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Effect of Financial Literacy on the Performance of Micro, Small and Medium Enterprises in Calabar, Nigeria

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ABSTRACT
The primary goal of this study was to investigate the impact of financial literacy on the performance of Micro, Small, and Medium Enterprises in Calabar, Nigeria. The specific objectives were to investigate the impact of financial knowledge on the performance of Micro, Small, and Medium Enterprises in Calabar, Nigeria, to ascertain the impact of financial skill on the performance of Micro, Small, and Medium Enterprises in Calabar, Nigeria, and to ascertain the impact of financial behaviour on the performance of Micro, Small, and Medium Enterprises in Calabar, Nigeria. In this study, the cross-sectional survey approach was utilized. The study included 305 Micro, Small, and Medium Enterprises located in the Calabar Metropolis. A sample size of 256 was established utilizing the Krejcie and Morgan (1970) table. In this study, the stratified sample approach was used in selecting and sampling the firms by attributes and line of businesses. Both descriptive statistics and inferential statistics were adopted, while data analysis was conducted utilizing Ordinary Least Squares regression, aided by the Statistical Package for Social Sciences (SPSS 27). Through this study, it was found that financial competence determines the effectiveness of Micro, Small, and Medium Enterprises found in Calabar, Nigeria. In addition, this study found that financial ability determines the performance of these firms. Also, it was found that financial behavior determines the effectiveness of these Micro, Small, and Medium Enterprises found in the Calabar region of Nigeria. Based on the findings, this study recommends that government ought to carry out extensive financial education and training for managers and owners of MSMEs. Additionally, the specialized skill development programs in financial skills of the owners and employees in Micro, Small, and Medium Enterprises (MSMEs) need to be developed and implemented. Finaly, there is a necessity to organize workshops and sessions focusing on the concepts of behavioural finance, examining the cognitive and emotional influences that affect financial decision-making.

Keywords: Financial literacy, Financial Knowledge, Financial Behaviour, Financial Skills**,**Micro, Small and Medium Enterprises

I. INTRODUCTION

The literacy of finance is mastering attitudinal behaviors, anindividual's effort needed to have educated and efficient decision-makingsabout money management usage (Nkundabanyanga & Kasozi, 2014). Theeffectiveness and responsibility for financial management matters are the inbuilttrait of a person towards reading, analyzing, managing, and explainingfinancially personal economic conditions that affected financial health,options, funding and fiscal difficulties discussed outside feeling awkward inorder to take functional enabling mankind in making accountable resolutionin their pursuit of financial well-being (Ani, Kelmara, & Wesley, 2016).

The performance of micro, small, and medium enterprises (MSMEs) is crucial for economic growth and development in Calabar, Nigeria. However, studies have reported that many MSMEs in the region struggle with poor financial management, leading to low profitability, high

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failure rates, and limited growth (Okafor & Onebunne, 2021; Taiwo et al., 2016). This problem may be attributed to the lack of financial literacy among MSME owners and managers.

Enhanced financial management and organizational success have also been found to have a positive correlation with financial literacy, defined as financial knowledge, financial ability, and financial behavior (Dahmen & Rodríguez, 2014; Eniola & Entebang, 2016). Specific studies have shown that owners and managers of MSMEs in Calabar tend to lack exposure to financial products and financial services, appropriate financial management techniques, and basic financial concepts (Aribaba et al., 2019; Okafor & Onebunne, 2021). Furthermore, they find it challenging to obtain the necessary capabilities necessary for preparing budgets and maintaining them, financial plans management, acquisition, and management of business credit, as well as financial statement preparation, analysis, (Dahmen & Rodríguez, 2014; Taiwo et al., 2016). Also, both owners and Managers of MSMEs in Calabar have financial management practices that compromise the future viability of these firms. These are poor financial record-keeping, spontaneous financial choices, as well as an unwillingness to consult financial advisors or join financial literacy sessions (Aribaba et al., 2019; Taft et al., 2013).

It has been clear, while the importance of financial literacy to MSME performance exists, there has not been adequate study concentrating specifically on the influences of financial knowledge, financial ability, and financial behavior toward MSME performance, especially MSMEs in Calabar. Hence, this study seeks to measure the impacts of financial literacy, operationalized by these three constructs, toward MSME performance, specifically MSMEs' performance in Calabar, Nigeria.

