

FINANCIAL EDUCATION COMPETENCE AND PROFITABLE VALUE CREATION AMONG SMALL AND MEDIUM ENTERPRISES (SMES) IN LAGOS STATE, NIGERIA

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Abstract

Small and Medium Enterprises (SMEs) in Nigeria continue to experience high failure rates, largely attributed to weak financial management capabilities despite their critical role in employment generation, innovation, and economic growth. This study examines the effect of financial education competence operationalized through financial knowledge, skills acquisition, and financial attitude on profitable value creation among SMEs in Lagos State. A quantitative research design was adopted, with data collected from 387 SME owner-managers using structured questionnaires. The data were analyzed using descriptive statistics and multiple regression analysis. The findings reveal that financial education competence significantly influences profitable value creation ($R^2 = 0.388$, $p < 0.001$). Specifically, financial knowledge has a positive and significant effect ($\beta = 0.201$, $p = 0.035$), skills acquisition shows a stronger positive influence ($\beta = 0.643$, $p < 0.001$), while financial attitude exerts the strongest effect ($\beta = 0.389$, $p < 0.001$). This indicates that although financial knowledge and skills are important, behavioral orientation plays a more dominant role in translating financial competence into sustained profitability. The study contributes to theory by integrating Human Capital Theory and the Resource-Based View, positioning financial attitude as a critical behavioral intangible resource that enhances value creation. Practically, the findings suggest that SME support programmes should prioritize behavioral financial training alongside technical skill development. The study concludes that a multidimensional approach to financial education competence is essential for achieving sustainable SME profitability.

Keywords: Financial Education Competence, Financial Literacy, Profitable Value Creation, SMEs

1. INTRODUCTION

Small and Medium Enterprises (SMEs) remain central to economic growth, employment generation, and industrial development across emerging economies. In Nigeria, they constitute the vast majority of registered businesses and contribute significantly to national output. Lagos State, as the country's commercial and financial hub, hosts a dense concentration of SMEs operating across manufacturing, trade, services, and technology-oriented sectors. The performance of these enterprises directly influences job creation, income distribution, and urban economic stability. Despite their economic relevance, however, many SMEs in Lagos continue to experience constrained growth, unstable earnings, and limited long-term viability. A growing body of evidence attributes these persistent performance challenges to deficiencies in financial capability among SME owner-managers. In particular, three interrelated dimensions financial education knowledge, financial skills acquisition, and financial attitude have been identified as critical drivers of firm-level financial outcomes. Financial education knowledge reflects the understanding of core financial principles, skills acquisition captures the practical ability to implement financial management techniques such as budgeting and cash flow control, while financial attitude represents behavioral orientation toward risk, discipline, and long-term financial planning. These dimensions collectively shape how financial decisions are made and executed within SMEs, thereby influencing their capacity to generate and sustain value.

Empirical evidence from Nigeria supports the relevance of these dimensions. Studies in Lagos indicate that financial literacy significantly affects firm-level financial performance, particularly in budgeting, record keeping, and cash flow administration (John, 2022). Broader Nigerian findings further show that financial behaviour and entrepreneurial competence jointly influence SME performance outcomes (Sajuyigbe, Ogbari, Onasanya & Oke, 2024), while structured financial education has been associated with improved financial well-being among small businesses (Onyejedum & Okoli, 2024). More recent evidence links financial literacy with sustainability and profitability among SMEs in Lagos State (Oluwo Shittu & Awe, 2026). However, these studies largely treat financial capability as a broad construct and focus on general performance indicators, with limited attention to how specific components of financial education competence influence sustained value creation.

International scholarship reinforces the importance of financial capability in shaping enterprise outcomes. Financial literacy has been shown to enhance performance, particularly when supported by effective access to finance (Abdallah, Harraf, Ghura & Abrar, 2023), and to influence leverage and capital structure decisions that affect growth and risk exposure (Basha, Bennisr & Goaid 2023). The financial literacy of chief executives has also been associated with improved innovation and strategic investment decisions (Duréndez, Dieguez-Soto & Madrid-Guijarro, 2023). Additional studies suggest that financial knowledge, skills, and behavioural orientation jointly improve business performance in emerging markets (Rahmawati, Wahyuningsih & Garad 2023), while entrepreneurial financial competence has been linked to organisational performance and sustainability across diverse contexts (Culebro-Martínez, Moreno-García & Hernández-Mejía, 2024; Kurniasari, Abd Hamid, & Lestari, 2025). These findings indicate that financial education competence is multidimensional, but the distinct roles of knowledge, skills acquisition, and attitude in driving value creation remain insufficiently disentangled.

