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INFLUENCE OF FINANCIAL LITERACY AND ACCOUNTING EDUCATION ON ENTREPRENEURIAL SUCCESS OF SMALL BUSINESS OWNERS

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Abstract

This paper examined the influence of financial literacy and accounting education on the entrepreneurial success of small business owners. In the contemporary business environment, financial literacy and accounting education have become essential for effective business management and sustainable entrepreneurial success. The relevance of financial literacy and accounting education in enhancing entrepreneurial success cannot be overemphasized, as they equip business owners with the knowledge and skills required to make informed financial decisions, maintain proper records, and manage business resources effectively. The paper highlighted the concepts of financial literacy, accounting education, entrepreneurial success, components of financial literacy, benefits of accounting education to small business owners, and challenges affecting their adoption. The paper identified that financial literacy and accounting education enhance entrepreneurial success through improved record keeping, better financial decision-making, effective capital budgeting, enhanced access to finance, improved risk management, and increased profitability. However, challenges such as limited access to financial education, inadequate accounting knowledge, cultural barriers, low educational attainment, and limited government support hinder their widespread adoption. Conclusion was drawn. The paper recommended that government should develop financial literacy and accounting education programs for small business owners, business owners should invest in financial training, and educational institutions should incorporate practical accounting and financial literacy training into their curricula.

Keywords: Financial Literacy, Accounting Education, Entrepreneurial Success, Small Business Owners.

Introduction

The growth and development of any nation is hinged on the success of its small businesses. Small businesses constitute the backbone of many economies, particularly in developing countries like Nigeria, where they contribute substantially to employment generation, poverty reduction, and economic growth (Okoye & Onyeneke, 2024). In Nigeria, small businesses are particularly vital given the state's status as a commercial hub, with major commercial clusters in Onitsha, Lagos, Kano Nnewi, and Awka. The entrepreneurial success of these business owners is therefore critical to the economic well-being of the state and the nation at large. Financial literacy and accounting education are fundamental to the success of small business owners. Financial literacy refers to the ability to understand and effectively use various financial skills, including personal financial management, budgeting, and investing (Lusardi & Mitchell, 2024). Accounting education, on the other hand, refers to the knowledge and skills required to record, analyze, and report financial transactions. Together, these competencies equip business owners with the tools needed to manage business resources effectively, make informed decisions, and achieve entrepreneurial success (Okafor & Eze, 2024). The transition from informal business management to financially literate and accounting-educated management has been driven by the need for greater efficiency, effectiveness, and sustainability in business operations. The adoption of financial literacy and accounting education has become a critical success factor for small business owners seeking to maintain competitive advantage in the modern business environment (Ezeala & Agbata, 2025).

Globally, the importance of financial literacy and accounting education has gained significant momentum. According to research by the Organization for Economic Co-operation and Development (OECD, 2020), approximately 65% of adults in developed economies demonstrate basic financial literacy, compared to less than 30% in Sub-Saharan African countries. This disparity highlights the financial literacy gap that exists between developed and developing economies and underscores the need for interventions to enhance financial literacy and accounting education among small business owners.

The call for financial literacy and accounting education among small business owners in Nigeria is to infuse and inject efficiency and effectiveness in business management. In developing countries like Nigeria, financial literacy and accounting education are challenged with problems of limited access to financial education, cultural barriers, inadequate government support, and low educational attainment among business owners (Jegede & Owolabi, 2021). Despite these challenges, the adoption of financial literacy and accounting education has continued to grow, especially among small business owners.

Nigeria, being a commercial hub in West Africa, hosts a significant concentration of small businesses. The country is home to three major commercial clusters: Onitsha (the largest commercial city), Nnewi (known as the "Japan of Africa" due to its concentration of automotive parts manufacturers), and Awka (a state capital with a growing commercial presence). These small business owners contribute significantly to the economic development of the country through job creation, wealth generation, and poverty reduction (Okoye & Onyeneke, 2024). The adoption of financial literacy and accounting education among these business owners is therefore essential for their continued growth, competitiveness and entrepreneurial success.

Entrepreneurial success, often measured by profitability, business survival, business growth, and wealth creation, is a critical indicator of a business owner's effectiveness. Extant literature has shown that the level of financial literacy and accounting knowledge among business owners could influence efficiency in resource utilization and improve entrepreneurial success (Ezeala & Agbata, 2025). The use of financial literacy skills and accounting knowledge ideally should contribute to entrepreneurial success if it can improve financial decision-making, record keeping, and resource management.