Objectives of the Study

The main objective of this study was to examine the effect of financial literacy, on the performance of Micro,Small and Medium Enterprisesin Calabar, Nigeria. The specific objectives were:

1. To examine the effect of financial knowledge on the performance of Micro, Small and Medium Enterprises in Calabar, Nigeria
2. To ascertain the effect of financial skill on the performance of Micro, Small and Medium Enterprises in Calabar, Nigeria
3. To determine the effect of financial behaviour on the performance of Micro, Small and Medium Enterprises in Calabar, Nigeria

II. CONCEPTUAL FRAMEWORK

Concept of Financial Literacy

The National Financial Educators Council (NFEC) (2020) refers to "financial literacy" as achieving sufficient financial capabilities, competences, and financial information relevant to financial issues, thus empowering individuals to take necessary steps toward personal, business, family, or community targets. Financial literacy represents an essential competence that allows individuals to attain financial well-being while, at the same time, strengthening them toward sound financial decision-making (OECD, 2020). The competence includes an ability to understand financial concepts, efficient money management, effective saving strategies, creation of an investment plan, and debt management (Lusardi & Mitchell, 2014). Well-informed individuals have an increased ability to deal with financial complexities, develop future plans, and deal with financial risks (Huston, 2010). Empirical studies show financial illiteracy is significantly found across various demographics, including children, women, and those facing economic hardship (Klappers et al., 2015). Lack of financial education is associated with poor financial choices, greater debt, and poor savings (Lusardi & Mitchell, 2011). Topics of financial education and financial literacy have found support from teachers, politicians, and policymakers (OECD, 2005) as successful strategies toward solving this problem.

Dimensions of Financial Literacy

Financial Knowledge

Financial literacy refers to one's capacity to comprehend, analyze, and apply fundamental financial concepts and terms in day-to-day scenarios (Huston, 2017). In addition, the financial management, spending, and saving ability has also been seen as an intangible form of capital that develops over time (Potrich, Kelmara, & Wesley, 2016). The essence of financial knowledge is the ability to prudently manage one's income, expenses, and savings (Lusardi & Mitchell, 2008). In order to achieve financial prosperity, it is advised that you maintain a substantial emergency fund, monitor your credit report, avoid incurring credit card debt, save for retirement, and obtain insurance (Robb, 2014). Additionally, it is important to avoid paying more than is necessary.

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Furthermore, the OECD observed that an individual's level of financial literacy is significantly influenced by their understanding of topics such as inflation, risk and return, simple and compound interest, and other related subjects (OECD INFE, 2011).

Financial Behaviour

Zeynep (2015) posits that effective financial behaviour involves the ability to understand the broader implications of one's financial decisions and to make informed decisions regarding budgeting opportunities, safety measures, and cash flow. Hung, Parker, and Yoong (2009) posit that individuals' level of financial literacy acts as an influential factor across financial behavior indicators. Sucuahi (2013) refers to the capability of sound financial choices, which insulates individuals, as well as entities, against uncertainty while enabling them to accumulate wealth, as an essential quality of sound financial behavior. By embracing these best practices, individuals are able to insulate themselves against severe financial hardships, build old-age reserves, and contain debt buildup.

Financial Skills

Financial competencies involve practical capabilities necessary for managing personal or family finances (Huston, 2010). These competencies involve budgeting, saving, investing, borrowing, and debt management (OECD, 2020). Gaining sound financial capabilities is necessary for individuals aiming to attain financial well-being over the course of their lifetimes. Empirical studies show that many people, especially those from younger adult cohorts, lack financial capabilities necessary for sound financial choices (Lusardi & Mitchell, 2011). Lack of these capabilities enhances the likelihood of suffering financial setbacks, including debt buildups, forgone opportunities for savings, and poor-quality choices (Fernandes et al., 2014). In an attempt to address this problem, many financial education efforts as well as various financial education programs have been implemented with the goal of building financial capabilities across various demographics (OECD, 2005).