Conceptual limitations are also evident in how outcomes are measured. SME performance is often proxied using short-term profitability indicators without explicitly examining profitable value creation as a sustained process. Profitable value creation extends beyond immediate profit to encompass the ability of firms to generate returns that exceed operational and capital costs while maintaining efficiency, growth potential, and financial resilience. In a high-cost and highly competitive business environment such as Lagos, understanding how financial education competence translates into sustained value outcomes is particularly important.

In this study, financial education competence is conceptualized through three core dimensions: financial education knowledge, skills acquisition, and financial attitude. Financial education knowledge refers to the understanding of financial concepts and principles; skills acquisition reflects the practical ability to apply financial management techniques; and financial attitude captures behavioural tendencies toward financial discipline and long-term planning. Profitable value creation is defined as the sustained ability of SMEs to generate returns above cost while preserving growth and financial stability. The study therefore examines how financial education knowledge, skills acquisition, and financial attitude individually influence profitable value creation among SMEs in Lagos State.

Against this backdrop, the relationship between these dimensions of financial education competence and profitable value creation remains insufficiently examined in the Nigerian SME context. Existing studies establish associations between financial literacy and general performance, yet limited empirical evidence isolates the effects of knowledge, skills acquisition, and financial attitude on value creation outcomes. Addressing this gap is essential for understanding how internal financial capability translates into sustained profitability within Nigeria's most commercially significant state. The objectives of the study were to examine the relationship between financial education knowledge and profitable value creation among SMEs in Lagos State, examine the impact of skills acquisition on profitable value creation among SMEs in Lagos State and examine the relationship between attitude of the SME owner and profitable value creation. The next section reviews the relevant literature. This is followed by the methodology, results and discussion, and conclusion sections, which present the empirical findings, implications, and recommendations of the study.

2. LITERATURE REVIEW

Conceptual, theoretical and empirical reviews of the study describe the key concepts of the subject matter, the theories underpinning the study and the review of past findings.

Conceptual Review

Financial Education Competence

Financial education competence refers to the integrated set of financial knowledge, skills, attitudes, and behaviors that enable individuals and business owners to make informed and effective financial decisions. It extends beyond basic financial literacy to include the ability to apply financial knowledge in real-life business contexts such as budgeting, pricing, investment evaluation, and risk management. According to Lusardi and Mitchell (2014), financial literacy enhances financial planning capabilities and reduces vulnerability to financial shocks, thereby improving decision-making outcomes. Similarly, Atkinson (2017) emphasizes that financial education equips entrepreneurs with the competence required to manage financial resources efficiently and avoid over-indebtedness.

Within the SME context, financial education competence plays a critical role in shaping firm performance and sustainability. Empirical evidence shows that SME owners with higher levels of

financial literacy are better positioned to manage cash flows, access external financing, and make strategic investment decisions (Abdallah et al., 2023; Basha et al., 2023; Culebro-Martínez et al., 2024) . Studies focusing on Nigeria further demonstrate that financial competence significantly improves entrepreneurial decision-making and business performance, particularly in Lagos-based SMEs where financial skills directly influence profitability and growth (Adewumi & Cele, 2023; Oguh et al., 2023; Oluwo et al., 2026) . This suggests that financial education competence is not merely a theoretical construct but a practical capability that drives operational efficiency and long-term value creation in SMEs.

Profitable Value Creation

Profitable value creation involves designing and delivering products or services that generate superior customer value while yielding returns that exceed costs, reflecting the intersection of customer satisfaction, operational efficiency, and financial performance (Porter, 1985). Sustainable value creation enables firms to reinvest, innovate, and maintain competitive advantage over time (Barney, 1991).

Small and Medium Enterprises (SMEs)

Small and Medium Enterprises (SMEs) are widely recognized as critical drivers of economic growth, employment generation, and innovation, particularly in developing economies. In Nigeria, SMEs are defined by the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) based on employment size and asset value. Specifically, small enterprises employ between 10 and 49 persons with asset values ranging from ₦5 million to ₦50 million, while medium enterprises employ between 50 and 199 persons with asset values between ₦50 million and ₦500 million (SMEDAN, 2020) . This classification provides a standardized framework for understanding the structure and contribution of SMEs within the Nigerian economy.