This paper, therefore, discusses the influence of financial literacy and accounting education on entrepreneurial success of small business owners, examining the concepts, components, benefits, and challenges associated with their adoption.

CONCEPTUAL CLARIFICATION

Financial Literacy

Financial literacy refers to the ability to understand and effectively use various financial skills, including personal financial management, budgeting, and investing. It involves the knowledge and skills required to make informed and effective decisions with all financial resources (Lusardi & Mitchell, 2014). Financial literacy equips individuals and business owners with the knowledge and skills needed to manage financial resources effectively. In the view of Remund (2019), financial literacy is not merely a matter of knowledge; it also encompasses attitude and experience. Having the right mindset, characterized by prudence, responsibility, and a commitment to financial well-being, is essential. Financial literacy provides businesses with a flexible and personalized way to manage their finances and offers on-demand financial information.

The contribution of financial literacy to business success cannot be overemphasized. Financial literacy contributes to providing accurate and reliable financial information in the form of sound financial decisions. Additionally, its comprehensibility positively affects entrepreneurial success by enabling analysis, assessment, and informed decision-making (Lamuri & Bin Nawi, 2024).

Accounting Education

Accounting education refers to the systematic instruction and training in accounting principles, practices, and procedures. It equips individuals with the knowledge and skills required to record, analyze, interpret, and report financial transactions (Okafor & Eze, 2024). Accounting education is essential for small business owners as it enables them to maintain proper financial records, prepare financial statements, and make informed business decisions. Accounting education encompasses various areas, including financial accounting, management accounting, bookkeeping, financial reporting, and internal control. For small business owners, accounting education provides the foundation for effective financial management, record keeping, and decision-making (Akwuobi et al., 2025). The relevance of accounting education to small business owners cannot be overemphasized. It equips them with the skills needed to understand financial statements, track business performance, identify cost-saving opportunities, and make informed decisions. Accounting education also enables business owners to comply with tax regulations and attract financing from financial institutions (Ezeala & Agbata, 2025).

Entrepreneurial Success

Entrepreneurial success refers to the achievement of positive outcomes in business ownership, including profitability, business survival, business growth, and wealth creation (Olaoye et al., 2025). Entrepreneurial success is a critical indicator of a business owner's effectiveness and the sustainability of their business.

Entrepreneurial success can be measured using various indicators, including:

1. Profitability: The ability to generate profits from business operations
2. Business Survival: The ability to sustain business operations over time
3. Business Growth: The ability to expand business operations
4. Wealth Creation: The ability to generate wealth for the business owner and stakeholders
5. Job Creation: The ability to create employment opportunities
6. Innovation: The ability to introduce new products, services, or processes

The relationship between financial literacy, accounting education, and entrepreneurial success has been extensively documented in the literature. Business owners with higher levels of financial literacy and accounting knowledge are better able to manage business resources, make informed decisions, and achieve entrepreneurial success (Ezeala & Agbata, 2025).

Record Keeping

Record keeping is a fundamental aspect of effective business management, a practice deeply rooted in the principles of accountability. The International Federation of Accountants (IFAC, 2017) emphasizes that maintaining comprehensive records is fundamental to ensuring transparency, accountability, and good governance in organizations. Record keeping involves the systematic and organized documentation of various transactions, activities, and information in a structured manner for future reference, analysis, and compliance purposes.

Accurate financial records are indispensable for businesses to manage their finances effectively. Financial records, such as income statements and balance sheets, provide a snapshot of a company's financial health, enabling decision-makers to make informed choices based on real data (Akwuobi et al., 2025). These records serve as the foundation for budgeting and financial planning, allowing businesses to set clear financial objectives and evaluate their progress towards achieving them.

Capital Budgeting

Capital budgeting is the cornerstone and a critical financial process that wields substantial influence over the long-term success and sustainability of firms. It constitutes a structured approach to decision-making regarding the allocation of financial resources to a range of investment projects. Capital budgeting represents a commitment to responsible financial management, one that transcends the daily financial transactions and operational activities of a business (Ezeala & Agbata, 2025).