Factors Influencing the level of Financial Literacy in MSMEs

The financial ability of micro, small, and medium-scale enterprises (MSMEs) relies on several determinants, such as gender, level of education, age, tenure, level of income, gross profits, and capacity for self-regulation (Aeni & Innayah, 2022). Empirical studies show there exists an apparent correlation between an individual's financial ability and both level of education and age (Anshika et al., 2021). In addition, other determinants, such as gender, tenure, level of income, and capacity for self-regulation, also play an influential role in financial ability (Mpaata et al., 2021).

Studies have proved gross profits have the greatest effect on financial ability. In cases where people show poor capacity for self-regulation, financial ability plays an intervening role by strengthening the ability to save, while financial ability acts as an intervening variable by stimulating self-control (Hirawati et al., 2021). Suryanto and Rasmini (2018) argue that MSMEs' financial ability relies on level of education, age, and level of income.

Results show there exists an apparent correlation between MSMEs' financial ability and age. In Pakistan, it has also been noted that gender has an influential effect on MSMEs' financial ability. The study shows MSMEs' financial ability has an apparent correlation with age, while individuals showing greater financial ability also show faster decision-making capabilities (Ignatius et al., 2023). Suryanto and Rasmini (2018) also proved there exists no effect by level of age toward financial literacy by MSMEs. The level by which financial capacity by MSMEs relies on level of age may vary by context, as stated by Rafik and Rahayu (2020).

Education serves as an essential building block in developing the financial abilities of micro, small, and medium-sized firms (MSMEs). A majority of MSMEs are faced with difficulties due to poor training and educational facilities (Aeni & Innayah, 2022). MSMEs need financial education so that they are able to make sound financial choices and spend money wisely (Fauziyah & Sulastri, 2022). Education level plays an essential role in defining both the financial ability of MSME individuals as well as the comparative advantage gained by creative MSMEs (Suwarsi et al., 2022). In addition, the need for change comes due to the identified lack of financial ability by MSMEs (Hardiyanti & Wai, 2022). Empirical studies by Majid and Nugraha (2022) show the positive implications of efforts aimed at enhancing financial ability, especially those relating to Islamic finance, on MSME funding preference, especially expansion finance (Maafira, 2022). In an attempt to

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support MSMEs' financial ability, it is essential that there exists active educational support by the regulatory agencies, industry players, as well as associations.

Gender acts as an intervening variable influencing the financial ability of micro, small, and medium-scale firms (MSMEs). In Nigeria, there exists an established correlation that shows gender has a positively established connection with bookkeeping ability, while there exists a negative correlation relating to debt management abilities (Alfa et al., 2023). In the Special Region of Yogyakarta, gender has little effect on MSME financial ability, especially relating to creative firms (Aeni & Innayah, 2022).

Research indicates that tenure length has an effect on financial literacy among micro, small, and medium-scale enterprises (MSMEs). Aeni and Innayah (2022) proved there exists an inversely linear relationship between MSMEs' tenure period and financial literacy. In addition, financial literacy also relies on educational level, as the application, as well as the understanding, of bookkeeping theories are guided by educational level (Rafik & Rahayu, 2020). These findings reveal that MSMEs are defined by an increased level of financial literacy, educational level, and tenure period. In line with this, it follows that tenure has an effect on MSMEs' financial literacy level, indicating an increased tenure length may result in increased financial literacy. Nugraha et al. (2020) found there exists a correlation between MSMEs' revenue level and financial literacy.

Concept of Micro and Small and Medium Enterprises

Micro and Small Medium Enterprises (MSMEs) are defined by several criteria, such as the level of invested capital, the number of workers, turnover of the business, management structure, location, and market valuated (Wairimu & Mwilaria, 2017). The provision of employment to not lesser than ten was adefinition of MSMEs by Third National Development Plan in year (1975-1980) (Taiwo, Ayodeji & Yusuf, 2012). However, MSMEs are sometimesdefined as businesses with a fixed asset and capital of less than $60,000 andthe capacity to employ 50 workers. Furthermore, a SMEs is defined ascompanies' earnings revenue of N2,000,00 and deduction of liabilities fromtotal assets (net assets) of N1,000,000 (Taiwo, Ayodeji, & Yusuf, 2012).SMEs represent some economic growth and development segment andlargest employers of labours, which provide job opportune to almost allhouseholds in order to stabilize the standard of living (Aga, Francis, &Rodriguez-Meza, 2015; Kamunge, Njeru, & Tirimba, 2014; Palmarudi &Agussalim, 2013).