Despite their significant contributions, SMEs in Nigeria face numerous challenges that hinder their growth and sustainability. These include limited access to finance, inadequate managerial capacity, and low levels of financial literacy among business owners (Adegbite & Machethe, 2020; Oladeji & Aderemi, 2020) . Empirical studies further reveal that financial literacy plays a crucial role in enhancing SME performance, as it improves decision-making, financial planning, and resource allocation (Eniola & Entebang, 2016; Burchi et al., 2021; Hasan et al., 2024) . In this context,

strengthening the financial education competence of SME owners becomes essential for improving business outcomes, fostering innovation, and ensuring long-term economic sustainability.

Theoretical Review

Foundational insights on how financial education competence affects profitable value creation will be gleaned from the following theoretical frameworks.

Human Capital Theory

Human Capital Theory (HCT), advanced by Gary Becker (1964), posits that knowledge, skills, and abilities are productive assets that enhance performance and economic outcomes. In this study, financial education competence is operationalized through financial education knowledge, skills acquisition, and financial attitude, which align with the cognitive, practical, and behavioral components of human capital.

Financial education knowledge equips SME owner-managers with the ability to understand financial principles such as budgeting, cost control, and investment decisions. Skills acquisition reflects the capacity to apply these principles in practice, particularly in cash flow management and record keeping. Financial attitude captures behavioral discipline, risk orientation, and long-term planning. Collectively, these dimensions enhance financial decision-making, leading to improved efficiency and sustained profitability. This suggests that SMEs with higher levels of financial knowledge, practical skills, and prudent financial attitudes are better positioned to generate profitable value. However, HCT assumes equal returns to education, which may not hold in contexts like Nigeria due to structural constraints. Despite this, the theory provides a strong basis for linking financial education competence to value creation.

Resource-Based Theory

The Resource-Based View (RBV), developed by Jay Barney (1991), explains firm performance through the possession and effective use of valuable, rare, inimitable, and non-substitutable resources. For SMEs, intangible capabilities are often more critical than physical assets, making financial education competence a strategic internal resource.

In this study, financial education knowledge, skills acquisition, and financial attitude are treated as firm-specific capabilities embedded in SME owner-managers. Financial knowledge enhances the ability to interpret financial information and guide strategic decisions. Skills acquisition enables effective implementation of financial practices, while financial attitude ensures discipline and consistency in financial behaviour. These dimensions form a unique capability that supports efficient resource allocation and cost management. From an RBV perspective, SMEs that leverage financial education competence can achieve profitable value creation by generating returns above operational costs and maintaining financial resilience. However, RBV has been criticized for its static nature, as highlighted by Margaret Fiol (2001), suggesting that continuous capability development is necessary to sustain competitive advantage.

Innovation Theory

Innovation Theory, rooted in the work of Joseph Schumpeter (1934), emphasizes the role of entrepreneurs in driving economic development through new combinations such as products, processes, and markets. Innovation is a key pathway to value creation, particularly in competitive environments. Within this framework, financial education competence enhances the ability of SME owner-managers to engage in value-creating innovation. Financial education knowledge supports the evaluation of investment opportunities and financial implications of innovation. Skills acquisition enables the application of financial tools such as budgeting and forecasting, while financial attitude influences risk-taking and long-term commitment to innovative activities. These dimensions collectively determine the capacity of SMEs to implement innovations that improve efficiency and profitability. Financially competent entrepreneurs are better able to allocate resources effectively and manage the risks associated with innovation. However, innovation outcomes are uncertain, as noted by James Utterback (1994), making financial competence essential for enhancing the likelihood of successful and sustainable value creation.

Empirical Review

Financial Education Competence and Profitable Value Creation

Empirical studies have consistently established that financial education competence plays a critical role in enhancing business outcomes among small and medium enterprises (SMEs). Wali, Shu'ara,

and Mohammed (2025) examined the effect of financial literacy on SME performance in Abuja using regression analysis and found a significant positive relationship between financial literacy and operational efficiency. The study highlighted budgeting, debt management, and record-keeping as key drivers of improved performance. However, financial literacy was treated as a unidimensional construct, limiting insight into how specific components of financial education competence influence value creation.

Similarly, Nyeko et al. (2024) investigated financial literacy and SME performance in Uganda and found that financial literacy enhances budgeting efficiency, investment decisions, and risk management. While the findings support the importance of financial competence, the integration of financial literacy with access to finance makes it difficult to isolate its independent contribution to profitable value creation. Odumusor and Acquah (2025) adopted a multidimensional perspective by examining financial knowledge, skills, and behaviour, and found that all dimensions significantly influence SME performance. Although this aligns closely with financial education competence, the study focused on general performance outcomes rather than sustained profitable value creation, thereby limiting its long-term implications.

