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# Effect of Financial Management Skills on the Performance of Women Entrepreneurs in Osun State, Nigeria

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## ABSTRACT

*The study investigated the effect of financial management skills on the performance of women entrepreneurs in Osun State, Nigeria. Structured questionnaire was used to collect data from 267 respondents out of 6,543 registered women entrepreneurs through random sampling method. Multiple regression analysis was used to analyze the data collected in order to examine the effect of independent variable, financial management skill dimensions (records keeping, financing and working capital management), on dependent variable, performance (growth). The result showed that financial management skill dimensions have significant effect on the performance of women entrepreneurs. Based on this, it is concluded that the predictor variables namely (records keeping, financing and working capital management) are jointly 49.1 percent variance of women entrepreneurs' performance. In line with this, the study, therefore, recommended that government and other stakeholders should encourage women to have access to short-term training on financial management skills development so as to boost their performance.*

**Key Words:** *Financial management, entrepreneurship, skill, entrepreneur*

## **Introduction**

Entrepreneurship is considered as one of the major drivers of global innovation, competitiveness and economic growth in this modern day needs for increasing industrialization. It is regarded as the life wire of a country's economy and the cornerstone of poverty reduction, job and wealth creation in a very innovative and creative ways. Past studies opined that one of the crucial economic development objectives of any government in the world over is employment creation and the sure means of achieving this is entrepreneurship development (Abimbola and Kolawole, 2017; World Bank, 2007; Hisrich, 2005; Fox, 2001).

In Nigeria, the governments have to a certain level, recognized the importance of developing entrepreneurship which could promote and achieve economic growth, wealth creation, employment creation and poverty reduction. In this regard, the various governments have, in recent times, concentrated on the development of individuals considered to be disadvantaged in the past, especially women entrepreneurs. For instance, ILO (2011) observed that a significant number of enterprises are owned by men and therefore, it is not common to see women-owned businesses globally especially in developing countries like Nigeria. The idea and practice of women entrepreneurs is a recent phenomenon. These women entrepreneurs are viewed as late entrants in the club house of entrepreneurship and therefore considered as lacking the adequate skills and competencies needed to start and successfully grow a business.

Women-owned businesses as observed by Brusha and Cooper (2012) and Brush, Carter, Gatewood, Greene and Hart (2006) are one of the fastest growing entrepreneurial populations in the world with significant contributions to innovation, employment, poverty reduction and wealth creation in all economies. However, women in developing countries like Nigeria have not played a forestanding role in entrepreneurship for a diversity of reasons. To support this revelation, Olomi (1999) revealed that traditionally, a woman's role has been that of mother and wife as well as to always be found in the kitchen. Gender inequalities and inequities in developing countries including Nigeria have seriously affected women's behaviours. Orser, Riding and Maley (2006) further confirmed the earlier position made by Olomi (1999) by arguing that the female entrepreneur original model is portrayed as maternal, care giving, nurturing and struggling to balance work and domestic responsibilities. This revelation therefore calls for the empirical evaluation of the extent to which financial management skills can boost women entrepreneurial participation and influence their entrepreneurial performance.

## **Statement of the Problem**

Literatures on entrepreneurship have made very significant documentation

of the desire of women entrepreneurs to be economically independent as well as their roles and contributions as women entrepreneurs in shaping labour market by creating jobs for themselves, reducing poverty and jobs for others. However, in spite of their outstanding contributions and laudable significance in addition with the increased supports by the governments together with other stakeholders to ensure the success of women entrepreneurs, they continue to display high birth and death rates. Interestingly, women entrepreneurs have weaker managerial and business skills, poor financial knowledge and less business experience which are the most serious issues which lead to reduction in business efficiency and high failure of women businesses (Abimbola and Kolawole, 2017; Ebashi, Sakai and Takada, 1997).

As a result of high rate of failure of women businesses, it becomes very germane to examine the relationship between financial management skills and the performance of women entrepreneurs. Hence, this study intends to fill the identified gap by examining the effect of financial management skills on the performance of women entrepreneurs in Osun State, Nigeria.

### ***Research Objective***

The broad objective of the study is to examine the effect of financial management skills on the performance of women entrepreneurs in Osun State, Nigeria.

### ***Research Hypothesis***

**H<sub>0</sub>:** Financial management skills (records keeping, financing and working capital management) have no significant effect on the performance of women entrepreneurs in Osun State, Nigeria.