The Influence of Financial Literacy on MSME performance

Financial literacy helps MSME (micro, small, and medium-sized enterprise) firms stay afloat (Meressa, 2023). Financial literacy has an effect on the sustainability performance of agricultural entrepreneurs, according to Obi-Anike et al. (2023). Widyastuti and Hermanto (2022) found that micro, small, and medium-sized firms (MSMEs) can benefit from microcredit and better financial management if they use social media-based technologies and increase their financial literacy. The accessibility of formal credit is influenced by financial literacy and credit criteria; this, in turn, influences the economic performance of micro, small, and medium-sized enterprises (MSME). Financial inclusion, technological finance, and financial literacy can all improve the performance of Medan's micro, small, and medium-sized enterprises (Gunawan et al., 2023). Astari and Candraningrat (2022) state that SMEs in Palembang can benefit from increased Sharia financial knowledge in order to grow.

Digital financial literacy affects financial performance. How individuals manage their finances is affected by their level of digital financial literacy. Money management has a direct impact on one's financial outcomes. Awwaliyah et al. (2023) found that financial literacy influences financial performance through influencing changes in financial conduct. The degree to which an entrepreneur is financially literate affects their chances of success and resilience. To what extent entrepreneurial competency influences the resilience and long-term success of Saudi SMEs is unclear. Success in the long run is influenced by an entrepreneur's resilience. Seraj et al. (2022) states that in Saudi Arabia, corporate continuity is mediated by entrepreneurial resilience, which in turn is related to financial literacy and competence.

III. THEORETICAL FRAMEWORK

Transaction Cost Theory

This concept of transaction cost was introduced by Williamson in 1981. It maintains that organisations and enterprises are continuously required to pay for resources. Eco-economic or organisational expenses are the terms used to

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describe these expenditures, regardless of whether they are incurred within or outside the organisation.Additionally, these expenditures serve as a benchmark for evaluating the effectiveness and efficiency of different organisational structures in producing financial gains within a specific corporate environment (Cherugong, 2015). As a result, in order for a company to thrive in a competitive and fast-paced market, managers and executives must possess the requisite knowledge, experience, and expertise to effectively manage financial matters. This encompasses the capacity to regulate transaction costs. Businesses will experience subpar performance as a result of the absence of competent financial and managerial personnel, which will result in elevated transaction costs. This is the framework of this theory.

Dual –Process Theory

The hypothesis of dual processes was introduced by Lusardi and Mitchell (2011). This hypothesis posits that individuals' financial judgements can be influenced by their cognitive processes and intuition, and as a result, excellent financial literacy does not guarantee that one will make the best financial decisions. Two-Process Model The actions of financially literate individuals may be influenced by the two primary schools of thought in financial literacy theory: intuition (system 1) and system 2 (cognition) (Glaser & Walther, 2013).

The dual-process approach has relevance to this study, as it shows that those individuals showing high cognitive capabilities are active seekers of information, while also being responsive to relevant messages. What this implies, it seems, is that individuals' decision capabilities may be enhanced by financial literacy education that employs clear, easy-to-follow approaches. Furthermore, individuals depend on intuition when pertinent information is unavailable; financial education may mitigate this dependence by furnishing pertinent information to facilitate decision-making. Nevertheless, the most favourable results may not always be achieved by relying on one's instincts when making critical decisions.

Empirical Review

Endris (2024) investigated the impact of financial literacy on the savings habits of small enterprises in Dessie, Ethiopia. Primary data was collected through a survey that included both open-ended and closed-ended questions. Data from secondary sources encompasses records maintained in the main office, reports on financial literacy that have been published and concentrate on saving practices, and other articles and publications that can be accessed online. A population capacity of 897 personnel has been implemented by the Dessie City Administration. 277 employees were chosen from this population through stratified random sampling. A combination of descriptive and explanatory research methodologies was employed. SPSS was employed to generate descriptive and inferential statistics from the data. The study's findings were visually represented through tables, graphs, charts, and regression analysis. The study's results indicated that education, age, income, and employment position were the most significant socio-demographic factors in determining financial literacy. Alterations in education, income, and financial literacy have affected savings. Nevertheless, thriftiness is inversely correlated with educational attainment.

