Small and Medium Scale Enterprises Managers' Rating of Financial Management Skills Needed for Business Success in Delta State, Nigeria

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Abstract
The study determined the rating of financial management skills needed for business success among small and medium-scale enterprises managers in Delta State. One research question guided the study, and one null hypothesis was tested at 0.05 level of significance. Descriptive survey research design was adopted, and the population of 609 SMEs managers was studied without sampling. A structured questionnaire containing 10 items was face validated by three experts in the field and was used for data collection. Test-retest method was used to establish the reliability of the instrument, and the data analysed with Pearson Product-Moment Correlation, yielding coefficients of 0.66. Five hundred and ninety-six (596) duly completed copies of the instrument were retrieved and used for data analyses. Mean and standard deviation were used to analyze the research question, while the t-test was used to test the null hypothesis at 0.05 level of significance. Findings revealed that the respondents rated their financial management skills as high. Based on the findings of the study, the researcher concludes that all financial management skills listed were highly needed by SMEs managers for business success. It was therefore recommended that the Federal and State governments should make good policies on small and medium scale enterprises promotion by ensuring that SMEs managers practice the appropriate level of financial management skills needed for business success. This will help to reduce the incidence of business failure in Delta State and the country at large.

Keywords: Small and Medium Scale Enterprises, Managers, Skills, Entrepreneurial Skill, Financial Management Skills

Introduction

In this contemporary era, the number one challenge facing Nigerian society is how to eradicate poverty through the establishment of small and medium-scale enterprises (SMEs). These current economic challenges facing Nigeria have made the entire government support skills acquisition programme to tackle this challenge. Meanwhile, the SME managers should be able to utilize available skills effectively to keep the business afloat. Inegbenebor (2006) identified some skills needed for business success to include the ability to plan, organize, and manage small and medium-scale enterprises, and these skills are of utmost importance, as the success of the entire business depends on these skills. The author further stated that the ability to develop skills of keeping the accounting records of small and medium scale enterprises are very important, and these skills ensure the financial stability of the enterprises as financial records kept act as reference materials. This implies that skills are very much needed for successful entrepreneurship and for enhancing self-reliance.

Entrepreneurship is the process whereby an individual discovers, evaluates, and exploits opportunities independently (Miço & Jonida, 2023). It is a process involving recognizing opportunities in the environment, mobilizing resources to take advantage of such opportunities in order to provide improved goods and services for consumers, and making a reward for the risk taken. Thus, entrepreneurship involves the creation of job opportunities and the provision of wealth to the people. Entrepreneurship can also provide best quality product at a low price so that people can save their money and get the best product. Onu in Ibeenwo (2018) explained that entrepreneurship is the process of using innovation to create value by bringing together a unique bundle of resources to exploit an opportunity.

However, every small and medium-scale enterprise manager desires to survive in their business. For this to be achieved, appropriate entrepreneurship skills must be utilized for a successful business. A casual observation shows that most small and medium-scale enterprise managers make use of financial management skills, but to some extent. Ile and Nwokoli (2016) held that the success of entrepreneurship depends on skills acquired by the small and medium scale enterprise managers. Entrepreneurial skills are simply business skills, which one acquires to enable one function effectively in the turbulent business environment as small and medium scale manager (Udo, Brownson & Akpan, 2023). This suggests that entrepreneurial skills provide an understanding of the main areas one needs to know about to run a successful business. Udo et al. opined that the acquisition of entrepreneurial skills means possessing the ability to find and evaluate business opportunities, gather the necessary resources, initiate appropriate actions to ensure success, and implement actions to take advantage of the opportunities for a rewarding outcome. This implies that the success of a business depends on many factors, top of which is the level of financial management skills used by the small and medium-scale enterprise managers. Lending support to this, Ile and Nwokoli (2016) stated that once a business ceases to be in operation, it is said to have failed. This implies that for one to become a successful small and medium-scale enterprise manager, one needs an appropriate level of financial management skills to succeed in the competitive market. Ohaneme in Ile et al (2021) identified skills needed by small and medium-scale enterprise managers for successful business to include self–motivation skills, capital development skills, problem–solving skills, organizational skills, and human relation skills. Udemba (2020) listed out the skills needed for a successful enterprise to include: sales and marketing skills, self-motivation skills, time management skills, and administrative skills. Meanwhile, the researcher focuses on financial management skills.

Financial management skills have to do with all the financial activities carried out to ensure that the objective of a business enterprise is achieved. Orobia et al. (2020) held that financial management skill reminds managers where and how to spend money, and it provides ways to measure progress or shortfalls. A sound financial management skill is the cornerstone of a great business plan. Mbadugha and Eze (2021) identified some of the accounting and financial management skills required by managers for successful operation of business enterprises to include; knowledge of accounts, knowledge of costing, ability to know gross and net profit, ability to know sources of funds, ability to interpret financial statement, ability to acquire the skill of preparing financial statements, ability to know how to obtain loans, ability to understand payroll and various deductions, acknowledge of factors involved in decision to grant loan by financial houses, knowledge of the use of insurance, knowledge of total business or industry being entered, and finally, awareness of manufacturing and production methods.