Further evidence is provided by Kurniasari et al. (2025), who demonstrated that financial literacy improves SME performance directly and indirectly through financial technology adoption and access to finance. While this expands the mechanism through which financial competence operates, the study was conducted outside Nigeria, raising concerns about contextual applicability. Culebro-Martínez et al. (2024) also found that entrepreneurs with strong financial literacy exhibit better financial planning and resource allocation, leading to improved business outcomes. Similarly, Hasan et al. (2024) linked financial literacy to entrepreneurial creativity and MSME success, emphasizing its strategic importance. However, the inclusion of multiple literacy dimensions in their model reduces clarity regarding the specific role of financial education competence.

In the Nigerian context, Onyejedum and Okoli (2024) found that financial education significantly improves financial well-being among SMEs by enhancing income management and cost control. Likewise, Oguh, Adjene, and Onaghise (2023) reported a strong positive relationship between financial literacy and SME financial performance in Lagos State, while Adewumi and Smangele (2023) identified deficiencies in financial knowledge as a major constraint to entrepreneurial

decision-making. Despite these contributions, existing studies largely focus on financial literacy as a general construct or emphasize short-term performance outcomes, leaving a gap in understanding how financial education competence specifically drives profitable value creation as a sustained outcome.

Hypothesis One

H₀₁: Financial education competence has no significant effect on profitable value creation among SMEs.

H₁₁: Financial education competence has a significant effect on profitable value creation among SMEs.

Skill Acquisition and Profitable Value Creation

Skill acquisition represents a critical dimension of financial education competence, particularly in translating knowledge into practical business outcomes. Empirical evidence suggests that the ability of entrepreneurs to apply financial skills such as budgeting, financial analysis, and investment appraisal significantly enhances firm performance. Rahmawati et al. (2023) examined the impact of financial literacy and training on business performance and found that training significantly improves entrepreneurial decision-making and operational efficiency. This indicates that skill acquisition serves as a mechanism through which financial knowledge is transformed into tangible performance outcomes. However, the study focused on creative industries outside Nigeria, limiting its contextual relevance.

Similarly, Hasan et al. (2024) emphasized that financial and entrepreneurial skills enhance MSME success by improving strategic decision-making and innovation capacity. This aligns with the knowledge-based view, which posits that skills constitute a valuable organizational resource for competitive advantage. However, the study did not isolate skill acquisition as a distinct construct, thereby limiting its explanatory power. Adewumi and Smangele (2023) provided Nigerian evidence by showing that inadequate financial skills hinder effective entrepreneurial decision-making among SMEs in Lagos State. The study underscores the importance of skill development in improving financial outcomes and profitability. Oguh et al. (2023) also found that financial behaviour—often driven by applied financial skills—accounts for a substantial proportion of

variation in SME performance. This suggests that beyond knowledge, the practical application of financial competencies is crucial for achieving profitable outcomes. Despite these findings, existing studies tend to subsume skill acquisition within broader financial literacy constructs, thereby neglecting its independent contribution to profitable value creation. This creates a gap that the present study addresses by examining skill acquisition as a distinct determinant of value creation.

Hypothesis Two

H₀₂: Skill acquisition has no significant effect on profitable value creation among SMEs.

H₁₂: Skill acquisition has a significant effect on profitable value creation among SMEs.

Financial Attitude and Profitable Value Creation

Financial attitude reflects the behavioural disposition of entrepreneurs toward financial decision-making, including risk tolerance, savings orientation, and financial discipline. Empirical literature suggests that financial attitude significantly influences business sustainability and profitability. Odumisor and Acquah (2025) found that financial behaviour—closely linked to financial attitude significantly improves SME performance through enhanced financial discipline and decision-making. This highlights the behavioural dimension of financial competence in driving business outcomes.

Nyeko et al. (2024) also emphasized that financial literacy improves risk management practices, which are largely shaped by financial attitudes toward uncertainty and investment decisions. However, the study did not explicitly isolate financial attitude as an independent construct. Onyejedum and Okoli (2024) demonstrated that financial education enhances financial well-being by improving expenditure control and savings behaviour, both of which are rooted in financial attitude. Similarly, Oguh et al. (2023) found that financial behaviour significantly explains variations in SME performance, suggesting that attitude-driven actions play a critical role in value creation.

