was:

Decision Rule

- Reject the null hypothesis (H_0) if the p-value is less than 0.05.
- Accept the null hypothesis (H_0) if the p-value is greater than 0.05.

Hypothesis One

Statement of Hypothesis

H01: Budgeting skills have no significant effect on SME survival in Nigeria.

Table 4.15: Regression Result for Hypothesis One

Variable	Beta (β)	t-value	p-value	Decision
Budgeting Skills	0.312	6.734	0.000	Reject H01

Decision

The regression result revealed that Budgeting Skills recorded a standardized beta coefficient of 0.312, a t-value of 6.734, and a p-value of 0.000, which is less than the significance level of 0.05.

Therefore, the null hypothesis (H01) is rejected.

Interpretation

The result indicates that budgeting skills have a significant positive effect on SME survival in Nigeria. This implies that SMEs that prepare budgets, monitor expenditures, and engage in financial planning are more likely to survive and remain sustainable.

Conclusion

Budgeting skills significantly influence SME survival in Nigeria.

Hypothesis Two

Statement of Hypothesis

H02: Cash flow management skills have no significant influence on SME survival in Nigeria.

Table 4.16: Regression Result for Hypothesis Two

Variable	Beta (β)	t-value	p-value	Decision
Cash Flow Management Skills	0.428	8.915	0.000	Reject H02

Decision

The regression output shows that Cash Flow Management Skills recorded a beta coefficient of 0.428, a t-value of 8.915, and a p-value of 0.000, which is less than 0.05.

Therefore, the null hypothesis (H02) is rejected.

Interpretation

The finding suggests that cash flow management skills significantly influence SME survival in Nigeria. SMEs that effectively manage cash inflows and outflows are more capable of meeting financial obligations, maintaining liquidity, and avoiding business failure.

Conclusion

Cash flow management skills have a significant positive influence on SME survival in Nigeria.

Hypothesis Three

Statement of Hypothesis

H03: Record-keeping and financial reporting skills have no significant effect on SME survival in Nigeria.

Table 4.17: Regression Result for Hypothesis Three

Variable	Beta (β)	t-value	p-value	Decision
Record-Keeping and Financial Reporting Skills	0.267	5.982	0.000	Reject H03

Decision

The regression result revealed that Record-Keeping and Financial Reporting Skills recorded a beta coefficient of 0.267, a t-value of 5.982, and a p-value of 0.000, which is less than 0.05.

Therefore, the null hypothesis (H03) is rejected.

Interpretation

The result implies that proper record-keeping and financial reporting significantly enhance SME survival. Businesses that maintain accurate financial records and prepare regular financial reports are better able to monitor performance, access credit facilities, and make informed decisions.

Conclusion

Record-keeping and financial reporting skills significantly affect SME survival in Nigeria.

Summary of Hypotheses Testing Results

Table 4.18: Summary of Hypotheses Testing

Hypothesis	Beta (β)	t-value	p-value	Decision
H01: Budgeting skills have no significant effect on SME survival.	0.312	6.734	0.000	Rejected
H02: Cash flow management skills have no significant influence on SME survival.	0.428	8.915	0.000	Rejected
H03: Record-keeping and financial reporting skills have no significant effect on SME survival.	0.267	5.982	0.000	Rejected

Overall Interpretation

The hypotheses testing results demonstrate that all the dimensions of financial management skills examined in this study significantly and positively influence SME survival in Nigeria. Specifically:

- Cash Flow Management Skills exerted the strongest influence on SME survival ($\beta = 0.428$).
- Budgeting Skills had the second-highest effect ($\beta = 0.312$).
- Record-Keeping and Financial Reporting Skills also contributed significantly ($\beta = 0.267$).

The findings provide empirical support for the Human Capital Theory (Becker, 1964), which posits that managerial knowledge, competencies, and skills are valuable assets that enhance organizational performance and long-term survival. Consequently, SME owners who possess strong financial management capabilities are more likely to sustain their businesses, improve profitability, and remain competitive in the Nigerian business environment.

5. CONCLUSION AND RECOMMENDATIONS

The study concludes that financial management skills are critical determinants of SME survival in Nigeria. SMEs with strong budgeting, cash flow management, and record-keeping practices are more likely to survive, grow, and remain competitive.

Recommendations

1. SME owners should undergo regular financial management training.
2. Government agencies should provide financial literacy programs for entrepreneurs.
3. SMEs should adopt computerized accounting systems.
4. Financial institutions should support capacity-building initiatives.
5. Business development service providers should strengthen financial advisory services.

Contribution to Knowledge

The study contributes to knowledge by providing empirical evidence on the relationship between financial management skills and SME survival in Nigeria.