**H<sub>1</sub>:** Financial management skills (records keeping, financing and working capital management) have significant effect on the performance of women entrepreneurs in Osun State, Nigeria.

### ***Literature Review***

Observation shows that entrepreneurship is a complex phenomenon involving a set of activities with technical, human, managerial and entrepreneurial characteristics, the performance of which requires set of skills (Filion, 2008). The researcher further stressed that entrepreneurial actors, that is, the business owner-managers play additional roles (mainly managerial) when they carry out their entrepreneurial activities. Meanwhile, the development of entrepreneurship as a discipline did not follow the same pattern as other disciplines as large numbers of researchers, each using a culture, logic and methodology to varying degrees in their own fields, began to take an interest and work in the field of entrepreneurship (Filion, 1997). Therefore, there is no consensus on the definition of entrepreneurship.

Acadia Centre for Small Business and Entrepreneurship (ACSBE) (2005) defined entrepreneurship, as the ability to make an informed decision and take

responsibility for the consequences of the action emanating from that decision (risk-taking). Every successful entrepreneur has been someone who has been able to identify a problem and come up with a solution to it before someone else does it. Entrepreneurship is more than simply “starting a business”. It is a process through which individuals identify opportunities, allocate resources and create value. This creation of value is often through the identification of opportunities for an improved change (Solomon, 2002). From the view of Kabiru and Yusuf (2014), entrepreneurship is the act of being an entrepreneur which is seen as one who undertakes innovations with finance and business acumen in an effort to transform innovations into economic goods, hence entrepreneurs see “problems” as “opportunities”.

### ***Financial Management***

One of several functional areas of management is financial management which is the major key to the success of businesses. Financial management is the management of finances of a business in order to achieve the financial objectives of the business (Abimbola and Kolawole, 2017). Financial management as opined by McMahan, Holmes, Hutchison and Forsaith (1993) is based on mobilizing and using sources of funds which is concerned with raising the funds needed to finance the enterprise’s assets and activities, the allocation of these scarce funds between competing uses and ensuring that the funds are used effectively and efficiently in achieving the enterprise’s goals.

Furthermore, Olamide and Sajuyigbe (2011) defined financial management as planning, organizing, directing and controlling the financial activities such as the procurement and utilization of funds of the enterprise. It also means applying general management principles to financial resources of the enterprise.

### ***Skills***

Skills have been variously defined by Wickham (1998) and Awogbenle and Iwuamadi (2010) as knowledge or competence which is demonstrated by action. Skills are abilities to perform in a certain way. Synonymous with skills are the words competencies and abilities. Entrepreneurial skills are the basic capabilities required for a sound-starting, development, financing and marketing of home business enterprise (Lyve, 2005). They are qualities or attributes required of a person to start and successfully manage a business in a competitive environment. In addition to this, Akande (2010) observed entrepreneurial skills as qualities or attributes required for an entrepreneur to start and successfully manage a business in a competitive environment. Many studies have established specific business skills that are germane for the success of micro and small enterprises. For instance, Botha (2006) revealed that the absence or low levels of key skills such as motivation, ability to gather resources, financial management, human relation, planning, marketing and

technical skills may lead to little or zero performance while weakness in a particular dimension would decrease effectiveness in the overall performance of the enterprise. This, according to the study means that the increase in the capacity of any of these skills can lead to an increase in the entrepreneurial performance of the enterprises.

A literature search on skills, competencies or abilities revealed that financial management skills can be classified into three categories which include but not limited to records keeping skills, financing skills and working capital management skills.

### ***Financial Management Skills***

Olamide and Sajuyigbe (2011) defined working capital management as decisions relating to working capital and short-time financing. These involve, according to the authors managing the relationship between a firm's short-term assets and short-term liabilities. Kiita (2013) affirms that the goal of working capital management is to ensure that the firm is able to continue its operation and that it has sufficient cash flow to satisfy both maturing short-term debt and upcoming operational expenses. The context of working capital management includes cash management, receivable and payable management, and inventory management (Sajuyigbe, Adeyemi and Odebiyi, 2016). According to Romney (2009), financing means overseeing the capital structure of an enterprise. An enterprise's capital structure refers to the combination of its various sources of funding. Most enterprises are funded by a mix of debt and equity. When determining a business' cost of capital, the cost of each component of the capital structure is weighed in relation to the overall total amount (Sajuyigbe, *et al.*, 2016).