Culebro-Martínez et al. (2024) further noted that entrepreneurs with positive financial attitudes are more likely to engage in prudent financial planning and resource allocation, thereby improving

profitability. However, most studies integrate financial attitude within broader financial literacy frameworks, limiting a clear understanding of its standalone effect on profitable value creation. Thus, while existing literature acknowledges the importance of financial attitude, there remains insufficient empirical evidence on its direct impact on profitable value creation, particularly within the Nigerian SME context.

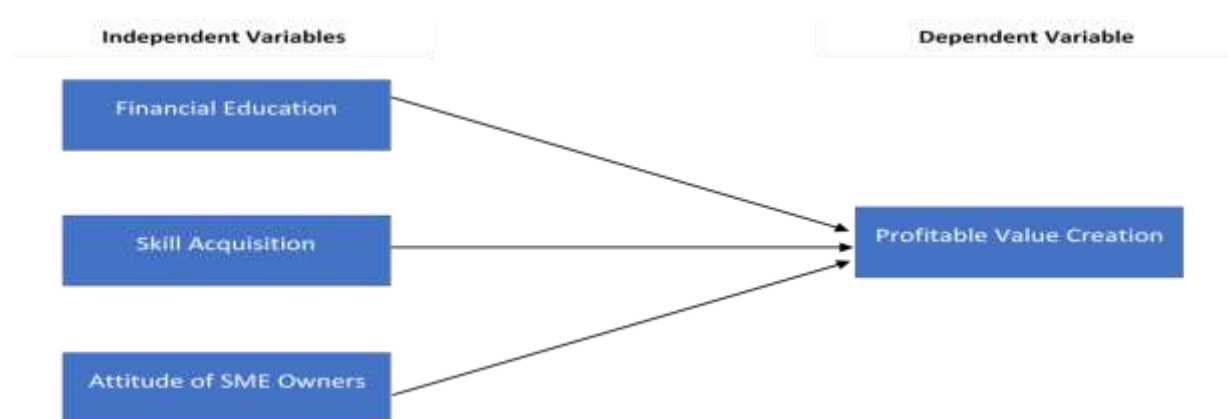
Hypothesis Three

H₀₃: Financial attitude has no significant effect on profitable value creation among SMEs.

H₁₃: Financial attitude has a significant effect on profitable value creation among SMEs.

Conceptual Framework

Figure 1: Conceptual Model



Source: Researcher, 2025

3. METHODOLOGY

The study adopted a descriptive survey research design to examine the effect of financial education competence on profitable value creation among SMEs. The population comprised SME owners and managers operating in Lagos State. Using the Taro Yamane (1967) formula, a sample size of 387 respondents was determined from a population of 11,663 SMEs in Lagos state. Primary data were collected using a structured questionnaire administered online via Google Forms to SMEs in

Lagos State for quick response. Key constructs measured included financial education competence knowledge, skills acquisition, financial attitude, and profitable value creation. Reliability analysis using Cronbach’s Alpha values range from 0.791 to 0.869 indicating strong internal consistency.

Measurement of Constructs

Table 1 Measurement of Constructs (Questions Related to Each Variable)

Variable	Indicators/Options	Measurement Questions
Financial Education	Financial Literacy Seminars, Formal/Informal Training	1. Have you ever attended any financial literacy seminar or training? <input type="checkbox"/> Yes <input type="checkbox"/> No 2. How do you rate your financial management skills (1=Poor, 5=Excellent)
Skills Acquisition	Business-related Skills Gained Skill acquisition in creating value for customers	1. Have you acquired any business-related skills through formal or informal training? <input type="checkbox"/> Yes <input type="checkbox"/> No 2.To what extent has skill acquisition helped in creating value for customers <input type="checkbox"/> Very large extent <input type="checkbox"/> Large extent <input type="checkbox"/> Moderate extent <input type="checkbox"/> Small extent <input type="checkbox"/> Not at all
Attitude of SME Owner	Attitudes towards financial decision-making.	1. How would you describe your attitude towards financial decision-making? <input type="checkbox"/> Very proactive <input type="checkbox"/> Cautious but engaged <input type="checkbox"/> Indifferent <input type="checkbox"/> Reluctant
Attitude of SME Owner	Attitude towards financial goal setting	Do you regularly set financial goals for your business? <input type="checkbox"/> Yes <input type="checkbox"/> No
Profitable Value Creation	Revenue Growth, Profitability, Business Development, Securing external funding	1. To what extent has your knowledge of financial education contributed to the following? Increased revenue or profits (Very High, High, Moderate, Low, Not at all) 2. How would you rate the impact of skills acquired on the profitability of your business? (Very High, High, Moderate, Low, Not at all) 3. To what extent do you believe your attitude impacts your business profitability? (Very High, High, Moderate, Low, Not at all)

The collected data were analyzed using descriptive statistics and simple linear regression analysis were employed using SPSS to test the study hypotheses.