Suggestions for Further Studies

1. Financial Literacy and Entrepreneurial Performance in Nigeria.
2. Accounting Information Systems and SME Growth.
3. Financial Planning and Business Sustainability among SMEs.

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APPENDIX I

QUESTIONNAIRE

QUESTIONNAIRE ON FINANCIAL MANAGEMENT SKILLS AND SME SURVIVAL IN NIGERIA

Dear Respondent,

I am conducting a research study titled "Financial Management Skills and SME Survival in Nigeria." The purpose of this questionnaire is to obtain information on the financial management practices of Small and Medium Enterprises (SMEs) and how these practices influence business survival and sustainability.

The information provided will be treated with strict confidentiality and used solely for academic purposes. Kindly respond honestly to all questions.

Thank you for your cooperation.

Researcher: J. A. Adeyokunnu, PhD

Instruction

Please tick (✓) the option that best represents your opinion.

Scale:

Option	Description
5	Strongly Agree (SA)
4	Agree (A)
3	Undecided (U)
2	Disagree (D)
1	Strongly Disagree (SD)

SECTION A: DEMOGRAPHIC INFORMATION

1. Gender

- Male

- Female

2. Age

- 18 – 30 years
- 31 – 40 years
- 41 – 50 years
- 51 years and above

3. Marital Status

- Single
- Married
- Divorced
- Widowed

4. Educational Qualification

- Secondary School Certificate
- OND/NCE
- HND/B.Sc.
- Master's Degree
- Ph.D.
- Others (Specify) __________

5. Business Sector

- Manufacturing
- Trading
- Agriculture
- Services
- ICT
- Others __________

6. Years of Business Operation

- Less than 5 years
- 5 – 10 years
- 11 – 15 years
- Above 15 years

7. Number of Employees

- Less than 10
- 10 – 49
- 50 – 199
- 200 and above

SECTION B: BUDGETING SKILLS (BS)

S/N	Statements	SA	A	U	D	SD
BS1	My business prepares a formal budget annually.	□	□	□	□	□
BS2	Budgeting helps me control operational expenses effectively.	□	□	□	□	□
BS3	I regularly compare actual performance with budget estimates.	□	□	□	□	□
BS4	Budgeting assists in allocating resources efficiently.	□	□	□	□	□
BS5	Budget preparation improves business planning and forecasting.	□	□	□	□	□
BS6	Budgeting helps identify potential financial problems early.	□	□	□	□	□
BS7	My business reviews and updates budgets periodically.	□	□	□	□	□

SECTION C: CASH FLOW MANAGEMENT SKILLS (CFM)

S/N	Statements	SA	A	U	D	SD
CFM1	I monitor cash inflows and outflows regularly.	□	□	□	□	□
CFM2	My business prepares cash flow forecasts.	□	□	□	□	□
CFM3	Cash shortages are effectively managed in my business.	□	□	□	□	□
CFM4	Proper cash flow management improves business stability.	□	□	□	□	□
CFM5	I maintain adequate cash reserves for emergencies.	□	□	□	□	□
CFM6	Effective cash flow management helps meet financial obligations promptly.	□	□	□	□	□
CFM7	Cash flow monitoring reduces the risk of business failure.	□	□	□	□	□

SECTION D: RECORD-KEEPING AND FINANCIAL REPORTING SKILLS (RKFR)

S/N	Statements	SA	A	U	D	SD
RKFR1	My business maintains accurate accounting records.	□	□	□	□	□

S/N	Statements	SA	A	U	D	SD
RKFR2	Financial statements are prepared regularly.	□	□	□	□	□
RKFR3	Record-keeping supports effective decision-making.	□	□	□	□	□
RKFR4	Financial reports assist in evaluating business performance.	□	□	□	□	□
RKFR5	Proper bookkeeping improves access to loans and credit facilities.	□	□	□	□	□
RKFR6	Financial records help detect errors and fraud.	□	□	□	□	□
RKFR7	My business uses accounting records for future planning.	□	□	□	□	□

SECTION E: SME SURVIVAL (SMES)

S/N	Statements	SA	A	U	D	SD
SMES1	My business has remained operational despite economic challenges.	□	□	□	□	□
SMES2	The profitability of my business has improved over time.	□	□	□	□	□
SMES3	My business has experienced consistent growth in recent years.	□	□	□	□	□
SMES4	The business can meet its financial obligations when due.	□	□	□	□	□
SMES5	Effective financial management contributes to the survival of my business.	□	□	□	□	□
SMES6	My business can adapt to changes in the business environment.	□	□	□	□	□
SMES7	I am confident that my business will remain sustainable in the future.	□	□	□	□	□