Capital budgeting decisions are inherently forward-looking and strategic in nature. These decisions involve the evaluation of potential investment projects over an extended time horizon, often spanning several years or even decades. This long-term perspective sets capital budgeting apart from routine financial management tasks.

Components of Financial Literacy and Accounting Education

Components of Financial Literacy

1. Financial Knowledge: Understanding basic financial concepts such as interest rates, inflation, risk diversification, and the time value of money (Lusardi & Mitchell, 2014).
2. Financial Behavior: The application of financial knowledge in practice, including budgeting, saving, investing, and managing debt (Remund, 2019).
3. Financial Experience: Practical experience in managing financial resources that enhances the ability to make sound financial decisions.
4. Financial Attitude: The mindset and approach towards financial management that influences financial behavior and decision-making.
5. Budgeting Skills: The ability to prepare, monitor, and evaluate budgets to plan and control financial resources effectively.
6. Cash Flow Management: The ability to manage cash inflows and outflows effectively for business liquidity and sustainability.
7. Debt Management Literacy: The ability to manage debt effectively, including understanding interest rates, repayment terms, and debt sustainability.
8. Financial Risk Management: The ability to identify, assess, and mitigate financial risks for business sustainability.

Components of Accounting Education

1. Bookkeeping Skills: The ability to maintain accurate financial records, including income statements and balance sheets.
2. Financial Statement Analysis: The ability to analyze financial statements to assess business performance and identify improvement opportunities.
3. Capital Budgeting Knowledge: The ability to evaluate and select investment projects for long-term business success.
4. Financial Planning: The ability to develop and implement financial plans for business growth and sustainability.
5. Tax Knowledge: Understanding of tax obligations and compliance requirements.
6. Internal Control: Knowledge of internal control systems to prevent fraud and ensure accuracy of financial records.
7. Cost Management: Understanding of cost concepts and techniques for cost control and reduction.
8. Financial Reporting: Ability to prepare and present financial reports for stakeholders.

Benefits of Financial Literacy and Accounting Education to Small Business Owners

Financial literacy and accounting education offer numerous benefits to small business owners. These benefits include:

1. Improved Record Keeping: Financial literacy and accounting education enable small business owners to maintain accurate financial records. Accurate financial records are indispensable for businesses to manage their finances effectively (Akwuobi et al., 2025). Financial records provide a snapshot of a company's financial health, enabling decision-makers to make informed choices based on real data.
2. Better Financial Decision-Making: Financial literacy and accounting education provide the knowledge and skills needed for informed financial decision-making.

Business owners can use financial information to identify cost-saving opportunities, prioritize investments, and evaluate business performance (Ezeala & Agbata, 2025).

3. Effective Capital Budgeting: Financial literacy and accounting education enable business owners to evaluate and select investment projects effectively. Capital budgeting empowers organizations to make investments that will maximize value creation and contribute to their long-term sustainability.
4. Enhanced Access to Finance: Financially literate and accounting-educated business owners are better able to prepare financial statements and business plans needed to attract financing from financial institutions. Firms with proper books of accounts are often capable of attracting external financing easily than those with poor records (Musa et al., 2026).
5. Improved Risk Management: Financial literacy and accounting education enable business owners to identify and manage financial risks. Financial risk management focuses on the proactive identification, comprehensive assessment, and strategic mitigation of risks intrinsically linked to financial activities.
6. Cost Reduction: Financial literacy and accounting education enable business owners to identify cost-saving opportunities through improved resource efficiency and waste reduction.
7. Enhanced Profitability: Financial literacy and accounting education contribute to improved profitability through better financial management, cost reduction, and improved decision-making.
8. Improved Cash Flow Management: Financial literacy and accounting education enable business owners to manage cash inflows and outflows effectively. Better management of cash as a result of efficient payments and collection systems is a key benefit.
9. Tax Compliance: Accounting education enables business owners to understand and comply with tax obligations, avoiding penalties and legal issues.
10. Business Growth: Financial literacy and accounting education contribute to business growth through better financial planning, investment decisions, and resource management.
11. Enhanced Business Survival: Financial literacy and accounting education contribute to business survival and sustainability. Business owners with financial knowledge are better equipped to navigate economic challenges and sustain their businesses.
12. Wealth Creation: Financial literacy and accounting education enable business owners to create and preserve wealth through effective financial management and investment decisions.