Big and Perrins (1971) cited in Kithae, Maganjo and Kavinda (2013) defined record keeping as the art of recording all money transactions so that financial position of business undertaking and its relationship to proprietors as well as outside persons can be readily ascertained. Every enterprise, however simple requires records written. These are used by managers as guides to routine actions, taking of decisions, formulation of general rules and maintaining relationship with other organizations or with individuals (Lee, 2000). Thus, a business without written records is like a blind man without his aid or a vehicle without a driver for it does not know which way it is going.

### **Empirical Studies Showing the Relationship between Financial Management Skills and the Performance of Women Entrepreneurs**

The argument on the effect of financial management skills on the performance of women entrepreneurs has been in the front burner for years. This has geared up many researchers and scholars on the subject to conduct researches that could beam light on the issue. It is in the same spirit that the reviewing of the past studies on the subject in order to lay foundation for this study remains

very imperative.

Considering a study carried out by Abimbola and Kolawole (2017), the study examined the relationship between financial management practices and performance of women entrepreneurs in Nigeria. The result of the study showed that women entrepreneurs' performance is positively related to financial management practices. The implication of this is that the more efficient the financial management practices of women entrepreneurs, the better their performance and that by raising the efficiency of financial management practices, women entrepreneurs will improve on their profitability. Interestingly, Sajuyigbe, Adeyemi and Odebiyi (2016) conducted another study on financial management practices and women entrepreneurs' performance: an empirical investigation. The finding of the study revealed that financial management practices have insignificant influence on the performance of women entrepreneurs meaning that the adoption and implementation of financial management practices by women entrepreneurs is very low.

A further study was carried out by Ntobo and Muturi (2016) on the effect of entrepreneurial financial skills on the use of debt financing among small and medium enterprises in Bounghoma County, Kenya. The result of the study revealed that entrepreneur's financial management skills will increase the use of debt financing.

### ***Methodology***

The study adopted a survey design. This design was chosen because the sampled elements and the variables of interest are simply being observed as they are without making any attempt to control them. The study area was Osun State. The choice of this place was purposive and convenience. Multistage sampling procedures consisting of stratified, purposive sampling and simple random sampling techniques were used to select a total of two hundred and seventy-one (271) out of six thousand, five hundred and forty-three (6,543) women entrepreneurs that were registered with their respective associations in the selected local government areas and are engaged in hairdressing, fashion designing, food catering and textile trading among others. The sample was taken across the twelve (12) local government areas comprising four (4) local governments from each of the three (3) senatorial districts in the state. Structured questionnaire was used to collect primary data from the respondents. Two hundred and seven-one (271) copies of questionnaire were administered to respondents, out of which two hundred and sixty-seven (267) were retrieved, representing 98.5% retrieval rate.

The questionnaire was measured and the responses were rated on the Likert-scale format with answers ranging from 1-5 (1= strongly disagree to 5= strongly agree) with each dimension having 5 questions. The instrument used in this study was submitted to a panel of experts for validation. Moreover,

the reliability of the instrument was tested by the use of test-retest method which involves administrating the same instrument twice to ten (10) women entrepreneurs from each of the selected local government areas but outside sample area within two weeks interval. Comments obtained from the pilot test-retest were also considered accordingly. The study reported Cronbach reliability alpha of records keeping (.75), financing (.72) and working capital management (.72) in order to determine their reliability and soundness, therefore meeting acceptance standards for the study.

The mean of the scores on each item was developed and validated by Sambo, Gichira and Yusuf (2015) for interpretation of the respondents' level of agreement or disagreement. A mean score that is approximately between (i) 0.0 – 0.9 was regarded as very low, (ii) 1.0 – 1.9 was regarded as low, (iii) 2.0 – 2.9 was regarded as medium, (iv) 3.0 – 3.9 was regarded as high and (v) 4.0 – 5.0 was regarded as very high.