Morounfoluwa (2023) conducted research on the relationship between financial literacy and the success of entrepreneurs. The investigation primarily relied on responses to a questionnaire that had been prepared. The study employed the snowballing method to administer both physical and electronic questionnaires, which was a necessary sampling strategy. The probabilities found relating to the t-statistic—namely, 0.0226, 0.0372, and 0.0316—demonstrate a statistically significant and powerful correlation between Entrepreneurship Performance (EP), Manager's Literacy (ML), Technical Competence (TC), and Firm Size (FS). Lastly, the level of financial literacy present in an organization is important in determining organizational success. Workers with a sufficient level of personal finance knowledge possess improved abilities in handling uncertain markets, as well as making good financial decisions, hence contributing positively to the financial performance of the organization. Moreover, an entrepreneur with a solid foundation in personal finance has a significant role in maintaining financial stability and facilitating organizational growth. Overall, financial literacy enables employees to undertake good financial decision-making that encourages personal economic wellbeing, an aptitude that would also foster organizational commitment along with job satisfaction. Mogaji and Daniel (2023) investigated the way that financial literacy will influence the profitability of Micro and Small Enterprises (MMSEs) as university students perceive this. The mission of the survey was to collate data from

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nearly 100 MSEs managed by university students. A simple random method was used toward picking close to 60 samples, thus enabling the study toward achieving an optimum sample. Primary data was employed to address the study's enquiries by administering questionnaires to respondents. The results indicate that profitability is not influenced by one's level of financial expertise. Nevertheless, the profitability of the MMSE is significantly influenced by the financial behaviour and attitude of students. The research posits that government organisations and micro, medium, and large deposit money institutions may collaborate to execute financial education initiatives. These programs would assist in addressing the deficiencies in market knowledge concerning the efficacy of funding for new enterprises. This will motivate MSEs to expand and flourish in regions where they are presently underperforming. Financial education programs would unquestionably contribute to the expansion of businesses and the general improvement of society, given the significant contributions made by MSEs to the economies in which they operate.

Togun, Ogunrinade, Olalekan, and Jooda (2022) examine the influence of financial literacy as a mediator between financial inclusion and the performance of SMEs. We implemented a targeted sample strategy to select SMEs that have been operational for a minimum of five years and are correctly registered with SMEDAN. Simultaneously, 250 managers or operators of SMEs were selected for the research through a simple random sampling process. Data analysis was conducted using structural equation modelling (SEM). The results indicate a statistically significant and positive correlation between the performance of SMEs and financial inclusion. An additional piece of evidence is the correlation between financial literacy and financial inclusion. Furthermore, the results indicate that the efficacy and productivity of small and medium-sized enterprises are substantially enhanced by a high degree of financial literacy. Some evidence suggests that financial literacy mediates the relationship between the performance of SMEs and financial inclusion. The research further implies that accounting groups and small business regulators collaborate to offer financial literacy programs to small business owners, which include lectures, seminars, and crash courses. This significantly enhances the accessibility of capital for small business proprietors.

Asom, Asue, Ijirshar, and Ikyaator (2022) investigate the aggregate effect of financial literacy on the performance of small and medium-sized firms in Nigeria from 1990 to 2019. The enhanced Dickey-Fuller unit root test yielded a mixed-order integration and bounds test result, which confirms that the model variables will not diverge over time. Although all variables were capable of self-regulating in response to a shock, the error correction model determined that the short-term productivity of small and medium-sized enterprises (SMEs) was positively influenced by only financial capability and lag values of their contributions to development. Regrettably, both financial awareness and financial access had a detrimental effect on growth in the short term. However, research demonstrated that the production of small and medium-sized businesses (SMBs) was considerably enhanced over time by financial literacy, financial access, and financial competence. The report concluded that in order to prevent misuse, small and medium-sized enterprise (SME) loans and grants should be more transparent, better financed, and closely monitored.