For this study, the model specification is as stated below:

$$\text{Model 1: } PVC_i = \beta_0 + \beta_1 FEC_i + \beta_2 SA_i + \beta_3 ATT_i + \mu_i$$

Where:

PVC_i = Profitable Value Creation, FEC_i = Financial Education Competence Knowledge

SA_i = Skill Acquisition, ATT_i = Attitude of SME Owner, μ_i = Error term

4. ANALYSIS AND RESULTS

Table 2: Demographic Characteristics of Respondents (N = 387)

Variable	Category	Frequency (f)	Percentage (%)
Gender	Male	222	57.36
	Female	165	42.64
	Total	387	100.00
Position in Business	Founder/Business Owner	339	87.60
	Employee	23	5.94
	Manager	25	6.46
	Total	387	100.00
Business Sector	Trading	94	24.29
	Manufacturing	81	20.93
	Services	185	47.80
	Agriculture	4	1.03
	Others	23	5.94
Total	387	100.00	
Years of Operation	Less than 1 Year	1	0.26
	1–3 years	81	20.93
	4–7 years	145	37.47
	More than 7 years	160	41.34
	Total	387	100.00
Number of Employees	Small Enterprise (10–49)	140	36.20
	Medium Enterprise (50–199)	247	63.80
	Total	387	100.00
Total Assets of Enterprise	Small (₦5m – ₦50m)	172	44.44
	Medium (₦50m – ₦500m)	215	55.56
	Total	387	100.00

Source: Field Survey (2025)

The demographic profile comprises 387 respondents. Males represented 57.43%, and females 42.57%. Founders/owners made up 87.60%, while employees and supervisors accounted for the rest. Service-based businesses dominated (47.80%), followed by trading (24.29%) and manufacturing (20.93%). 78.8% of the respondents have operated their business for over 4 years. Medium enterprises (63.8%) outnumbered small ones, and 55.7% reported total assets between ₦50 million–₦500 million, indicating a strong presence of well-established businesses.

Research Question One: What is the relationship between financial education knowledge and profitable value creation in SMEs in Lagos State?

Table 3: Frequency Distribution of Financial Education and Value Creation Among SMEs in Lagos State (N = 387)

Survey Item	Response Category	Freq	(%)
Type of Financial Training Received	Basic Excel	22	5.7
	Accounting and Bookkeeping	51	13.2
	Budgeting and Cash Flow Management	109	28.2
	Investment and Financial Planning	166	42.9
	Loan and Credit Management	7	1.8
	Break-even Analysis	22	5.7
	Product Development and Innovation	9	2.3
	Others	1	0.3
Familiarity with Accounting and Bookkeeping	Very Familiar	266	68.7
	Somewhat Familiar	107	27.6
	Not Familiar	14	3.6
Familiarity with Budgeting and Cash Flow Management	Very Familiar	232	59.9
	Somewhat Familiar	131	33.9
	Not Familiar	24	6.2
Familiarity with Investment and Financial Planning	Very Familiar	216	55.8
	Somewhat Familiar	150	38.8
	Not Familiar	21	5.4
Familiarity with Loan and Credit Management	Very Familiar	187	48.3
	Somewhat Familiar	156	40.3
	Not Familiar	44	11.4

Familiarity with Break-even Analysis	Very Familiar	181	46.8
	Somewhat Familiar	134	34.6
	Not Familiar	72	18.6
Self-Rated Financial Management Skills	Poor	6	1.6
	Fair	36	9.3
	Good	71	18.3
	Very Good	135	34.9
	Excellent	139	35.9
Financial Practices Implemented	Regular Bookkeeping	165	42.6
	Budget Preparation	1	0.3
	Investment in Business Growth	74	19.1
	Cost Management Strategies	147	38.0
Contribution to Business Decision-Making	Not at all	1	0.3
	Low	5	1.3
	Moderate	50	12.9
	High	110	28.4
	Very High	221	57.1
Contribution to Increased Revenue or Profit	Low	7	1.8
	Moderate	62	16.0
	High	141	36.4
	Very High	177	45.7
Contribution to Ability to Secure External Funding	Not at all	15	3.9
	Low	24	6.2
	Moderate	93	24.0
	High	121	31.3
	Very High	134	34.6
Contribution to Innovation and Business Development	Not at all	6	1.6
	Low	18	4.7
	Moderate	72	18.6
	High	117	30.2
	Very High	174	45.0
Value Creation Strategies Adopted	Financial Planning	50	12.9
	Innovation	68	17.6
	Better Debt and Credit Management	92	23.8
	Customer Service and Experience	113	29.2
	Budget Preparation	48	12.4
	Others	16	4.1