## Results and Discussion

**Table 1: Descriptive Statistics for questionnaire items on the effect of financial management skill Dimensions on the Performance of Women Entrepreneurs in Osun State, Nigeria**

Variable	Questionnaire Item	N	Mean	SD	Ranking
Effect of financial management skills on the performance of women entrepreneurs in Osun State	Financing	267	2.9166	1.3572	2 <sup>nd</sup>
	Records Keeping	267	3.0433	1.7213	1 <sup>st</sup>
	Working capital Mgt	267	2.7433	1.7831	3 <sup>rd</sup>
	<b>Grand Total</b>		<b>2.901</b>		

Source: Field Survey, 2018

Table 1 revealed that the extent of financing, records keeping and working capital management skills among women entrepreneurs in Osun State is moderate with a grand mean of 2.901. This implies that majority of women entrepreneurs did not have adequate financial management skills such as permanent book keeping and records keeping of all business transactions. The result also indicates that most of them are making use of only internally generated funds meaning that their access to either bank, government or any other loans is very low. The finding further reveals that women entrepreneurs lack better and sound financial skills such cash budget and internal control on cash leading to reckless spending as they cannot differentiate between business capital and net profits. The finding of this study is in line with Sajuyigbe, Adeyemi and Odebiyi (2016) who affirmed that financial management practices have insignificant influence on the performance of women entrepreneurs meaning that the adoption and implementation of financial management practices by women entrepreneurs is very low.

## Hypothesis Testing

**Table 2a: Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.537 <sup>a</sup>	.491	.439	2.648

a. Predictors: (Constant), Records Keeping Skills, Financing Skills, Working Capital Management Skills

**Table 2b: ANOVA<sup>a</sup>**

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	3862.659	3	1287.553	47.170	.000 <sup>b</sup>
	Residual	9908.534	263	27.296		
	Total	13771.193	266			

a. Dependent Variable: Performance

b. Predictors: (Constant), Records Keeping Skills, Financing Skills, Working Capital Management Skills

**Table 2c: Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	17.376	1.241		13.822	.000
	Records Keeping	1.864	.513	.883	4.377	.000
	Financing	1.149	.679	.574	2.813	.001
	Working Cap Mgt	.643	.377	.826	2.959	.001

a. Dependent Variable: Performance

In order to examine the effect of financial management skills on the performance of women entrepreneurs in Osun State, multiple regression analysis technique was applied to test the data collected and the result presented on the table 2a, 2b, and 2c shown above. This was in line with the objective of the study and the hypothesis which seek to examine the effect of financial management skills on the performance of women entrepreneurs in Osun State. The result showed that each of the parameters of estimate under financial management skill dimensions listed had one effect or the other on the dependent variable, performance (growth).

From table 2a above, it was observed that the identified financial management skill dimensions as a construct accounted for a total of 49.1% ( $R^2=0.491$ ) of entrepreneurial performance (growth) among the women entrepreneurs within the period of the study. The model was confirmed with an F value of  $(3,263) = 47.170$  which was significant at 1% level of significance meaning that the model had the ability of capturing the contribution. This implies that financial management skill dimensions jointly influence business



growth among women entrepreneurs at 1% level; this result conform Abimbola and Kolawole (2017) who revealed through the finding of their study that women entrepreneurs' performance is positively related to financial management practices

In determining the effect of the individual dimension while holding the others constant, the study observed that records keeping skills accounted for a variation of 1.864 of the women entrepreneurs' performance and significant at 1% level with t-value of 4.377. This result is in line with Abimbola and Kolawole(2017) who affirmed that the more efficient the financial management practices of women entrepreneurs, the better their performance and that by raising the efficiency of financial management practices, women entrepreneurs will improve on their profitability.

The effect of financing skill on the performance of women entrepreneurs, while holding other factors constant, was observed to be positive. Financing skill accounted for a variation of 1.149,  $\beta = 0.574$  while the t-value is 2.813 and is significant at 1% level.

The effect of working capital management skills while holding other factors constant showed a variation of 0.643,  $\beta = 0.826$  while t-value is 2.959 at 1% level of significance confirming the model. These results are therefore, in line with Ntabo and Muturi (2016) who found that entrepreneur's financial management skills will increase the use of debt financing

## Conclusion and Recommendation

This paper examines the effect of financial management skills on the performance of women entrepreneurs in Osun State using multiple regression analysis. A structured questionnaire-based study was carried out among 267 women entrepreneurs in Osun State. The result of the study showed that records keeping skills, financing skills and working capital management skills were statistically significant. Records keeping had highest statistically significant influence on the growth of the business. From the above discussion, it is concluded that records keeping and financing skills significantly influence the performance of women entrepreneurs in the study area. Working capital management skill was found to influence the performance of women entrepreneurs, but at a relatively low level. Based on the above conclusion, it is therefore recommended that government should encourage women to have access to short-term training on financial management skills development so as to boost their performance.

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