Mabel's (2022) research on financial literacy and behavioural finance focused on micro and small enterprises in Sunyani Municipality, Ghana. The objective of this investigation was to ascertain the correlation between financial literacy and behavioural finance in Ghana's micro and small enterprises. The results demonstrated a comparison between individuals with lesser levels of financial literacy, owners, and MSEs managerial officers. A highly knowledgeable level of financial literacy would have been characterised by sound financial behaviour and favourable and attitudinal finance. It was suggested that MSEs should prioritise and facilitate the implementation of prudent financial decision-making requirements that are based on attitudinal finance and sound financial behaviour. In order to promote the expansion of MSEs, it is imperative to reinstate financial education as a component of policies. This will provide entrepreneurs and management teams with the requisite knowledge and skills to make informed financial decisions.

Research Design

The study employed a cross-sectional survey design, which involved the collection of data on all variables at a specific juncture in time. This design has been determined to be suitable for the purpose of data collection across various enterprises at a specific point in time.

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Model Specification

A multiple linear regression model was employed to assess the research topic.The functional model was written in explicit form asfollows;
The model is shown below;
PF = F (FK, FS, FB) …… (1)
Where:
PF = Performance
FK = Financial Knowledge
FS = Financial Skill
FB= Financial Behaviour
In a regression form, it will become:
$PF= \beta_o + \beta_1 FK_{it} + \beta_2 FS_{it} + \beta_3 FB_{it} + \mu$ …… (2)
βo = Constant Term
β_1- β_3 = Coefficient of the model parameters
μ = Error Term

Test of Hypotheses

Multi Co-linearity Test

	Co-linearity statistics	
	Tolerance	**Variance inflation factor (VIF)**
(Constant)		
Financial Knowledge	.384	7.884
Financial Skill	.265	5.417
Financial Behaviour	.424	8.088

Source: Researcher's Computation, 2025

If the tolerance value is less than 0.2 or 0.1 and the VIF value is 10 or greater, it is possible to infer that multi-co-linearity is present. However, we can exclude multi-co-linearity in the data due to the fact that the tolerances and VIFs were both greater than 0.2 and less than 10, respectively. This implies that the analysis can proceed as intended.

Model Summary

Model Summary					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin Watson
1	.934[a]	.872	.870	.421	1.661
a. Predictors: (Constant), Financial Behaviour, Financial Knowledge, Financial Skill Dependent variable: Performance					

Source: Researcher's Computation, 2025

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According to the adjusted $R2$ (coefficient of multiple determination), the performance variances are accounted for by 0.870 (87.0%) of the variances in financial behaviour, knowledge, and skill. Other factors that accounted for 13% of the performance variance were excluded from the analysis. The Durbin Statistics is a valuable instrument for detecting autocorrelation in residuals from regression analysis. This quantifies the degree of agreement between two sets of data regarding the values of the variables. A Durbin-Watson statistic of 1.661, which is less than 2, can be used to exclude autocorrelation.

ANOVA TABLE

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	236.084	3	78.695	444.878	.000[b]
	Residual	34.671	196	.177		
	Total	270.755	199			
a. Dependent Variable: Performance						
b. Predictors: (Constant), Financial Behaviour, Financial Knowledge, Financial Skill						

Source: Researcher's Computation, 2025

Given that P-value of 0.000 which is less than 0.05, we conclude that expected financial literacy has a significant effect on performance of the selected MSMEs at 5% level of significance.

Regression Coefficients

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.457	.110		4.145	.000
	Financial Knowledge	.441	.083	.468	5.310	.000
	Financial Skill	.298	.096	.312	3.108	.002
	Financial Behaviour	.167	.070	.172	2.368	.001
a. Dependent Variable: Performance						