Source: Field Survey (2025)

Table 3 provides compelling evidence that financial education competence significantly enhances value creation among SMEs in Lagos State. A majority of respondents demonstrated strong familiarity with financial concepts such as accounting (68.7%), budgeting (59.9%), and investment planning (55.8%), with 70.8% rating their financial skills as “very good” or “excellent.” Notably, 42.9% had received formal training in investment planning. Over 80% stated that financial knowledge had a high impact on decision-making and revenue generation, while 75.2% linked it to innovation and 65.9% to funding access. These findings affirm financial competence as central to SME growth, innovation, and sustainability.

Hypotheses Testing

This section presents the results of regression analyses conducted to test the three stated hypotheses. Multiple linear regression was employed to examine the relationship between financial education competencies (knowledge, skill acquisition, and attitude) and profitable value creation among SMEs in Lagos State. Reject the null hypothesis (H_0) if the p -value is less than 0.05; otherwise, accept it. A significant p -value indicates that the predictor variable has a statistically meaningful effect on profitable value creation

Table 4: Multiple Regression Results for Financial Education Competence and Profitable Value Creation

Variable	B	Std. Error	Beta (β)	t	Sig.
(Constant)	3.812	0.298	—	12.792	0
Financial Education Knowledge	0.201	0.095	0.162	2.116	0.035
Skills Acquisition	0.643	0.148	0.341	4.345	0
Financial Attitude	0.389	0.072	0.421	5.403	0
Model Summary:					
R = 0.623					
R ² = 0.388					
Adjusted R ² = 0.372					
F-statistic = 24.681					
Sig. (F) = .000					

Source: Researchers Computations (2025)

The multiple regression results indicate that financial education competence dimensions jointly have a significant effect on profitable value creation among SMEs in Lagos State. The model explains approximately 38.8% of the variation in profitable value creation ($R^2 = 0.388$), suggesting a moderate explanatory power. The overall model is statistically significant ($F = 24.681$, $p < .001$), indicating that the independent variables collectively predict profitable value creation.

Individually, financial education knowledge has a positive and significant effect on profitable value creation ($\beta = 0.162$, $t = 2.116$, $p = .035$), implying that increased financial knowledge enhances SME profitability. Skills acquisition shows a stronger positive and significant influence ($\beta = 0.341$, $t = 4.345$, $p < .001$), indicating that the practical application of financial competences is a key driver of value creation. Financial attitude exhibits the strongest effect ($\beta = 0.421$, $t = 5.403$, $p < .001$), highlighting the critical role of behavioural orientation, discipline, and long-term financial planning in achieving sustained profitability.

Table 5: Variance Inflation Factor (VIF) and Tolerance Test

Variable	Tolerance	VIF
Financial Education Knowledge	0.712	1.404
Skills Acquisition	0.689	1.452
Financial Attitude	0.731	1.368

Source: Researcher's Computation (2025)

To assess the presence of multicollinearity among the independent variables, Variance Inflation Factor (VIF) and Tolerance statistics were examined. The results indicate that the tolerance values for financial education knowledge (0.712), skills acquisition (0.689), and financial attitude (0.731) are all well above the threshold of 0.10. Similarly, the VIF values for all variables range between 1.368 and 1.452, which are significantly below the commonly accepted threshold of 5. These results suggest that there is no evidence of multicollinearity among the independent variables. This implies that each variable contributes uniquely to the model and that the regression estimates are stable and reliable. Therefore, the model satisfies the multicollinearity assumption, confirming the robustness of the regression results.

Discussion of Findings

Financial Education Competence and Profitable Value Creation

The regression results show a significant positive relationship between financial education competence knowledge and profitable value creation among SMEs in Lagos State ($\beta = 0.162$, $t = 2.116$, $p = .035$). SME operators with stronger financial knowledge apply budgeting, planning, and forecasting tools more effectively, enabling data-driven decisions and improved performance. This confirms that financial education is a practical driver of profitability and sustainability. Supporting studies by Hasan et al. (2024), Mohammadi Khyareh and Zivari (2023), and Eniola and Entebang (2016) highlight financial literacy as critical intellectual capital for enhancing decision-making, resource use, and strategic outcomes in SMEs.