However, managers of small and medium-scale enterprises seem to be failing in the achievement of their business goals because of poor financial management skills. Poor management skills according to Schaefer (n.d) is the number one reason for business failure. Udemba (2020) added that managers of small and medium-scale enterprises lack knowledge on how to run businesses. Over 90 percent of the SMEs dealt with during the study on entrepreneurial training needs analysis in SMEs confessed that their businesses were not performing well due to the above deficiencies (Shekar, Hassan & Al Mubarak, 2021). In the view of Penc in Deinmodei et al. (2021), Managers can be business owners and, in this case, are referred to as employers of labour handling employee relations issues daily, including their involvement in developing programs that concern the improvement of organizational performance. Managers can also be seen as specialists who can find solutions to the organizational complicated conjuncture, who are not afraid to take risks, who can draw the visions of the future, formulate the strategy to welcome changes, and know how to use the resources for optimal realization of their visions. This implies that managers can be seen as individuals who possess the entrepreneurial skills to handle businesses and to improve quality and productivity by taking risks associated with the business for the growth of the enterprise. Managers of small and medium-scale enterprises could be male or female.

In addition, gender can be an influencing factor in the successful running of businesses by small and medium-scale enterprise managers. This is because Abor and Biekpe (2005) had observed that female managers of SMEs are less likely to survive than their male counterparts due to unequal economic activities and inequalities of access to productive resources such as capital, leading to differences in self–motivation skills and financial management skills.

Therefore, this study sought to determine the views of managers of small and medium-scale enterprises regarding the level of financial management skills needed for business success, with special focus on Delta State.

Statement of the Problem

The problem of this study is that some SME managers engage in small and medium-scale enterprise (SMEs) without acquiring the appropriate level of skills and competencies needed for effective operation of the business. As a result, failure follows instead of success. In addition, the high rate of business failure can be attributed to inadequate financial management skills, marketing skills, and organizational skills. This situation calls for further investigation, especially in Delta State. Consequently, the researcher is interested in determining the managers' rating of financial management skills needed for business success in Delta State.

The main purpose of the study was to determine the small and medium-scale enterprises managers' rating of financial management skills needed for business success in Delta State. Specifically, the study determined the:

1. Financial management skills needed by small and medium-scale enterprise managers for successful business operation.

Research Question

The following research question guided the study;

1. What are the small and medium-scale enterprises managers' ratings of financial management skills needed for the successful operation of businesses in Delta State?

Hypothesis

The following null hypothesis was tested at 0.05 level of significance;

1. There is no significant difference in the mean ratings of male and female small and medium scale enterprise managers on financial management skills needed for business success in Delta State.

Methods

A descriptive survey research design was adopted for this study. The population of the study consisted of all the 609 registered male and female managers of small and medium-scale enterprises in Delta State of Nigeria. Information gathered from the Delta State Ministry of Commerce and Industries showed the distribution of SME managers as follows: Delta North with 252 managers of SMEs, Delta Central with 273 managers of SMEs, and Delta South with 84 managers of SMEs. The instrument for data collection was a structured questionnaire developed by the researcher and titled "Financial Management Skills Needed for Business Success Questionnaire (FMSNBSQ)" consisting of two major sections: A and B. Section A contained one item designed to collect demographic data of the respondents such as gender while section B contained 10 items on rating of financial management skills needed by small and medium scale manager for business success. The instrument was structured on a five-point rating scale of: Very Highly Needed (VHN), Highly Needed (HN), Moderately Needed (MN), Lowly Needed (LN), and Very Lowly Needed (VLN).

The face validity of the instrument was established using three experts from Business Education and the other expert from Measurement and Evaluation, both from the Faculty of Education, Nnamdi Azikiwe University, Awka. Test-retest method was used to determine the reliability of the instrument. Data from the two tests were analyzed using the Pearson Product-Moment Correlation Coefficient to measure their internal consistency, and a reliability coefficient of 0.78 was obtained. Copies of the questionnaire were administered to the respondents with the help of six research assistants selected from the three senatorial districts of Delta State. These research assistants were briefed on the procedures for administering and collecting the instrument. Out of 609 copies of the questionnaires distributed to the respondents, 596 copies were correctly filled and returned by the respondents, indicating 97.9% return rate, while 13 copies were not returned. Mean scores and standard deviation were used to answer the research question and determine the homogeneity of respondents' mean ratings, while the t-test was used to test the null hypothesis at 0.05 level of significance. The decision on the t-test is that the null hypothesis was rejected, where the p-value is less than the significance level, while it was accepted where the p-value is greater than or equal to the significance level. The analyses were carried out using Statistical Package for Social Sciences (SPSS) version 25.0.