Source: Researcher's Computation, 2025

IV. V. DISCUSSION OF FINDINGS

In accordance with the regression results (β1=0.441, p=0.000, t=3.108), performance was significantly and positively influenced by financial knowledge. Based on these results, it is evident that financial literacy has a substantial influence on the success of small and medium-sized enterprises (SMEs) in Calabar, Nigeria. Consequently, the alternative hypothesis is rejected. The research conducted in Calabar, Nigeria, demonstrated that the financial literacy of a company's proprietors is a critical factor in its success. This outcome is consistent with the findings of Asom, Asue, Ijirshar, and Ikyaator (2022), who conducted an analysis of the influence of financial literacy on the success of small and medium-sized enterprises (SMEs) in Nigeria from 1990 to 2019. The enhanced Dickey-Fuller unit root test yielded a mixed-order integration and bounds test result, which confirms that the model variables will not diverge over time. Although all variables were

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capable of self-regulating in response to a shock, the error correction model determined that the short-term productivity of small and medium-sized enterprises (SMEs) was positively influenced by only financial capability and lag values of their contributions to development. Regrettably, both financial awareness and financial access had a detrimental effect on growth in the short term. Research demonstrates financial capabilities, financial literacy, and financial acumen as essential determinants driving greater productivity over time across small and medium-sized firms (SMEs). In addition, financial acumen has emerged as an essential determinant significantly influencing the performance of small and medium-scale businesses (SMBs) in Calabar, Nigeria. These findings are also consistent with those indicated by Morounfoluwa (2023), who examined the correlation between financial literacy and successful entrepreneurships. The study mostly relied on data collected via survey instruments specifically prepared for this study. It used the snowball method of distributing both paper and electronic questionnaires, an efficient method. The values representing the values attached to the t-statistic (0.0226, 0.0372, and 0.0316, respectively) reveal there exists a statistically significant correlation between Entrepreneurship Performance (EP), Manager's Literacy (ML), Technical Competence (TC), and Firm Size (FS). In conclusion, financial literacy serves as an essential determinant of organizational success.

Additionally, the study found that financial behavior contributes significantly toward maximizing the operational efficiency of micro and small-scale enterprises (MSMs) found in Calabar, Nigeria. In line with Mogaji and Daniel (2023), it emerged that financial competence influences cognitive behavior, as well as the attitude, of Nasarawa State University Keffi students engaged in managing successful Micro and Small Enterprises (MMSEs). The study aimed at collecting data from close to 100 micro and small-scale enterprises operated by university students. In an attempt to get a representative sample, the study utilized a simple random sampling method, targeting close to 60 study participants. Information necessary to provide an answer to the study questions was collected by distributing questionnaires to the respondents. Findings gathered through the analysis by means of regression indicated that financial behavior significantly influenced performance, while the parameters $\beta 1=0.167$, $p=0.001$, and $t=2.368$, proved the same. These findings confirm the alternative hypothesis, indicating that the level of productivity efficiency of MSMs found in Calabar, Nigeria, significantly relies on monetary policy, while rejecting the null hypothesis. In addition, the findings indicate that one's level of financial competence does not matter, while financial behavior, as well as financial attitude, has an effect on the profitability level of MSMs.

VI. CONCLUSION

The principal objective of this study was to find out how financial ability influences performance indicators of micro, small, and medium-scale firms in Calabar, Nigeria. The study reveals that financial competence enjoyed by small-scale firms (SMEs) in Calabar, Nigeria, has a huge effect on performance indicators. In addition, the study shows that financial inputs' effect on the efficiency of operation by SMEs in Calabar, Nigeria, is significantly pronounced. Lastly, the study shows that the success of SMEs in Calabar, Nigeria, has a huge effect on financial management strategies.

RECOMMENDATIONS

The study's findings show that it is best that:

1. The government ought to carry out extensive financial education and training for managers and owners of MSMEs. These oughts to cover areas in financial planning, budgeting, bookkeeping, finance acquisition, and financial decision making. Implementation of these actions is bound to improve financial skills and hence result in the overall improvement of business performance.

Additionally, the specialized skill development programs in financial skills of the owners and employees in Micro, Small, and Medium Enterprises (MSMEs) need to be developed and implemented. Specialized programs covering various areas in financial analysis, budgeting, financial management, financial reporting, and finance-based decision-making should be included.

3. Furthermore, there is a necessity to organize workshops and sessions focusing on the concepts of behavioral finance, examining the cognitive and emotional influences that affect financial decision-making.

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