Skill Acquisition and Profitable Value Creation

The analysis also reveals a significant relationship between skill acquisition and profitable value creation ($\beta = 0.341$, $t = 4.345$, $p < .001$). SMEs that engage in training formal or informal—across financial practices such as inventory management, spreadsheet use, and cost tracking, tend to demonstrate better internal controls and operational discipline. Skill acquisition enhances the ability to monitor performance, manage costs, and maintain accurate records, all of which are vital for sustaining profitability. This finding echoes Esiebugie et al. (2018), who found that financial skill development in budgeting, planning, and debt management significantly impacts SME performance in Nigeria. It also supports Eniola and Entebang (2016), who argue that capacity-building strengthens SMEs' strategic capabilities. Atkinson (2017) similarly emphasized that financial training for MSMEs improves money management and profitability, reinforcing the critical role of skills in business performance.

Financial Attitude and Profitable Value Creation

The regression also showed a significant positive relationship between SME owners' financial attitude and profitability ($\beta = 0.421$, $t = 5.403$, $p < .001$). A proactive, goal-oriented mindset characterized by regular performance reviews and informed financial engagement correlates with improved business outcomes. Entrepreneurial attitude thus shapes strategic decisions and resilience. This finding supports Esiebugie et al. (2018) and Burchi et al. (2021), who emphasized

the moderating effect of financial attitude on business success. It affirms that financial orientation, alongside knowledge and skills, is vital for value creation in SMEs

Summary of Findings

- i. Financial education competence, particularly financial knowledge, has a significant positive effect on profitable value creation among SMEs, indicating that informed financial decision-making enhances business performance and sustainability.
- ii. Skill acquisition demonstrates a strong and significant influence on profitability, suggesting that practical financial skills such as budgeting, cost control, and record-keeping improve operational efficiency and internal management.
- iii. Financial attitude exerts the strongest positive impact on profitable value creation, implying that a proactive and disciplined financial mindset significantly drives strategic decisions, resilience, and overall SME success.

Conclusion

The study establishes that financial education competence significantly drives profitable value creation among SMEs in Lagos State, with financial attitude emerging as the most influential predictor, followed by skills acquisition and financial education knowledge. The dominance of financial attitude suggests that beyond possessing knowledge and technical skills, the behavioural orientation of SME owner-managers particularly discipline, risk consciousness, and long-term financial planning plays a decisive role in translating financial competence into sustained profitability. This indicates that knowledge and skills alone are insufficient unless reinforced by consistent behavioural commitment to sound financial practices.

The findings provide deeper theoretical insight by demonstrating how Human Capital Theory and the Resource-Based View operate jointly within SME contexts. While Human Capital Theory explains how financial knowledge and skills enhance decision-making capacity, the Resource-Based View extends this by positioning financial attitude as a behavioural intangible resource that is valuable, difficult to imitate, and central to sustained value creation. This study therefore

contributes to theory by moving beyond static interpretations of financial literacy and conceptualizing financial attitude as the mechanism through which financial knowledge and skills are effectively deployed to generate superior firm outcomes.

From a practical standpoint, the results suggest that financial education interventions must move beyond knowledge transmission to behavioural reorientation. SMEs that embed disciplined financial attitudes alongside technical competences are more likely to achieve consistent profitability, cost efficiency, and long-term resilience.

Recommendations

Given the dominant influence of financial attitude, SME development programmes should incorporate behavioral finance components such as financial discipline, risk management orientation, and long-term planning frameworks, rather than focusing solely on financial knowledge.

SMEs should adopt structured financial practices such as formal budgeting systems, periodic cash flow monitoring, and performance tracking, as skills acquisition was found to significantly enhance value creation.

Public and private sector programmes should simultaneously develop financial knowledge, practical skills, and behavioral attitudes, ensuring a holistic approach that reflects the multidimensional nature of financial education competence identified in this study.

Policymakers should design support schemes that incentivize SMEs demonstrating consistent financial discipline such as accurate record keeping, prudent cost management, and reinvestment practices rather than merely participation in training programmes.

Subsequent studies should examine how financial attitude evolves over time and mediates the relationship between financial knowledge, skills acquisition, and value creation, particularly using longitudinal or mixed-method approaches to capture behavioral dynamics.

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