Result

Research Question One: What are the small and medium-scale enterprises managers' ratings of financial management skills needed for the successful operation of businesses in Delta State?

Table 1: Respondents' Mean Rating and Standard Deviation on Financial Management Skills Needed for Business Success N = 596

S/N	Financial management skills	$\overline{X}$	SD	Remarks
1	Ability to discover sources of fund to start a business	4.30	0.86	Highly Needed
2	Ability to access multiple financial windows in a short time	4.53	0.82	Very Highly Needed
3	Ability to ascertain the financial position of the business of all times	2.96	0.69	Moderately Needed

4	Ability to maintain agreement for loans	4.49	0.78	Highly Needed
5	Ability to prepare simple budgets	2.74	0.75	Moderately Needed
6	Ability to avoid unplanned expenditure	4.33	0.84	Highly Needed
7	Ability to separate personal expenditure from that of the business	4.44	0.87	Highly Needed
8	Ability to invest business finance wisely	4.46	0.82	Highly Needed
9	Ability to determine the appropriate employee wages and benefits	4.35	0.73	Highly Needed
10	Ability to apply simple business laws	3.29	0.68	Moderately Needed
	Cluster mean	**3.99**		**Highly Needed**

Table 1 shows that one of the 10 items listed on financial management skills needed for successful operation of businesses is rated by SME managers as very highly needed, with mean score of 4.53. Out of ten items listed, the SME managers rated six as highly needed, with mean scores ranging from 4.30 to 4.49 and the rest were rated moderately needed, with mean scores of 2.74 to 3.29. The cluster mean of 3.99 shows that overall, small and medium-scale managers rated financial management skills as highly needed for the successful operation of businesses in Delta State. The standard deviations for all the items are within the same range, showing that the respondents are not widely apart in their ratings.

Hypothesis One: There is no significant difference in the mean ratings of male and female small and medium scale enterprise managers on financial management skills needed for the successful operation of businesses in Delta State.

Table 2: t-test Analysis of Significant Difference in the Mean Ratings Between Male and Female SME Managers on Financial Management Skills Needed for Successful Operation of Businesses N = 596

Gender	N	$\overline{X}$	SD	df	t-value	p-value	Remark
Male	386	4.02	0.87	594	2.17	0.36	Not significant
Female	210	3.96	0 74				

Table 2 shows a t - t-value of 2.17 with 594 degrees of freedom and a p-value of 0.36. Since the p-value of 0.36 is greater than the alpha level of 0.05 (p-value =-0.36 < 0.05), the null hypothesis was therefore accepted. This means that there is no significant difference in the mean ratings of male and female small and medium-scale enterprise managers on financial management skills needed for the successful operation of businesses in Delta State.

Discussion of the Findings

Findings of the study showed that managers of small and medium-scale enterprises in Delta State rated financial management skills to be highly needed for business success. The findings of the study are in accordance with the opinions of Samuel, Joseph and Yinzuo (2024), who found that financial management skills are highly required for the successful operation of business enterprises. This agrees with the findings of Nkwinika and Akinola (2023), who stressed that the managers of small and medium-scale enterprises are highly required to have financial management skill, hence this will assist the managers to monitor financial flow in their organizations. The financial skills acquired by these managers would be fully utilized in small and medium enterprises. These findings supported the views of Samuel et al. (2024), who identified the ability to interpret financial statements, the ability to source and obtain loans, and the ability to prepare sales and purchase records as important financial management skills. In essence, small and medium-scale enterprise managers must recognize the fact that having self-motivation skills alone is not enough to achieve business success, but should also have financial management as another relevant ingredient in achieving the organizational goal. Furthermore, the test of the null hypothesis showed that male and female SMEs managers in Delta State do not differ significantly in their mean ratings on financial management skills needed for business success. This shows that the male and female SME managers consider financial management skills very essential for business success. In support of this, Ezenwafor and Onwochei (2015) found that financial management skills help one to succeed in one's undertakings.

Conclusion

The findings of this study have revealed that the financial management skills identified were rated to be highly needed by small and medium enterprises managers for the successful operations of businesses. This means that SMEs managers or prospective SMEs managers should be equipped with an appropriate level of financial management skills before setting up an enterprise. Furthermore, the study revealed that male and female managers of small and medium-scale enterprises do not significantly differ in their mean ratings on the level of financial management skills needed for business success. Based on the findings of the study, the researchers concluded that entrepreneurial success is strongly influenced by financial management skills regardless of gender differences.

Recommendations

Based on the findings of this study, the following recommendations were made:

1. The federal and State governments should provide capacity-building programmes for SMEs managers to update their financial management skills needed for business success.
2. Delta State Government agencies such as SMEDAN, NGOs, and tertiary institutions should design capacity-building programmes focused on financial management skills for both current and aspiring SME managers.
3. Since no significant gender difference was found regarding financial management skills, interventions and empowerment programmes should focus on financial management skills for both genders**,** ensuring equal access and tailored support for them.

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