Challenges in the Adoption of Financial Literacy and Accounting Education

Despite the numerous benefits of financial literacy and accounting education, small business owners face several challenges in their adoption. These challenges include:

1. Limited Access to Financial Education: Many small business owners lack access to financial literacy and accounting education programs. The limited availability of

training programs, particularly in rural areas, hinders the acquisition of financial knowledge and skills (Jegede & Owolabi, 2021).

2. Inadequate Accounting Knowledge: Many small business owners lack basic accounting knowledge and skills. This limits their ability to maintain proper financial records, prepare financial statements, and make informed financial decisions (Okafor & Eze, 2024).
3. Cultural Barriers: Cultural factors may influence the adoption of financial literacy and accounting education. Some business owners may have cultural values that prioritize informal business practices over formal financial management.
4. Low Educational Attainment: Low levels of formal education among some small business owners may limit their ability to understand and apply financial and accounting concepts.
5. Limited Government Support: Inadequate government support for financial literacy and accounting education programs hinders their widespread adoption. Without government support, training programs may be limited in scope and reach.
6. High Cost of Training: The cost of financial literacy and accounting education programs can be a barrier for small business owners with limited financial resources.
7. Time Constraints: Small business owners often have limited time to attend training programs due to the demands of running their businesses.
8. Lack of Awareness: Many small business owners are not aware of the importance of financial literacy and accounting education for business success.
9. Resistance to Change: Some business owners resist adopting new financial management practices due to comfort with traditional methods or fear of technology.
10. Inadequate Infrastructure: Limited infrastructure, including internet connectivity and electricity, may hinder access to online financial literacy and accounting education programs.

Conclusion

The utilization of financial literacy and accounting education among small business owners is growing despite the varied challenges. Financial literacy components such as financial knowledge, budgeting skills, cash flow management, and debt management literacy are available for use in business management. Accounting education components such as bookkeeping skills, financial statement analysis, and capital budgeting knowledge are also available. However, business owners face challenges such as limited access to financial education, inadequate accounting knowledge, cultural barriers, and low educational attainment.

The transformation of business management through financial literacy and accounting education is essential for small business owners to achieve entrepreneurial success in the competitive business environment. The adoption of financial literacy and accounting education enhances entrepreneurial success through improved record keeping, better financial decision-making, effective capital budgeting, enhanced access to finance, improved risk management, and increased profitability. It is believed that if these challenges are addressed, small business owners would significantly benefit from the adoption of financial literacy and accounting education.

The paper concluded that financial literacy and accounting education have the potential to significantly enhance the entrepreneurial success of small business owners. The benefits of financial literacy and accounting education adoption, including improved financial management, better decision-making, and increased profitability, outweigh the challenges. However, addressing the challenges facing their adoption, particularly access to education, awareness, and government support, is essential for realizing the full benefits.

Recommendations

This paper made the following recommendations:

1. Government should develop financial literacy and accounting education programs specifically tailored for small business owners. Comprehensive programs would provide business owners with the knowledge and skills needed for effective financial management and business success.
2. Government should provide incentives for financial literacy and accounting education adoption, including subsidies, grants, and tax breaks for business owners who participate in training programs. Incentives would reduce the financial burden and encourage more business owners to invest in financial education.
3. Educational institutions should incorporate practical financial literacy and accounting training into their curricula to prepare students for entrepreneurship. The incorporation of practical training would ensure that graduates have the skills needed for effective business management.
4. Small business owners should invest in financial literacy and accounting education to enhance their business management capabilities. Investment in financial education would improve business performance and entrepreneurial success.
5. Business development organizations should provide affordable financial literacy and accounting education programs for small business owners. Affordable programs would make financial education accessible to more business owners.
6. Government should improve access to financial literacy and accounting education, particularly in rural areas. Improved access would ensure that all business owners have the opportunity to acquire financial knowledge and skills.
7. Financial institutions should provide financial literacy and accounting education to their small business clients to improve their creditworthiness and business performance.
8. Professional accounting bodies such as ICAN and ANAN should develop simplified accounting education programs for small business owners. Simplified programs would make accounting education accessible to business owners with limited formal education.
9. Business owners should join business associations and cooperatives to access financial literacy and accounting education programs and share best practices.

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